



COUNTY OF WELLINGTON

COMMITTEE REPORT

To: Chair and Members of the Administration, Finance and Human Resources Committee
From: Ken DeHart, County Treasurer
Date: Tuesday, January 16, 2018
Subject: BMA Municipal Study – Financial Indicators Analysis

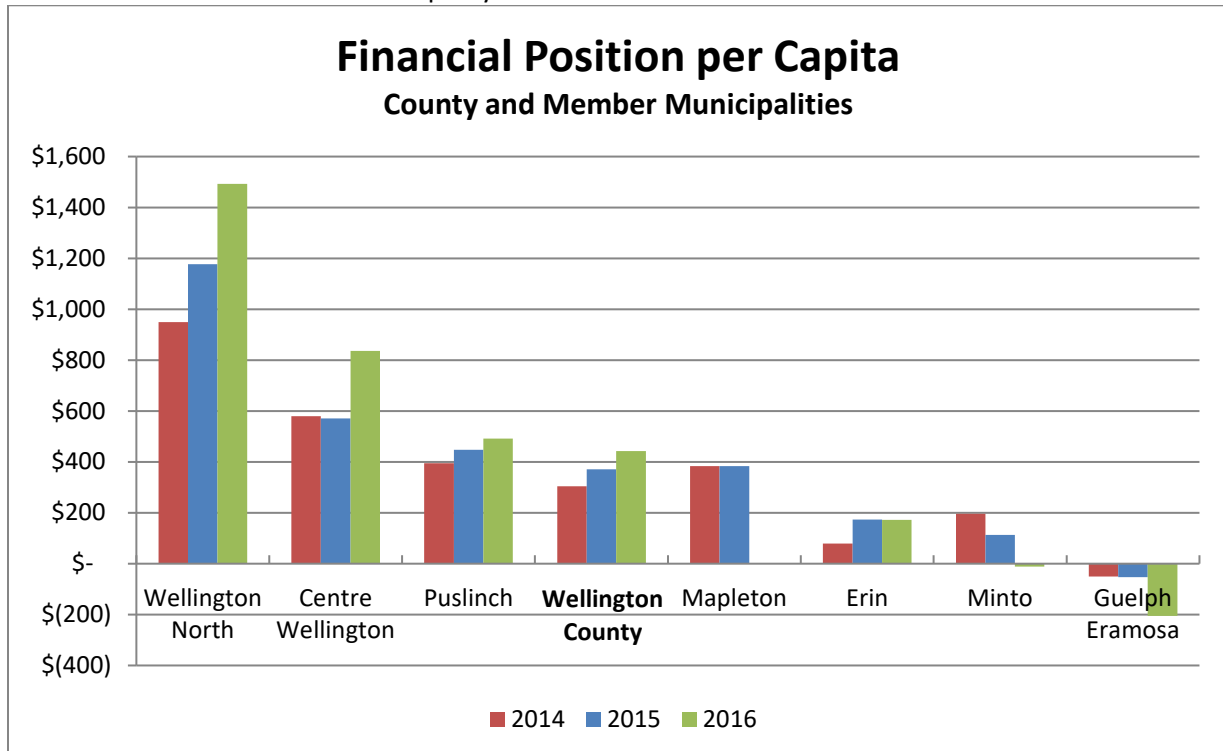
Background:

Each year, BMA Consulting Inc. completes a comparative study on behalf of participating Ontario municipalities. The analysis is completed using the most recent current value assessment, tax policies, levy by-laws, development charges, water/sewer rates, FIRs, user fees and economic development programmes. This report is based on information contained in section 3 of the BMA study that focuses on key Financial Indicators related to *Sustainability, Vulnerability and Flexibility*. These indicators help evaluate each municipality’s existing financial condition and identify future challenges and opportunities.

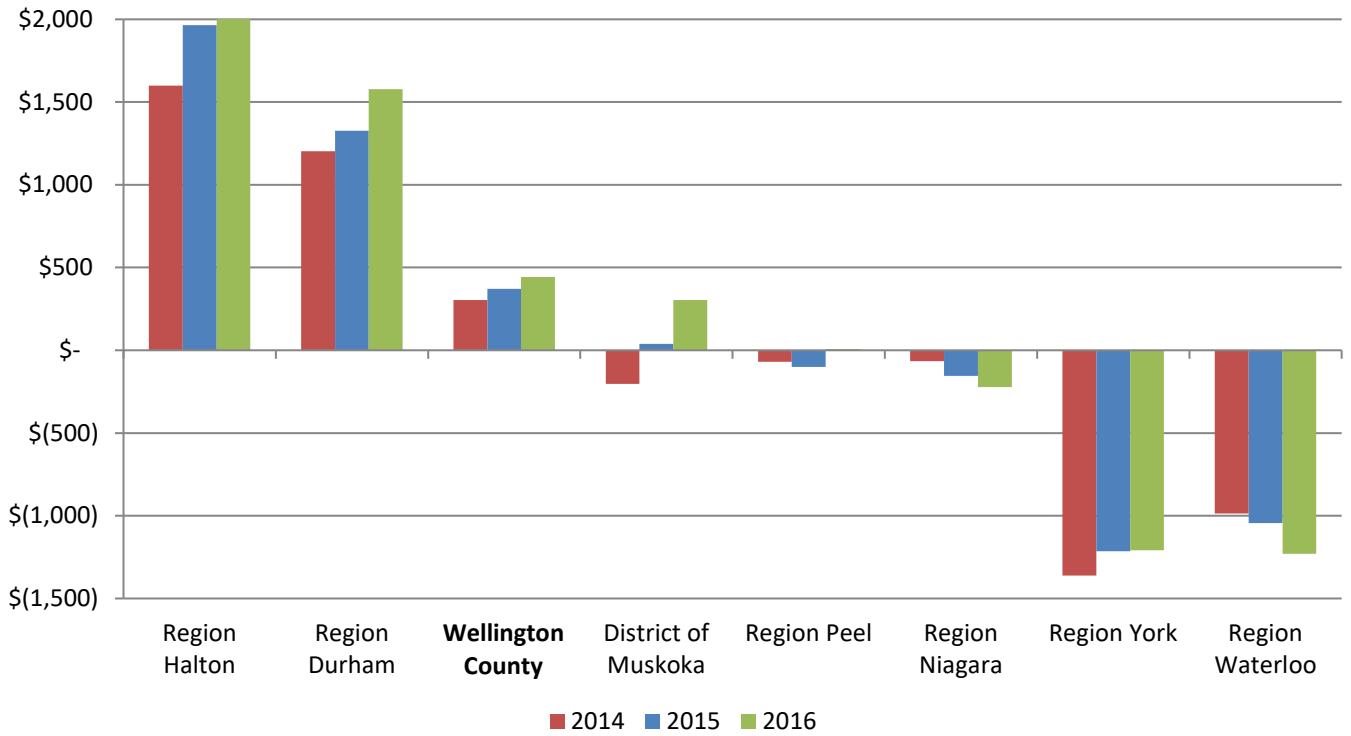
SUSTAINABILITY - The ability to provide and maintain service and infrastructure levels without resorting to unplanned increases in rates or cuts to services.

Indicator 1: Financial Position Per Capita

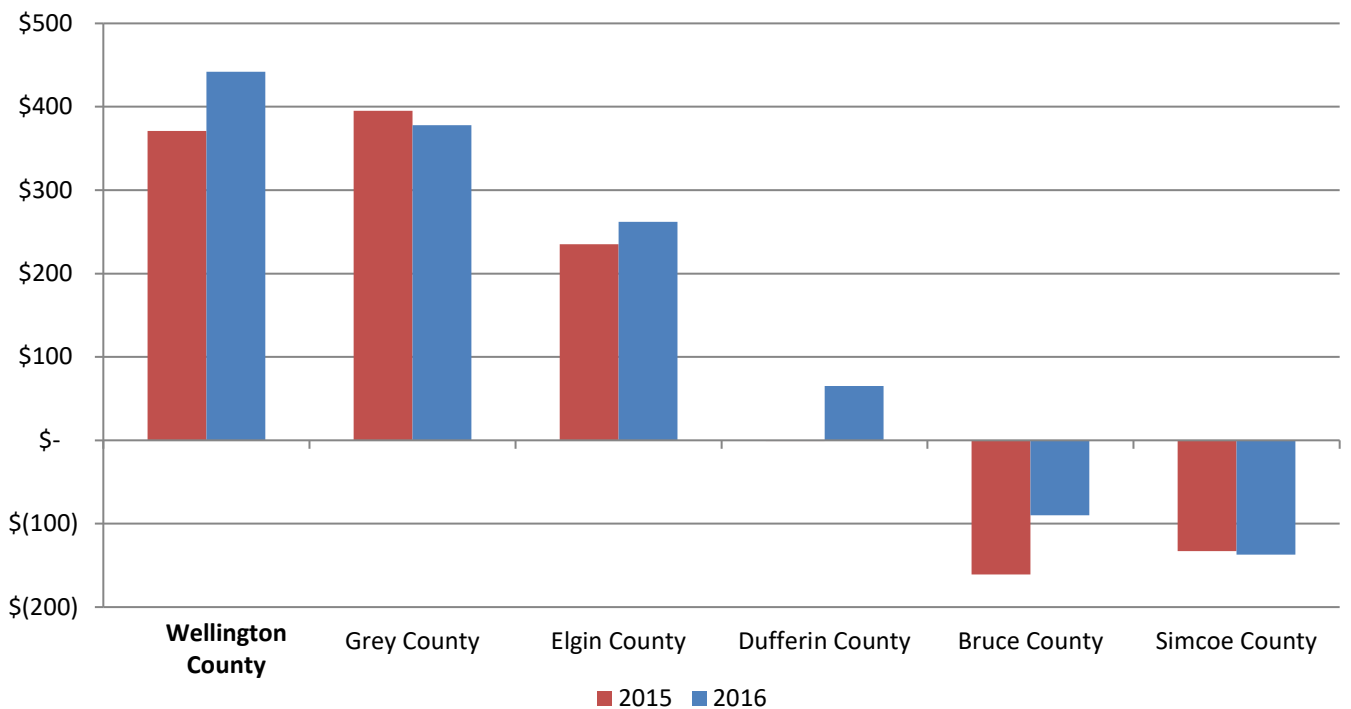
Financial position is a key indicator of a municipality’s financial health. It provides an indication of the affordability of future municipal spending. The net financial position is a broader measure of a municipality’s indebtedness than debenture debt as it includes all of the municipality’s financial assets and liabilities. A negative number indicates that a municipality’s total liabilities exceed its total assets.



Financial Position per Capita County and Upper Tier Comparators

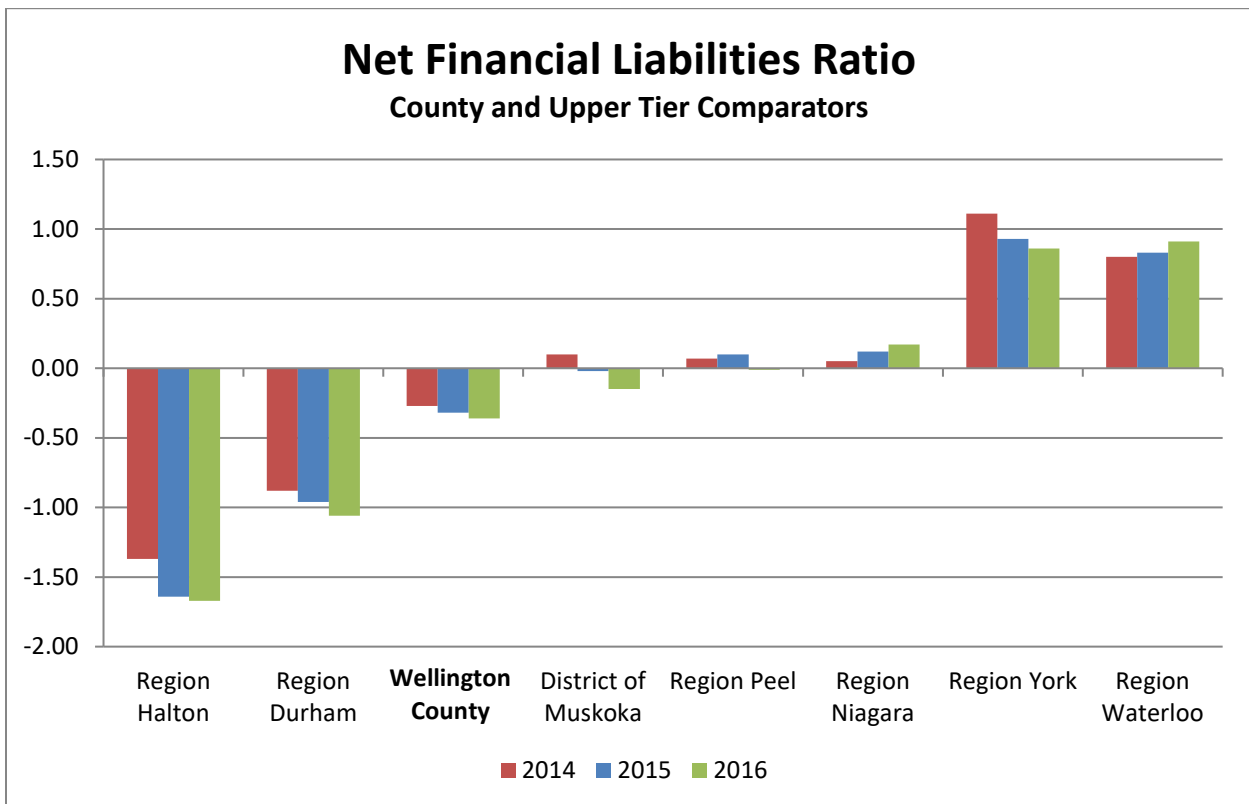
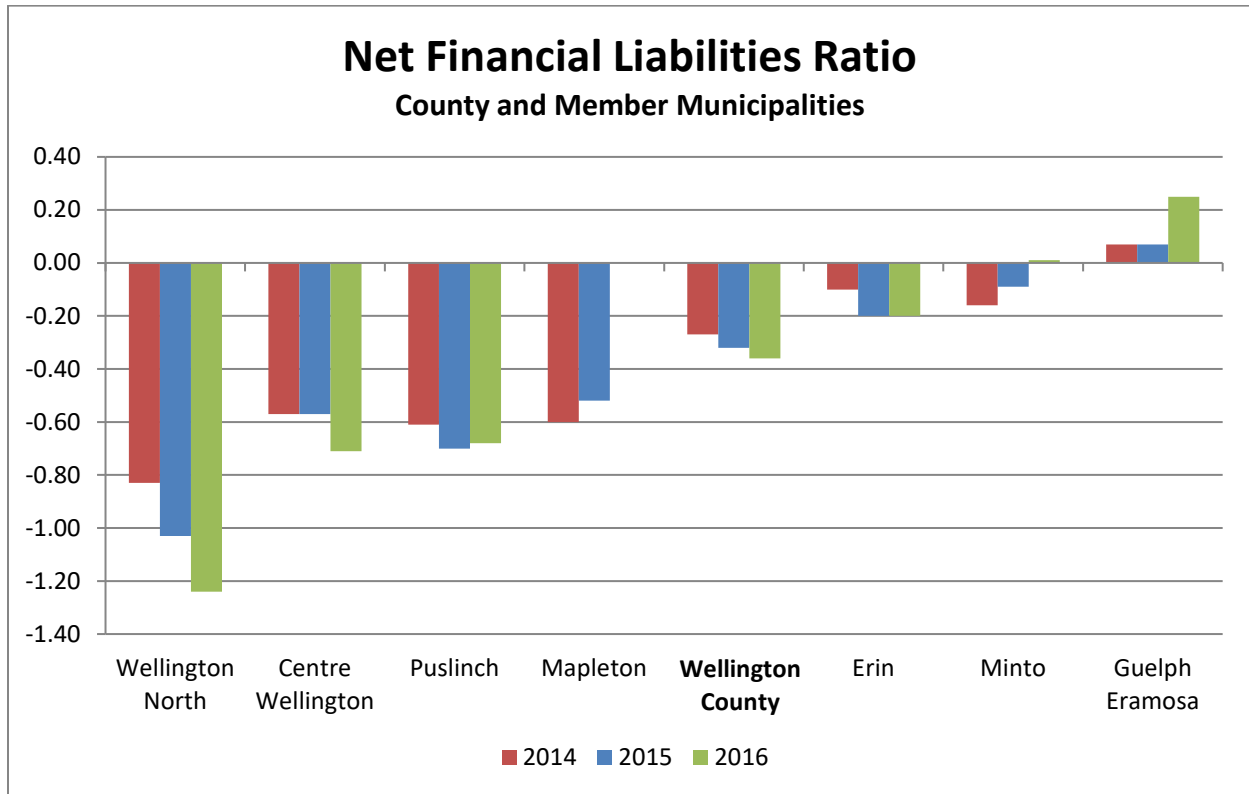


