



# 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 17, 2017  
**Subject:** **BMA Municipal Study – Financial Indicators Analysis**

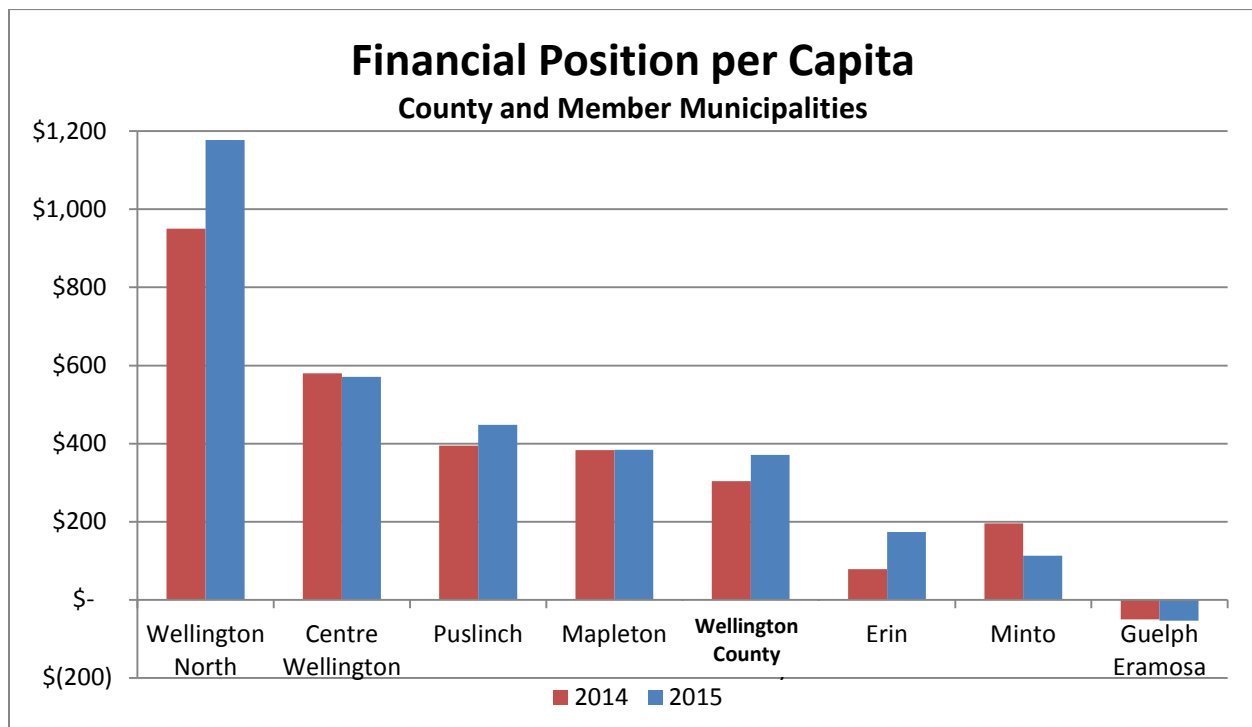
### Background:

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 programs. 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.

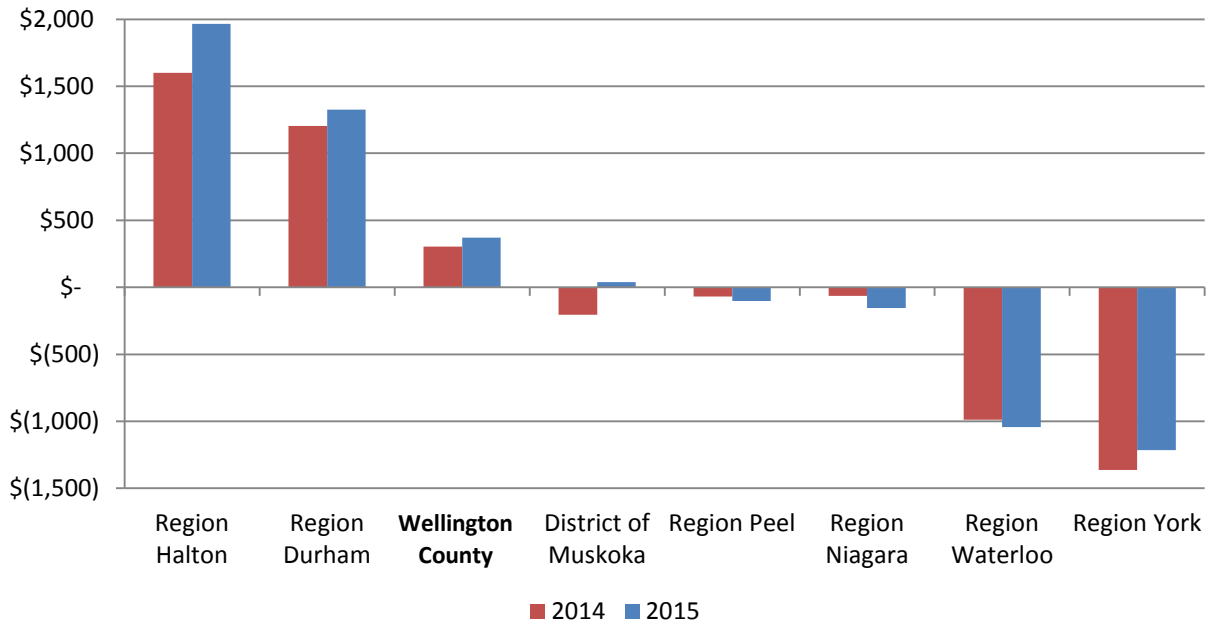
**SUSTAINABILITY** - The ability to provide and maintain service and infrastructure levels without resorting to unplanned increases in rates or cuts to services.

### Indicator 1: Financial Position Per Capita

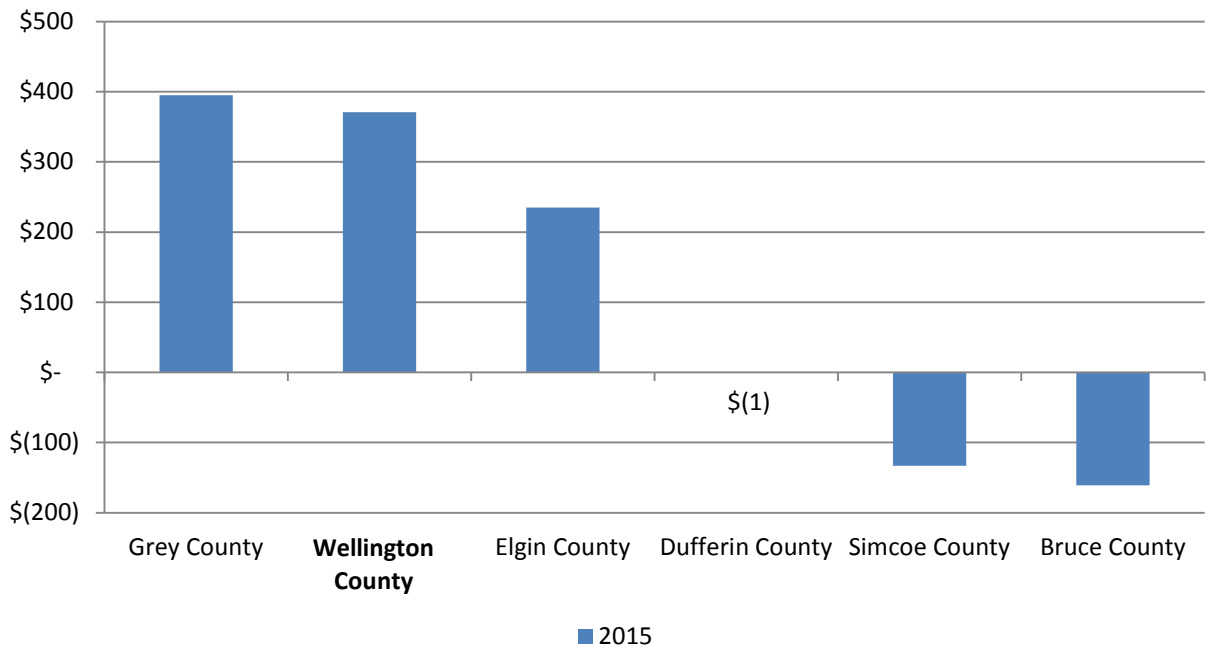
Financial position is a key indicator of a municipality's financial health. It provides an indication of the affordability of future municipal spending. The net financial position is a broader measure of a municipality's indebtedness than debenture debt as it includes all of the municipality's financial 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

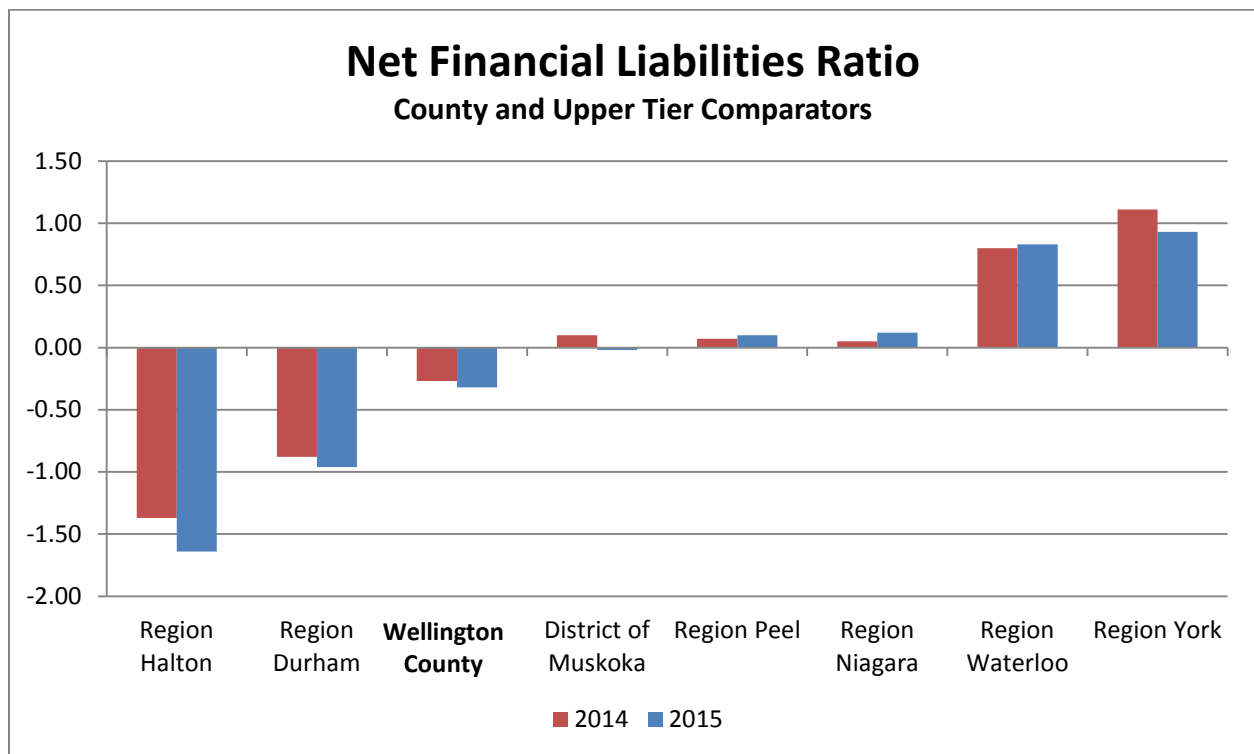
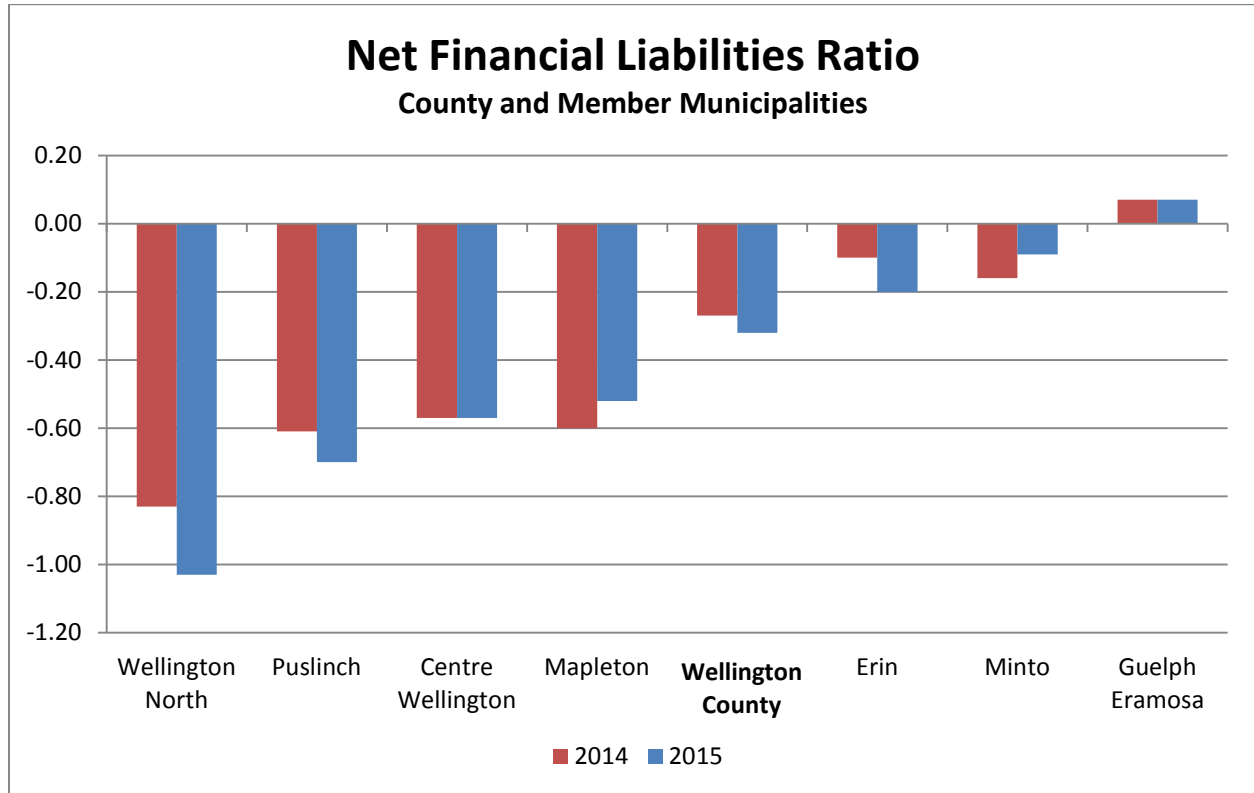


