



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, 2024
Subject: **BMA Municipal Study – Financial Indicators Analysis**

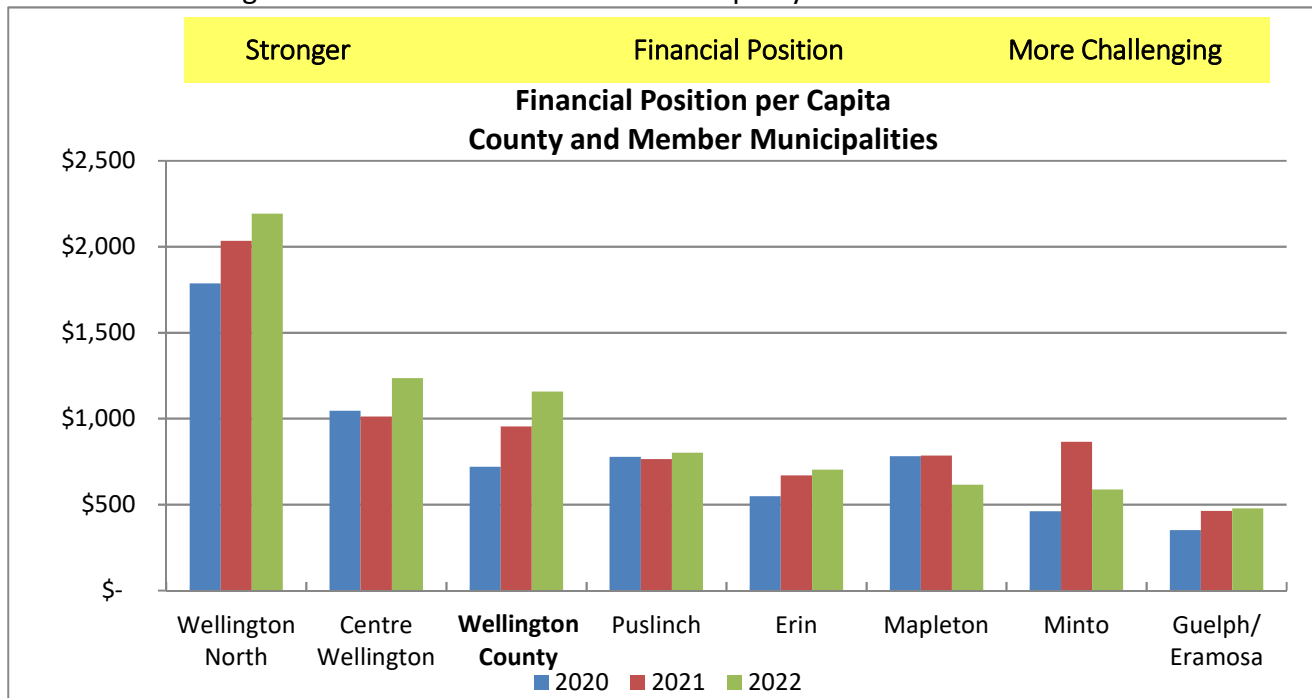
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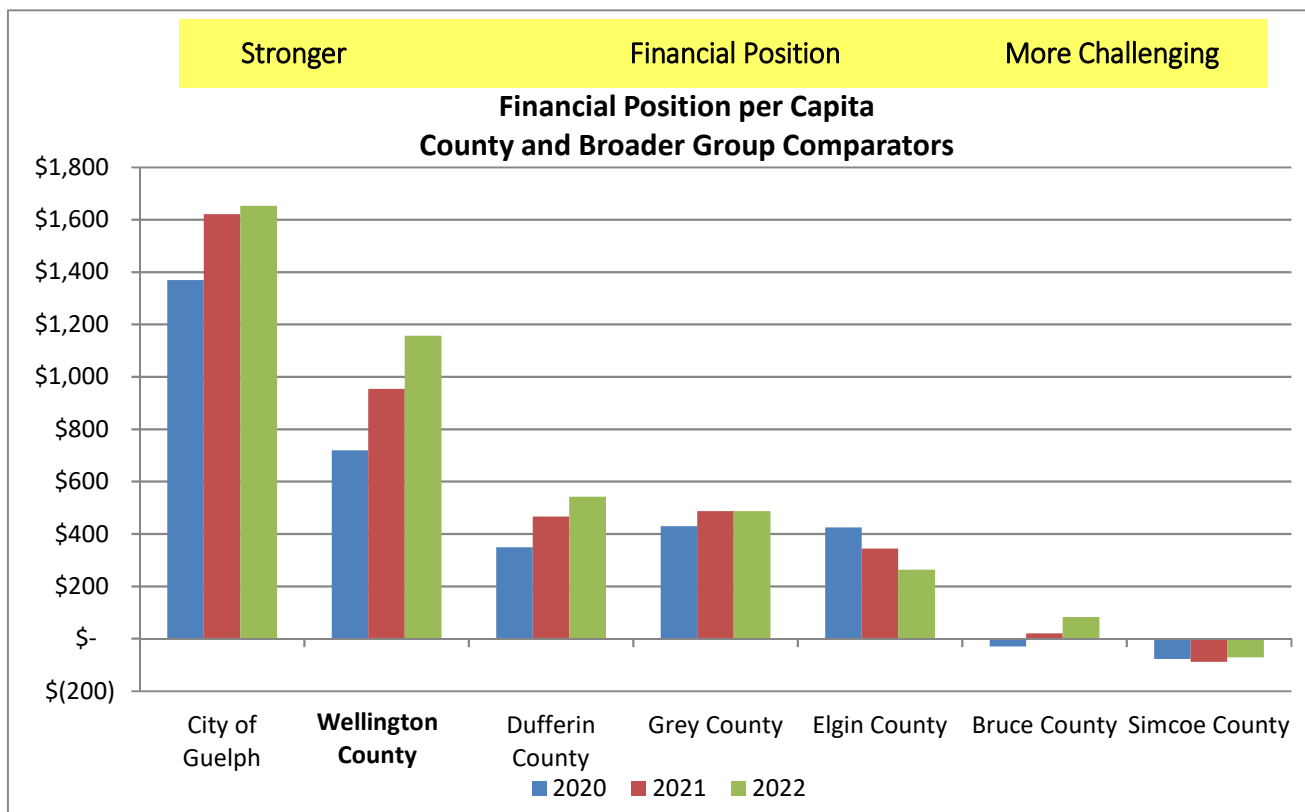
