

FINANCIAL ANNUAL REPORT OF

For the year ended December 31, 2023

OTTAWA

OTTAWA

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SAA school of management

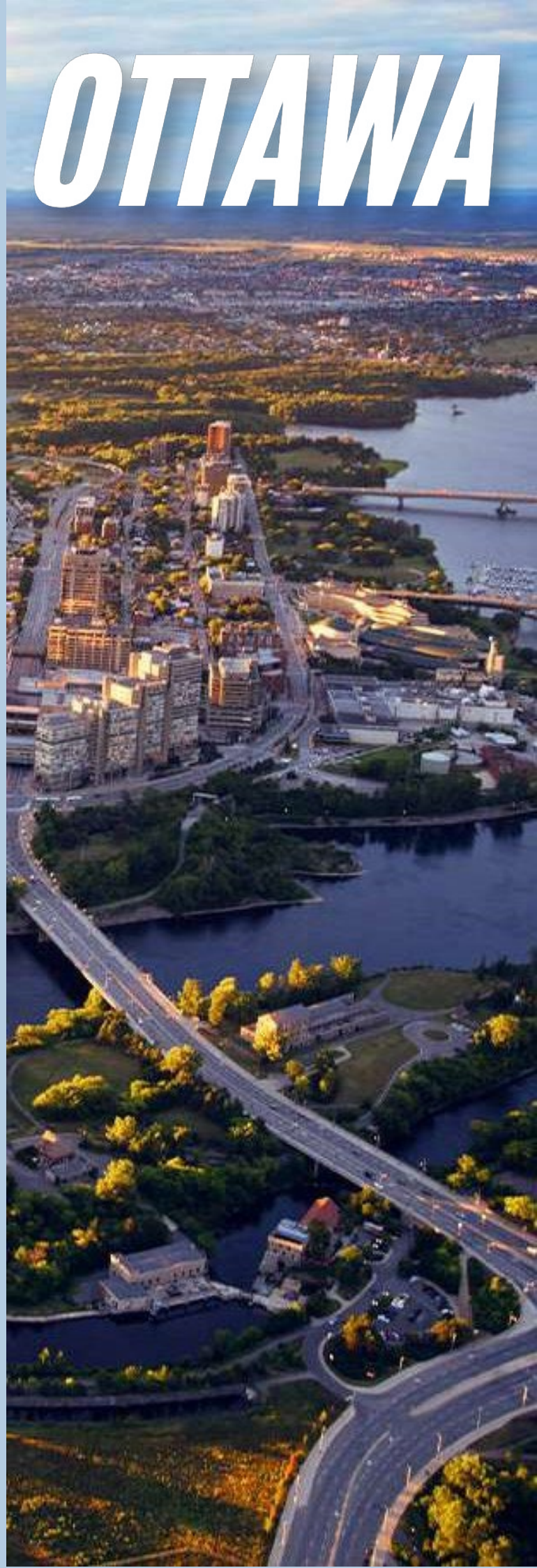




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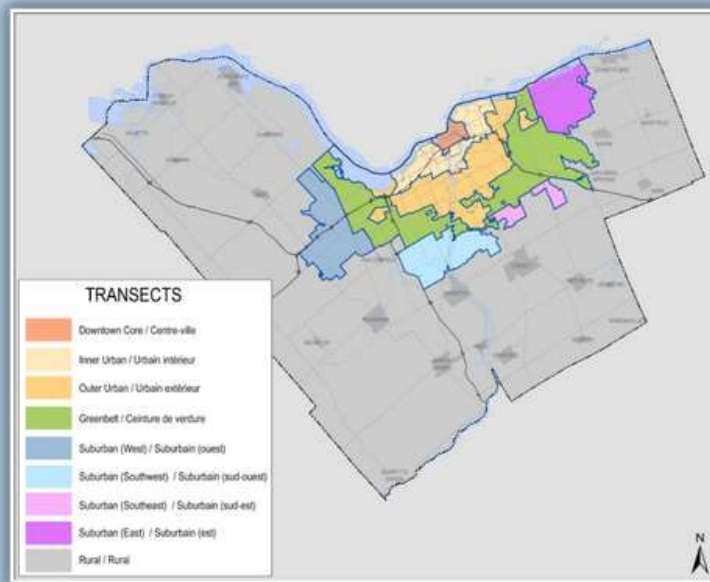
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ABOUT OUR CITY

Ottawa, the capital of Canada, is situated in eastern Ontario. With a population of 1 million, it ranks as the fourth largest urban area in the country. While Ottawa is well-known as the hub of Canada's federal government and for its vibrant downtown, it is also celebrated for its picturesque countryside and rural attractions. Covering 2,796 km², Ottawa is larger than the combined area of Calgary, Edmonton, Toronto, Vancouver, and Montreal, and offers a unique mix of urban, suburban, and rural landscapes.



Ottawa is governed by a 25-member City Council, which includes the Mayor, who represents the entire city, and 24 Councillors, each representing individual wards. A municipal election took place on October 24, 2022, and the newly elected Mayor and City Council were sworn in on November 15, 2022, for a four-year term. The City Council is responsible for setting the direction, policies, and budgets that guide the delivery of services to the community. Ottawa's governance structure includes several interconnected bodies, such as City Council, Standing Committees, Advisory Committees, as well as various arm's-length agencies, boards, and commissions.





MAYOR'S LETTER

“As we look back on 2023, I’m proud to share the significant strides we’ve made in strengthening Ottawa’s infrastructure and services. Our focus has been unwavering: to build a city that is more affordable, reliable, and safe for everyone who calls Ottawa home. The challenges of inflation, population growth, and the lasting impacts of the pandemic have been real, but our commitment to balancing quality services with fiscal responsibility has never been stronger. This Annual Report reflects the strategic investments we’ve made in our people, businesses, infrastructure, and communities, all with the goal of ensuring Ottawa continues to thrive. The diligent work carried out in 2023 lays the foundation for the future, and I look forward to building on this momentum in 2024, as we continue making the critical investments necessary to create a better Ottawa for all. “

CITY ORGANISATIONAL CHART

The organizational structure of the City of Ottawa includes City Council, the City Manager, the City Manager's Office, the Office of the City Clerk, the Office of the City Solicitor, and nine Departmental General Managers.