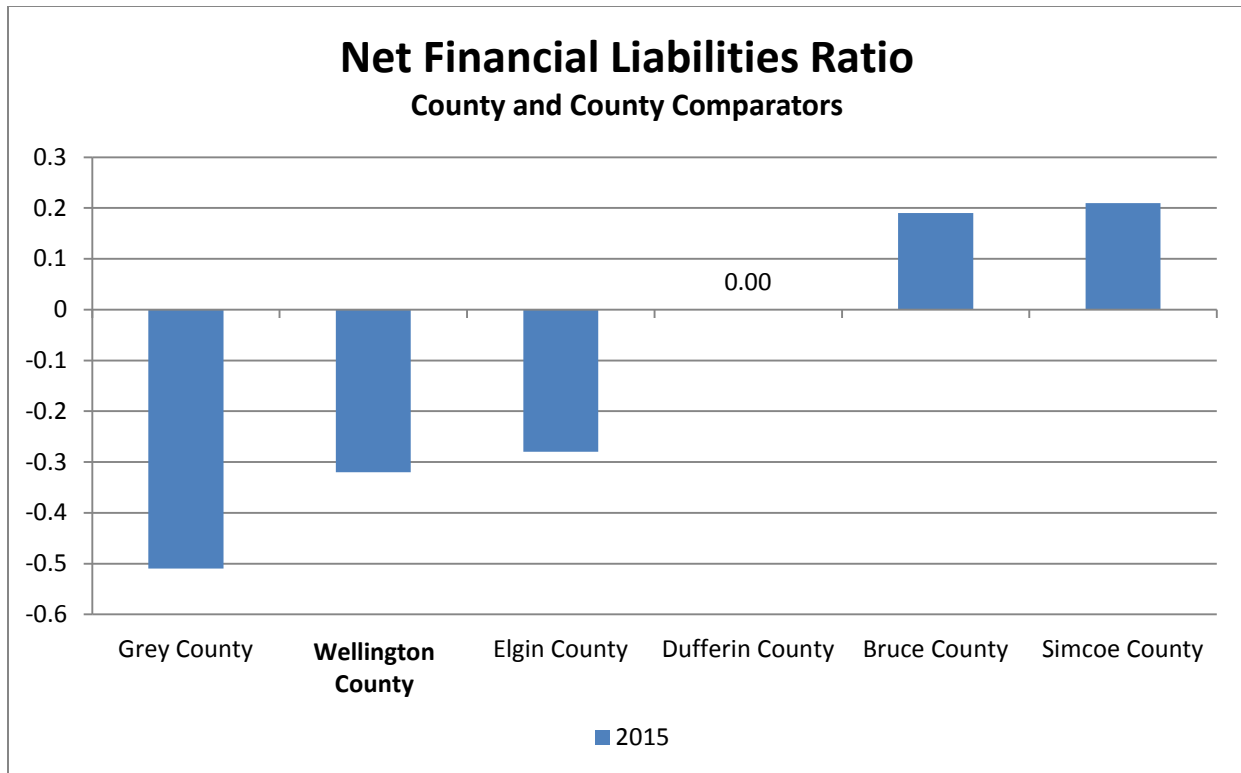
## Financial Position per Capita County and County Comparators



## Indicator 2: Net Financial Liabilities Ratio

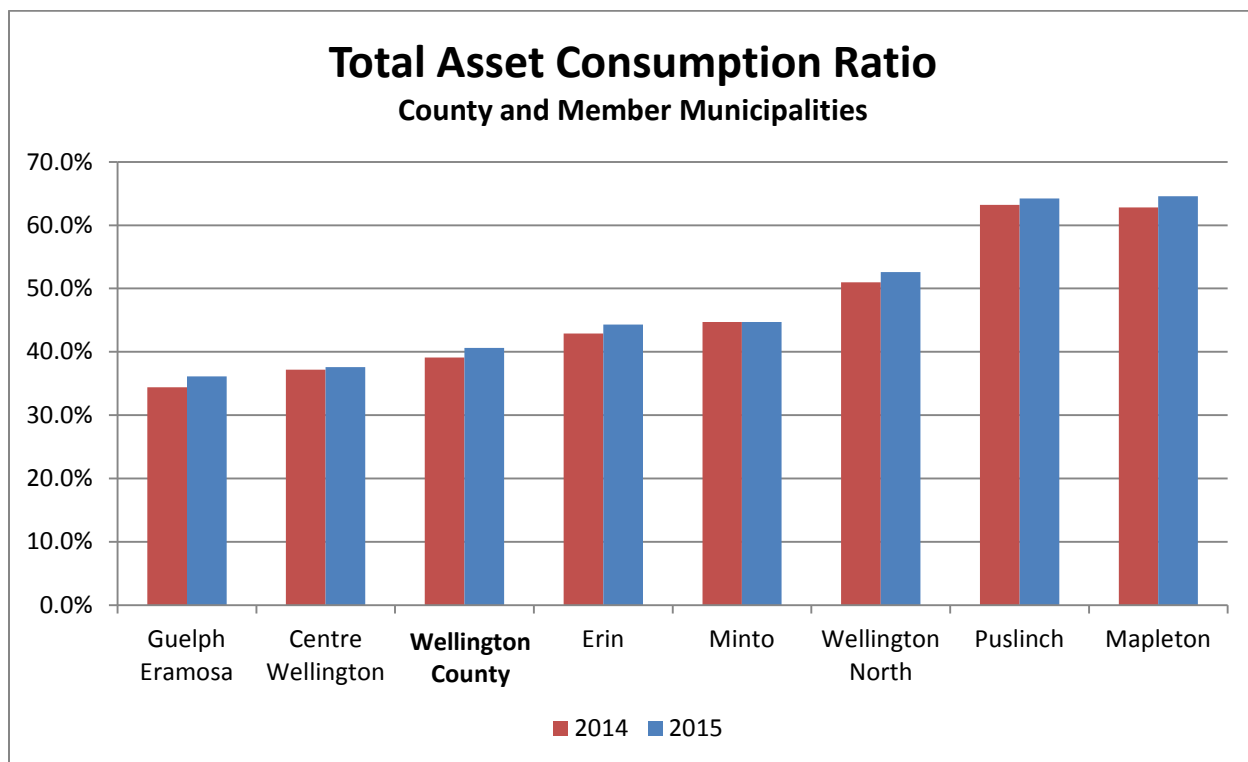
Net Financial Liabilities ratio is total liabilities minus assets as a percentage of own source revenues. It indicates the extent to which financial liabilities could be met by its operating revenue. A ratio greater than zero indicates that the municipality's total liabilities exceed the total assets.





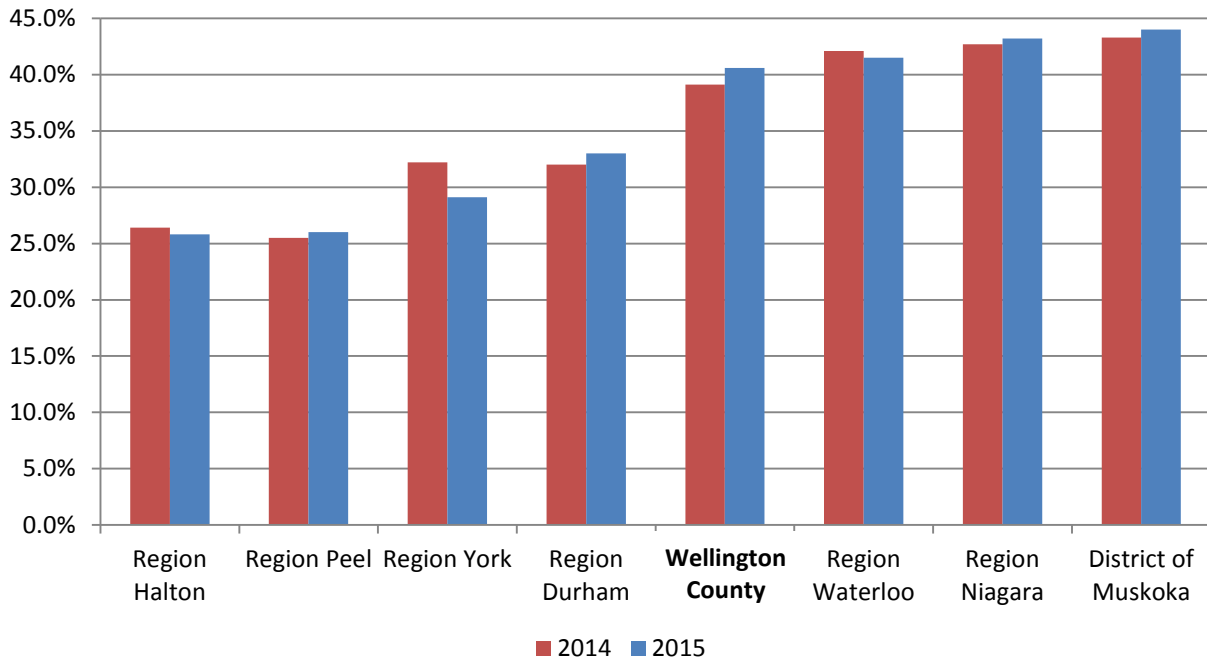
### Indicator 3: Asset Consumption Ratio

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 MMAH considers a ratio of 25% or under to be relatively new; 26%-50% to be moderately new; 51%-75% to be moderately old and over 75% to be old.



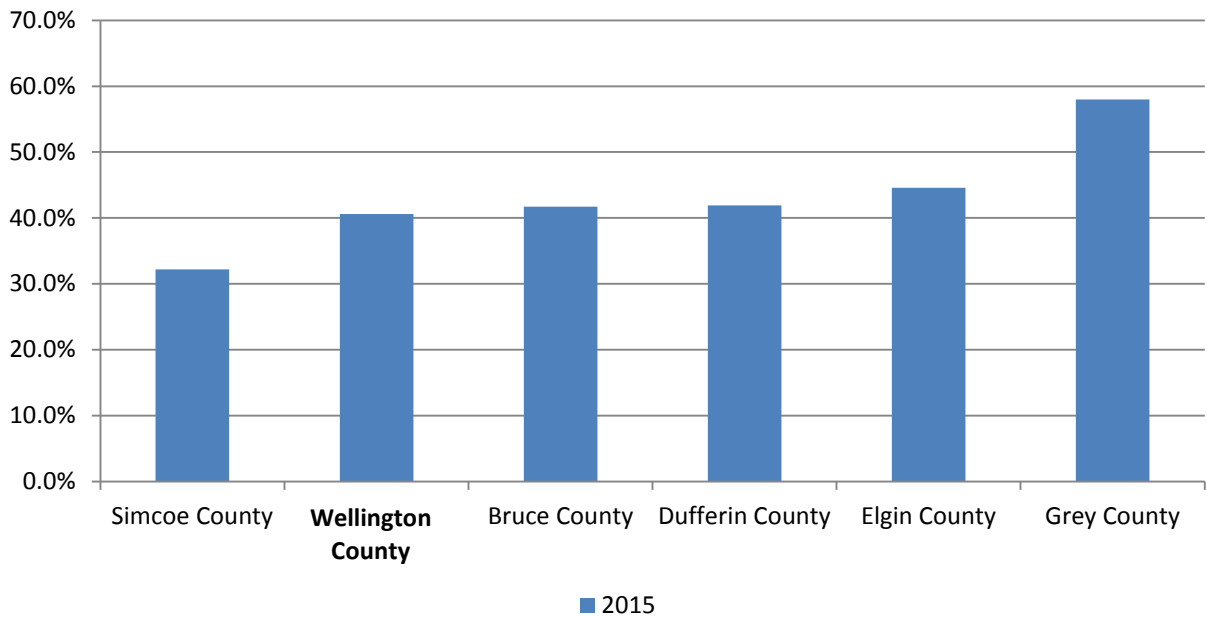
## Total Asset Consumption Ratio

### 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.

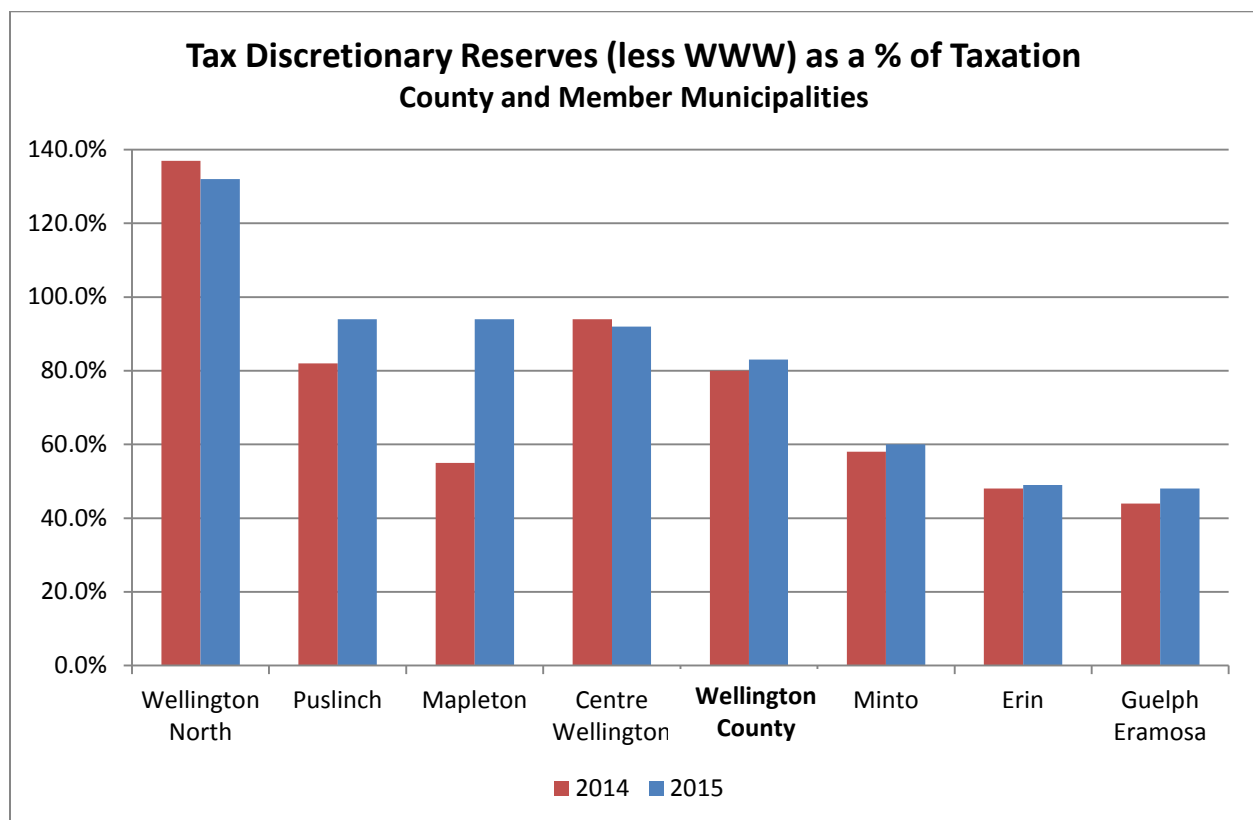
## Indicator 4: Reserves

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.