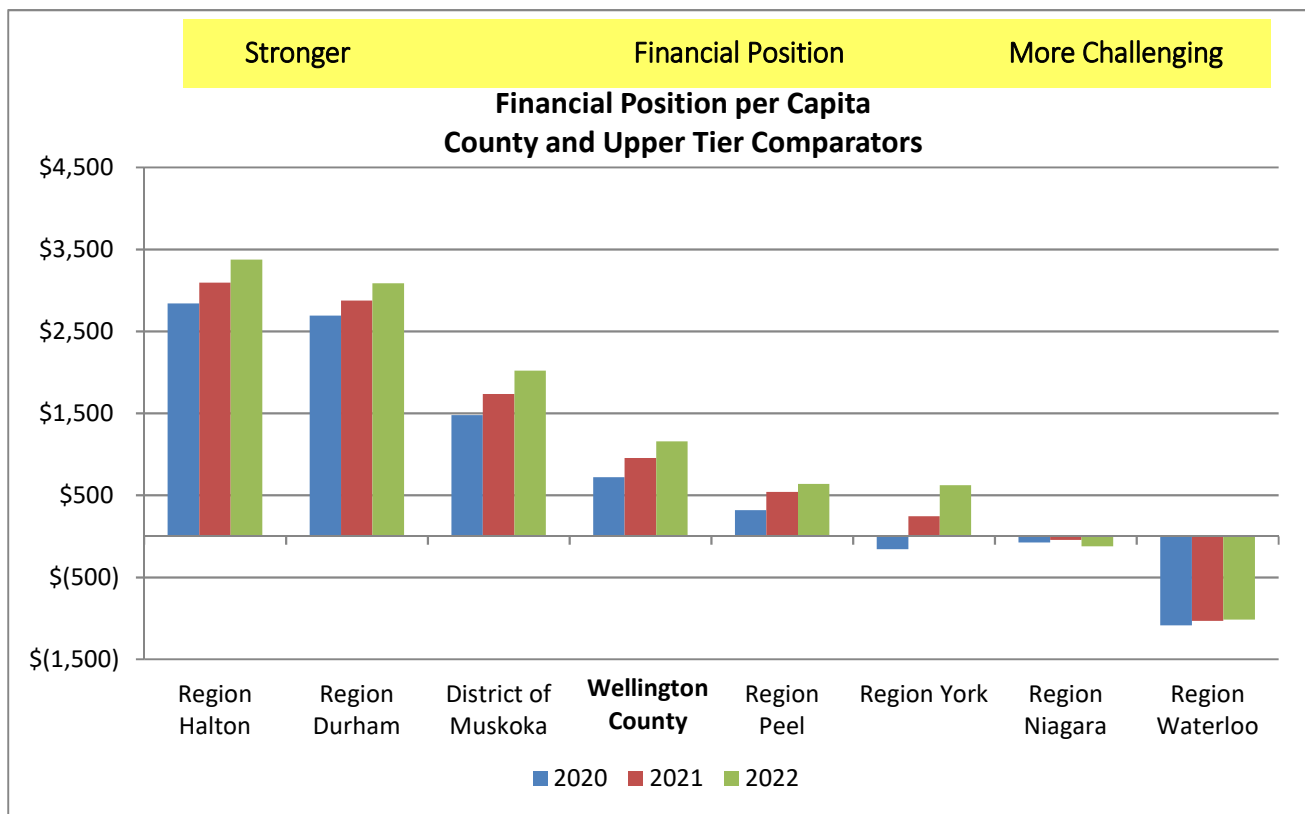
Each year, BMA Consulting Inc. completes a comparative study on behalf of participating Ontario municipalities. The analysis is completed using the most recent current value assessment, tax policies, levy by-laws, development