The City Manager acts as the chief administrator for City Council, overseeing the delivery of services across more than 100 distinct business areas through nine departments and a workforce of over 17,000 employees. The Consolidated Financial Statements offer detailed information about the City's departments, as well as entities such as Ottawa Police Services, Ottawa Public Library, Ottawa Public Health, Business Improvement Areas, Ottawa Hydro, and Ottawa Community Housing.



OTTAWA BY THE NUMBERS

"The City of Ottawa is committed to fostering a vibrant, sustainable, and inclusive city by delivering exceptional services, promoting community engagement, supporting a strong economy, and ensuring the well-being of all its residents."



2,796 sq kms

City of Ottawa
geographic size (area)



6,043 kms

Total kilometres of roads

1,067,310

Population, 2022

[Current population and household estimates | City of Ottawa](#)



1,083,550

Population, 2023

[Current population and household estimates | City of Ottawa](#)



Talent

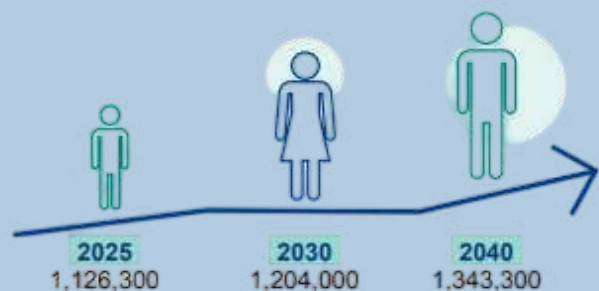


44% Bilingual rate

A young, entrepreneurial workforce, with a bilingual rate of 44%, and more engineers, scientists, and PhDs per capita than any other city in Canada.

[Source: City of Ottawa \(2016\)](#)

Population (Projections)



[Source: City of Ottawa Estimates](#)

Employment by Industry

December 2023, 3-month moving average, unadjusted for seasonality



11.1%

% of Goods Producing Sector



88.9%

% of Service Producing Sector

Unemployment Rate

4.5%

Ottawa

Seasonally adjusted, monthly average by year, in 2023

[Source: Statistics Canada, Labor Force Characteristics](#)

5.4%
Canada



The City of Ottawa has consistently been acknowledged as an outstanding employer and is proud to be recognized as one of Canada's top employers for diversity.

OTTAWA BY THE NUMBERS

Affordable housing units



2,616

Total number of affordable housing units in inventory



106

Number of affordable units completed in 2023



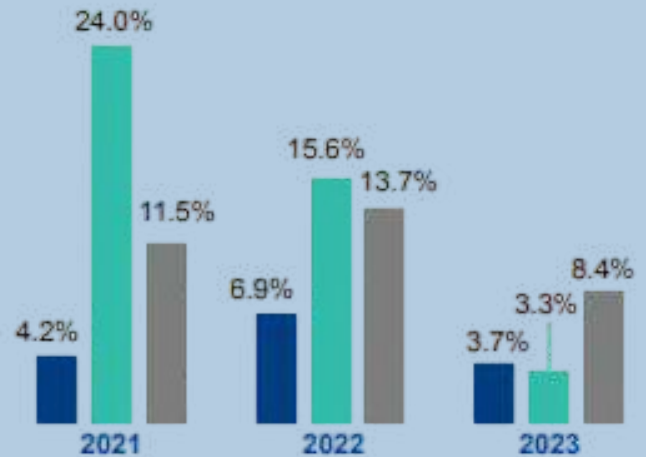
1,697

Number of units currently under construction or in pre-development stage

Source: City of Ottawa, Housing Branch, Community and Social Services Department, December 2023

Average Inflation Rate

In %



- Ottawa Inflation
- Ottawa Construction Inflation (Residential)
- Ottawa Construction Inflation (Non-Residential)

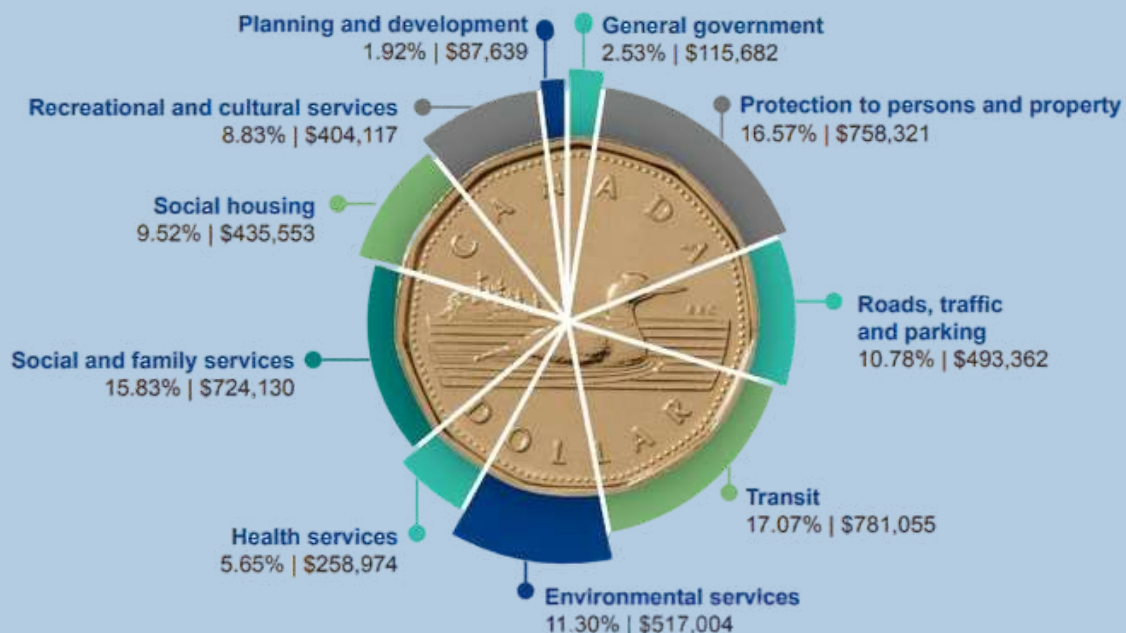
Source: Statistics Canada, Consumer Price Index