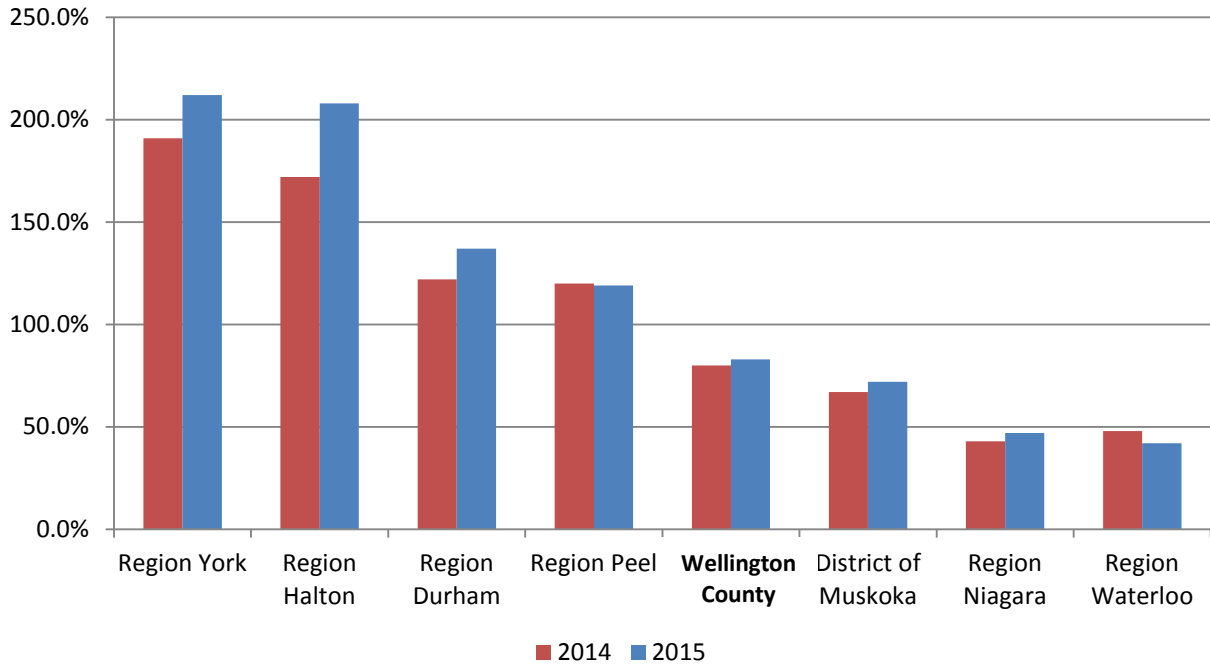
Three financial indicators have been included for tax reserves. In each case, the water and wastewater reserves and reserve funds have been excluded as well as obligatory reserve funds.

### I. Tax Discretionary Reserves as a % of Taxation

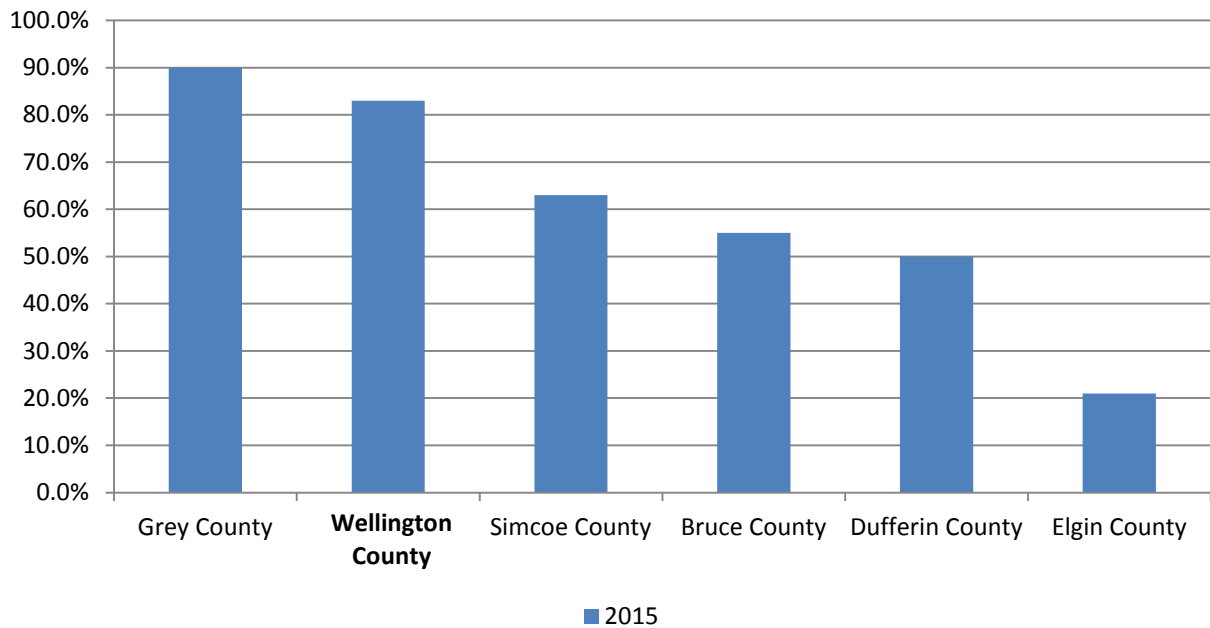
- This provides the total tax discretionary reserves and reserve funds in relation to total taxation



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

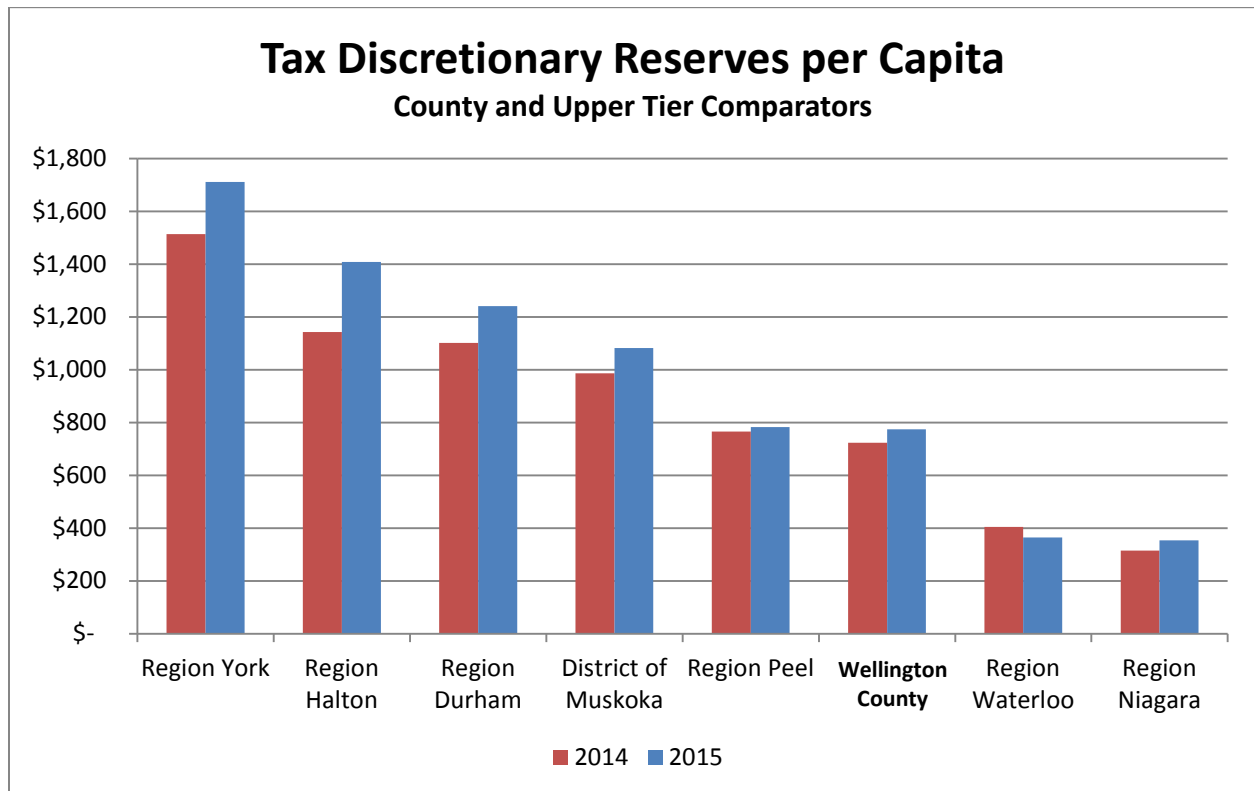
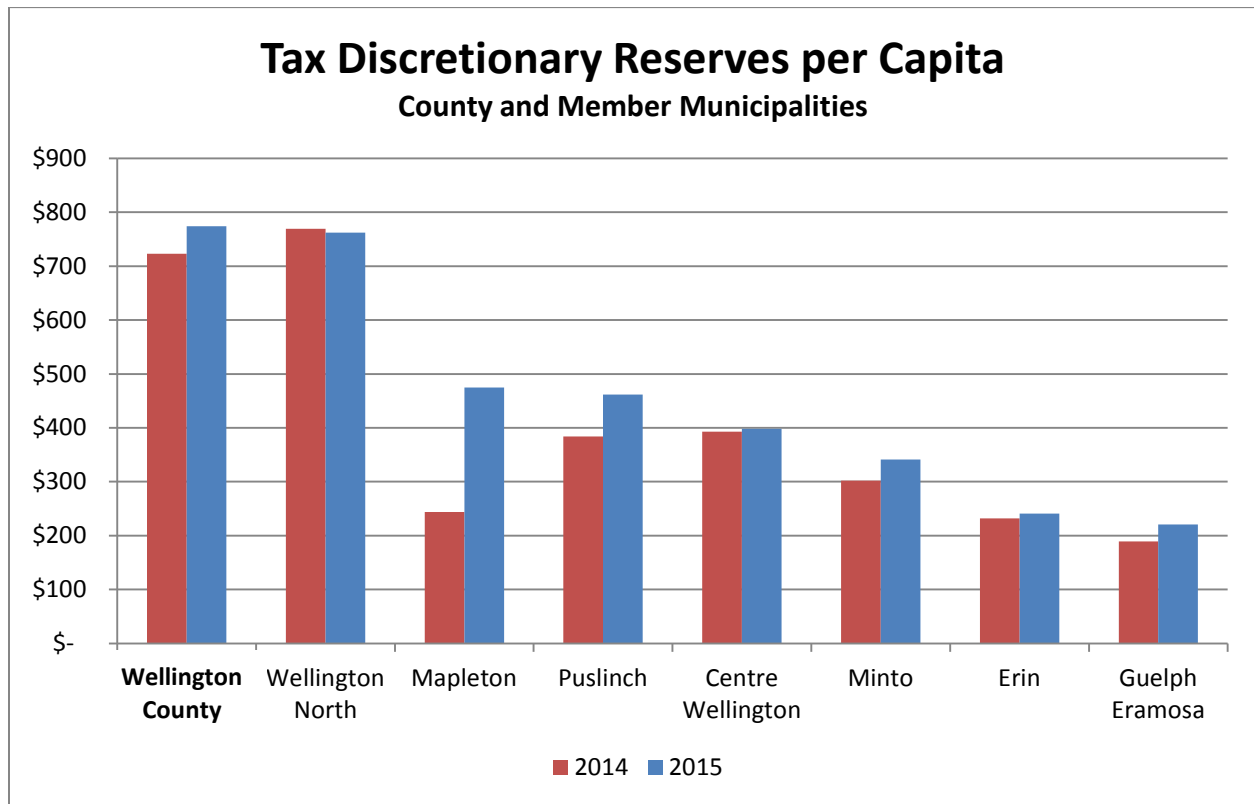