charges, water/sewer rates, FIRs, user fees and economic development programmes. This report is based on information contained in section 3 of the 2023 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

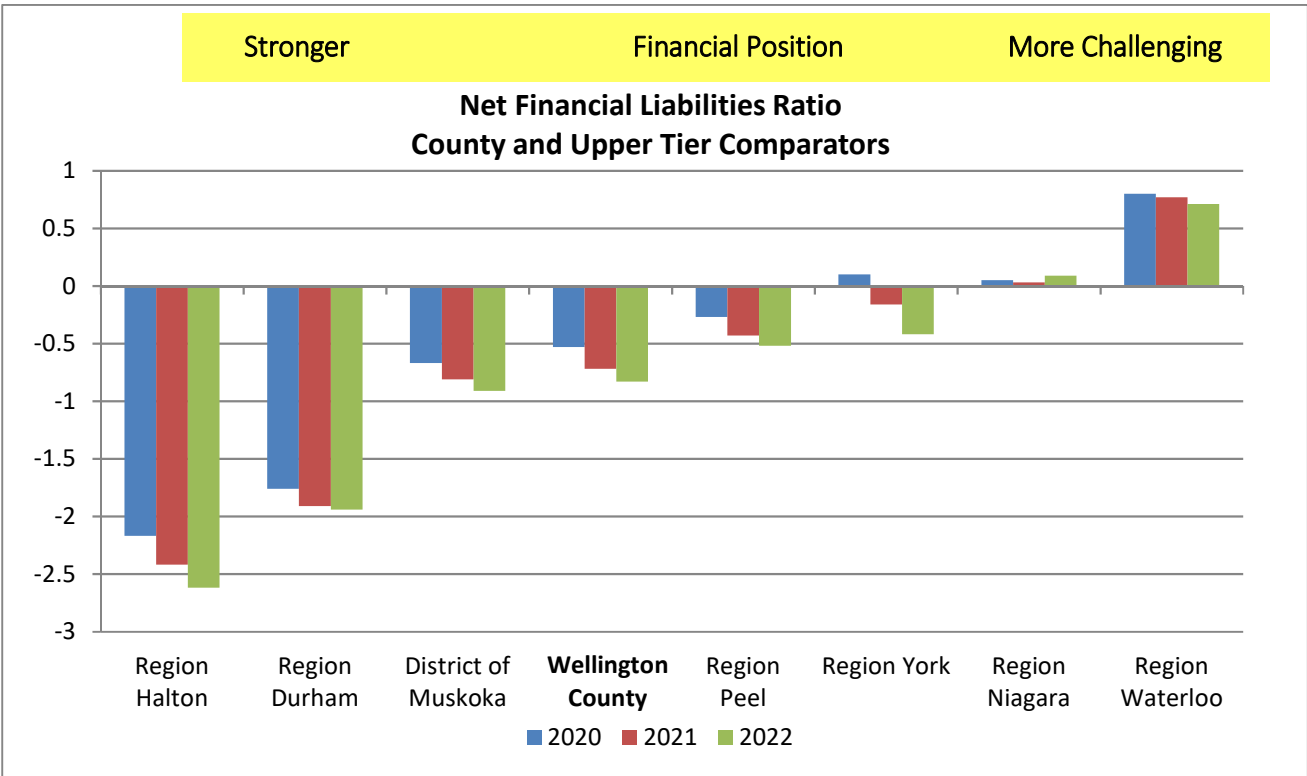
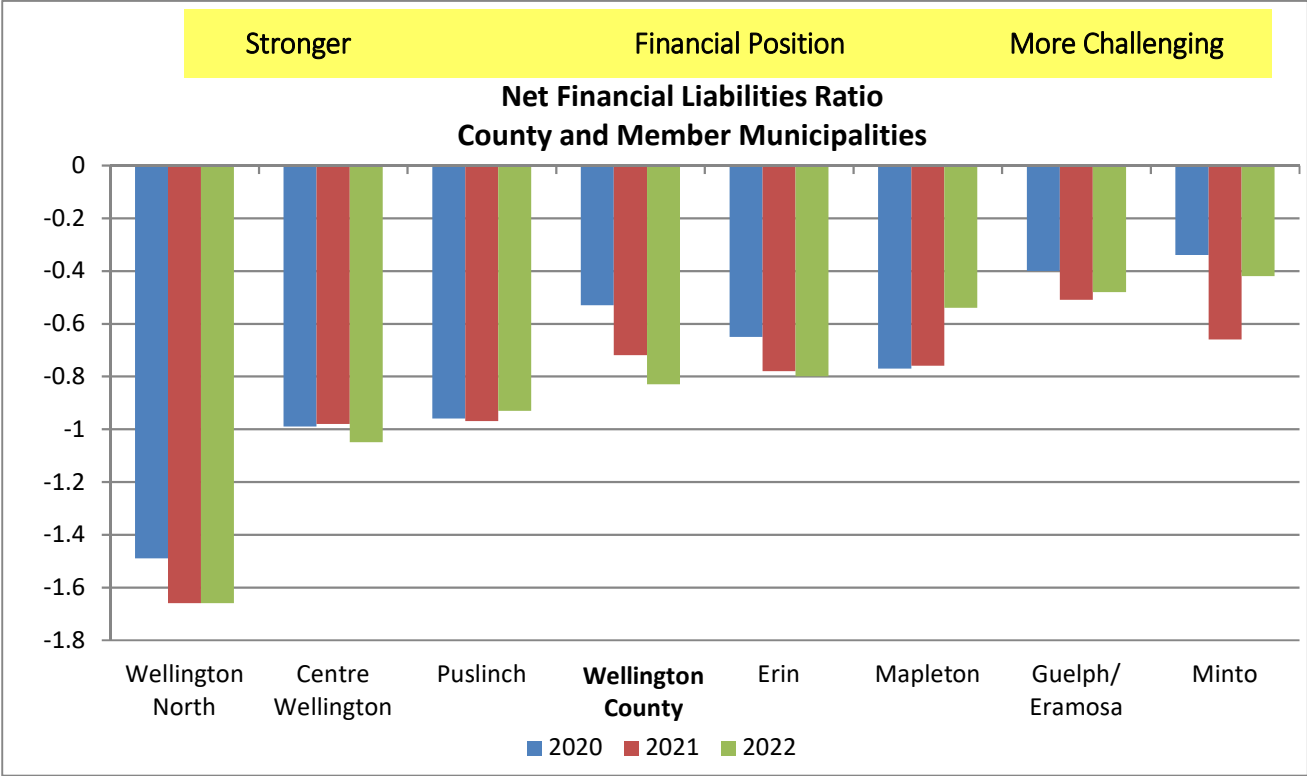