Where your dollars go

2023 Expenses

Total expenses – \$4,575,837

*dollars are in thousands

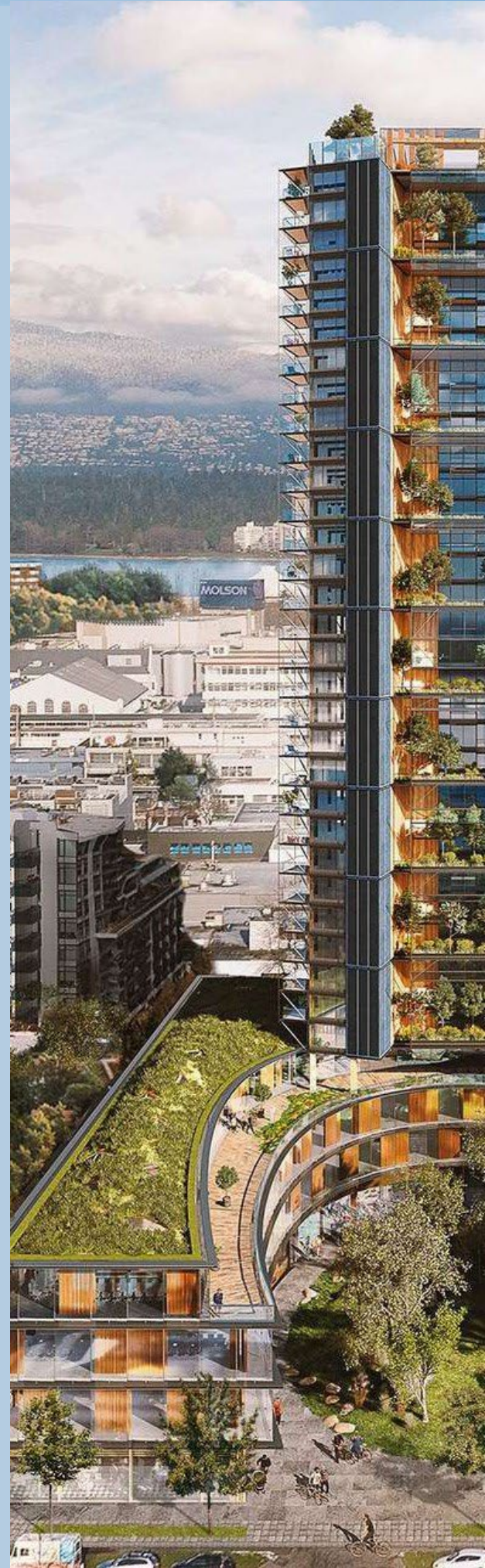


ECONOMIC OUTLOOK

With a growing population and a reputation as a technology and education hub, Ottawa is Canada's capital and one of its most economically resilient cities. It stands as a center for public administration and innovation, with key sectors in technology, public services, and research. Ottawa's economy benefits from its proximity to major North American markets, and it consistently maintains a low unemployment rate, at 4.5% in 2023, below the national average.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern." Although no specific emergency was declared locally, Ottawa's economy faced the impacts of COVID-19, notably in social services and housing. Nationwide programs, including COVID-19 relief funding, provided Ottawa with critical support, focusing on healthcare, family assistance, and housing for those impacted by the pandemic.

Ottawa launched initiatives to increase access to housing and essential services, with the city's budget addressing housing affordability and healthcare resilience. Funding allocations addressed caseloads and essential service recovery, creating a foundation for continued support for residents. Ottawa's economic recovery remains closely aligned with broader health outcomes and continued community investment in essential services. The steady deployment of resources reflects the City's commitment to supporting economic recovery and social well-being.



The City of Ottawa received several prestigious awards from the Government Finance Officers Association (GFOA), each valid for one year:

- **Certificate of Achievement for Excellence in Financial Reporting** for its Annual Financial Report, recognizing Ottawa's commitment to transparency and high standards in financial reporting;
- **Distinguished Budget Presentation Award** for its Annual Budget, acknowledging the city's success in clearly and effectively communicating its financial plans;
- **Award for Outstanding Achievement in Popular Annual Financial Reporting**, honoring Ottawa's efforts to make financial information accessible and understandable to the public.

These awards reflect Ottawa's dedication to financial accountability and excellence in government financial practices.



BUDGET PROCESS

In 2023, the City of Ottawa's budget followed the requirements of the Municipal Act and Ontario Regulation 284/09, ensuring that the budget was balanced. This means that sufficient funds were raised through tax rates, water rates, and user fees to meet the city's operating and capital expenditures. The budget was prepared using a modified accrual basis, where revenues and expenses are recognized when they occur, not when cash changes hands. This includes items like borrowings, asset costs, and debt repayments. At the end of the year, financial reporting is done on a full accrual basis, as required by the Public Sector Accounting Board (PSAB) for municipalities. Under this method, revenues are recognized when earned, and expenses are reported when incurred, even if the cash has not been received or paid. Additionally, the city's financial statements account for amortization, post-employment benefits, and future liabilities, with a reconciliation of the approved budget and actual results provided in the annual report.