**Tax Discretionary Reserves (less WWW) as a % of Taxation  
County and County Comparators**

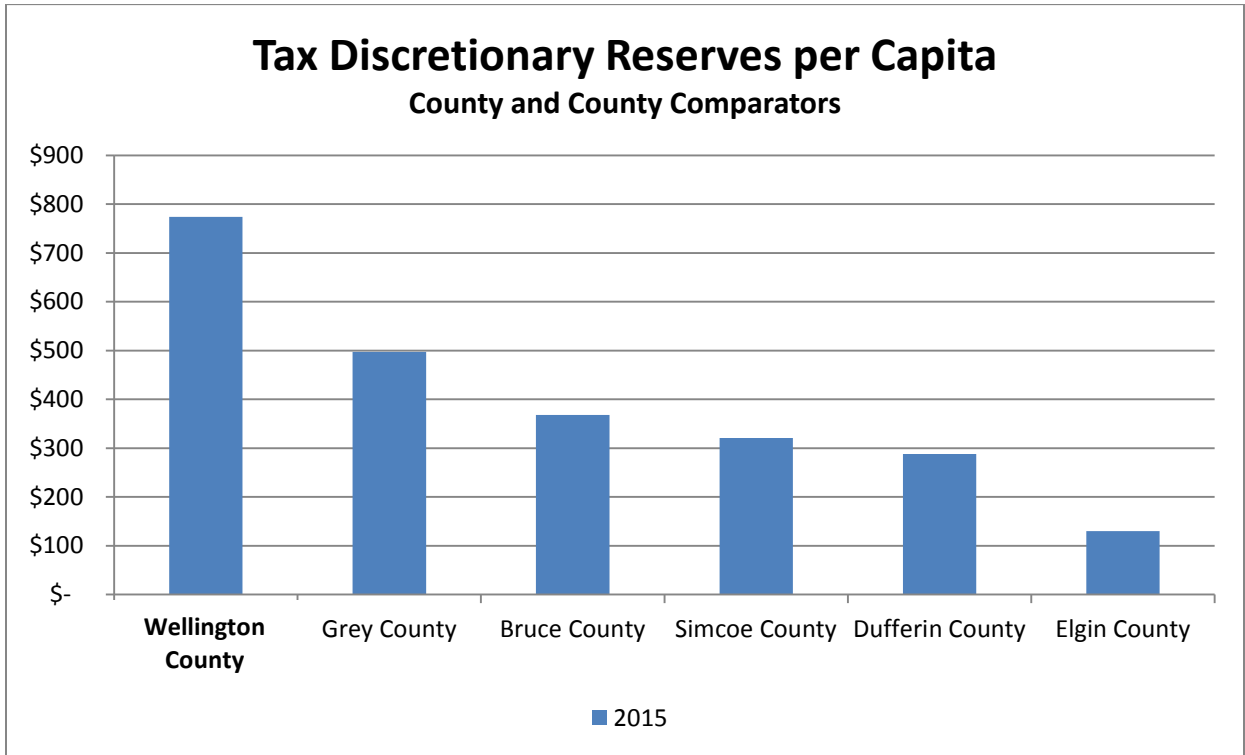


## II. Tax Discretionary Reserves per Capita

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

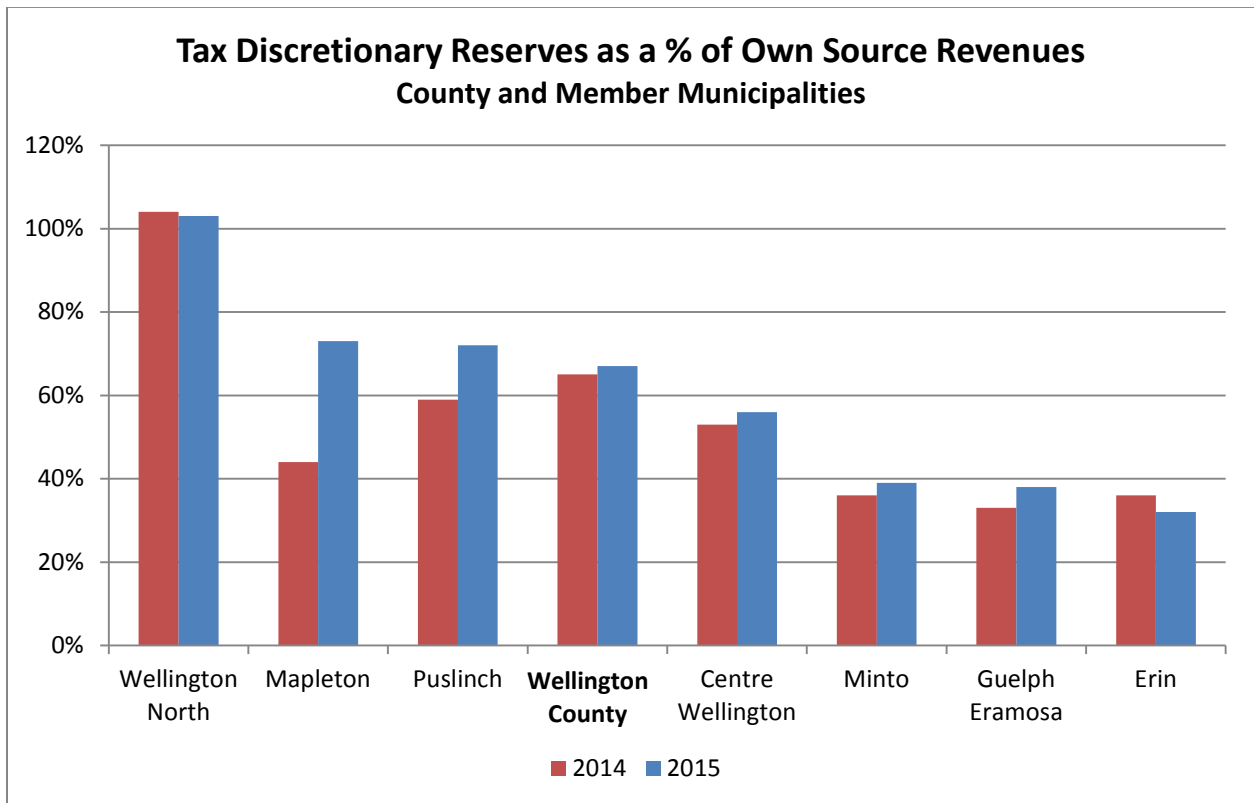




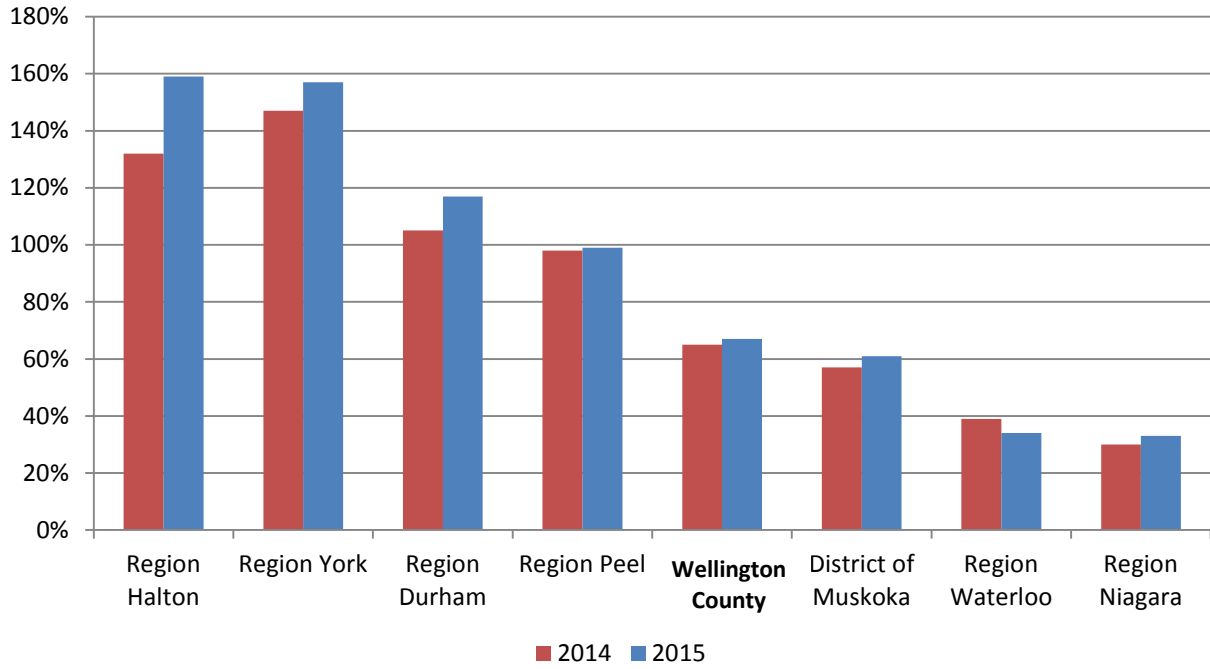


**III. Tax Discretionary Reserves as a % of Own Source Revenues**

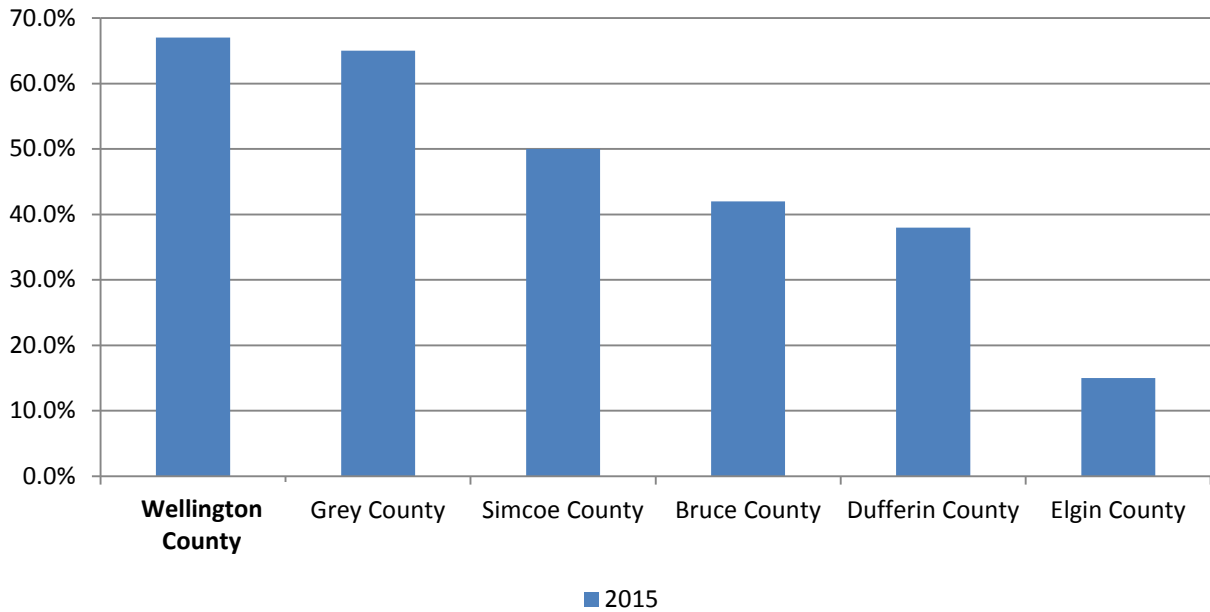
- This shows the total value of funds held in reserves and reserve funds compared to a single year's own source revenue. It is a strong indicator of financial stability.



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



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

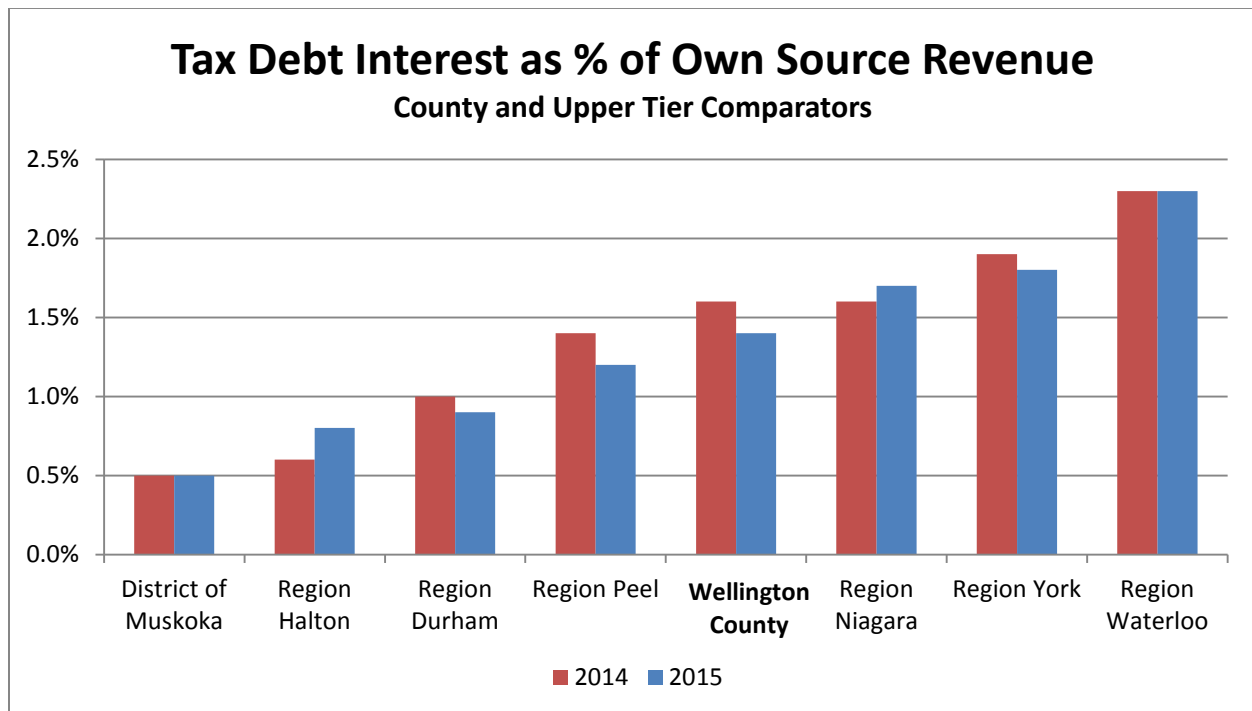
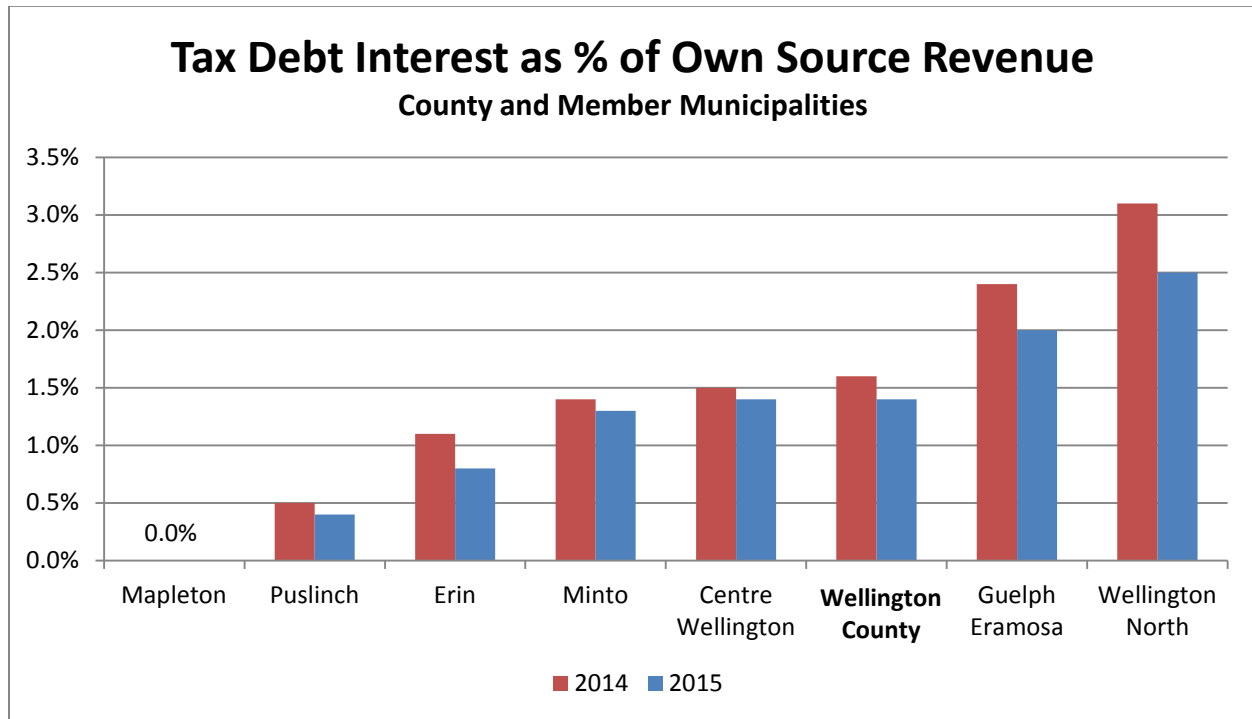