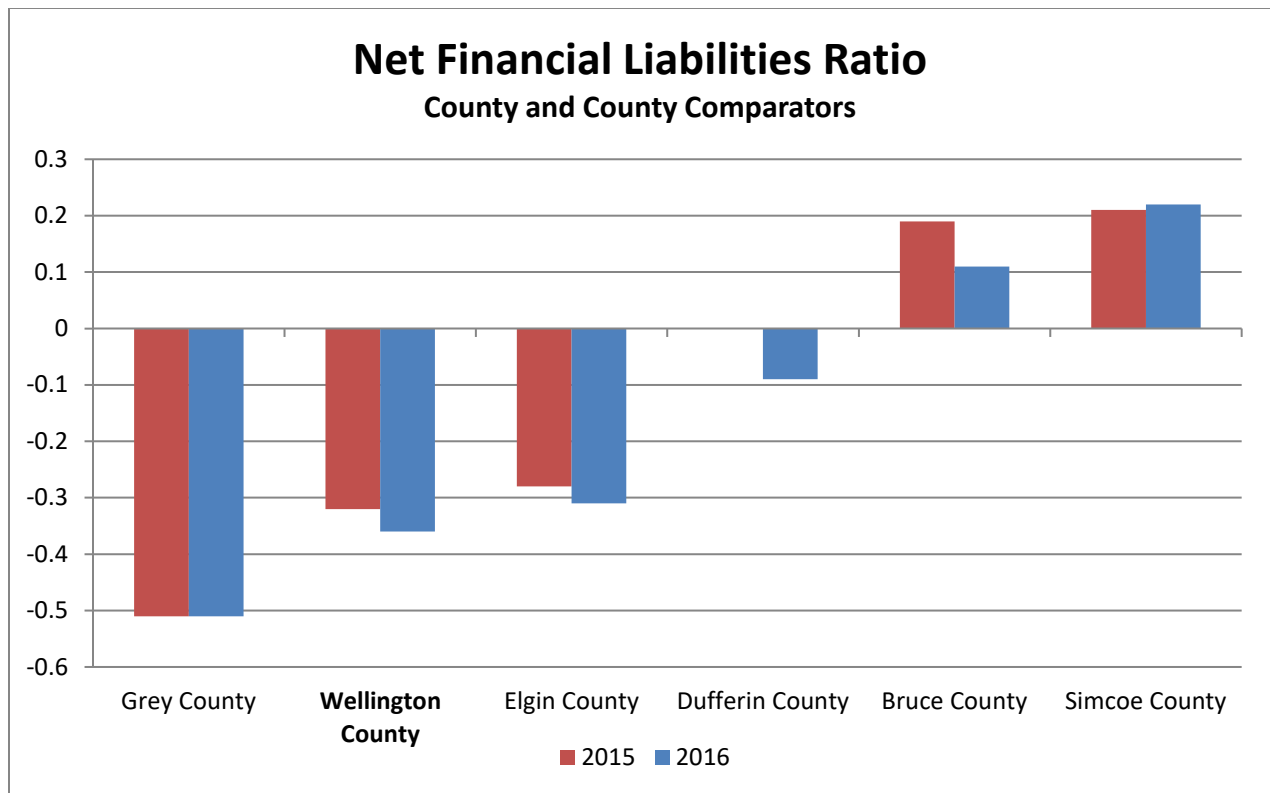
Financial Position per Capita County and County Comparators



Indicator 2: Net Financial Liabilities Ratio

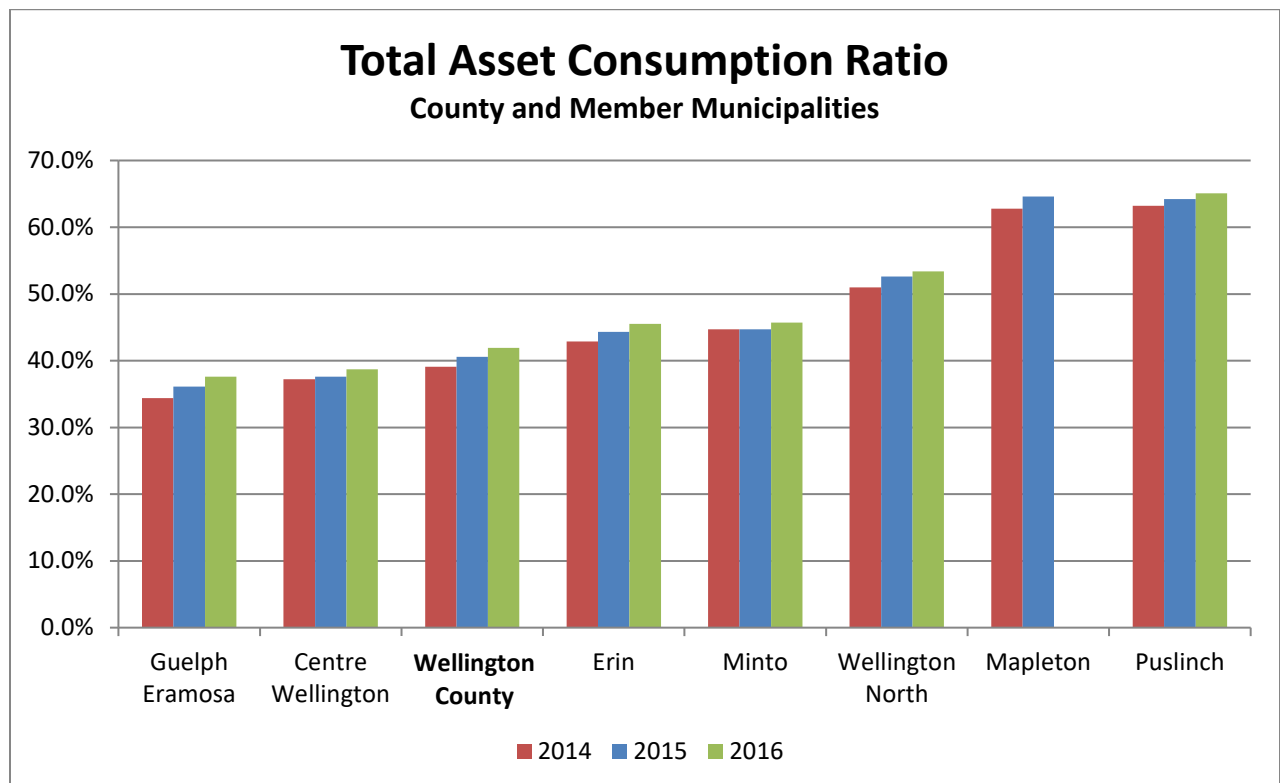
Net Financial Liabilities ratio is total liabilities minus assets as a percentage of own source revenues. It indicates the extent to which financial liabilities could be met by its operating revenue. A ratio greater than zero indicates that the municipality's total liabilities exceed the total assets.





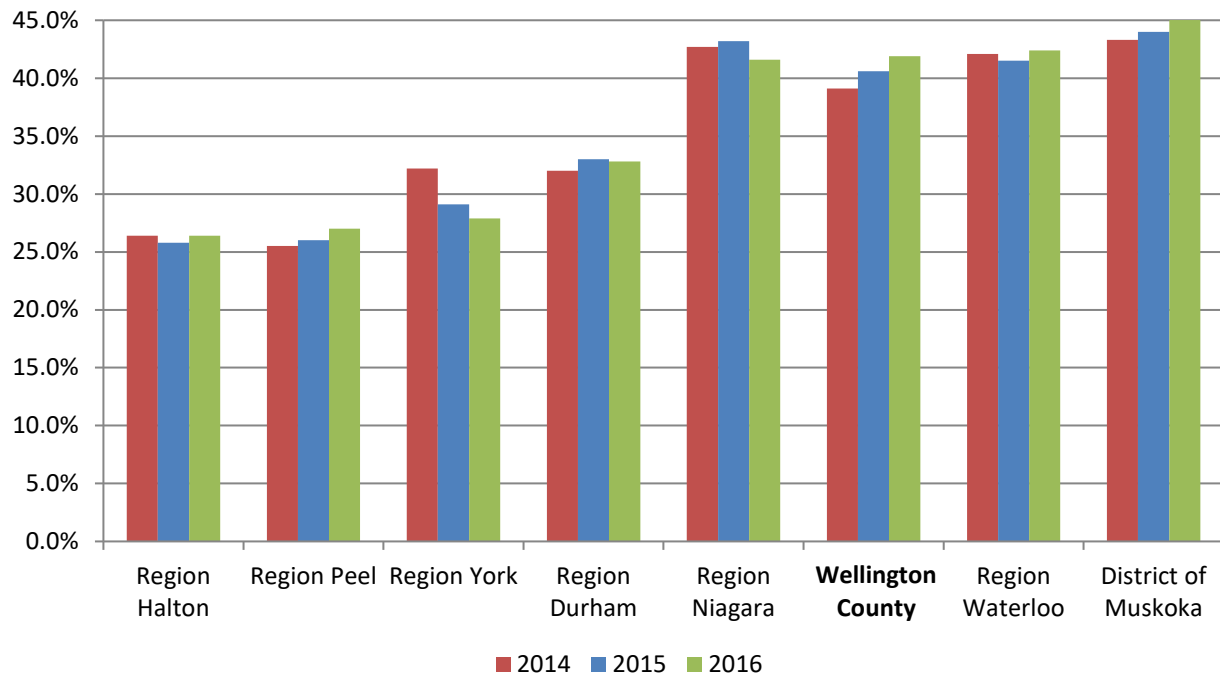
Indicator 3: Asset Consumption Ratio

This indicator provides an estimate of the useful life left in the municipality's capital assets. It shows the value of the tangible capital assets that have been consumed and seeks to highlight the aged condition of the assets and the potential asset replacement needs. The Ministry (MMA) considers a ratio of less than 50% to be low challenge; 50%-75% to be moderate challenge; and greater than 75% to be high challenge.



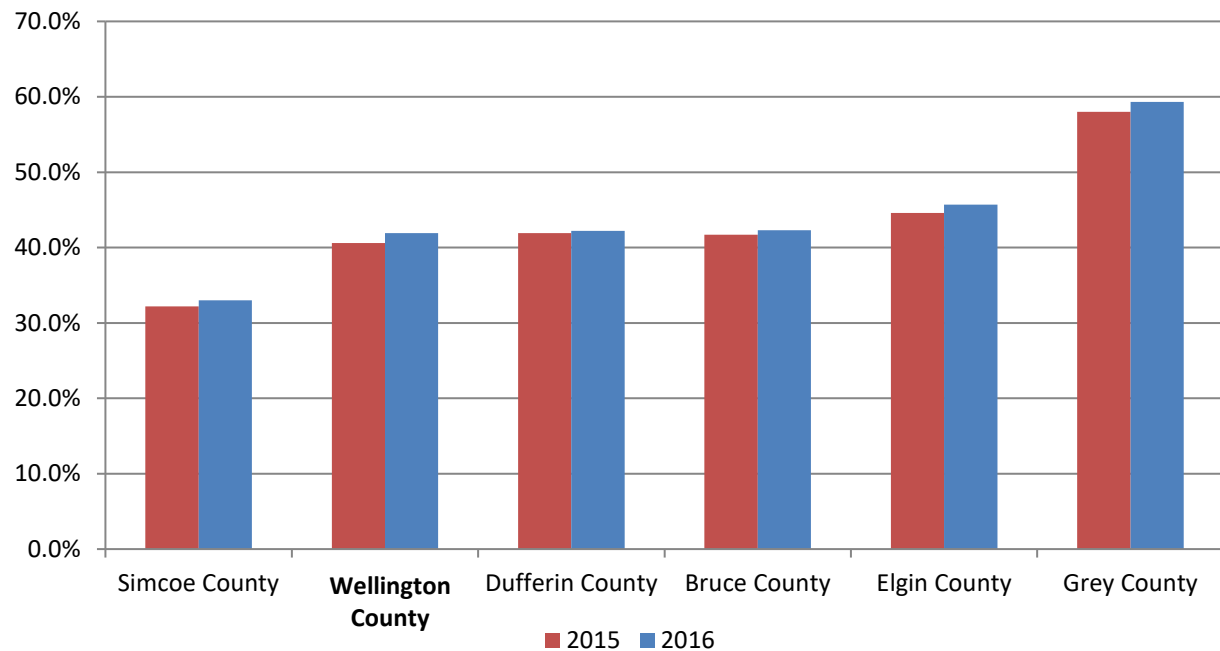
Total Asset Consumption Ratio

County and Upper Tier Comparators



Total Asset Consumption Ratio

County and County Comparators



FLEXIBILITY – The ability to issue debt responsibly without impacting the credit rating. Also, the ability to generate required revenues.