Financial position is a key indicator of a municipality's financial health. It provides an indication of the affordability of future municipal spending. The net financial position is a broader measure of a municipality's indebtedness than debenture debt as it includes all of the municipality's financial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

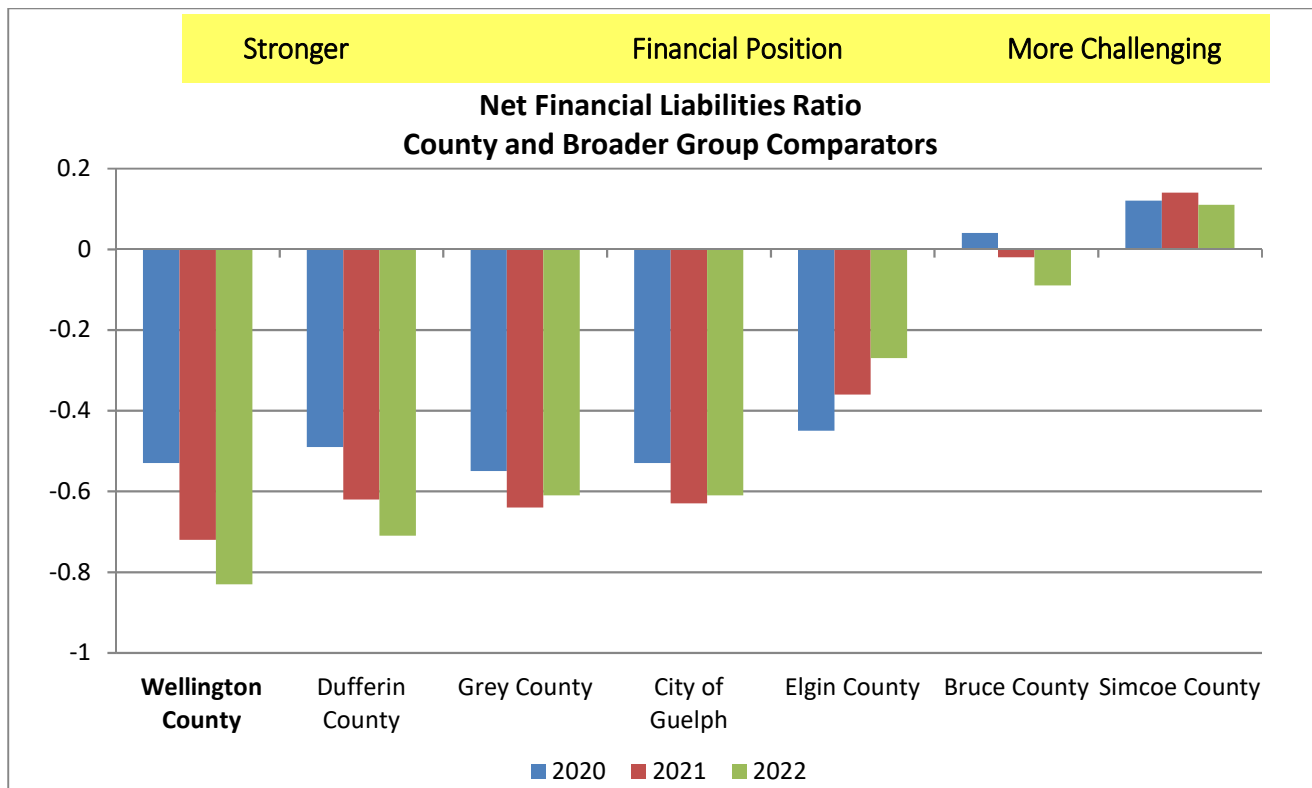




Indicator 2: Net Financial Liabilities Ratio

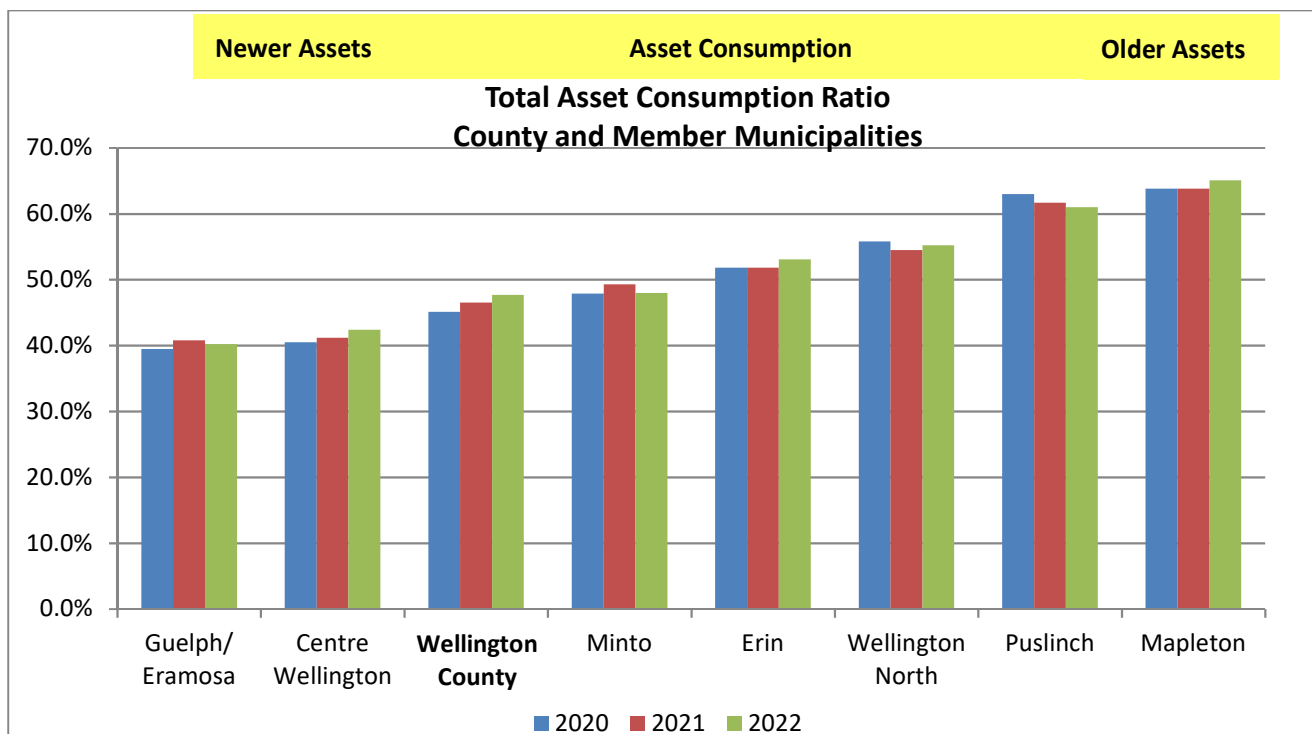
Net Financial Liabilities ratio is total liabilities minus assets as a percentage of own source revenues. It indicates the extent to which financial liabilities could be met by its operating revenue. A ratio greater than zero indicates that the municipality’s total liabilities exceed the total assets.