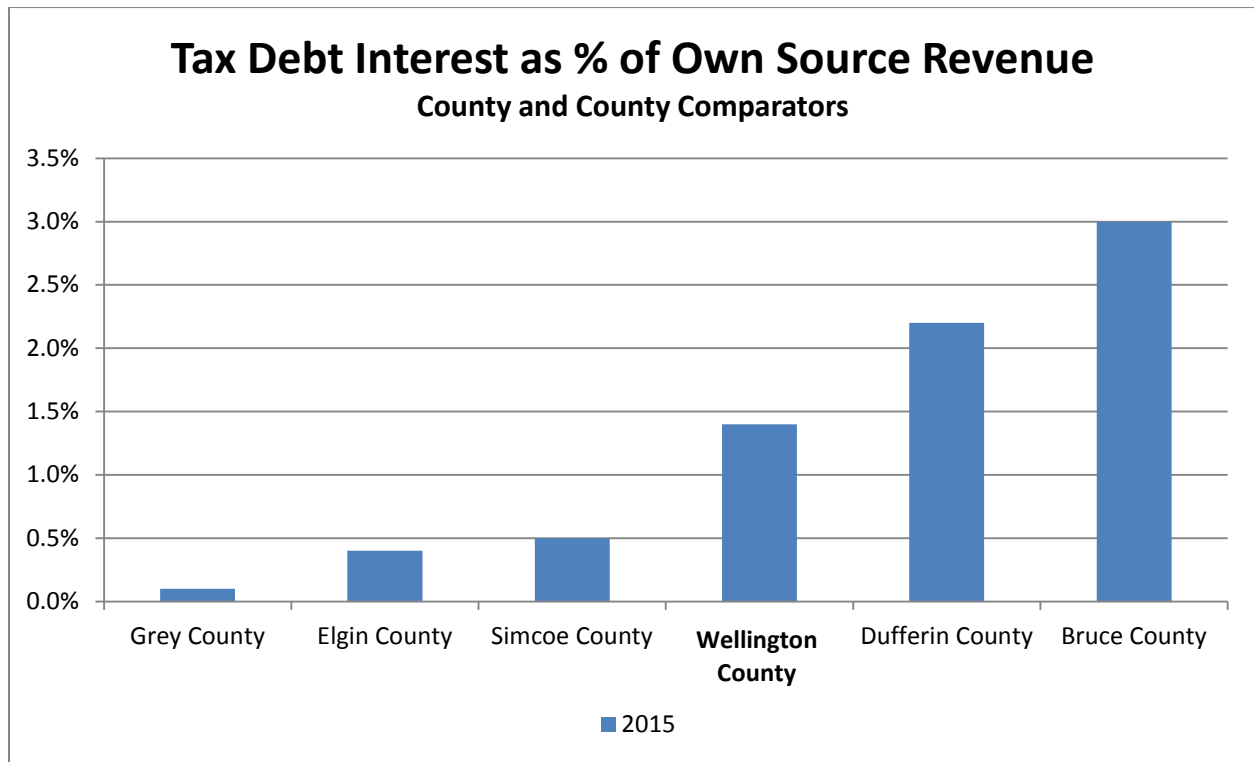
## Indicator 5: Debt

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

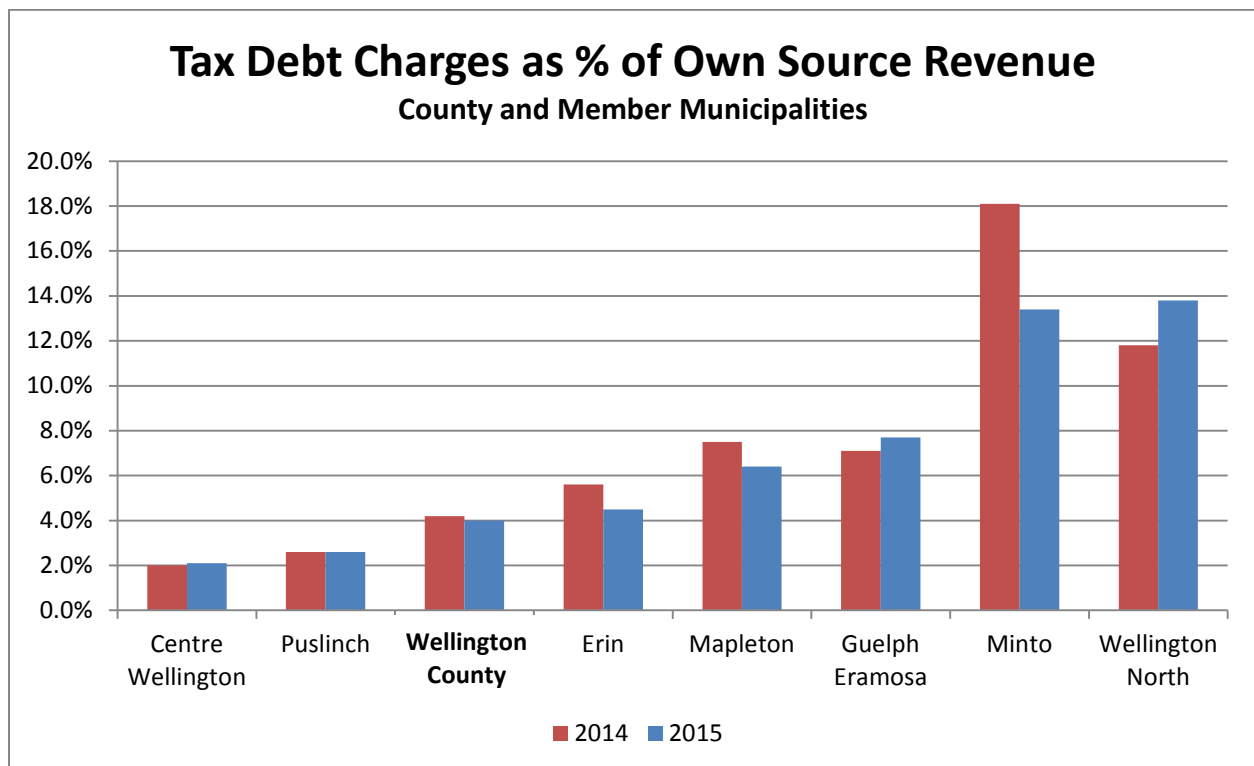
- This ratio indicates the extent to which the municipality's own source revenues are committed to debt interest charges.





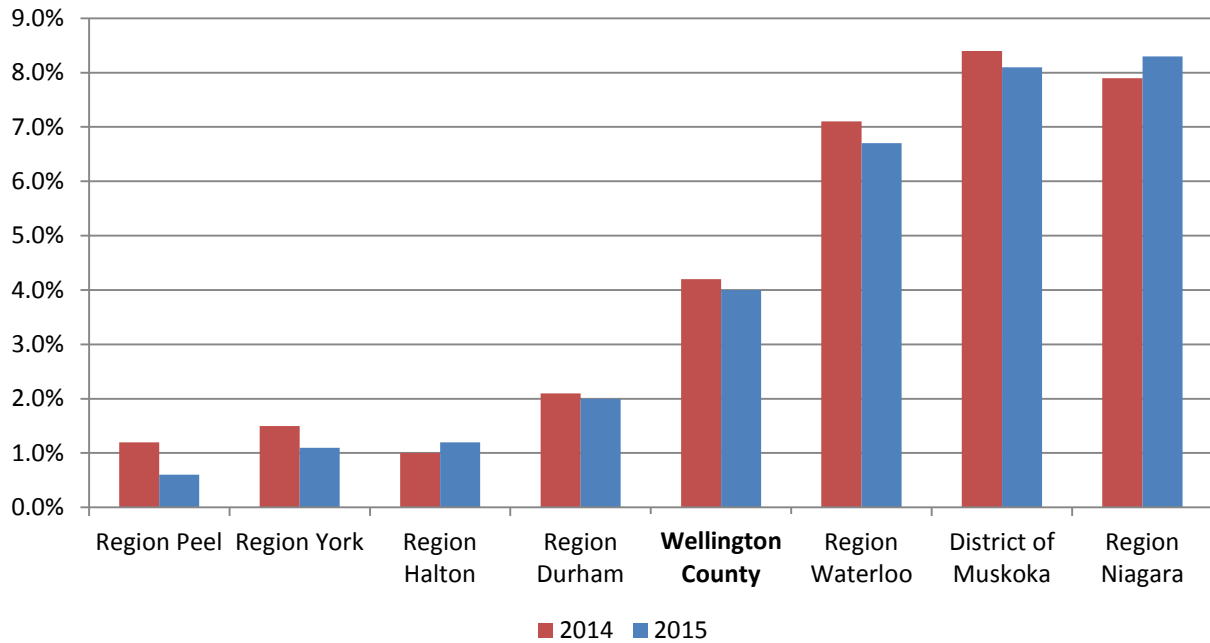
**II. Debt Charges as a % of Own Source Revenues (Debt Service Ratio)**

- 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.



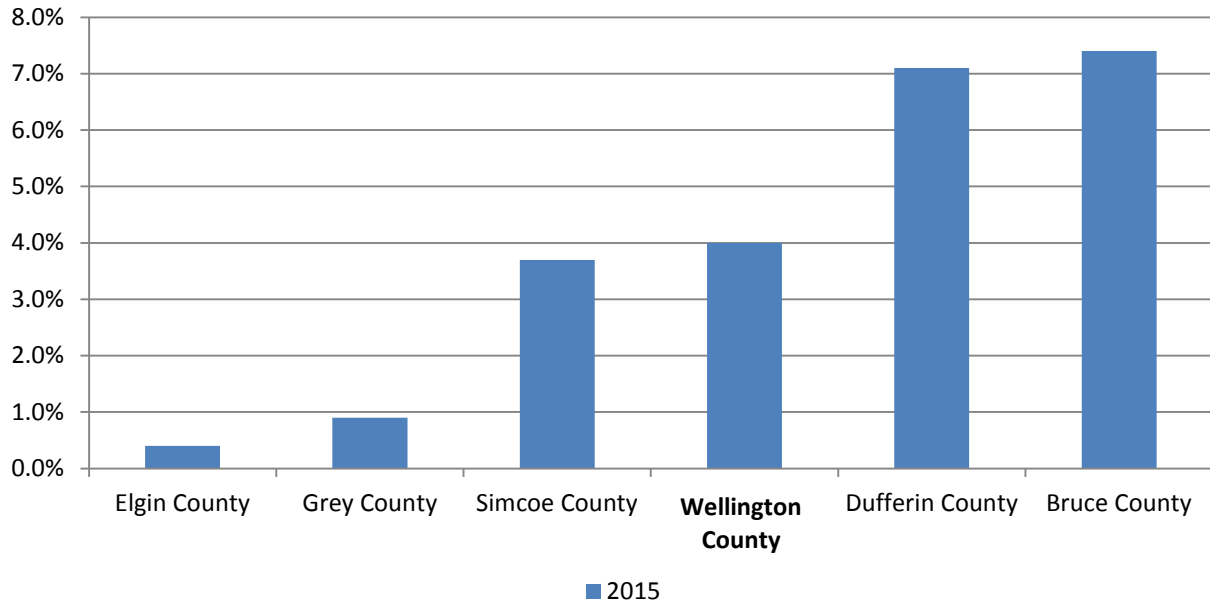
## Tax Debt Charges as % of Own Source Revenue