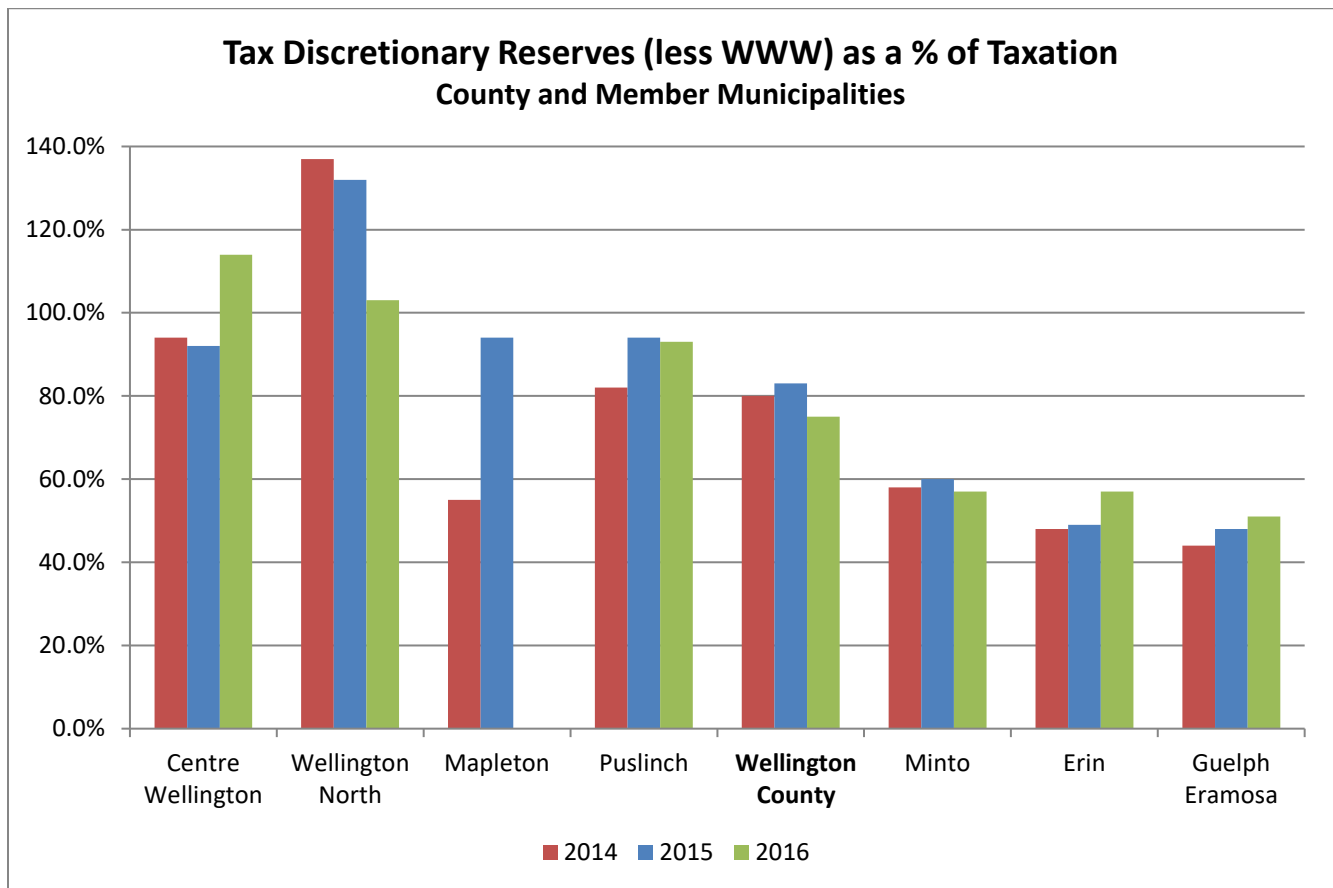
Indicator 4: Reserves

Reserves are a critical component of a municipality’s long-term financial plan. Reserves offer liquidity which enhances the municipality’s flexibility in addressing operating requirements and in permitting the municipality to temporarily fund capital projects internally, allowing it time to access debt markets and take advantage of favourable conditions.

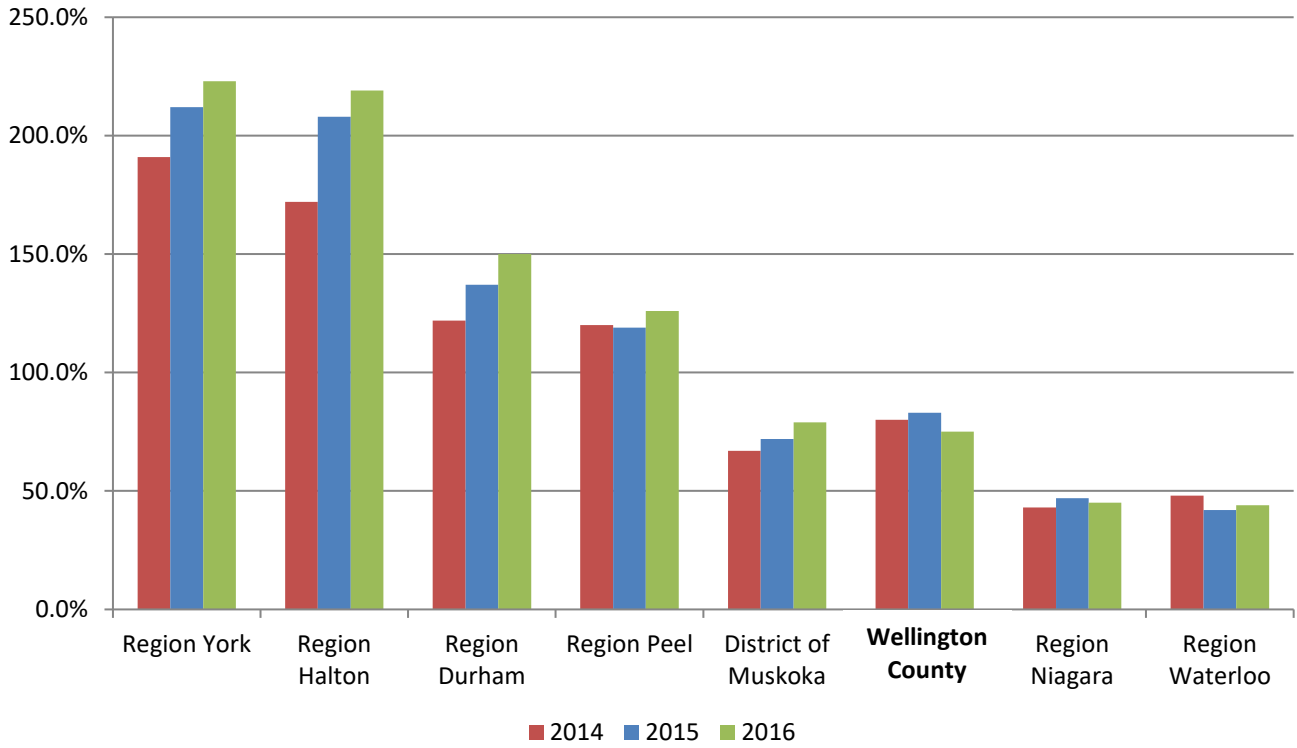
Three financial indicators have been included for tax reserves. In each case, the water and wastewater reserves and reserve funds have been excluded as well as obligatory reserve funds.

I. Tax Discretionary Reserves as a % of Taxation

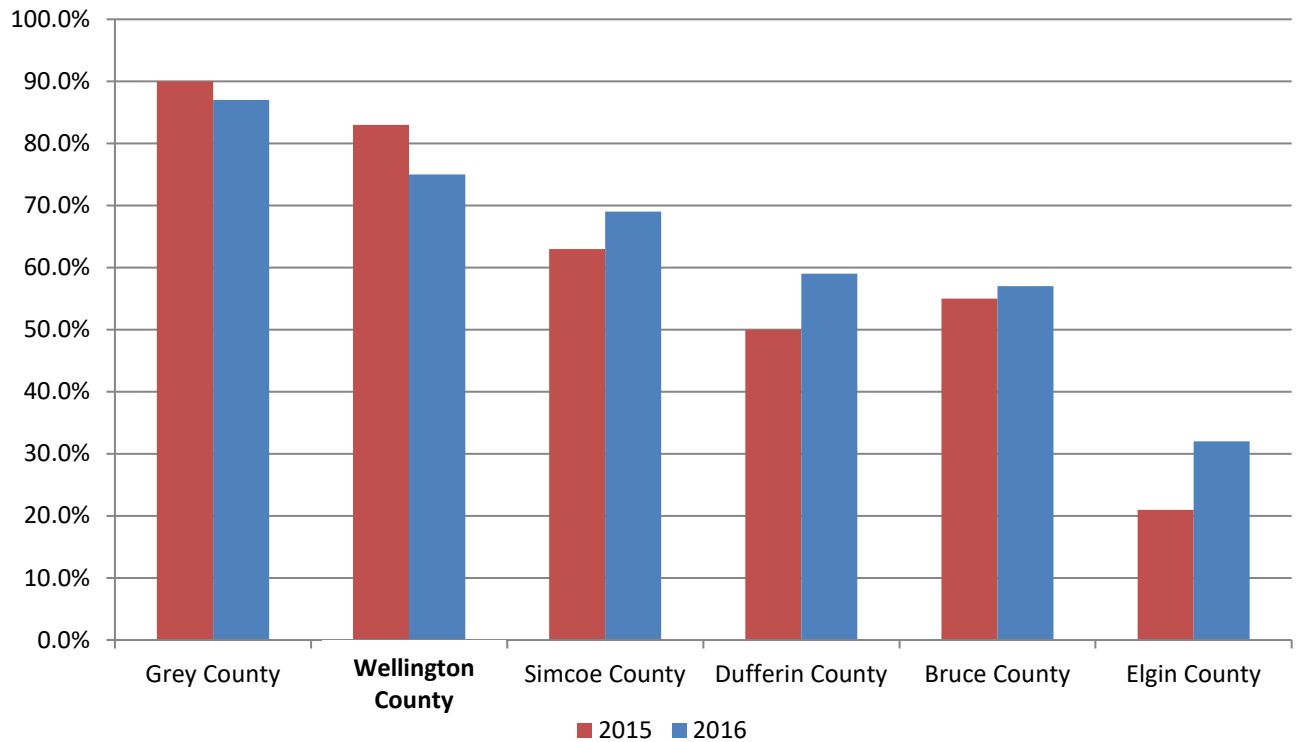
- This provides the total tax discretionary reserves and reserve funds in relation to total taxation



**Tax Discretionary Reserves (less WWW) as a % of Taxation
County and Upper Tier Comparators**

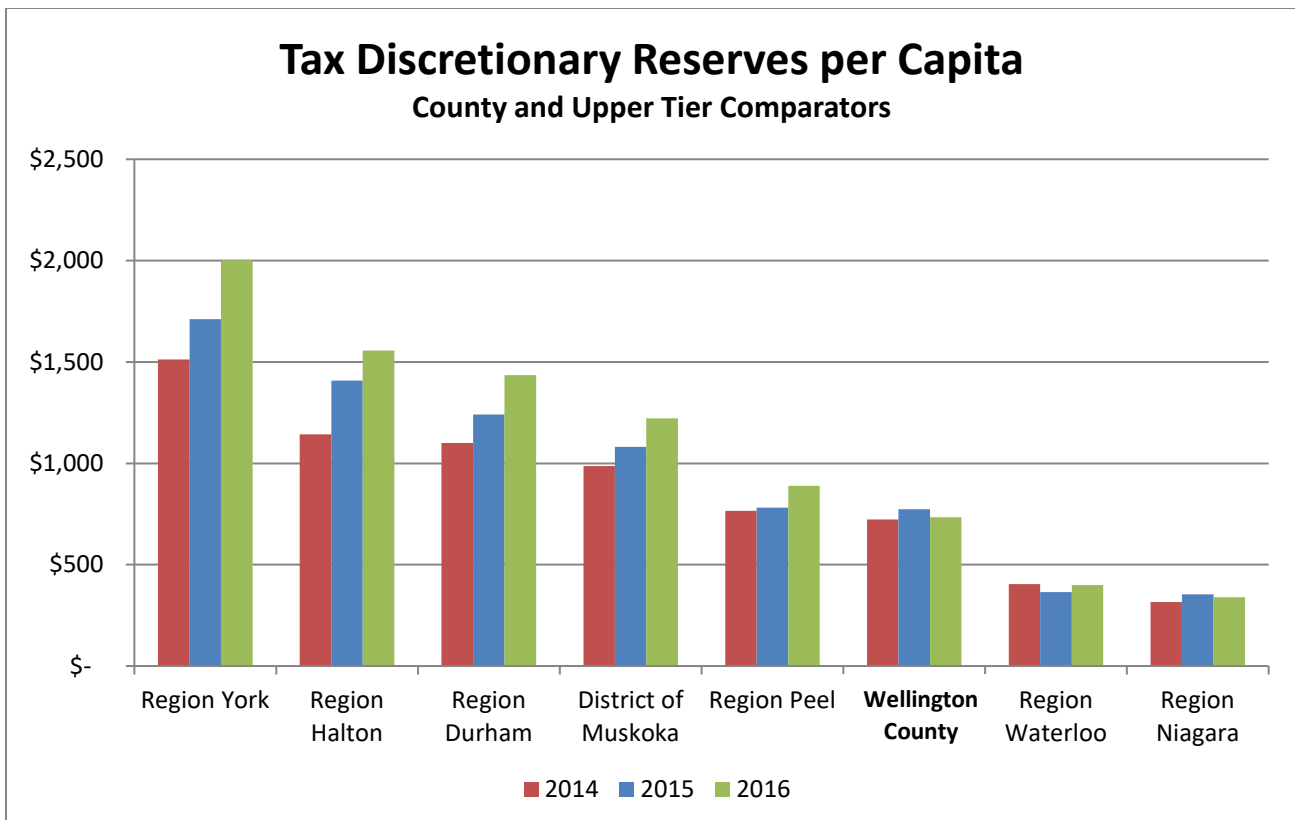
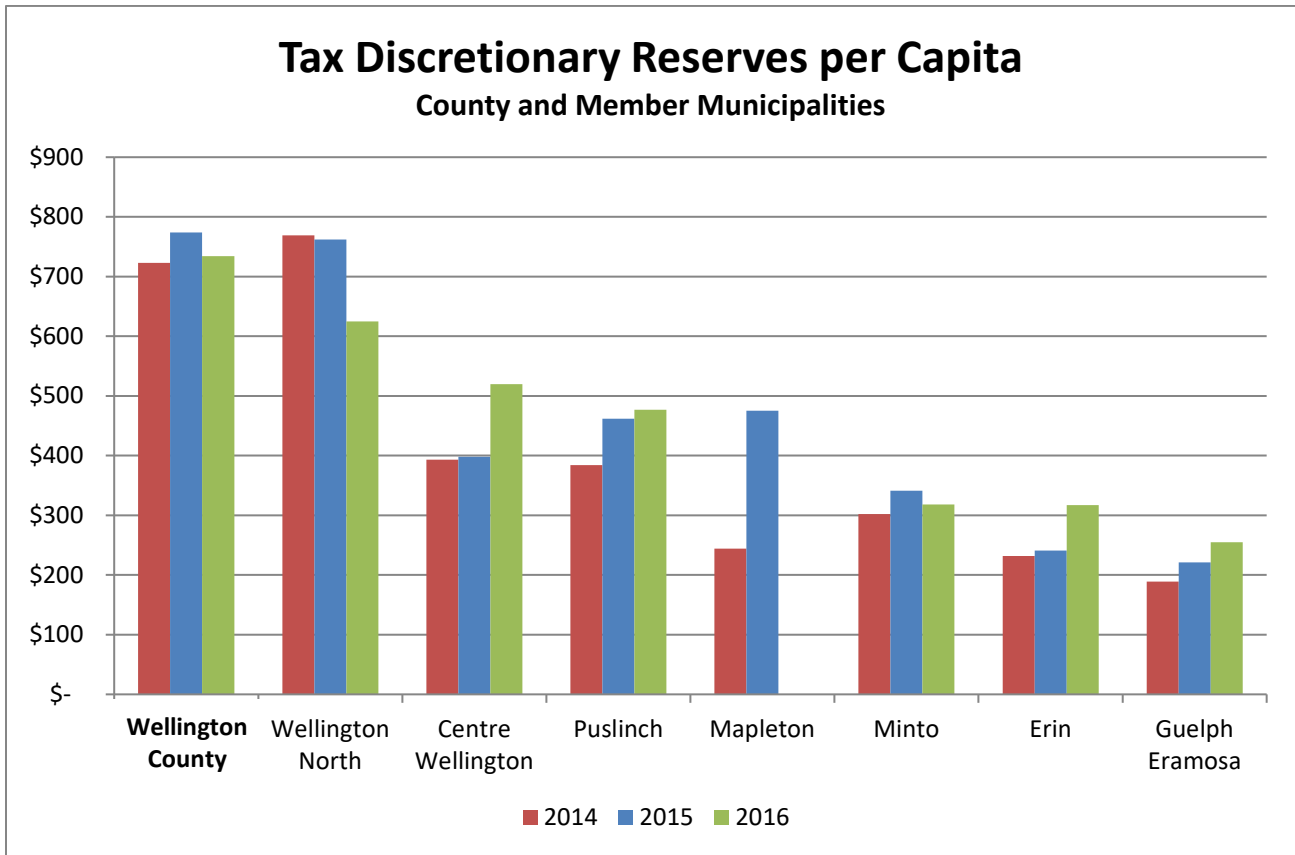