Revenue			
(dollars in thousands)	2023 Budget	2023 Actuals	2022 Actuals
Taxes available for municipal purposes	\$ 2,230,703	\$ 2,282,933	\$ 2,137,217
Government transfers	1,548,222	1,308,108	1,546,685
Fees and user charges	980,069	959,863	873,192
Contributed tangible capital assets	441,038	488,087	469,303
Development charges	190,694	170,256	168,419
Investment income	61,283	95,691	73,143
Fines and penalties	59,038	55,048	46,791
Other revenue	40,429	56,603	84,875
Equity in earnings of government business enterprises	34,300	24,104	39,674
Total revenue	\$ 5,585,776	\$ 5,440,693	\$ 5,439,299

FINANCIAL HIGHLIGHTS

The information provided here is a summarized overview of selected funds and does not comply with generally accepted accounting principles (GAAP). It is not intended to cover all of the City's component units. The table below presents a summary of key financial data from the past two fiscal years.

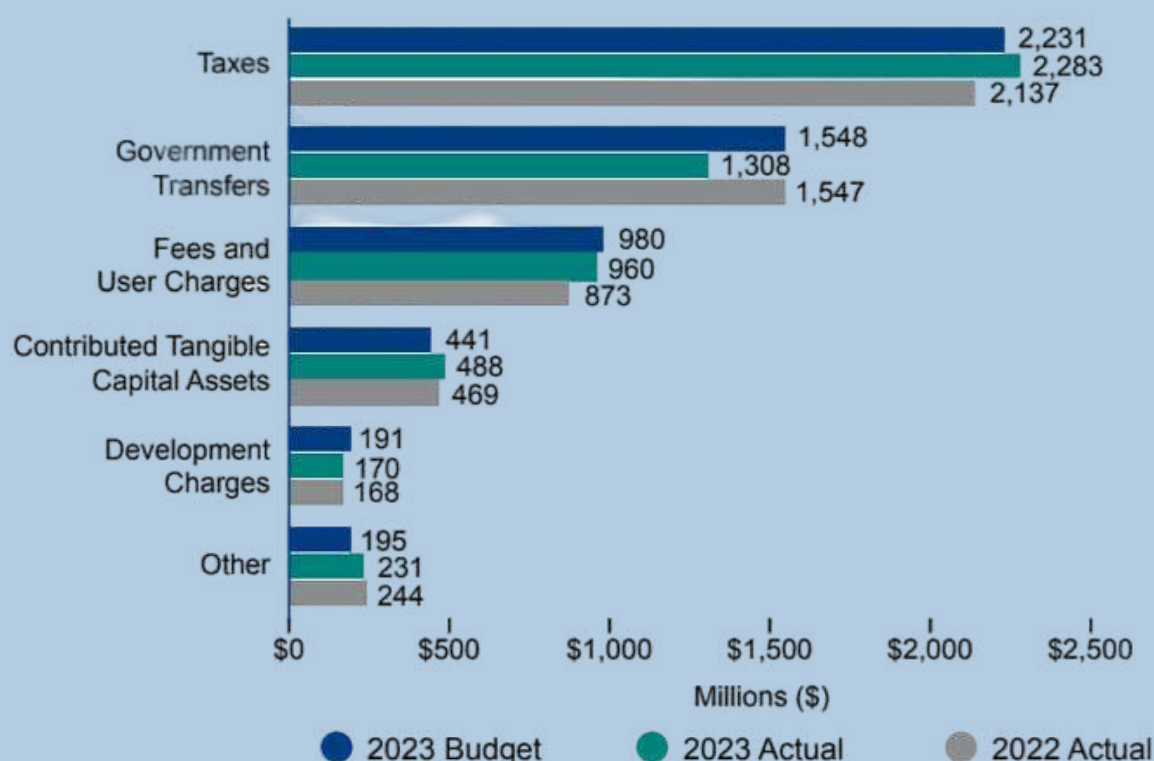
The statement of financial position outlines the City's financial and non-financial assets, including tangible capital assets. It also details the City's liabilities, such as debt. Since the City's total assets exceed its liabilities, the statement reflects an accumulated surplus.

Consolidated Statement of Financial Position				
(dollars in thousands)	2023 Actual	2022 Actual	Variance	% Change
Financial assets	\$ 4,366,538	\$ 4,494,566	\$ (128,028)	(2.8)%
Liabilities	7,733,506	7,414,981	318,525	4.3%
Net debt	(3,366,968)	(2,920,415)	(446,553)	15.3%
Tangible capital assets	22,250,618	20,918,781	1,331,837	6.4%
Other non-financial assets	116,528	98,129	18,399	18.8%
Accumulated surplus	\$ 19,000,178	\$ 18,096,495	\$ 903,683	5.0%

Also, as shown in the statistics below, the City saw a decline in residential housing starts compared to the previous year. The City's unemployment rate stood at 4.5%, which is lower than the national rate of 5.4% for Canada. Unemployment rates in 2023 were higher than those in 2022.

Economic environment	2023	2022	% Change
Residential housing starts ¹	9,245	11,032	(16.2)%
Value of building permits issued (in millions)	3,723	3,350	11.1 %
Inflation, CPI annual increases ² (%)	3.6	6.9	(3.3)%
Unemployment rate ³ (%)	4.5	4.2	0.3 %