### County and Upper Tier Comparators



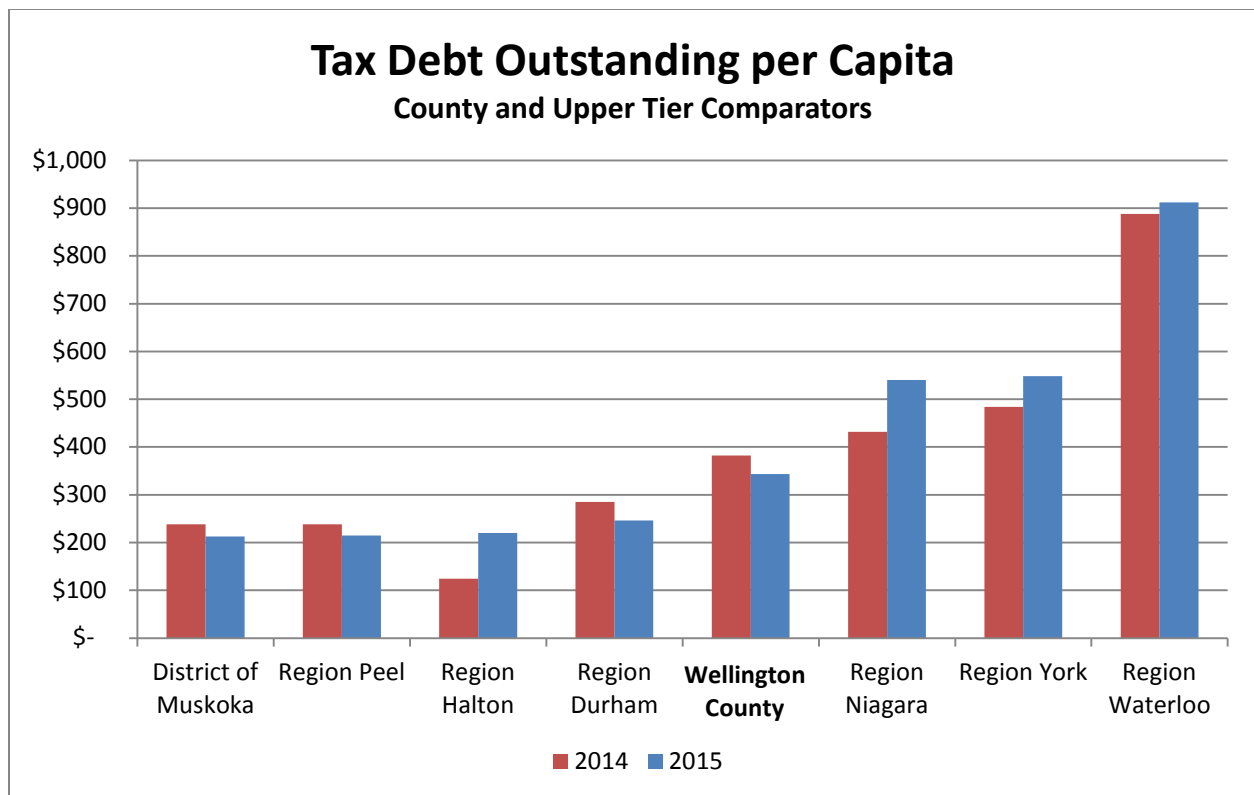
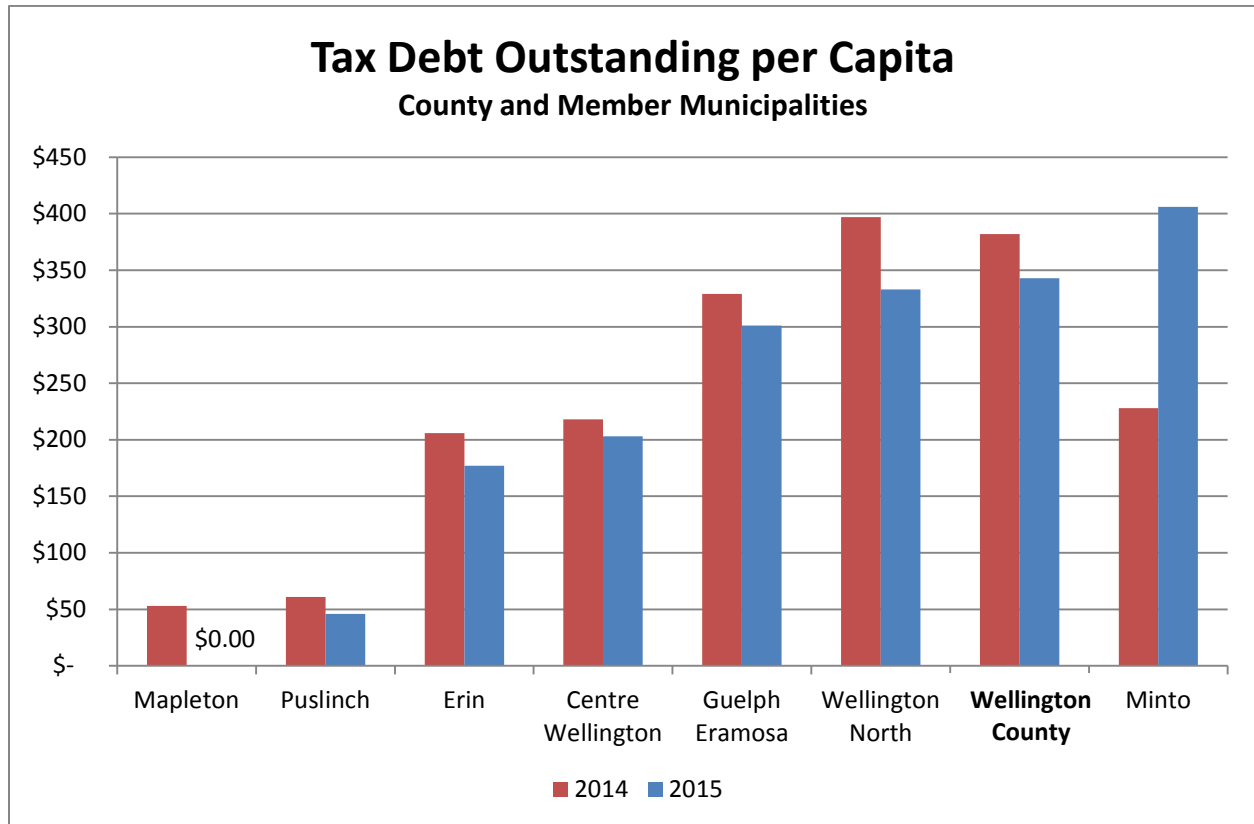
## Tax Debt Charges as % of Own Source Revenue

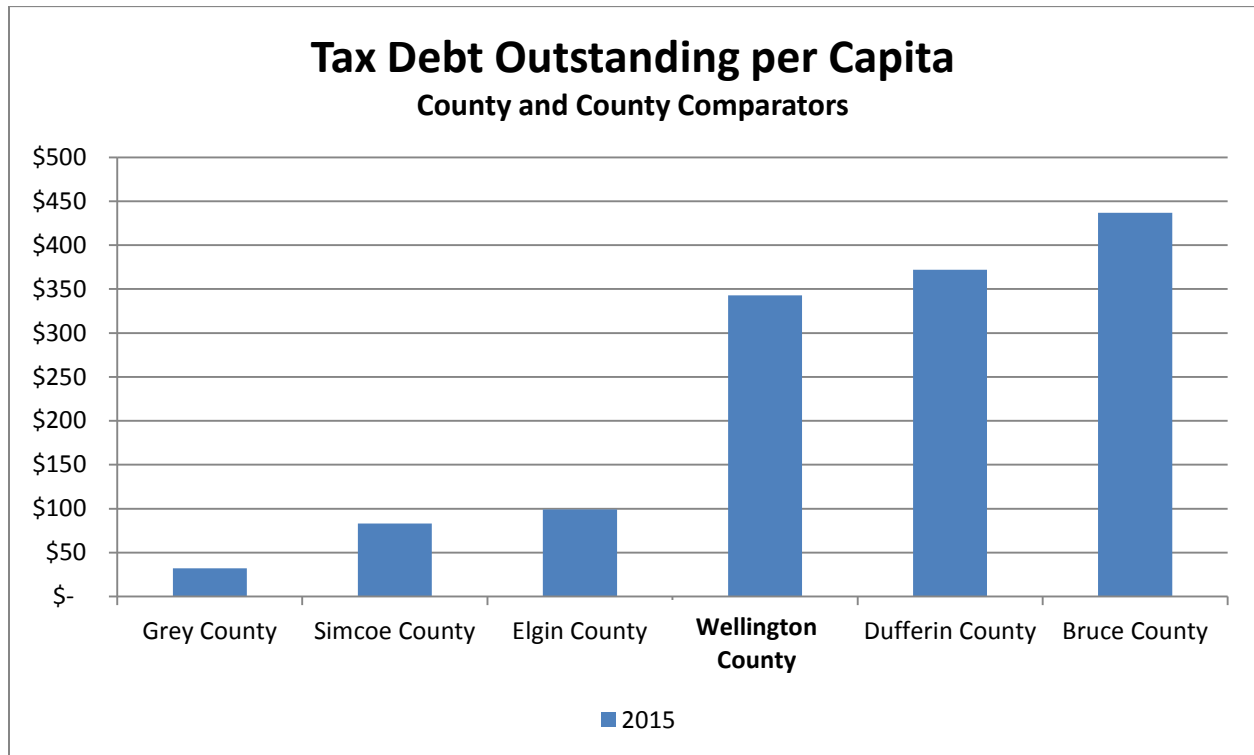
### County and County Comparators



### III. Debt Outstanding per Capita

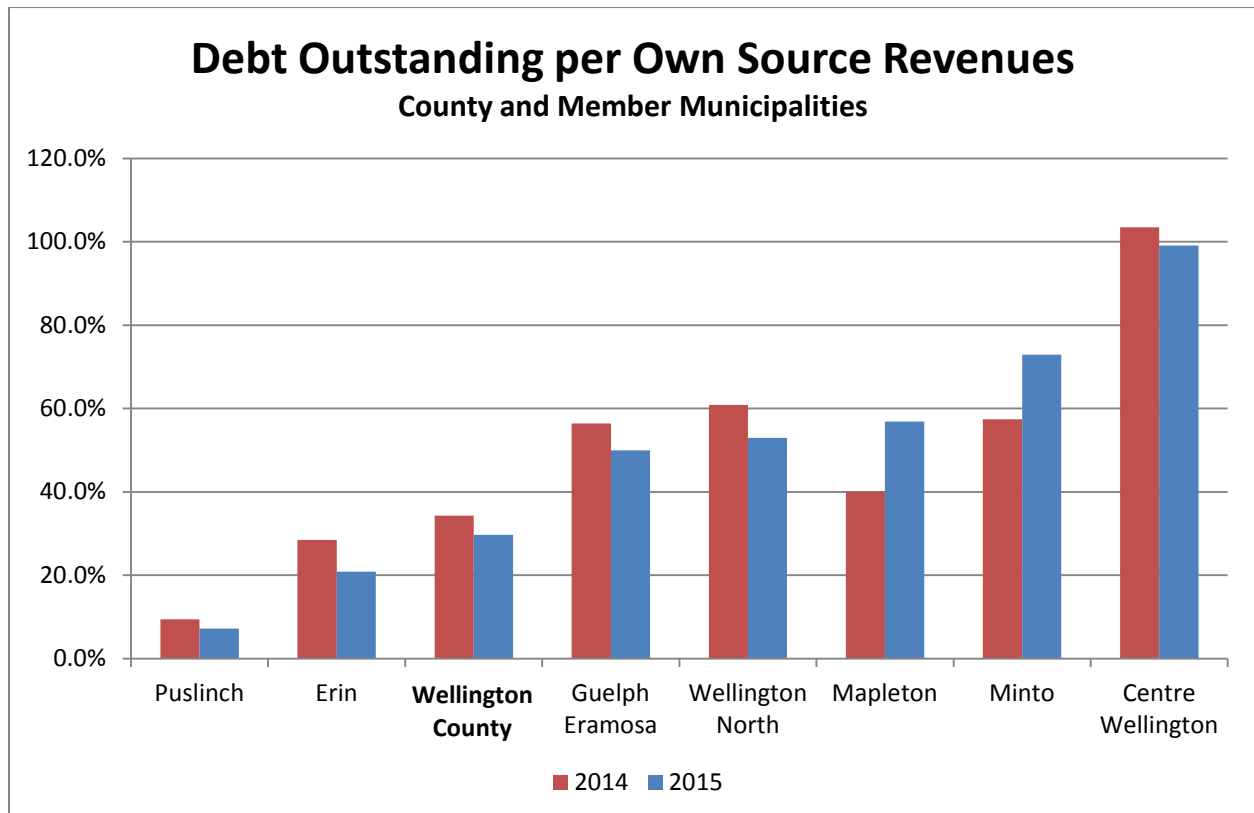
- This provides the debt outstanding divided by the population.





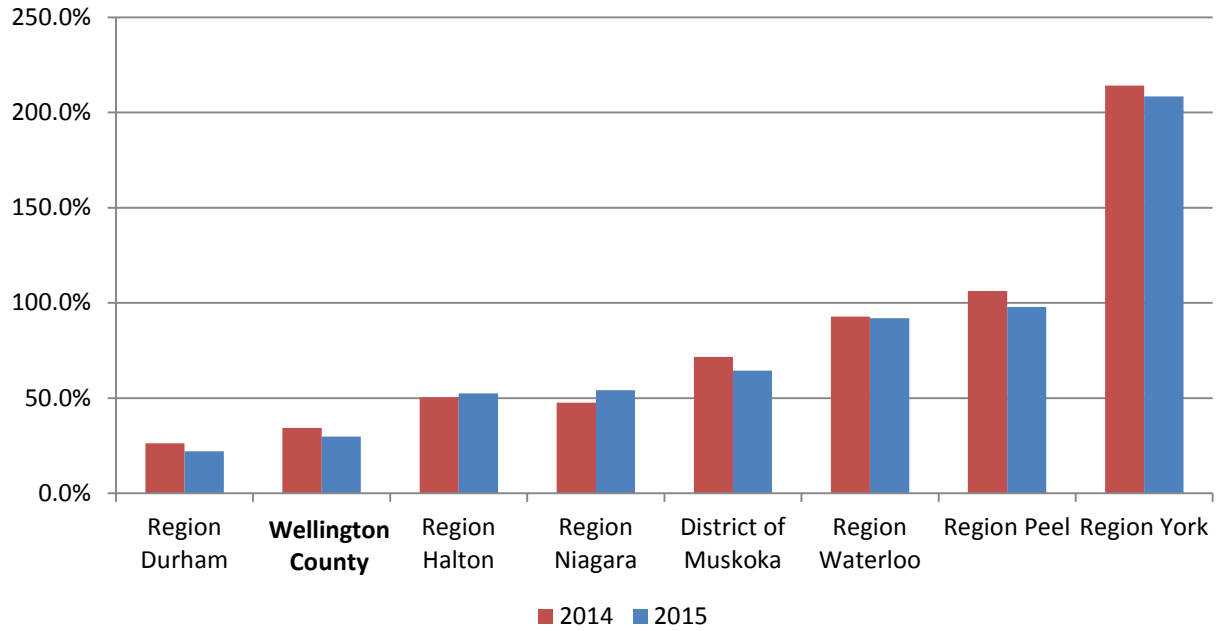
#### IV. Debt Outstanding Per Own Source Revenue

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



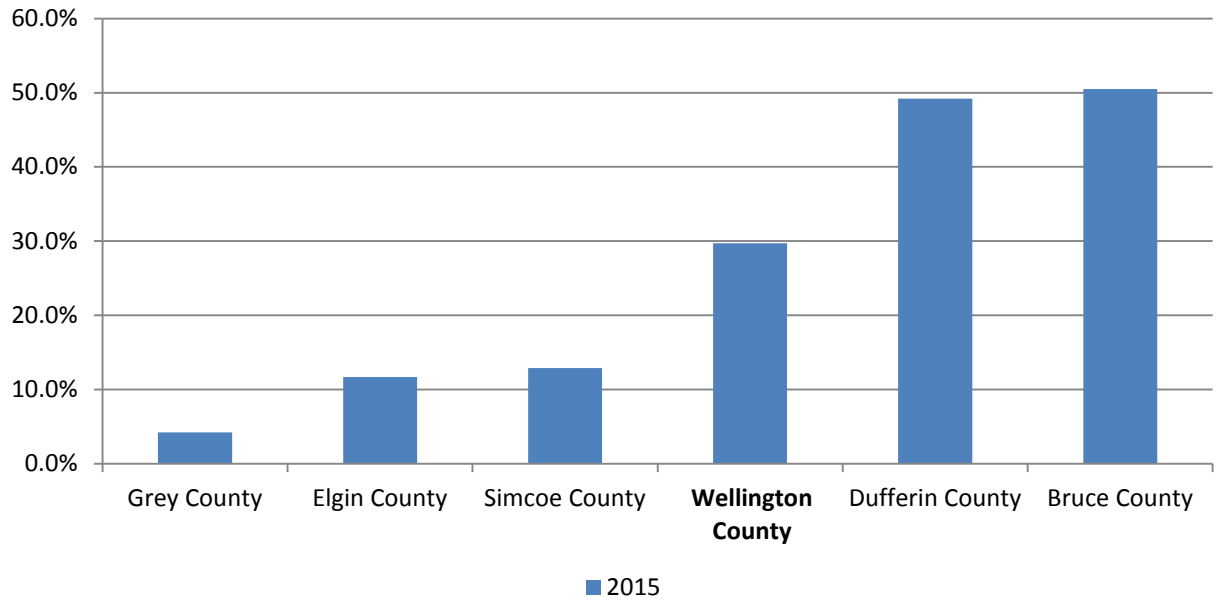
## Debt Outstanding per Own Source Revenues