**Tax Discretionary Reserves (less WWW) as a % of Taxation
County and County Comparators**



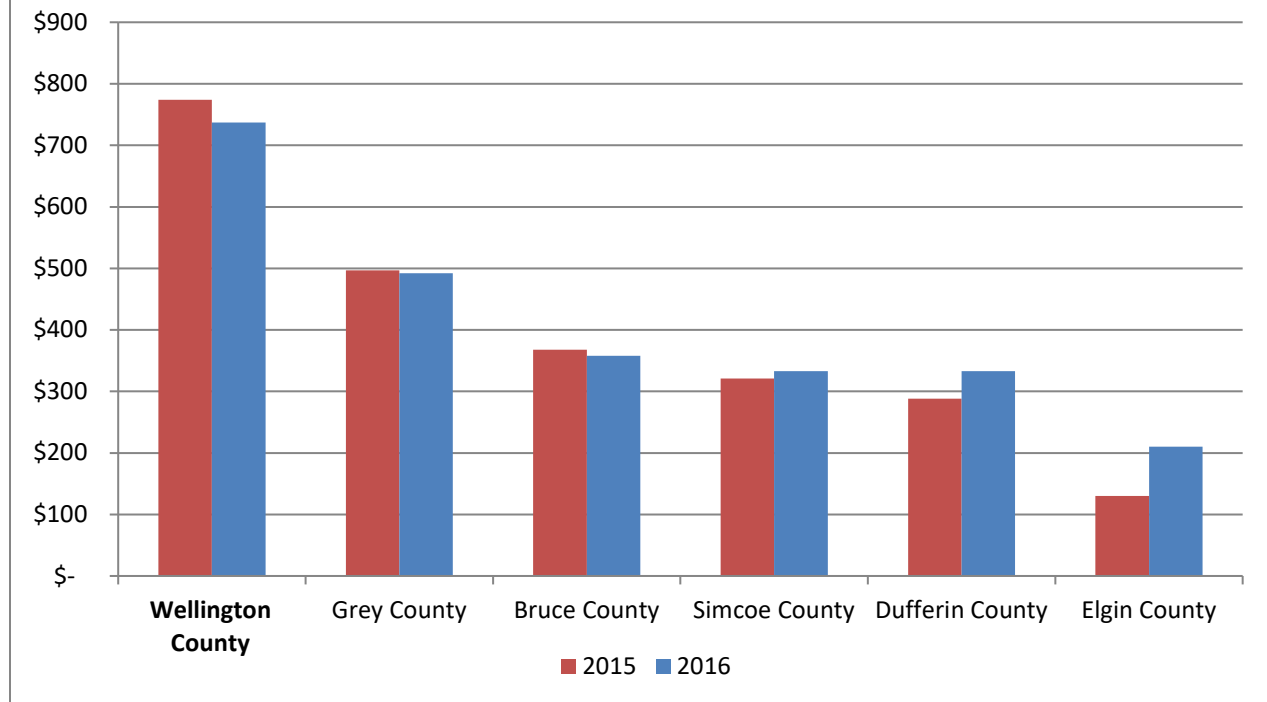
II. Tax Discretionary Reserves per Capita

- This provides the total tax discretionary reserves in relation to the population.



Tax Discretionary Reserves per Capita

County and County Comparators

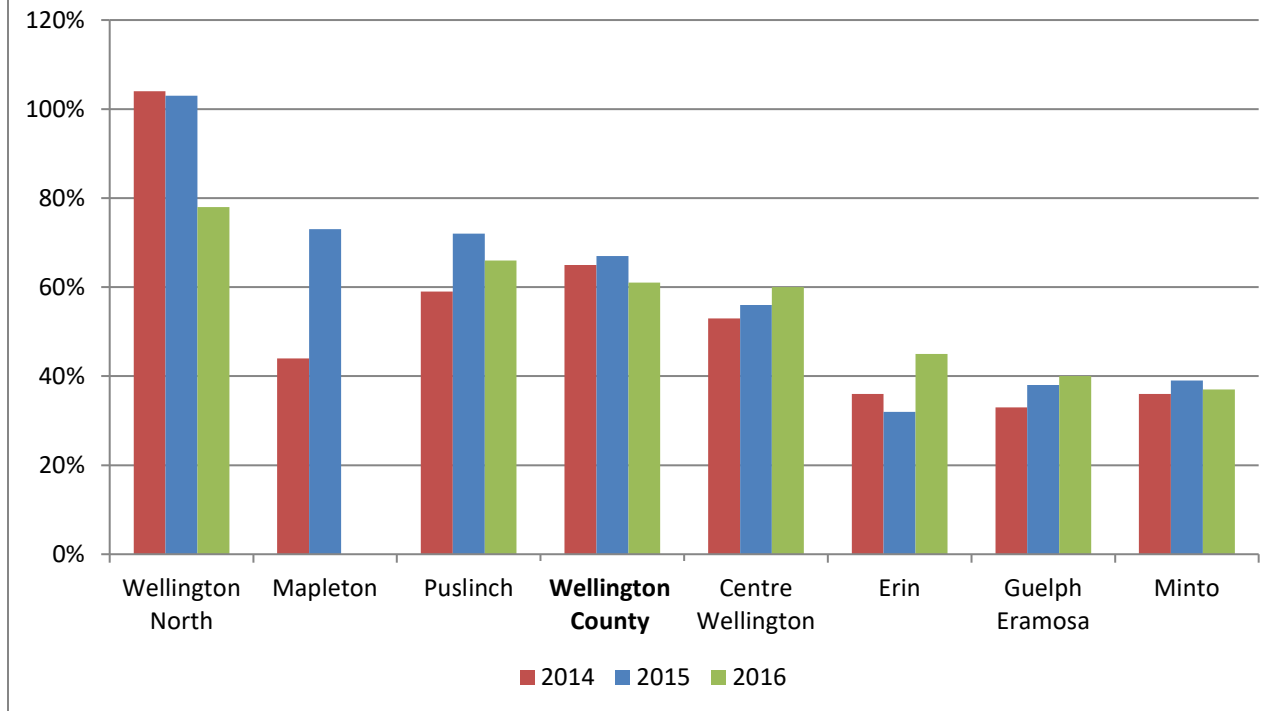


III. Tax Discretionary Reserves as a % of Own Source Revenues

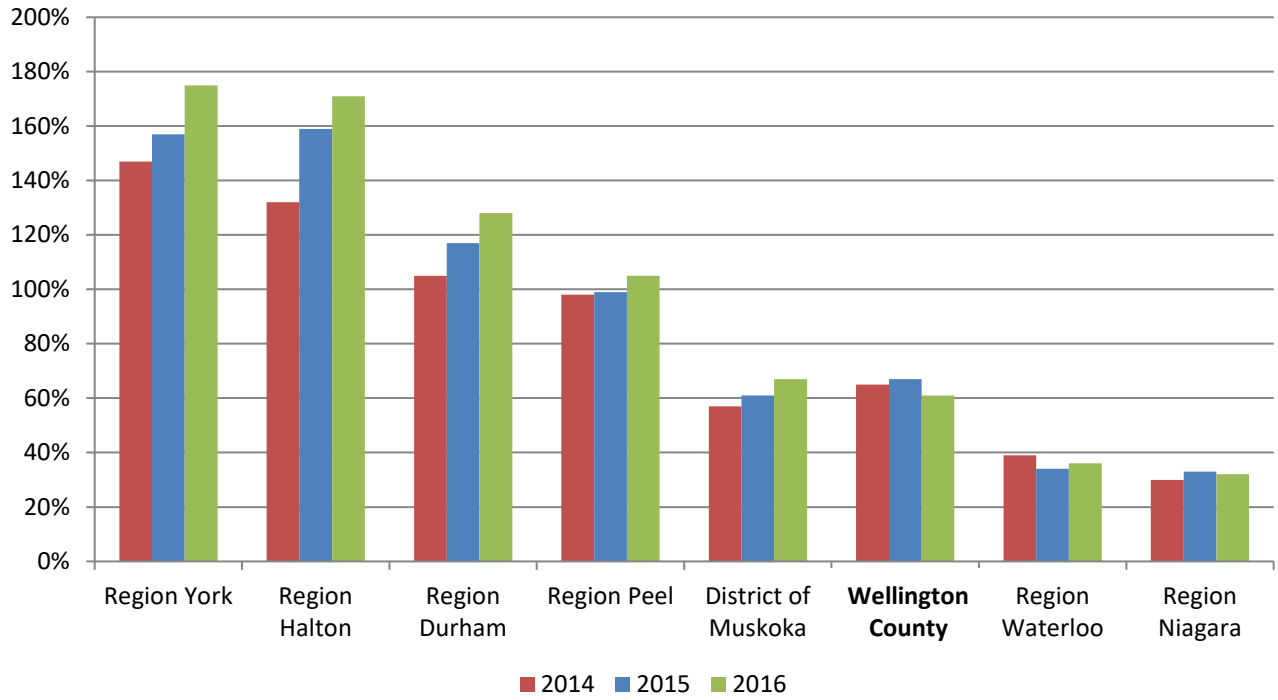
- This shows the total value of funds held in reserves and reserve funds compared to a single year's own source revenue. It is a strong indicator of financial stability.

Tax Discretionary Reserves as a % of Own Source Revenues

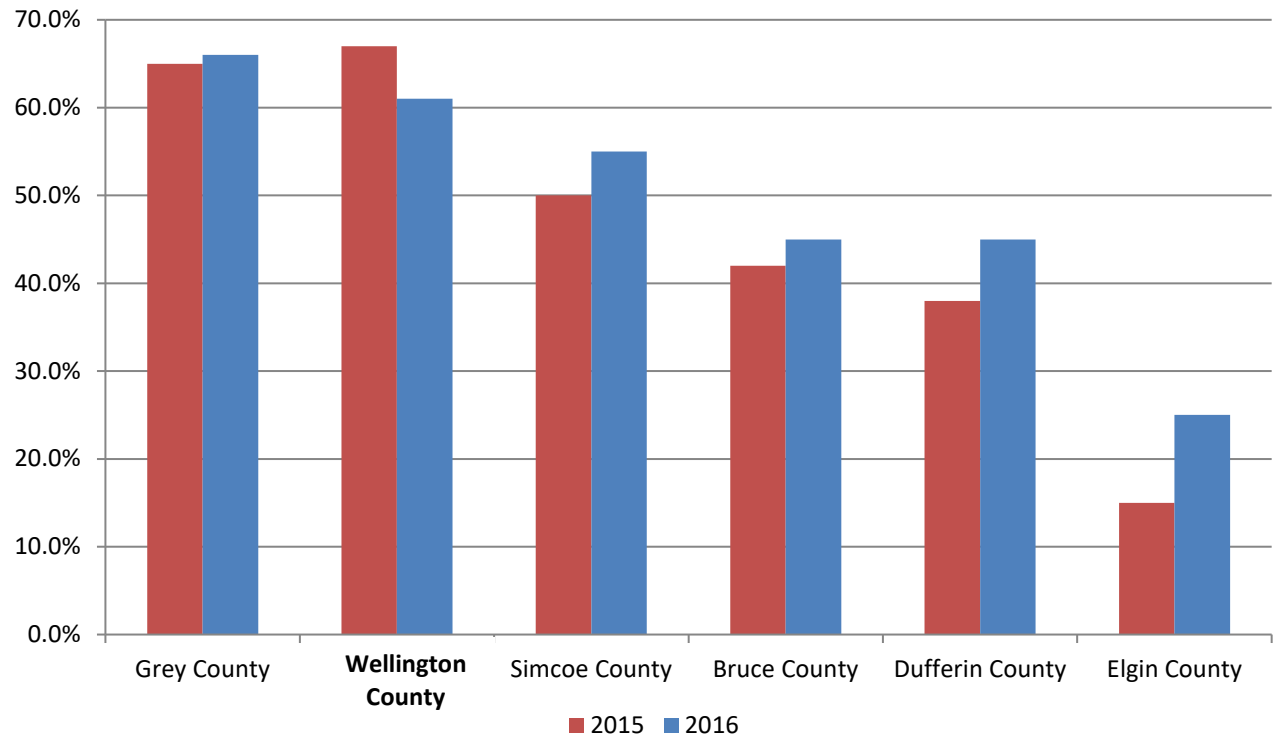
County and Member Municipalities



Tax Discretionary Reserves as a % of Own Source Revenues County and Upper Tier Comparators



Tax Discretionary Reserves as a % of Own Source Revenues County and County Comparators