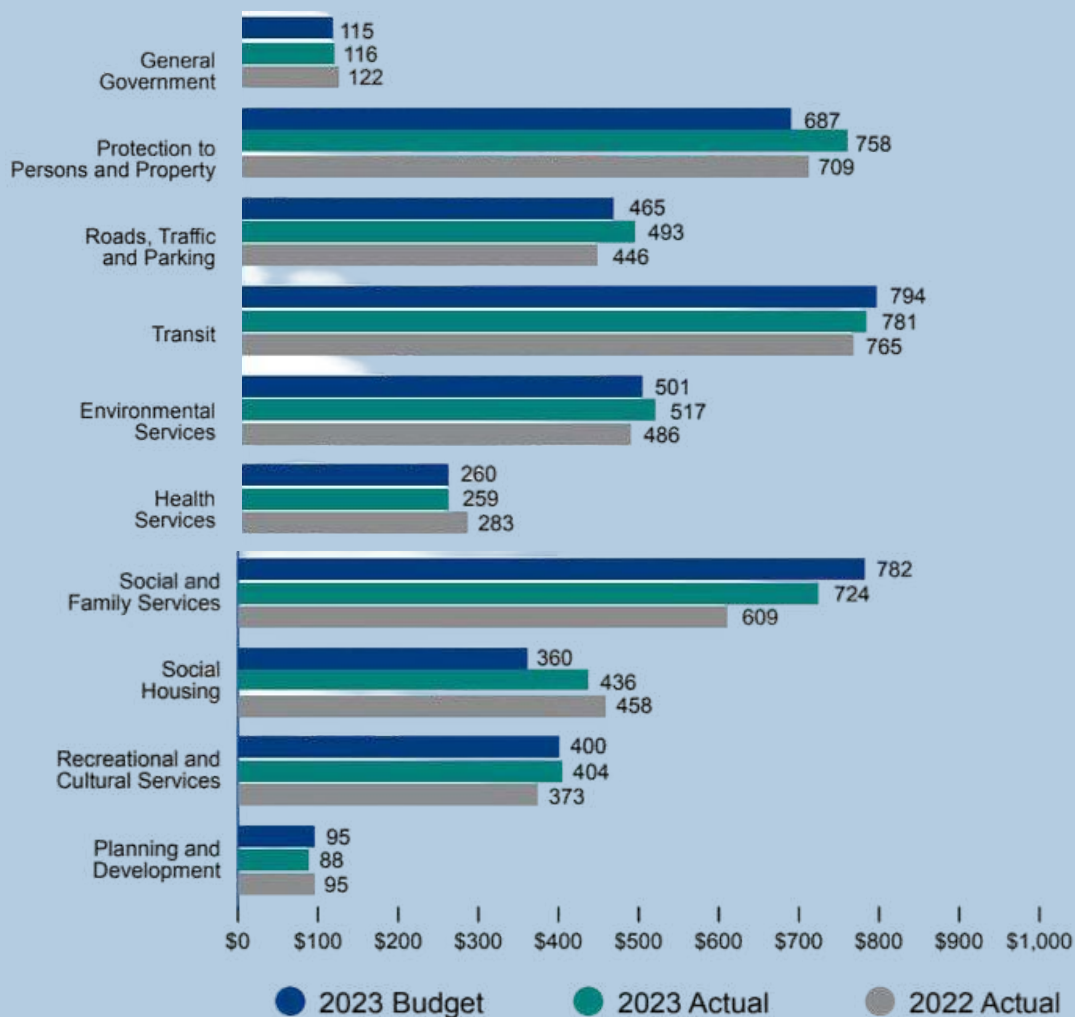
Where does the money come from?



Comparison to budget

Revenues were \$145.1 million lower than planned, mainly due to a decrease in government transfers. However, this was partially offset by higher tax revenues for municipal services and contributed assets. Taxes for municipal services were \$52.2 million higher than expected, thanks to more growth in the assessment base and retroactive Payments in Lieu of Taxes from the government. Government transfers, however, were \$240.1 million below budget. This included a \$44.5 million reduction in gas tax funds due to changes in how they were recognized. Social services transfers were \$22.3 million lower because the actual number of cases was fewer than expected. Transfers related to COVID-19, like the Transit Safe Restart Program, were \$53.6 million less than budgeted. Childcare funding was also \$47.5 million lower due to fewer families receiving fee subsidies than anticipated. Contributed tangible capital assets, which are built and paid for by developers, varied depending on the timing of development projects, making it hard to accurately budget for them.

Where does the money go?