### County and Upper Tier Comparators



## Debt Outstanding per Own Source Revenues

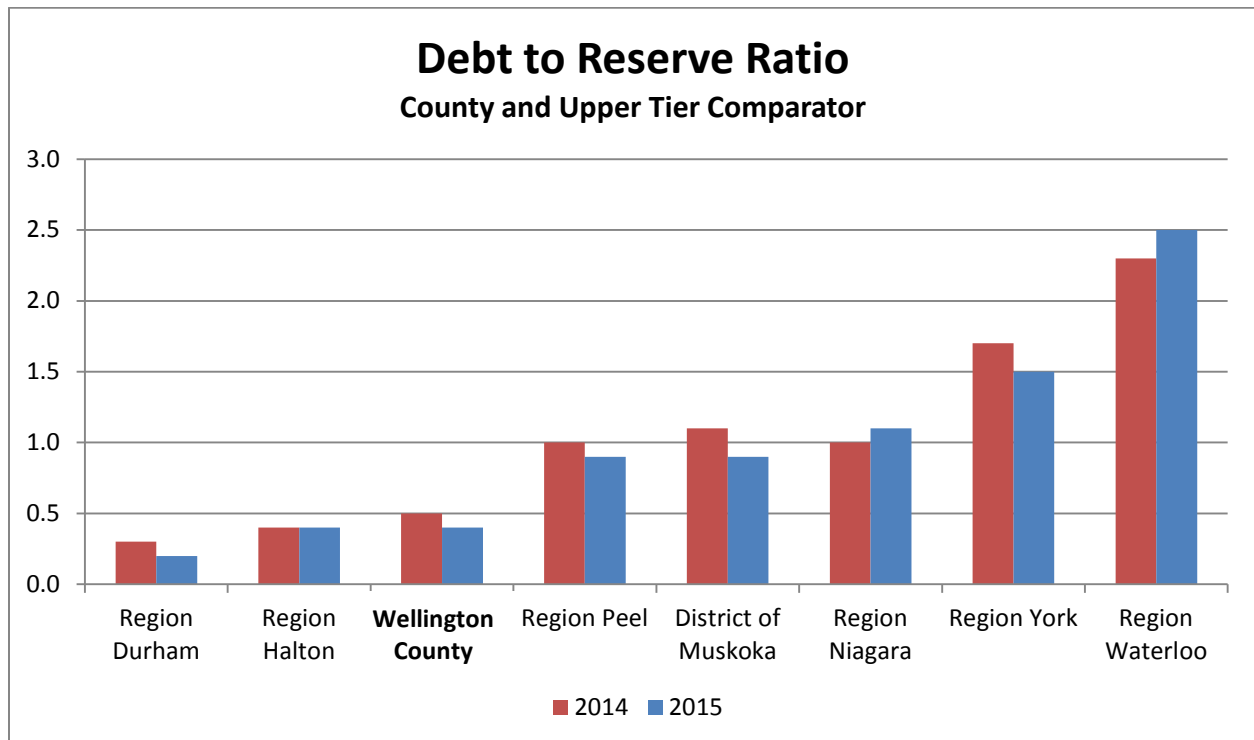
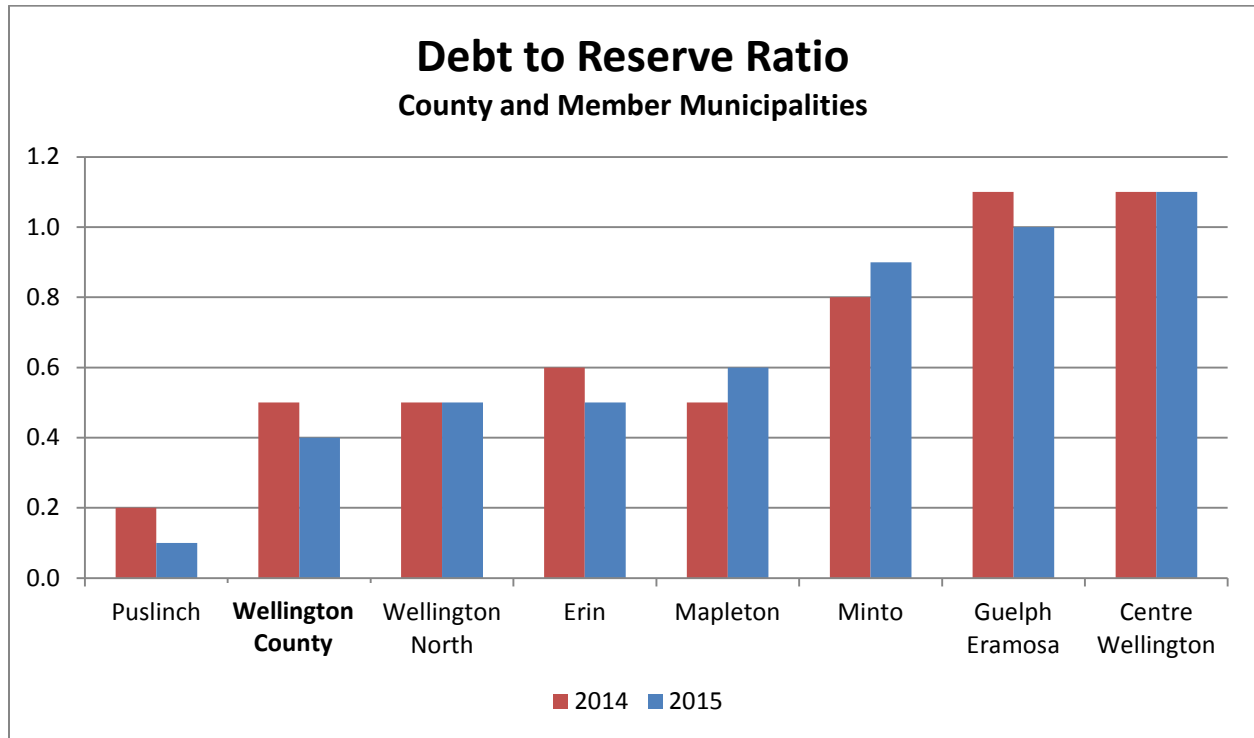
### County and County Comparators

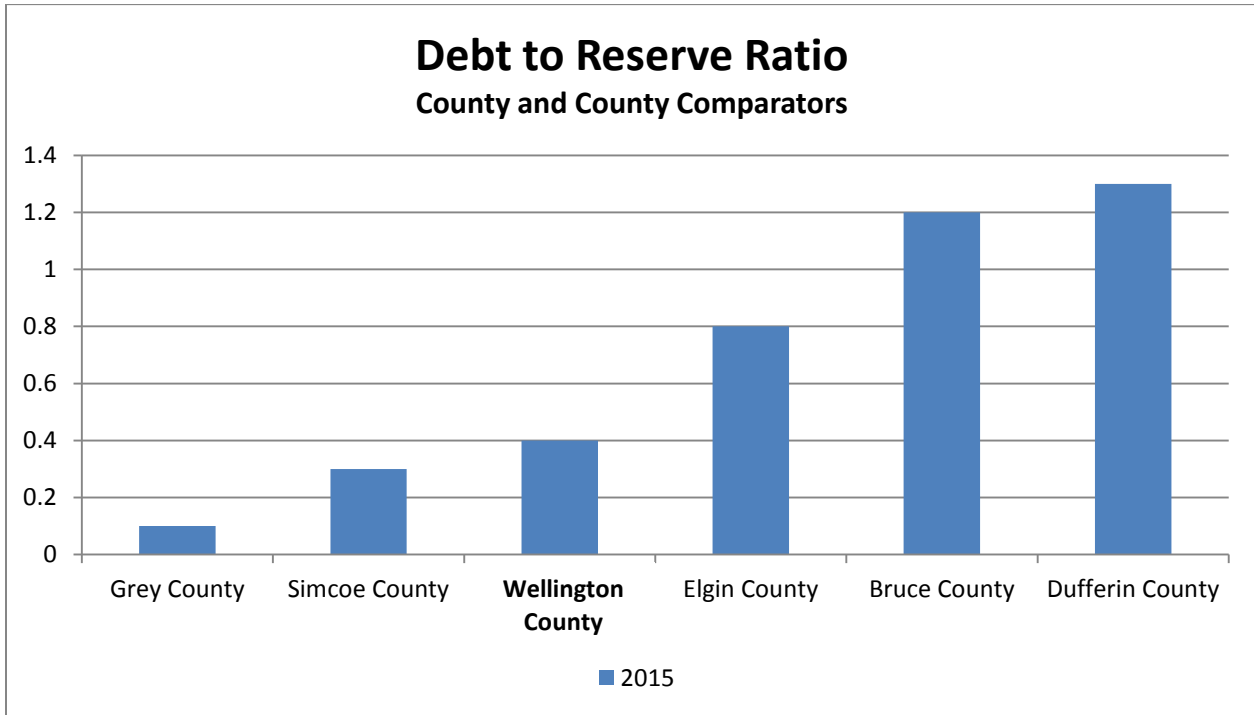




V. **Debt to Reserve Ratio**

- 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.