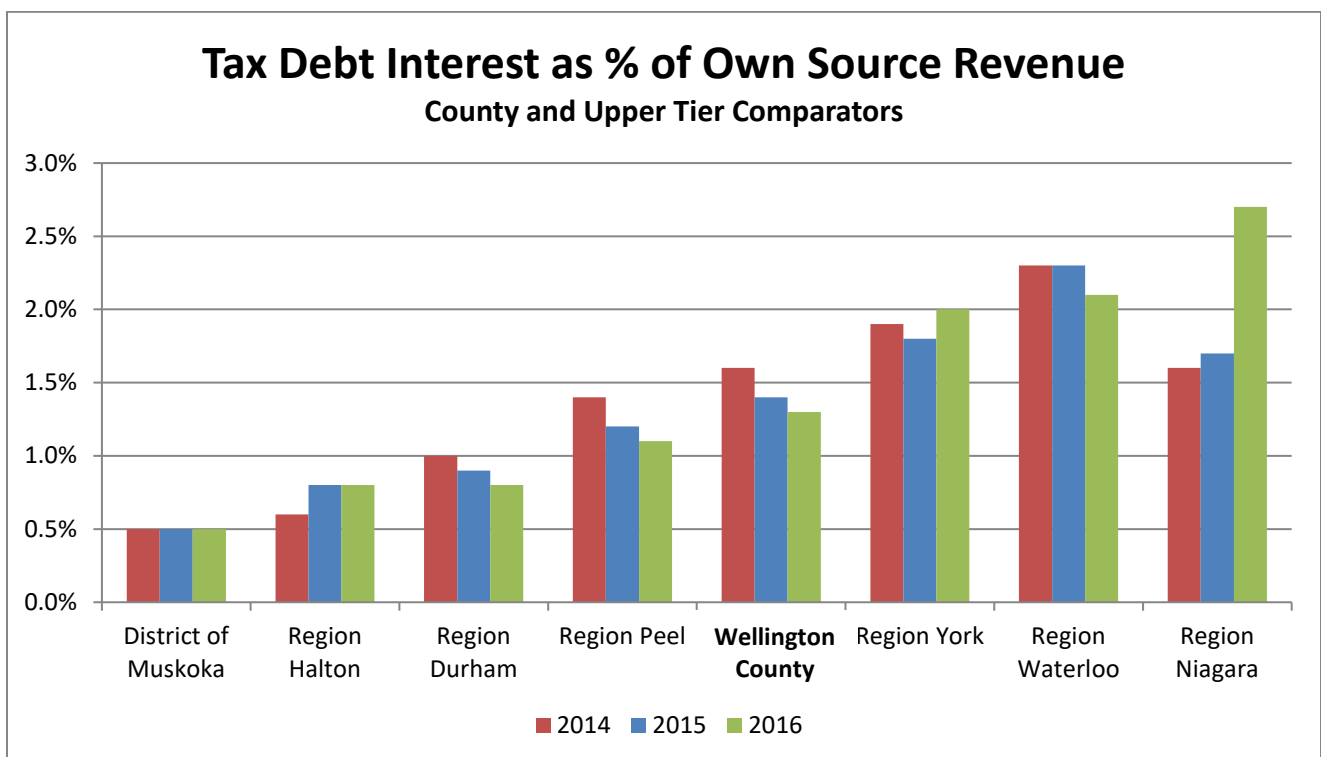
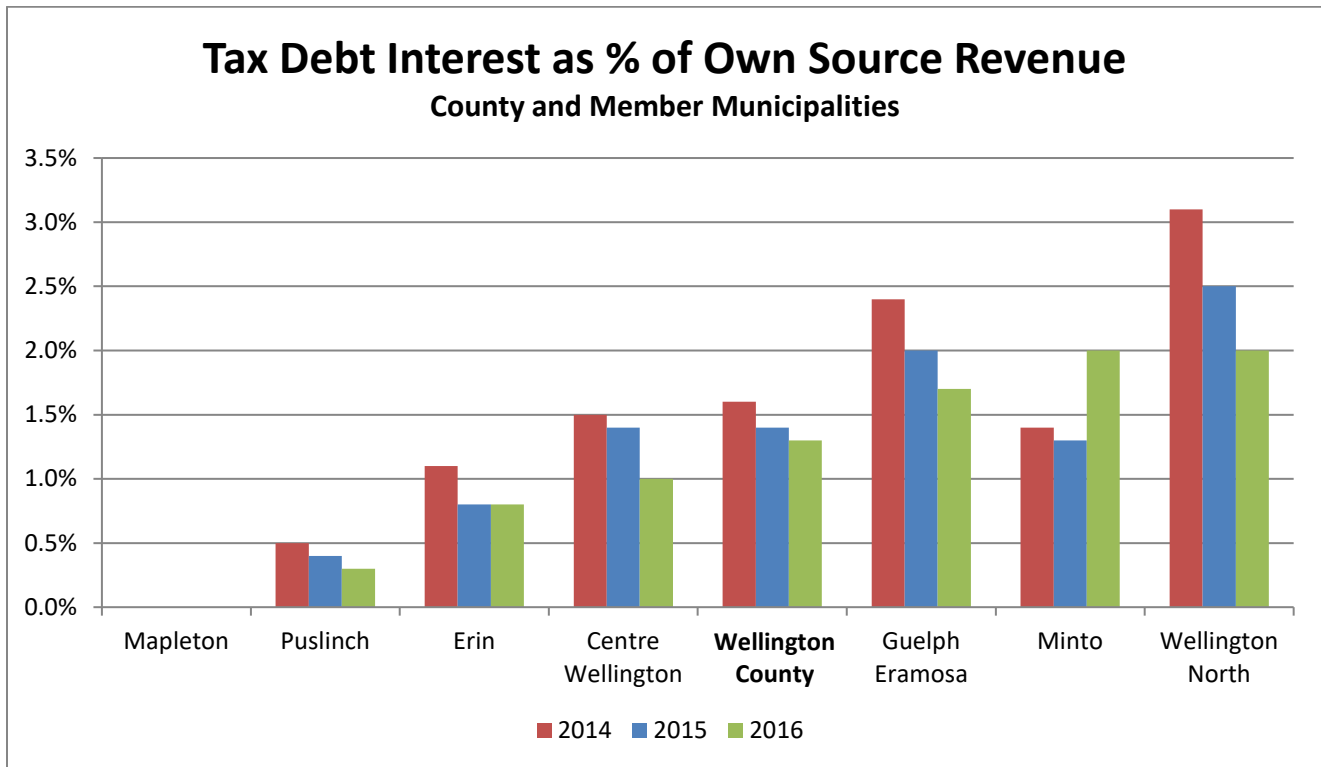


Indicator 5: Debt

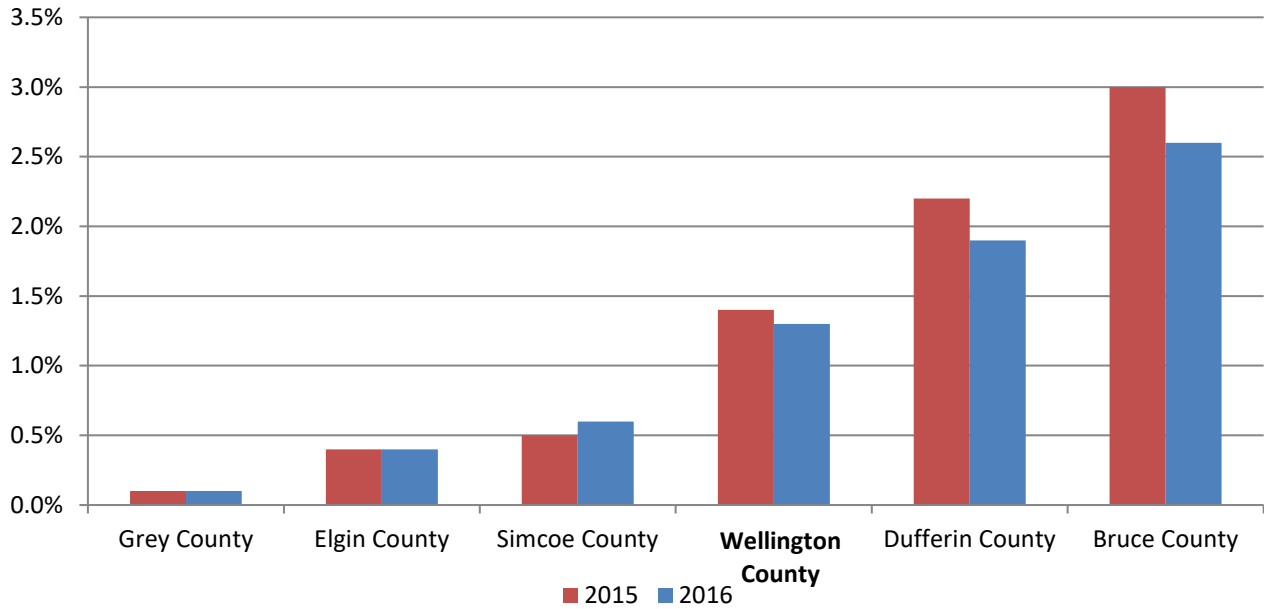
There are five financial debt indicators that have been included in the analysis to provide a clear understanding of the overall debt outstanding and the debt servicing costs.

I. Tax Debt Interest as % of Own Source Revenue

- This ratio indicates the extent to which the municipality's own source revenues are committed to debt interest charges.



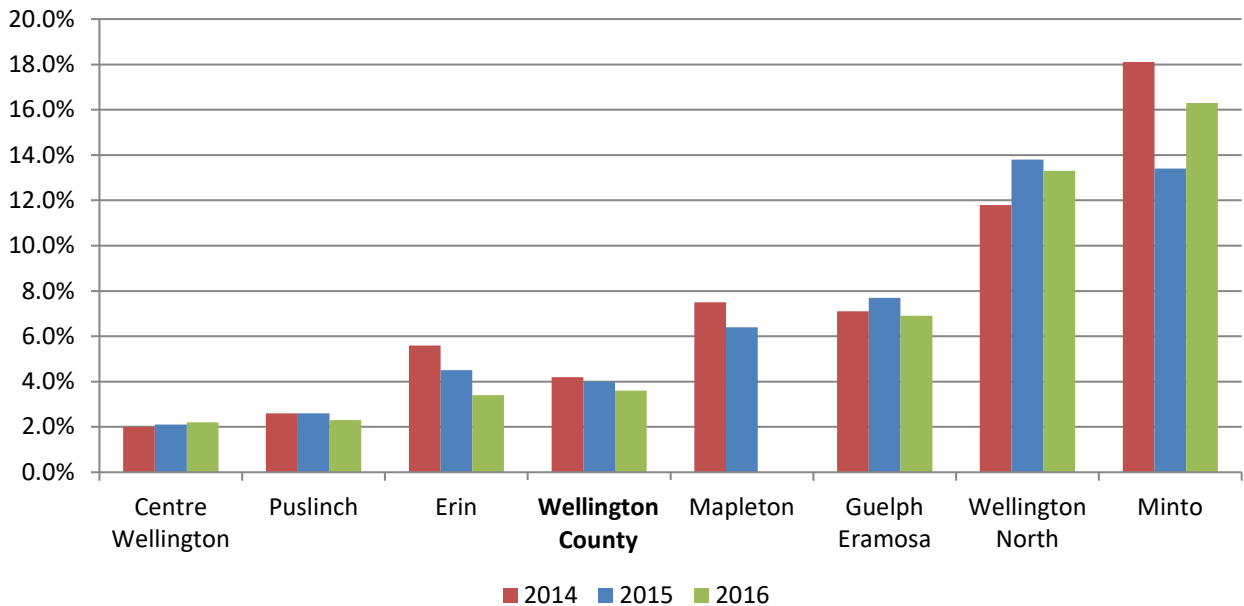
Tax Debt Interest as % of Own Source Revenue County and County Comparators



II. Debt Charges as a % of Own Source Revenues (Debt Service Ratio)

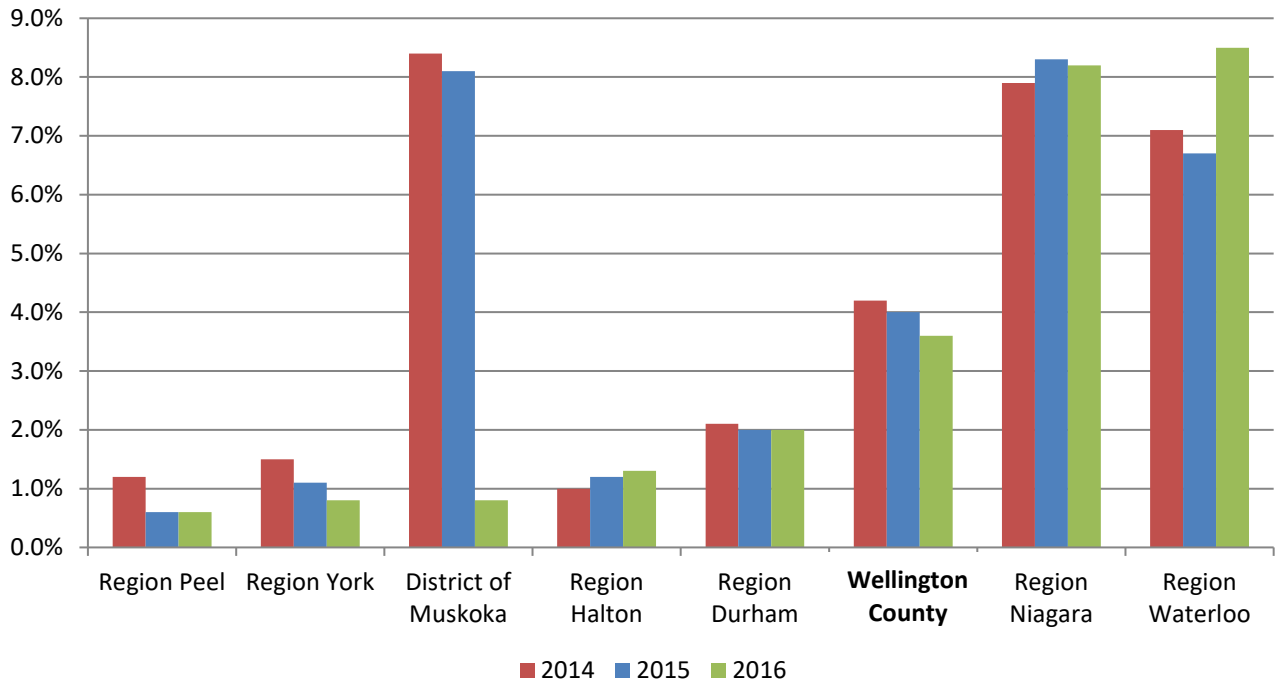
- Debt Service is the amount of principal and interest that a municipality must pay each year to service the debt. As debt service increases it reduces expenditure flexibility. This shows the % of total debt expenditures, including interest as a % of own source revenue. It is a measure of the municipality's ability to service its debt payments. Credit rating agencies consider that principal and interest should be below 10% of own source revenue.

Tax Debt Charges as % of Own Source Revenue County and Member Municipalities



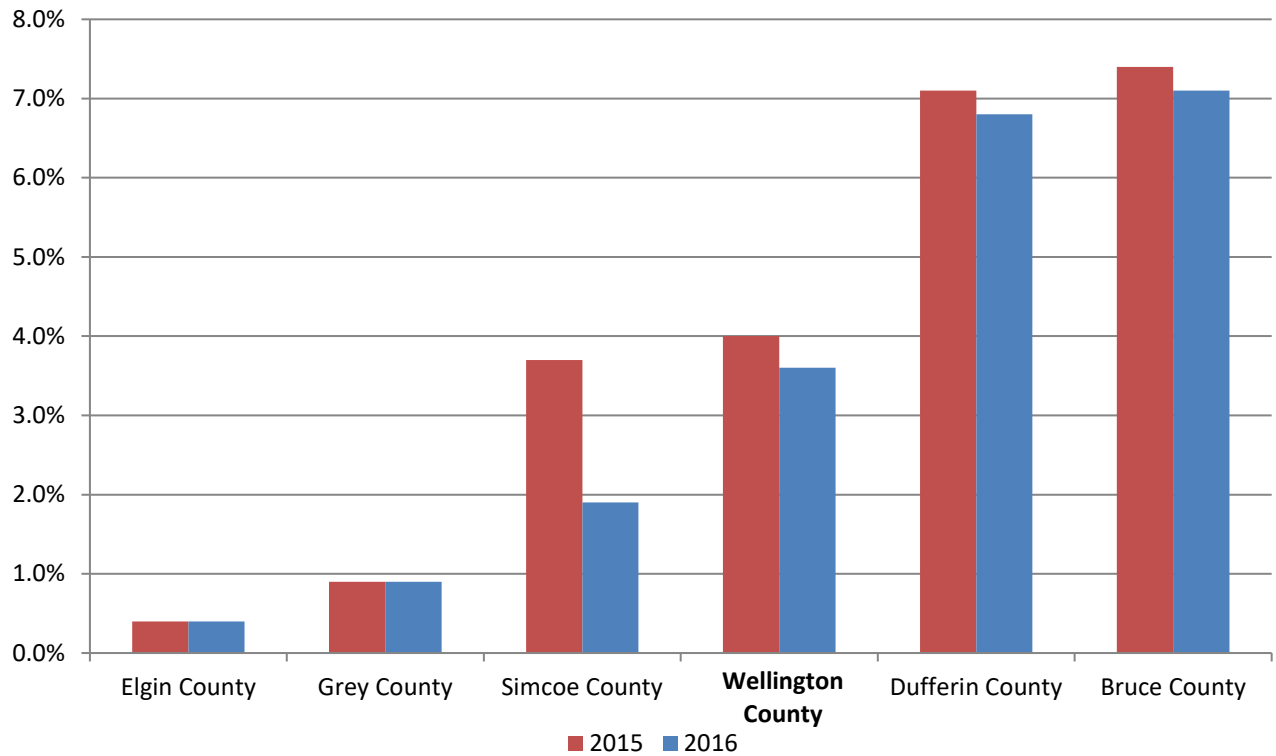
Tax Debt Charges as % of Own Source Revenue