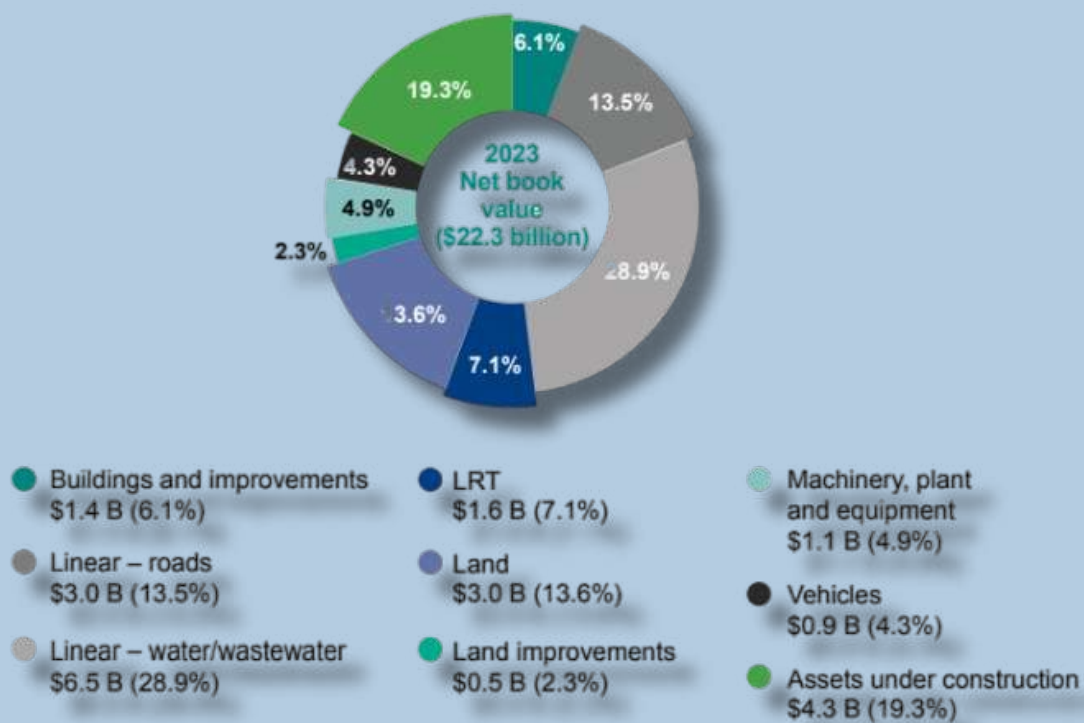
Comparison to budget

Expenses for protection of people and property were higher than expected because of more events and demonstrations in 2023, increased pay and overtime, and higher repair and maintenance costs. Roads, traffic, and parking costs were also higher than planned due to extra winter maintenance, more vehicle repairs, and cleanup from the July 2023 tornado, along with ongoing costs from the 2022 Derecho storm. Environmental services costs went over budget because of inflation, higher chemical prices, more maintenance work, and emergency response costs. Social and family services expenses were lower than expected due to vacant positions, fewer children enrolled in childcare programs, and less spending on COVID-19 related expenses. Social housing costs were higher than budgeted because of more COVID-19 related spending, higher shelter costs, and unexpected program expenses.

SUMMARY OF CAPITAL ASSETS

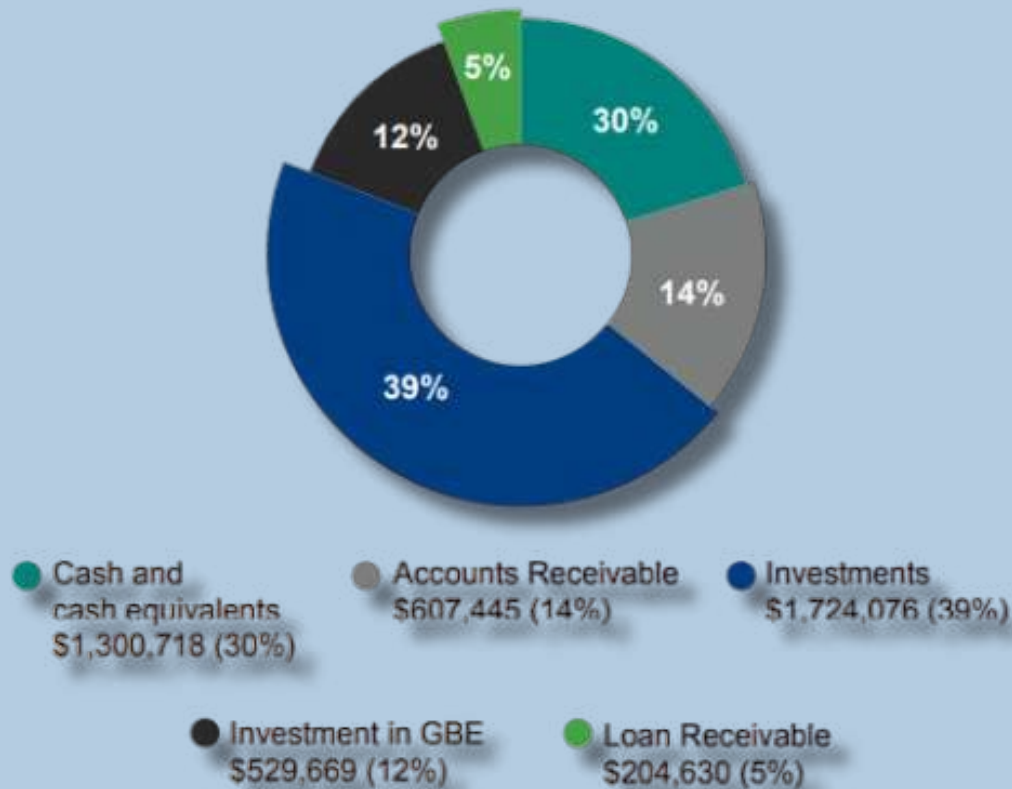
Tangible Capital Assets

Tangible capital assets are a major investment for the City, crucial for stewardship, accountability, cost management, and asset planning. These assets are valued at their historical cost and amortized over their useful life. The residual net book value (NBV) represents the value of the assets available for future use. The City's tangible capital assets mainly include water and wastewater infrastructure, roads, land, light rail transit (LRT), buildings, and machinery. Costs for Stage 2 of the LRT are included as assets under construction until it is operational.



As of December 31, 2023, the net book value of the City's tangible capital assets was \$22.25 billion, an increase of 6.4% from the 2022 value of \$20.92 billion. The net increase of \$1.3 billion was due to \$1.28 billion in acquisitions and \$488 million in contributions. This was partially offset by \$412 million in amortization and \$25 million in asset disposals. Key projects contributing to the increase included Stage 2 of the LRT (\$598 million), road projects (\$199 million), and water/wastewater infrastructure (\$474 million).