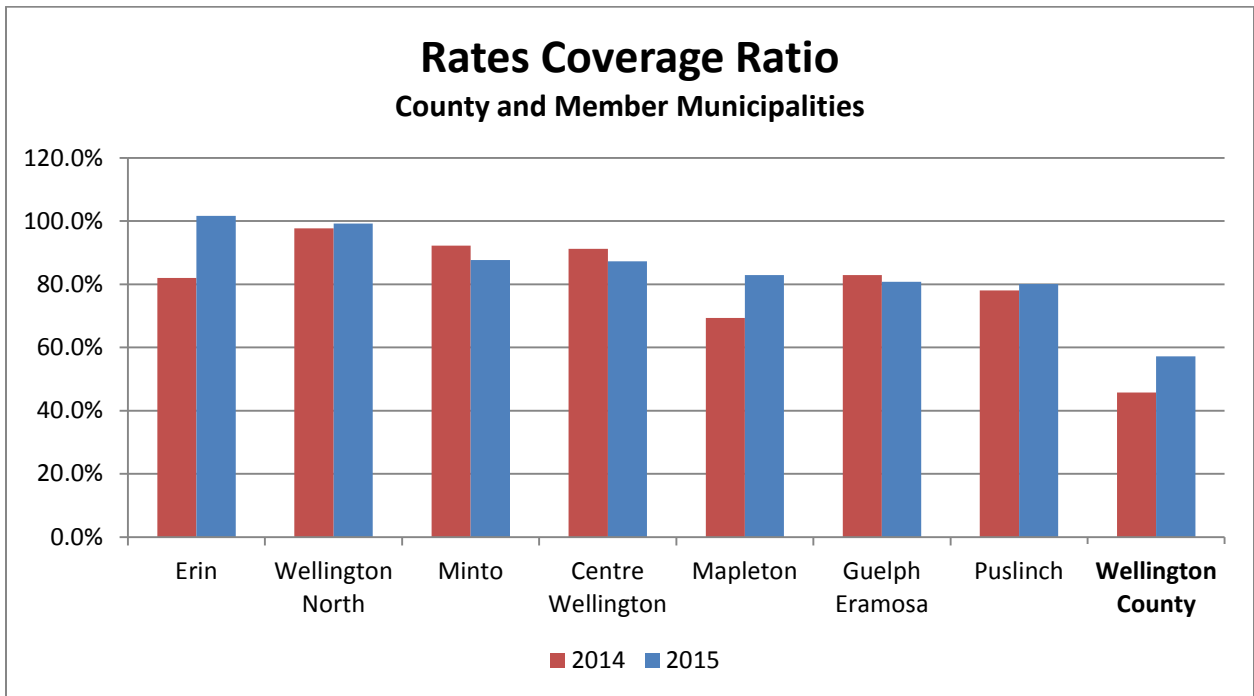


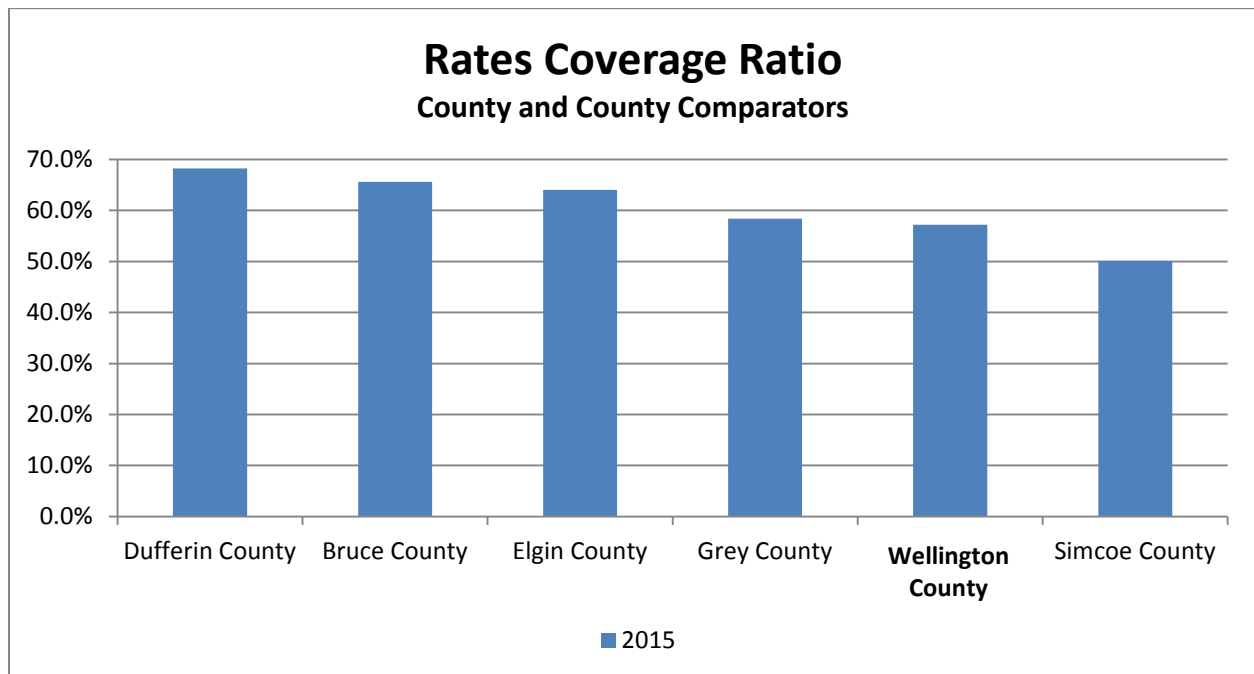
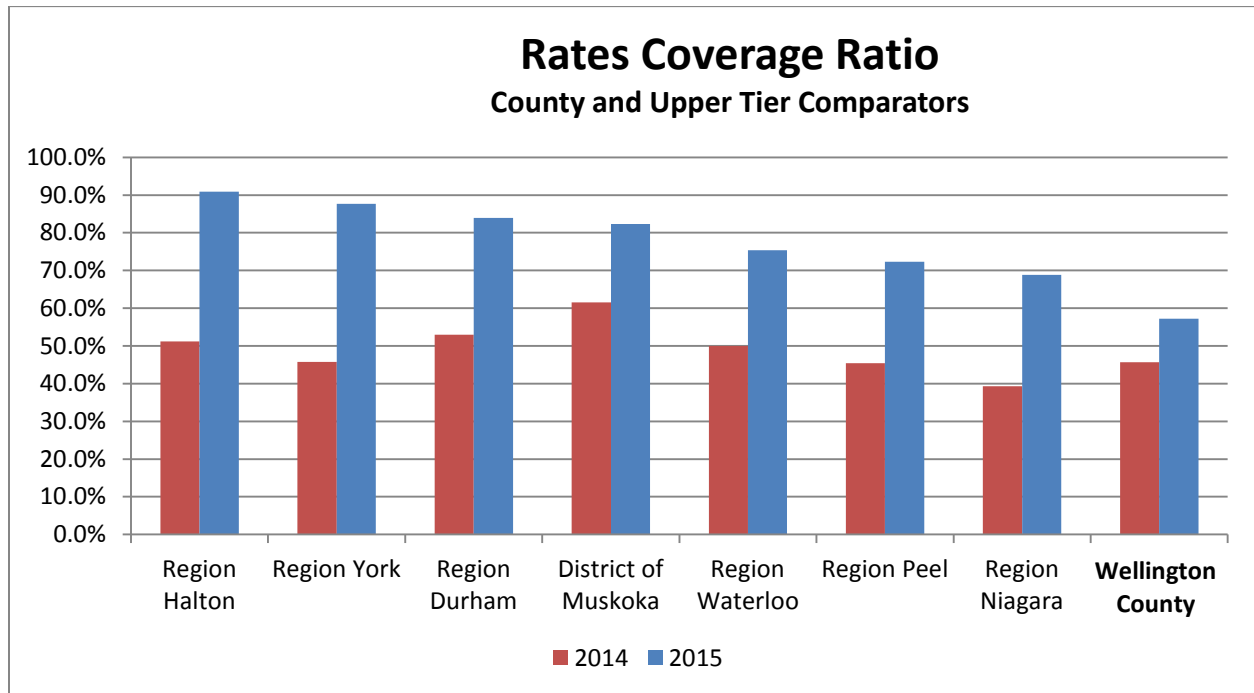


**VULNERABILITY** – Addresses a municipality’s vulnerability to external sources of funding that it cannot control and its exposure to risks.

**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 MMAH, a basic target is 40%-60%; an intermediate is 60%-90% and an advanced target is 90% or greater.






**Recommendation:**

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

Respectfully submitted,

  
 Ken DeHart, CPA, CGA  
 County Treasurer

## Schedule A – Summary of Indicators (2015) County and Member Municipalities

Ranking 1 = Lowest Challenge 8 = Greatest Challenge		Centre Wellington	Erin	Guelph Eramosa	Mapleton	Minto	Puslinch	Wellington North	Wellington County
Indicators									
<b>1</b>	<b>Financial Position Per Capita</b>	\$571	\$174	-53	\$384	\$113	\$448	\$1177	\$371
		<b>2</b>	<b>6</b>	<b>8</b>	<b>4</b>	<b>7</b>	<b>3</b>	<b>1</b>	<b>5</b>
<b>2</b>	<b>Net Financial Liabilities Ratio</b>	-0.57	-0.2	0.07	-0.52	-0.09	-0.70	-1.03	-0.32
		<b>3</b>	<b>6</b>	<b>8</b>	<b>4</b>	<b>7</b>	<b>2</b>	<b>1</b>	<b>5</b>
<b>3</b>	<b>Asset Consumption Ratio</b>	37.6%	44.3%	36.1%	64.6%	44.7%	64.2%	52.6%	40.6%
		<b>2</b>	<b>4</b>	<b>1</b>	<b>8</b>	<b>5</b>	<b>7</b>	<b>6</b>	<b>3</b>
<b>4</b>	<b>Tax Discretionary Reserves as a % of Taxation</b>	92.0%	49.0%	48.0%	94.0%	60.0%	94.0%	132.0%	83.0%
		<b>4</b>	<b>7</b>	<b>8</b>	<b>2 (tie)</b>	<b>6</b>	<b>2 (tie)</b>	<b>1</b>	<b>5</b>
	<b>Tax Discretionary Reserves per Capita</b>	\$398	\$241	\$221	\$475	\$341	\$462	\$762	\$774
		<b>5</b>	<b>7</b>	<b>8</b>	<b>3</b>	<b>6</b>	<b>4</b>	<b>2</b>	<b>1</b>
	<b>Tax Discretionary Reserves as a % of Own Source Revenues</b>	56.0%	32.0%	38.0%	73.0%	39.0%	72.0%	103.0%	67.0%
		<b>5</b>	<b>8</b>	<b>7</b>	<b>2</b>	<b>6</b>	<b>3</b>	<b>1</b>	<b>4</b>
<b>5</b>	<b>Tax Debt Interest as % of Own Source Revenue</b>	1.4%	0.8%	2.0%	0.0%	1.3%	0.4%	2.5%	1.4%
		<b>5 (tie)</b>	<b>3</b>	<b>7</b>	<b>1</b>	<b>4</b>	<b>2</b>	<b>8</b>	<b>5 (tie)</b>
	<b>Tax Debt Charges as a % of Own Source Revenues</b>	2.1%	4.5%	7.7%	6.4%	13.4%	2.6%	13.8%	4.0%
		<b>1</b>	<b>4</b>	<b>6</b>	<b>5</b>	<b>7</b>	<b>2</b>	<b>8</b>	<b>3</b>
	<b>Debt Outstanding per Capita</b>	\$203	\$177	\$301	\$0	\$406	\$46	\$333	\$343
		<b>4</b>	<b>3</b>	<b>5</b>	<b>1</b>	<b>8</b>	<b>2</b>	<b>6</b>	<b>7</b>
	<b>Debt Outstanding Per Own Source Revenue</b>	99.1%	20.9%	50.0%	56.9%	72.9%	7.2%	53.0%	29.7%
		<b>8</b>	<b>2</b>	<b>4</b>	<b>6</b>	<b>7</b>	<b>1</b>	<b>5</b>	<b>3</b>
	<b>Debt to Reserve Ratio</b>	1.1	0.5	1.0	0.6	0.9	0.1	0.5	0.4
		<b>8</b>	<b>3 (tie)</b>	<b>7</b>	<b>5</b>	<b>6</b>	<b>1</b>	<b>3 (tie)</b>	<b>2</b>
<b>6</b>	<b>Rates Coverage Ratio</b>	87.3%	101.6%	80.8%	82.9%	87.7%	80.1%	99.2%	57.2%
		<b>4</b>	<b>1</b>	<b>6</b>	<b>5</b>	<b>3</b>	<b>7</b>	<b>2</b>	<b>8</b>

## Schedule B – Summary of Indicators (2015) 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									
<b>1</b>	<b>Financial Position Per Capita</b>	\$38	\$1327	\$1965	-\$155	-\$101	-\$1044	-\$1215	\$371
		<b>4</b>	<b>2</b>	<b>1</b>	<b>6</b>	<b>5</b>	<b>7</b>	<b>8</b>	<b>3</b>
<b>2</b>	<b>Net Financial Liabilities Ratio</b>	-0.02	-0.96	-1.64	0.12	0.10	0.83	0.93	-0.32
		<b>4</b>	<b>2</b>	<b>1</b>	<b>6</b>	<b>5</b>	<b>7</b>	<b>8</b>	<b>3</b>
<b>3</b>	<b>Asset Consumption Ratio</b>	44.0%	33.0%	25.8%	43.2%	26.0%	41.5%	29.1%	40.6%
		<b>8</b>	<b>4</b>	<b>1</b>	<b>7</b>	<b>2</b>	<b>6</b>	<b>3</b>	<b>5</b>
<b>4</b>	<b>Tax Discretionary Reserves as a % of Taxation</b>	72.0%	137.0%	208.0%	47.0%	119.0%	47.0%	212.0%	83.0%
		<b>6</b>	<b>3</b>	<b>2</b>	<b>7</b>	<b>4</b>	<b>7</b>	<b>1</b>	<b>5</b>
	<b>Tax Discretionary Reserves per Capita</b>	\$1082	\$1241	\$1408	\$353	\$782	\$364	\$1711	\$774
	<b>4</b>	<b>3</b>	<b>2</b>	<b>8</b>	<b>5</b>	<b>7</b>	<b>1</b>	<b>6</b>	
	<b>Tax Discretionary Reserves as a % of Own Source Revenues</b>	61.0%	117.0%	159.0%	33.0%	99.0%	34.0%	157.0%	67.0%
		<b>6</b>	<b>3</b>	<b>1</b>	<b>8</b>	<b>4</b>	<b>7</b>	<b>2</b>	<b>5</b>
<b>5</b>	<b>Tax Debt Interest as % of Own Source Revenue</b>	0.5%	0.9%	0.8%	1.7%	1.2%	2.3%	1.8%	1.4%
		<b>1</b>	<b>3</b>	<b>2</b>	<b>6</b>	<b>4</b>	<b>8</b>	<b>7</b>	<b>5</b>
	<b>Tax Debt Charges as a % of Own Source Revenues</b>	8.1%	2.0%	1.2%	8.3%	0.6%	6.7%	1.1%	4.0%
		<b>7</b>	<b>4</b>	<b>3</b>	<b>8</b>	<b>1</b>	<b>6</b>	<b>2</b>	<b>5</b>
	<b>Debt Outstanding per Capita</b>	\$213	\$246	\$220	\$540	\$215	\$912	\$548	\$343
	<b>1</b>	<b>4</b>	<b>3</b>	<b>6</b>	<b>2</b>	<b>8</b>	<b>7</b>	<b>5</b>	
	<b>Debt Outstanding Per Own Source Revenue</b>	64.4%	22.1%	52.5%	54.2%	97.9%	91.9%	208.5%	29.7%
		<b>5</b>	<b>1</b>	<b>3</b>	<b>4</b>	<b>7</b>	<b>6</b>	<b>8</b>	<b>2</b>
	<b>Debt to Reserve Ratio</b>	0.9	0.2	0.4	1.1	0.9	2.5	1.5	0.4
		<b>4 (tie)</b>	<b>1</b>	<b>2 (tie)</b>	<b>6</b>	<b>4 (tie)</b>	<b>8</b>	<b>7</b>	<b>2 (tie)</b>
<b>6</b>	<b>Rates Coverage Ratio</b>	82.3%	83.9%	90.9%	68.8%	72.3%	75.4%	87.7%	57.2%
		<b>4</b>	<b>3</b>	<b>1</b>	<b>7</b>	<b>6</b>	<b>5</b>	<b>2</b>	<b>8</b>

## Schedule C – Summary of Indicators (2015) County and County Comparators

Ranking 1 = Lowest Challenge 8 = Greatest Challenge		Bruce County	Simcoe County	Dufferin County	Elgin County	Grey County	Wellington County
Indicators							
<b>1</b>	<b>Financial Position Per Capita</b>	-\$161	-\$133	-\$1	\$235	\$395	\$371
		<b>6</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>1</b>	<b>2</b>
<b>2</b>	<b>Net Financial Liabilities Ratio</b>	0.19	0.21	0.00	-0.28	-0.51	-0.32
		<b>5</b>	<b>6</b>	<b>4</b>	<b>3</b>	<b>1</b>	<b>2</b>
<b>3</b>	<b>Asset Consumption Ratio</b>	41.7%	32.2%	41.9%	44.6%	58.0%	40.6%
		<b>3</b>	<b>1</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>2</b>
<b>4</b>	<b>Tax Discretionary Reserves as a % of Taxation</b>	55.0%	63.0%	50.0%	21.0%	90.0%	83.0%
	<b>Tax Discretionary Reserves per Capita</b>	\$368	\$321	\$288	\$130	\$497	\$774
	<b>Tax Discretionary Reserves as a % of Own Source Revenues</b>	42.0%	50.0%	38.0%	15.0%	65.0%	67.0%
<b>5</b>	<b>Tax Debt Interest as % of Own Source Revenue</b>	3.0%	0.5%	2.2%	0.4%	0.1%	1.4%
	<b>Tax Debt Charges as a % of Own Source Revenues</b>	7.4%	3.7%	7.1%	0.4%	0.9%	4.0%
	<b>Debt Outstanding per Capita</b>	\$437	\$83	\$372	\$99	\$32	\$343
	<b>Debt Outstanding Per Own Source Revenue</b>	50.5%	12.9%	49.2%	11.7%	4.2%	29.7%
	<b>Debt to Reserve Ratio</b>	1.2	0.3	1.3	0.8	0.1	0.4
<b>6</b>	<b>Rates Coverage Ratio</b>	65.6%	50.1%	68.2%	64.0%	58.4%	57.2%
		<b>2</b>	<b>6</b>	<b>1</b>	<b>3</b>	<b>4</b>	<b>5</b>