County and Upper Tier Comparators



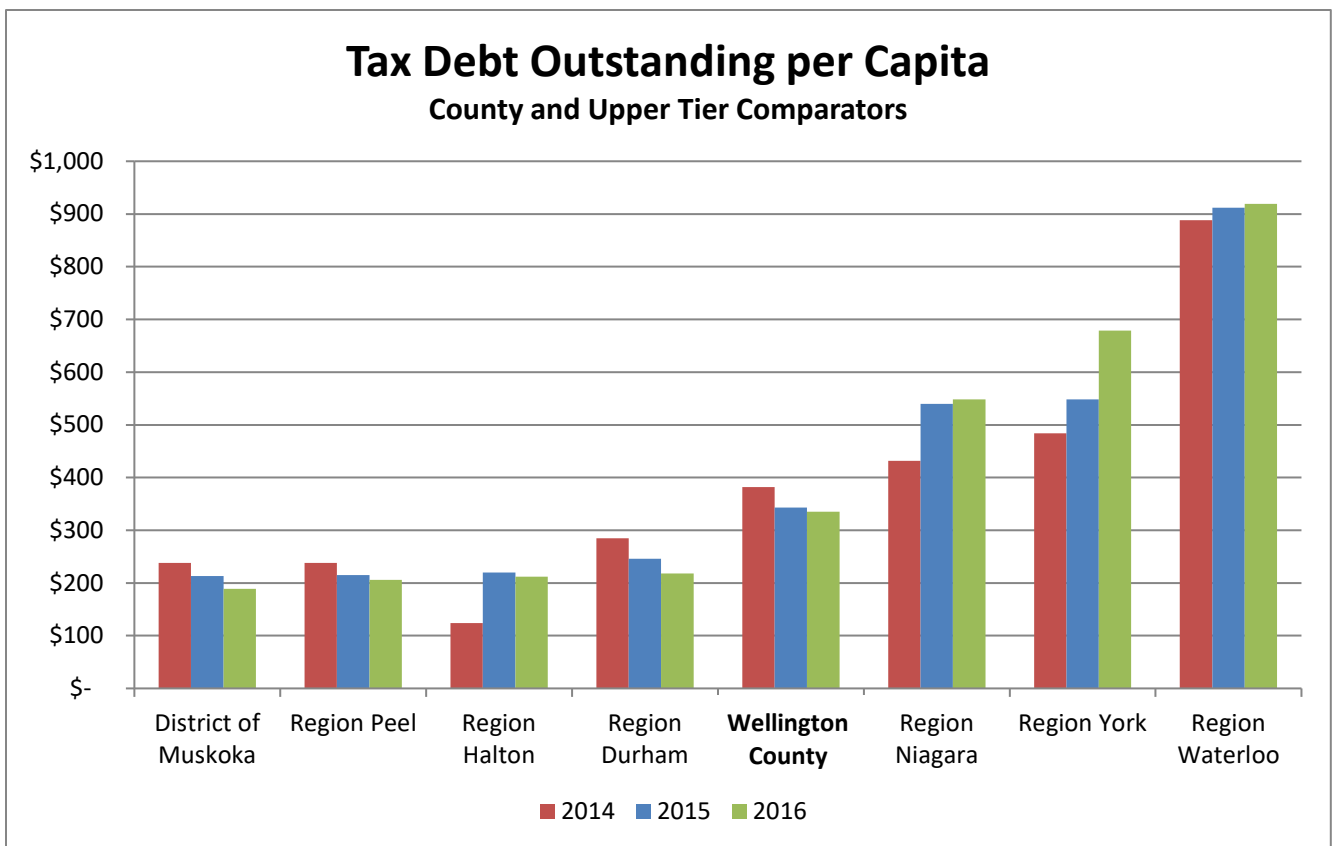
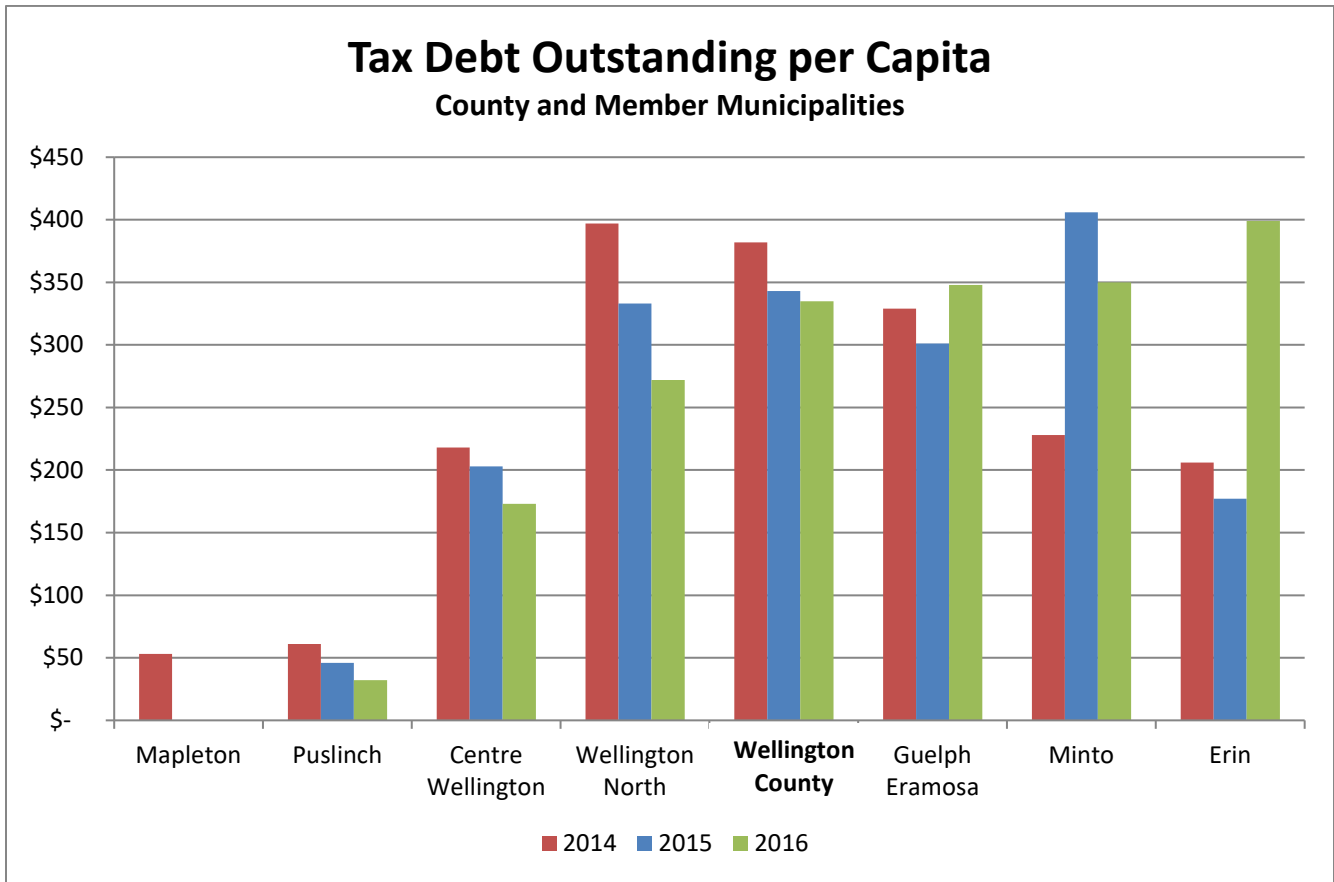
Tax Debt Charges as % of Own Source Revenue

County and County Comparators



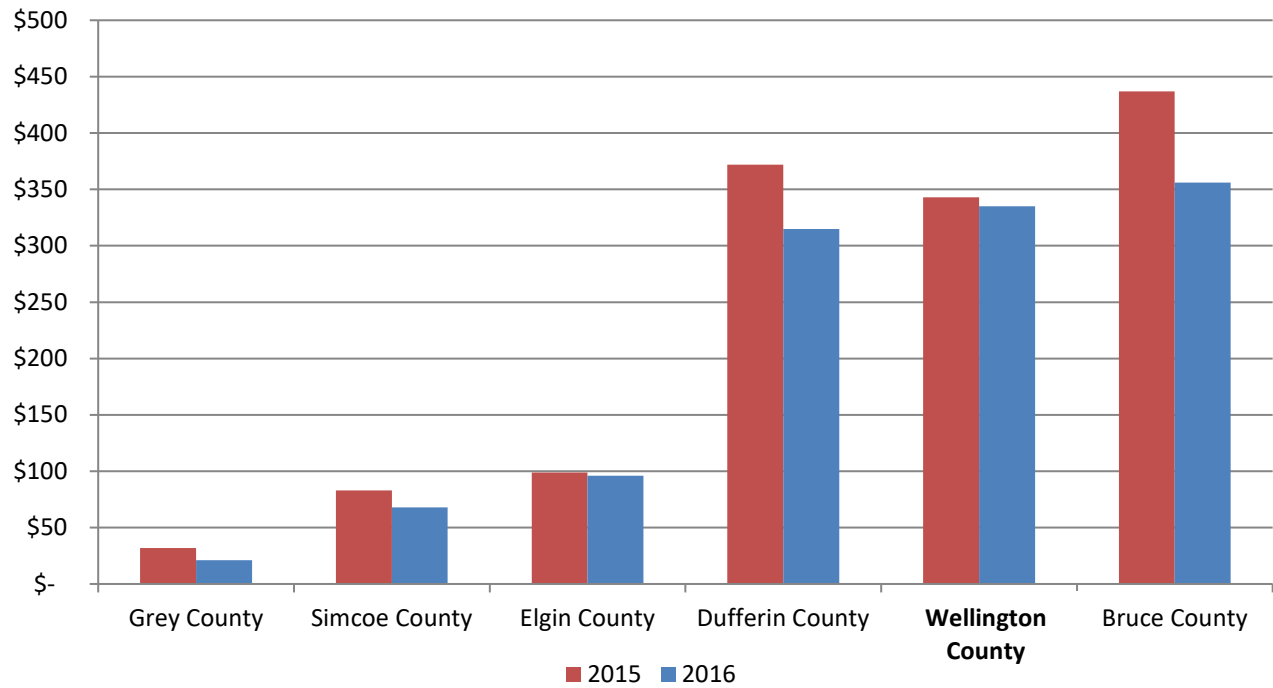
III. Debt Outstanding per Capita

- This provides the debt outstanding divided by the population.



Tax Debt Outstanding per Capita

County and County Comparators

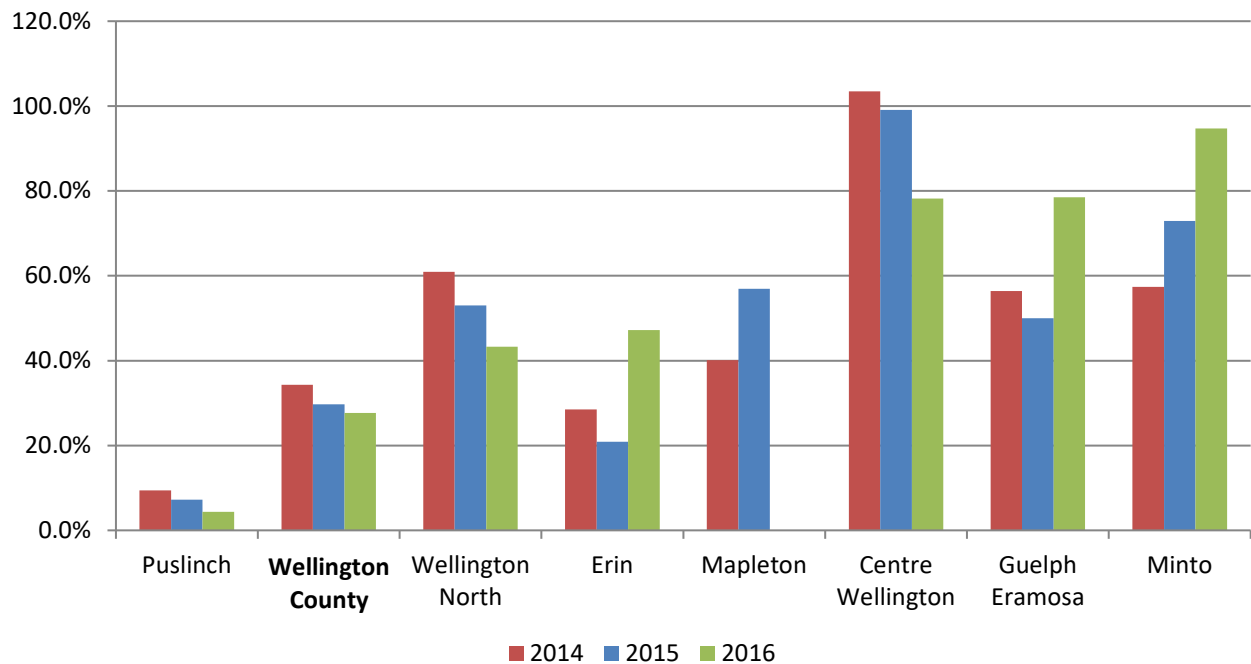


IV. Debt Outstanding Per Own Source Revenue

- This provides the debt outstanding divided by the municipality's own source revenues

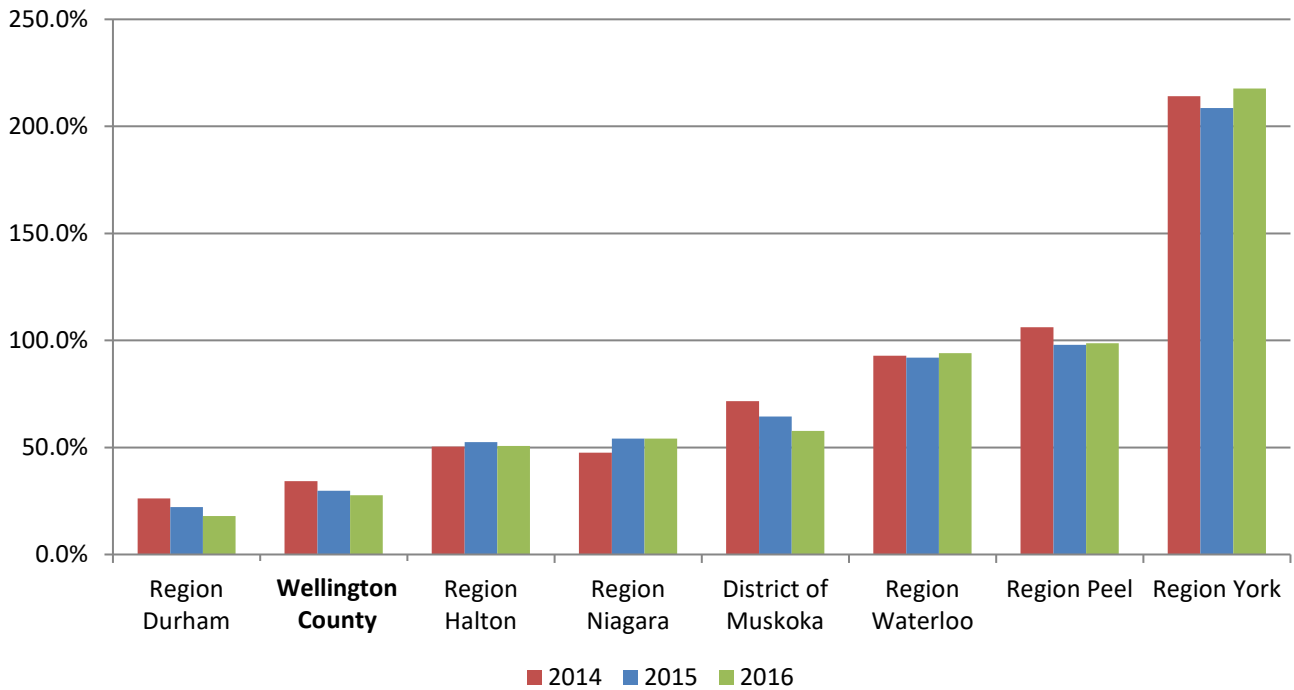
Debt Outstanding per Own Source Revenues