CASH & INVESTMENTS



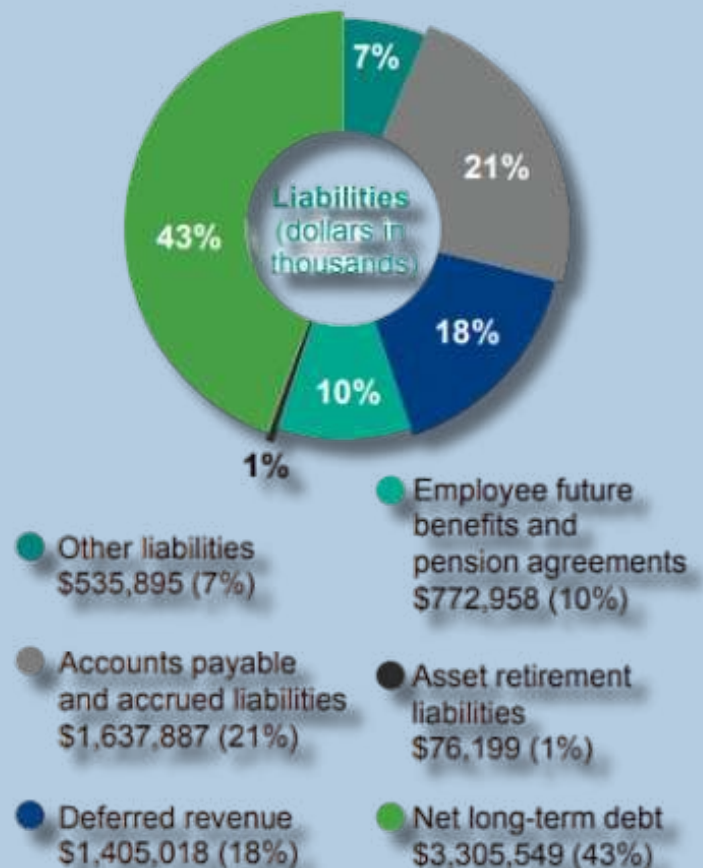
Financial assets

Financial assets include cash and items that can easily be converted into cash to pay off current liabilities or fund future operations. The City's financial assets consist of cash and cash equivalents, accounts receivable, investments, investments in government business enterprises (GBEs), and loans receivable. These assets help the City manage its finances and meet its obligations.

At the end of 2023, the City's financial assets totaled \$4.37 billion, down \$128 million (2.8%) from the previous year. Cash and cash equivalents increased by \$518.7 million, while accounts receivable decreased by \$569.6 million and investments by \$72.5 million. The rise in cash was due to unexpected Stage 2 LRT funding and lower expenditures. The drop in receivables was mainly from fewer light rail claims and reduced accruals for policing costs and COVID-related funding.

Liabilities

Liabilities are the City's obligations to pay, including accounts payable, employee benefits, and long-term debt. In 2023, liabilities increased due to government funding received but not yet recognized as revenue. The City also took on \$202 million in new debt but paid off \$136 million in principal and earned \$12 million in sinking fund investments. A new accounting rule reclassified bond premiums and commissions as long-term debt instead of accounts payable or receivable. Additionally, Ottawa Community Housing Corporation's mortgages increased due to new loans for construction and repairs.



Net debt

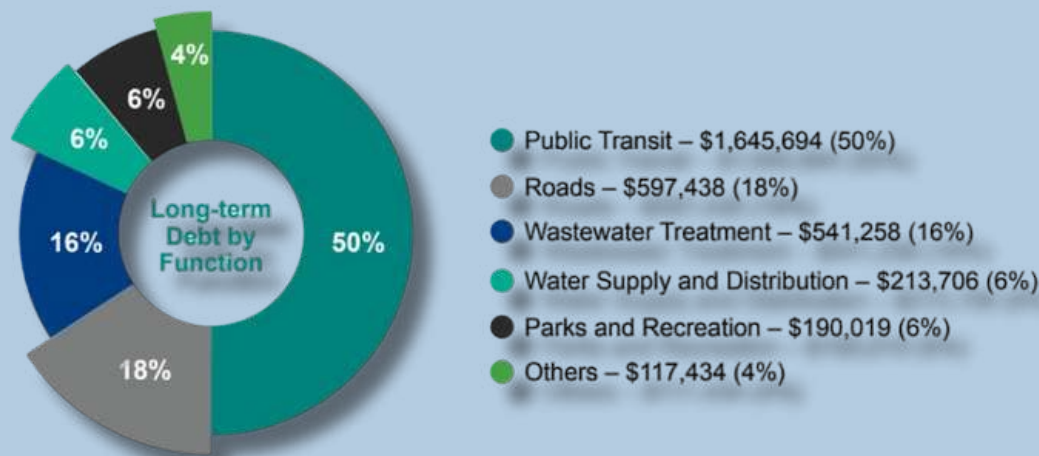
Net debt is calculated by subtracting the City's financial assets from its financial liabilities. It reflects the amount of future revenue the City will need to generate in order to pay for past transactions and obligations. Essentially, it shows how much the City is relying on future income to cover its current debt. In 2023, the City's net debt increased by \$446.6 million, meaning the gap between liabilities and assets grew by that amount.

Non-financial assets

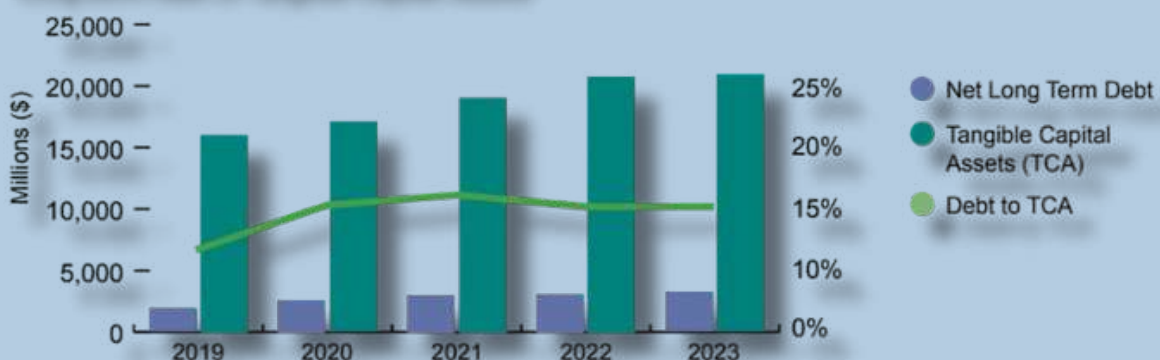
Non-financial assets mainly consist of tangible capital assets, which make up the largest portion of the City's financial position. Since these assets do not provide liquidity and are primarily used to deliver government services, they are reported separately from financial assets. Along with inventories and prepaid expenses, they are categorized as non-financial assets.

LONG-TERM BY OBLIGATIONS

Long-term debt is commonly used to finance projects that require significant investment and have long-lasting benefits. It is typically used for projects with long asset lives, such as public transit systems, roads, water infrastructure, and wastewater treatment. These projects often require funding that extends over many years, making long-term debt a suitable option. The graph below provides a visual representation of how the outstanding long-term debt is distributed across different functions, highlighting the areas where the City has allocated its borrowed funds.