County and Member Municipalities



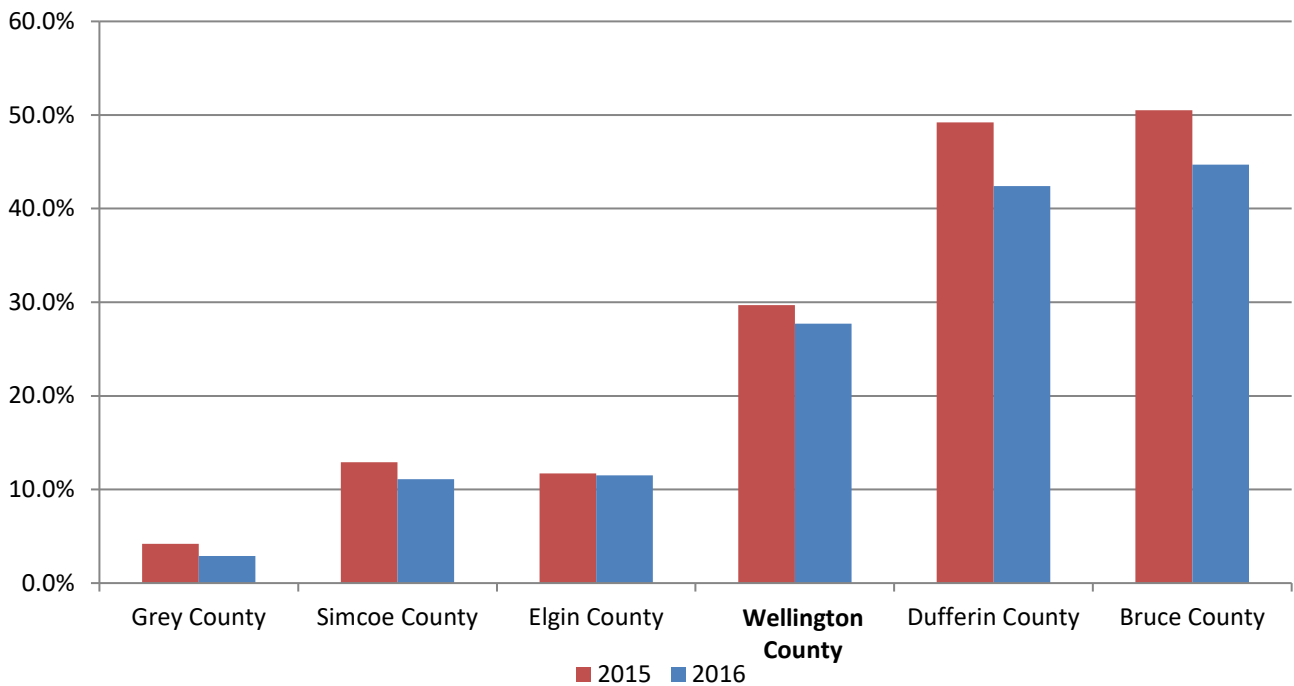
Debt Outstanding per Own Source Revenues

County and Upper Tier Comparators



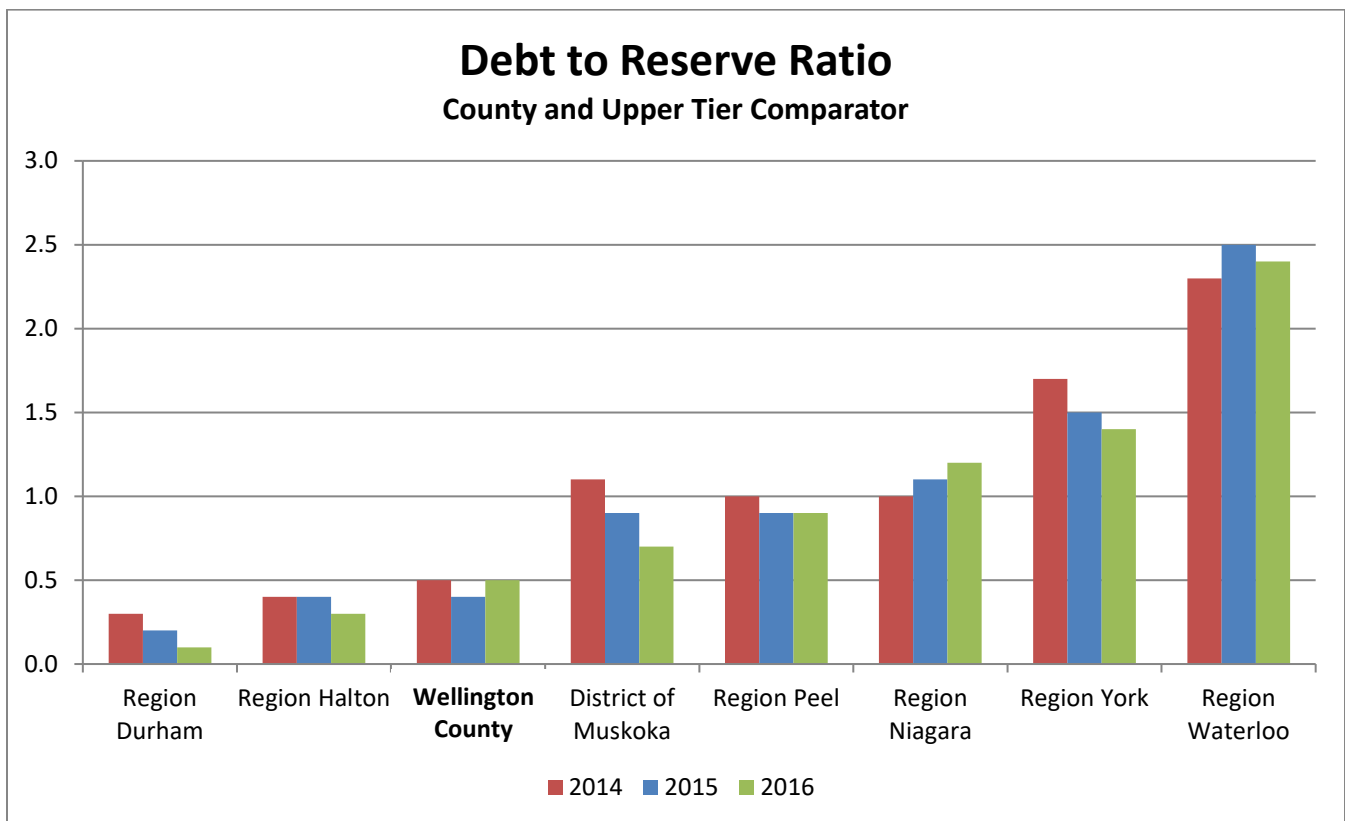
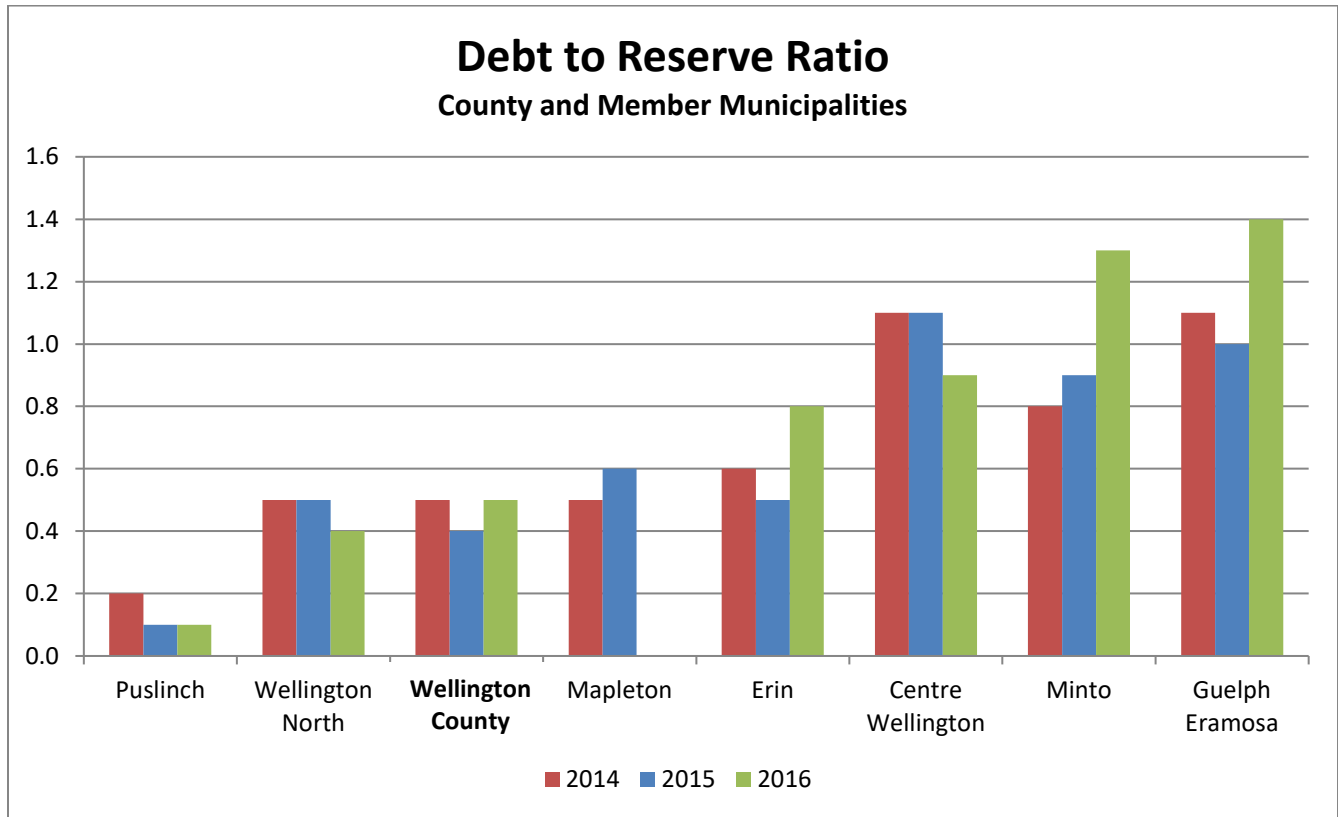
Debt Outstanding per Own Source Revenues

County and County Comparators

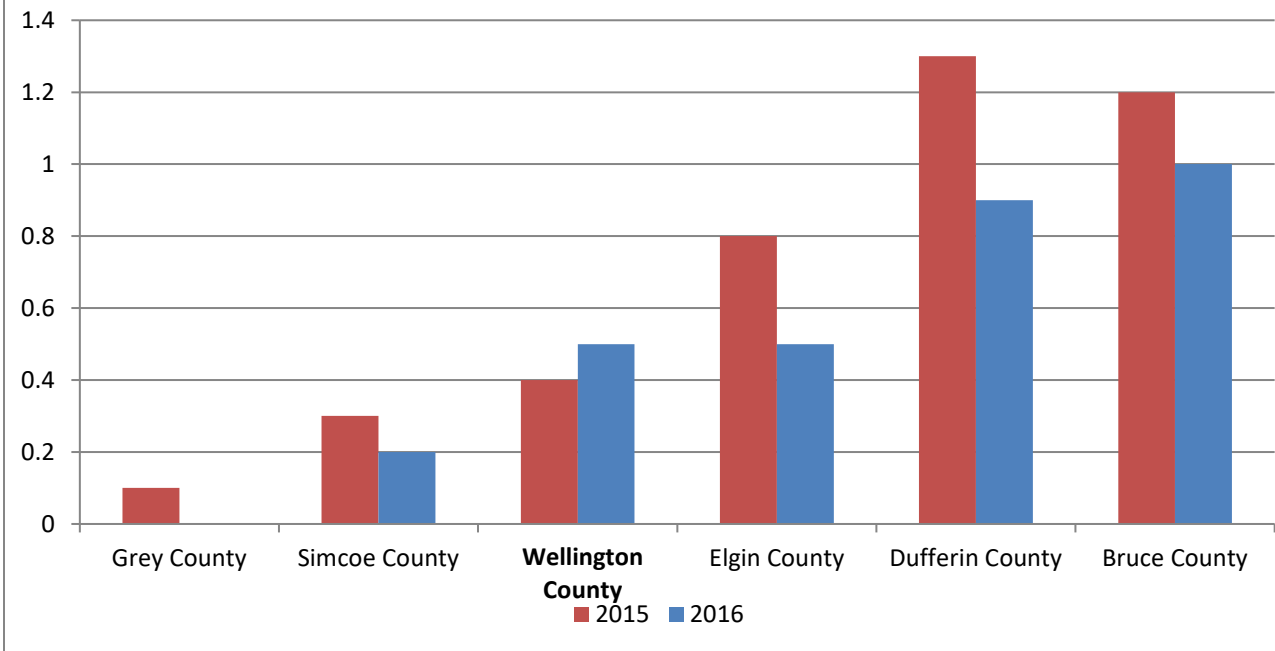


V. **Debt to Reserve Ratio**

- This measure reflects the amount of debt outstanding divided by a municipality's reserves and reserve funds. A measure above 1.0 indicates that a municipality has more long-term debt than reserves.



Debt to Reserve Ratio County and County Comparators

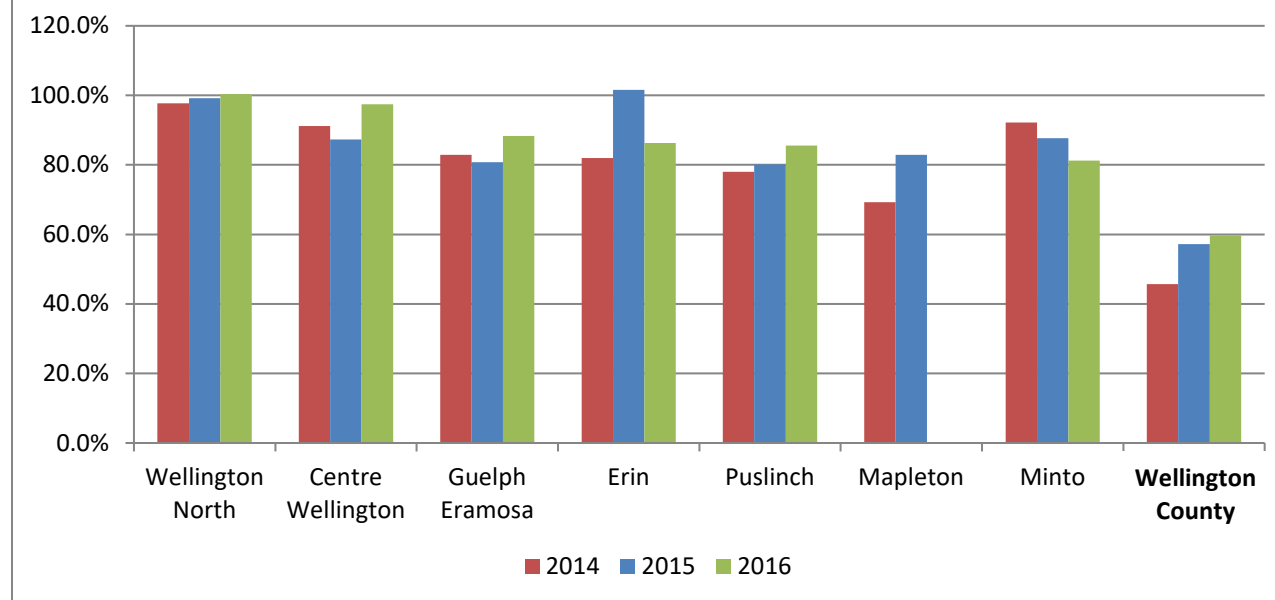


VULNERABILITY – Addresses a municipality’s vulnerability to external sources of funding that it cannot control and its exposure to risks.