Long-term Debt to Tangible Capital Assets



MAJOR POLICIES AND PLANS

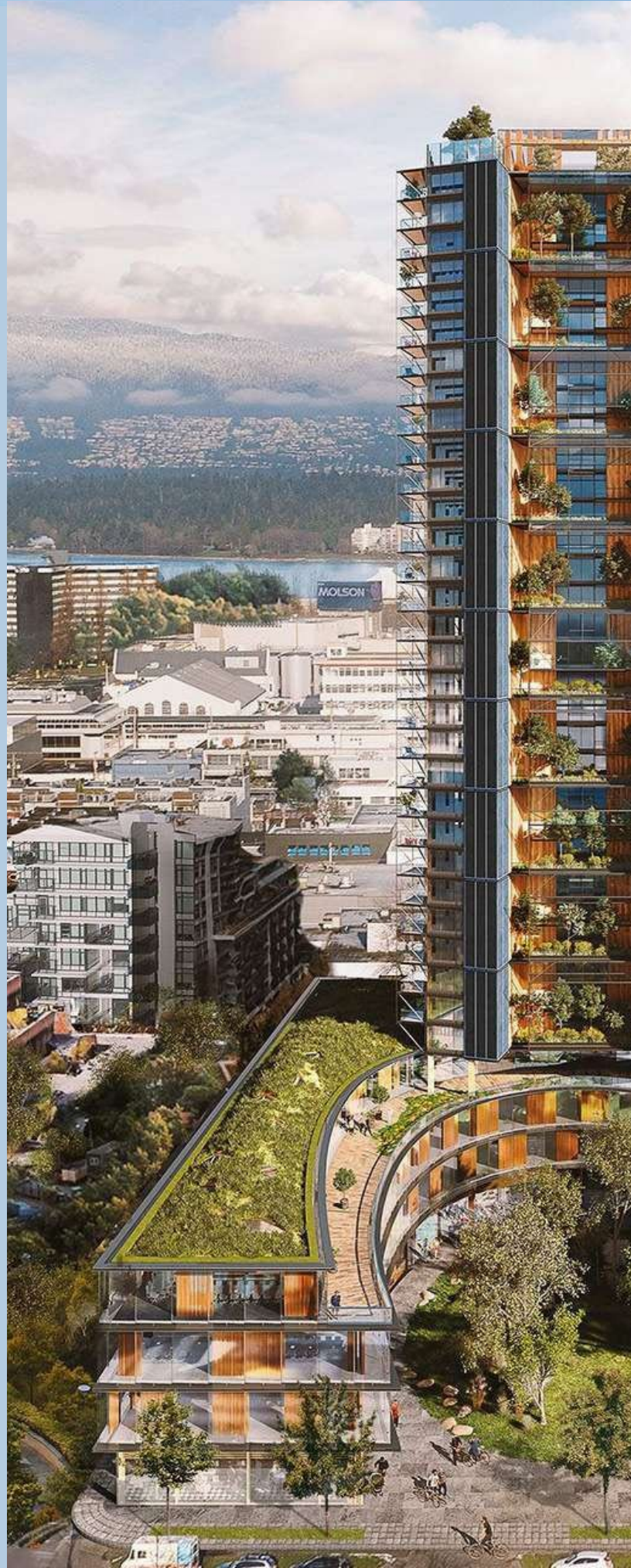
A New City Plan: Ottawa's leaders are working on a new plan to shape the city's future. They want to make it one of the best places to live in North America, with a focus on growth, sustainability, and community.

Setting the City's Course: Ottawa has a new plan for the next four years. It's focused on growing the economy, protecting the environment, ensuring fairness for everyone, and investing in important city services.

A Hot Job Market: Ottawa's economy is booming! With lots of jobs in the government, tech, and healthcare sectors, many people are moving to the city for work.

The Housing Market: While things have slowed down a bit in the housing market, Ottawa is still a pretty stable place to buy a home compared to other Canadian cities. However, rising costs are making it harder for some people to afford housing.

A Growing Tourism Industry: More and more people are visiting Ottawa! With more international travel, big events, and better marketing, the city's tourism industry is bringing in billions of dollars.



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Methodological note

- **This Methodological Note outlines the approach, criteria, data sources, and the collaborative efforts that went into the creation of the Popular Financial Reporting for the City of Ottawa. The report aims to provide a comprehensive analysis of the city's financial situation and major policies, emphasizing their impact on volunteering and community-based projects.**
- **Adopted Guidelines and Criteria:** The Popular Financial Reporting project was executed in accordance with the guidelines provided by our professor and extensive research conducted on the City of Ottawa. The guidelines served as the structural framework for the report, ensuring that it adheres to best practices in financial reporting and transparency.
- **Approach:** Our approach to creating this report involved a combination of quantitative and qualitative methods. We conducted extensive research, including a review of the City of Ottawa's comprehensive annual financial reports and other relevant documents available on the city's official website. We also analyzed both financial and non-financial data to provide a holistic view of the city's operations and the impact of its policies on the community.
- **Data Sources:** To compile this report, we extensively reviewed the following key documents and data sources: Comprehensive annual financial reports of the City of Ottawa, including balance sheets, income statements, and auditors' reports. Official documents, ordinances, and policies related to the city's financial and administrative operations. Relevant data from governmental and independent sources, including demographic information, well-being indicators, and rankings. Research conducted on the city's policies, major services, and their impact on the community.
- **Collaborative: Efforts** The Popular Financial Reporting for the City of Ottawa was a collaborative effort involving all group members. Each member played a specific role in gathering, analyzing, and presenting the data. The contributions of each team member were vital to the successful compilation of this report.

OTTAWA

This work was completed as part of the Public Management course at the School of Advanced Studies (SAA), University of Turin, under the supervision of Prof. Valerio Brescia. The elements presented in this assignment have been developed in accordance with the guidelines defined by Professors Paolo Biancone, Silvana Secinaro, Valerio Brescia, and Davide Calandra."

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