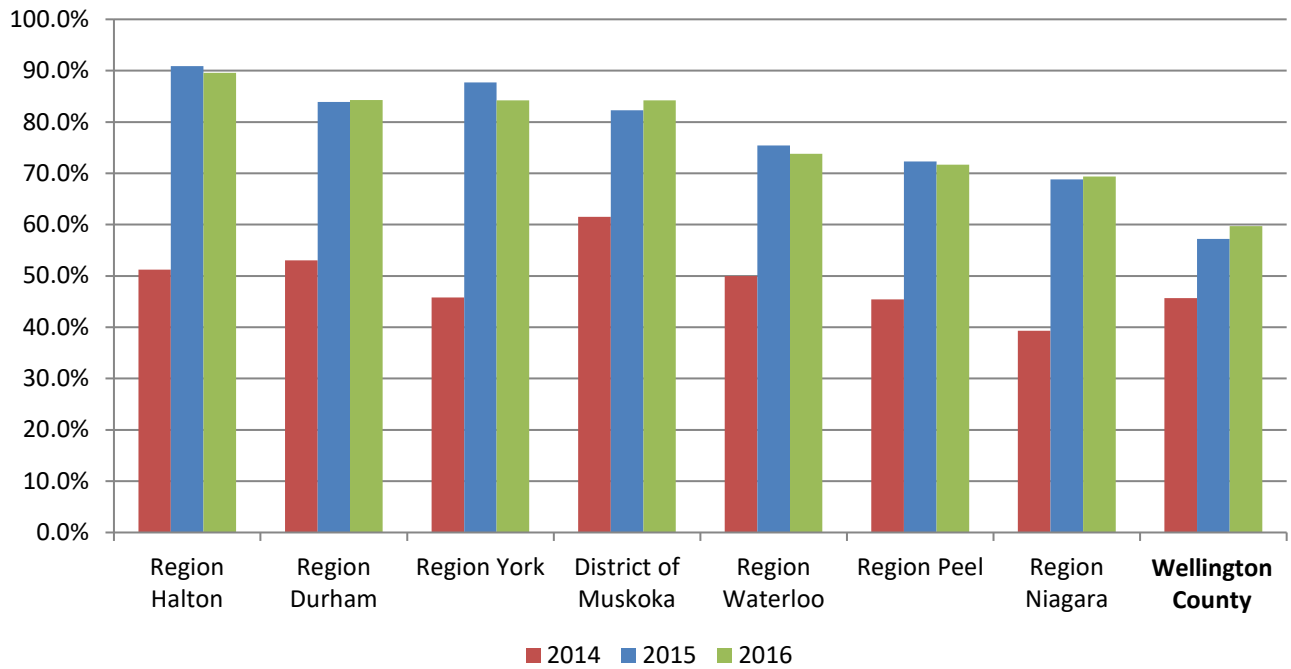
Indicator 6: Rates Coverage Ratio

The Rates Coverage Ratio provides a measure of the municipality’s ability to cover its costs through its own sources of revenue. It measures own source revenue as a % of total expenditures. According to the MMA, a basic target is 40%-60%; an intermediate is 60%-90% and an advanced target is 90% or greater.

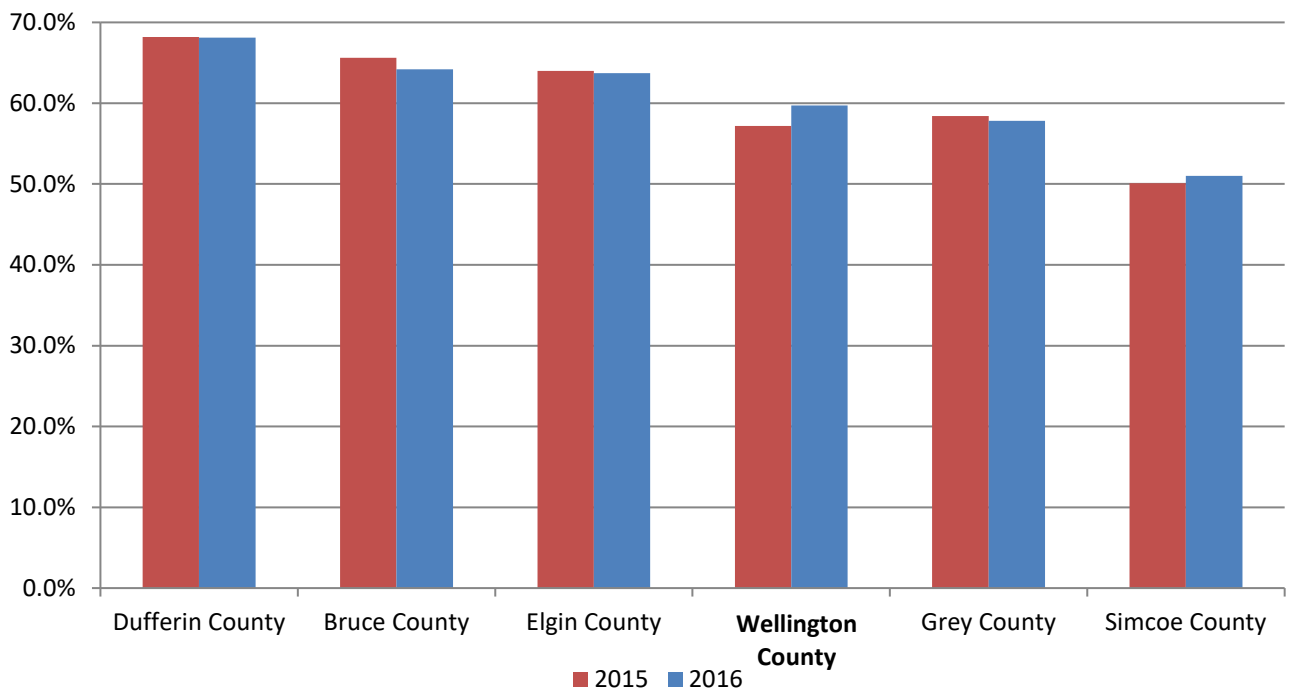
Rates Coverage Ratio County and Member Municipalities



Rates Coverage Ratio County and Upper Tier Comparators



Rates Coverage Ratio County and County Comparators



Recommendation:

That the BMA Municipal Study – Financial Indicators report be received for information.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ken DeHart", with a long horizontal flourish extending to the right.

Ken DeHart, CPA, CGA
County Treasurer

Schedule A – Summary of Indicators (2016)

County and Member Municipalities

| Ranking 1 = Lowest Challenge 8 = Greatest Challenge | | Centre Wellington | Erin | Guelph Eramosa | Mapleton | Minto | Puslinch | Wellington North | Wellington County |
|---|--|----------------------|---------------|-------------------|----------|---------------|----------|---------------------|----------------------|
| Indicators | | | | | | | | | |
| 1 | Financial Position Per Capita | \$836 | \$172 | -\$205 | N/A | -\$11 | \$492 | \$1493 | \$442 |
| | | 2 | 5 | 7 | | 6 | 3 | 1 | 4 |
| 2 | Net Financial Liabilities Ratio | -0.71 | -0.2 | 0.25 | N/A | 0.01 | -0.68 | -1.24 | -0.36 |
| | | 2 | 5 | 7 | | 6 | 3 | 1 | 4 |
| 3 | Asset Consumption Ratio | 38.7% | 45.5% | 37.6% | N/A | 45.7% | 65.1% | 53.4% | 41.9% |
| | | 2 | 4 | 1 | | 5 | 7 | 6 | 3 |
| 4 | Tax Discretionary Reserves as a % of Taxation | 114.0% | 57.0% | 51.0% | N/A | 57.0% | 93.0% | 103.0% | 75.0% |
| | | 1 | 5(tie) | 6 | | 5(tie) | 3 | 2 | 4 |
| | Tax Discretionary Reserves per Capita | \$520 | \$317 | \$255 | N/A | \$318 | \$477 | \$625 | \$734 |
| | 3 | 6 | 7 | | 5 | 4 | 2 | 1 | |
| | Tax Discretionary Reserves as a % of Own Source Revenues | 60.0% | 45.0% | 40.0% | N/A | 37.0% | 66.0% | 78.0% | 61.0% |
| | | 4 | 5 | 6 | | 7 | 2 | 1 | 3 |
| 5 | Tax Debt Interest as % of Own Source Revenue | 1.0% | 0.8% | 1.7% | N/A | 2.0% | 0.3% | 2.0% | 1.3% |
| | | 3 | 2 | 5 | | 6(tie) | 1 | 6(tie) | 4 |
| | Tax Debt Charges as a % of Own Source Revenues | 2.2% | 3.4% | 6.9% | N/A | 16.3% | 2.3% | 13.3% | 3.6% |
| | | 1 | 3 | 5 | | 7 | 2 | 6 | 4 |
| | Debt Outstanding per Capita | \$173 | \$399 | \$348 | N/A | \$350 | \$32 | \$272 | \$335 |
| | 2 | 7 | 5 | | 6 | 1 | 3 | 4 | |
| | Debt Outstanding Per Own Source Revenue | 78.2% | 47.2% | 78.5% | N/A | 94.7% | 4.4% | 43.3% | 27.7% |
| | | 5 | 4 | 6 | | 7 | 1 | 3 | 2 |
| | Debt to Reserve Ratio | 0.9 | 0.8 | 1.4 | N/A | 1.3 | 0.1 | 0.4 | 0.5 |
| | | 5 | 4 | 7 | | 6 | 1 | 2 | 3 |
| 6 | Rates Coverage Ratio | 97.4% | 86.3% | 88.3% | N/A | 81.2% | 85.6% | 100.4% | 59.7% |
| | | 2 | 4 | 3 | | 6 | 5 | 1 | 7 |

Schedule B – Summary of Indicators (2016) County and Upper-Tier Comparators

| Ranking 1 = Lowest Challenge 8 = Greatest Challenge | | District of Muskoka | Region Durham | Region Halton | Region Niagara | Region Peel | Region Waterloo | Region York | Wellington County |
|---|--|------------------------|------------------|------------------|-------------------|----------------|--------------------|----------------|----------------------|
| Indicators | | | | | | | | | |
| 1 | Financial Position Per Capita | \$303 | \$1,579 | \$2,097 | -\$223 | -\$8 | -\$1,229 | -\$1,209 | \$442 |
| | | 4 | 2 | 1 | 3 | 5 | 8 | 7 | 3 |
| 2 | Net Financial Liabilities Ratio | -0.15 | -1.06 | -1.67 | 0.17 | -0.01 | 0.91 | 0.86 | -0.36 |
| | | 4 | 2 | 1 | 6 | 5 | 8 | 7 | 3 |
| 3 | Asset Consumption Ratio | 46.0% | 32.8% | 26.4% | 41.6% | 27.0% | 42.4% | 27.9% | 41.9% |
| | | 8 | 4 | 1 | 5 | 2 | 7 | 3 | 6 |
| 4 | Tax Discretionary Reserves as a % of Taxation | 79.0% | 150.0% | 219.0% | 45.0% | 126.0% | 44.0% | 223.0% | 75.0% |
| | | 5 | 3 | 2 | 7 | 4 | 8 | 1 | 6 |
| | Tax Discretionary Reserves per Capita | \$1,222 | \$1,435 | \$1,557 | \$339 | \$888 | \$400 | \$2,002 | \$734 |
| | 4 | 3 | 2 | 8 | 5 | 7 | 1 | 6 | |
| | Tax Discretionary Reserves as a % of Own Source Revenues | 67% | 128% | 171% | 32% | 105% | 36% | 175% | 61% |
| | | 5 | 3 | 2 | 8 | 4 | 7 | 1 | 6 |
| 5 | Tax Debt Interest as % of Own Source Revenue | 0.5% | 0.8% | 0.8% | 2.7% | 1.1% | 2.1% | 2.0% | 1.3% |
| | | 1 | 2(tie) | 2(tie) | 7 | 3 | 6 | 5 | 4 |
| | Tax Debt Charges as a % of Own Source Revenues | 0.8% | 2.0% | 1.3% | 8.2% | 0.6% | 8.5% | 0.8% | 3.6% |
| | | 2(tie) | 4 | 3 | 6 | 1 | 7 | 2(tie) | 5 |
| | Debt Outstanding per Capita | \$189 | \$218 | \$212 | \$548 | \$206 | \$919 | \$679 | \$335 |
| | 1 | 4 | 3 | 6 | 2 | 8 | 7 | 5 | |
| | Debt Outstanding Per Own Source Revenue | 57.8% | 17.9% | 50.7% | 54.2% | 98.7% | 94.1% | 217.7% | 27.7% |
| | | 5 | 1 | 3 | 4 | 7 | 6 | 8 | 2 |
| | Debt to Reserve Ratio | 0.7 | 0.1 | 0.3 | 1.2 | 0.9 | 2.4 | 1.4 | 0.5 |
| | | 4 | 1 | 2 | 6 | 5 | 8 | 7 | 3 |
| 6 | Rates Coverage Ratio | 84.2% | 84.3% | 89.6% | 69.4% | 71.7% | 73.8% | 84.2% | 59.7% |
| | | 3(tie) | 2 | 1 | 6 | 5 | 4 | 3(tie) | 7 |

Schedule C – Summary of Indicators (2016) County and County Comparators

| Ranking 1 = Lowest Challenge 8 = Greatest Challenge | | Bruce County | Simcoe County | Dufferin County | Elgin County | Grey County | Wellington County |
|---|---|-----------------|------------------|--------------------|-----------------|----------------|----------------------|
| Indicators | | | | | | | |
| 1 | Financial Position Per Capita | -\$90 | -\$137 | \$65 | \$262 | \$378 | \$442 |
| | | 5 | 6 | 4 | 3 | 2 | 1 |
| 2 | Net Financial Liabilities Ratio | 0.11 | 0.22 | -0.09 | -0.31 | -0.51 | -0.36 |
| | | 5 | 6 | 4 | 3 | 1 | 2 |
| 3 | Asset Consumption Ratio | 42.3% | 33.0% | 42.2% | 45.7% | 59.3% | 41.9% |
| | | 4 | 1 | 3 | 5 | 6 | 2 |
| 4 | Tax Discretionary Reserves as a % of Taxation | 57.0% | 69.0% | 59.0% | 32.0% | 87.0% | 75.0% |
| | Tax Discretionary Reserves per Capita | \$358 | \$333 | \$333 | \$210 | \$492 | \$737 |
| | Tax Discretionary Reserves as a % of Own Source Revenues | 45.0% | 55.0% | 45.0% | 25.0% | 66.0% | 61.0% |
| | | 5 | 3 | 4 | 6 | 1 | 2 |
| | | 3 | 4(tie) | 4(tie) | 5 | 2 | 1 |
| | | 4(tie) | 3 | 4(tie) | 5 | 1 | 2 |
| 5 | Tax Debt Interest as % of Own Source Revenue | 2.6% | 0.6% | 1.9% | 0.4% | 0.1% | 1.3% |
| | Tax Debt Charges as a % of Own Source Revenues | 7.1% | 1.9% | 6.8% | 0.4% | 0.9% | 3.6% |
| | Debt Outstanding per Capita | \$356 | \$68 | \$315 | \$96 | \$21 | \$335 |
| | Debt Outstanding Per Own Source Revenue | 44.7% | 11.1% | 42.4% | 11.5% | 2.9% | 27.7% |
| | Debt to Reserve Ratio | 1.0 | 0.2 | 0.9 | 0.5 | 0.0 | 0.5 |
| | | 6 | 3 | 5 | 2 | 1 | 4 |
| | | 6 | 3 | 5 | 1 | 2 | 4 |
| | | 6 | 2 | 4 | 3 | 1 | 5 |
| | | 6 | 2 | 5 | 3 | 1 | 4 |
| | | 5 | 2 | 4 | 3(tie) | 1 | 3(tie) |
| 6 | Rates Coverage Ratio | 64.2% | 51.0% | 68.1% | 63.7% | 57.8% | 59.7% |
| | | 2 | 6 | 1 | 3 | 5 | 4 |