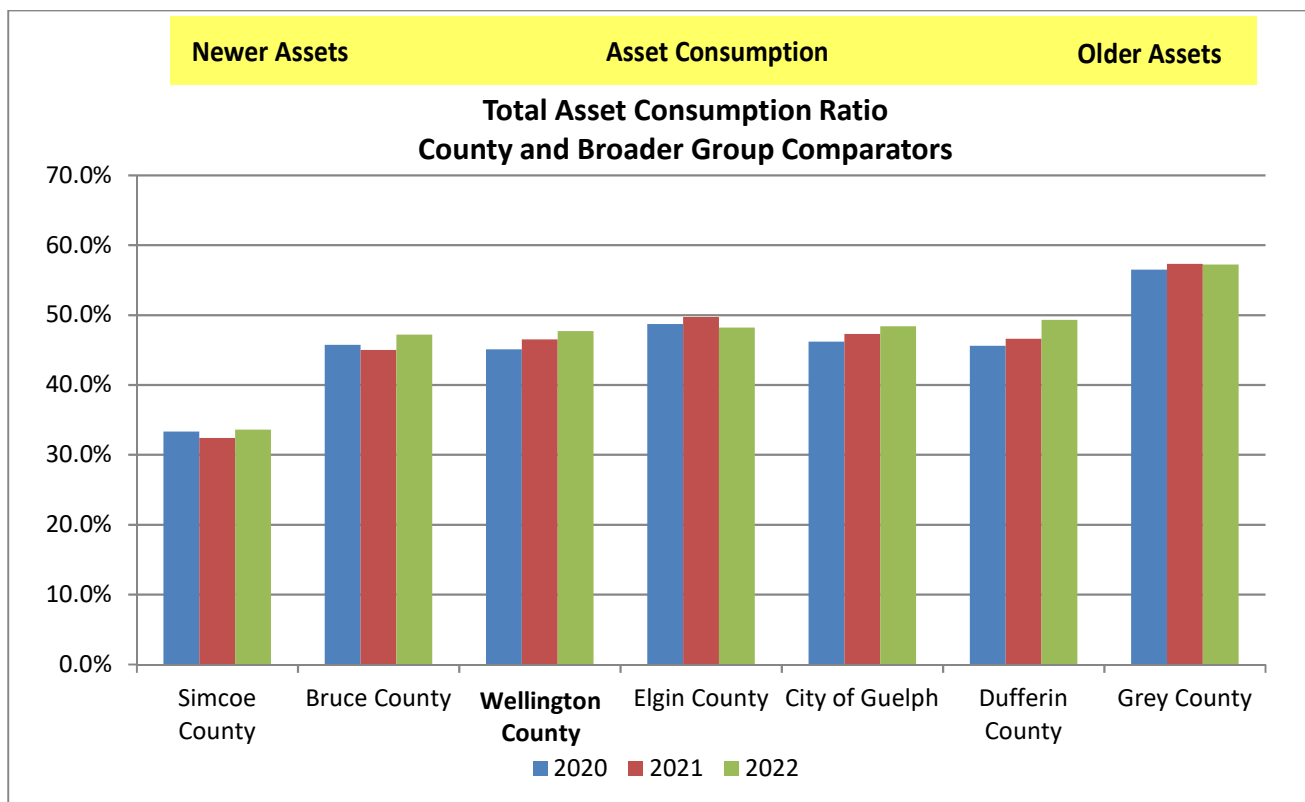
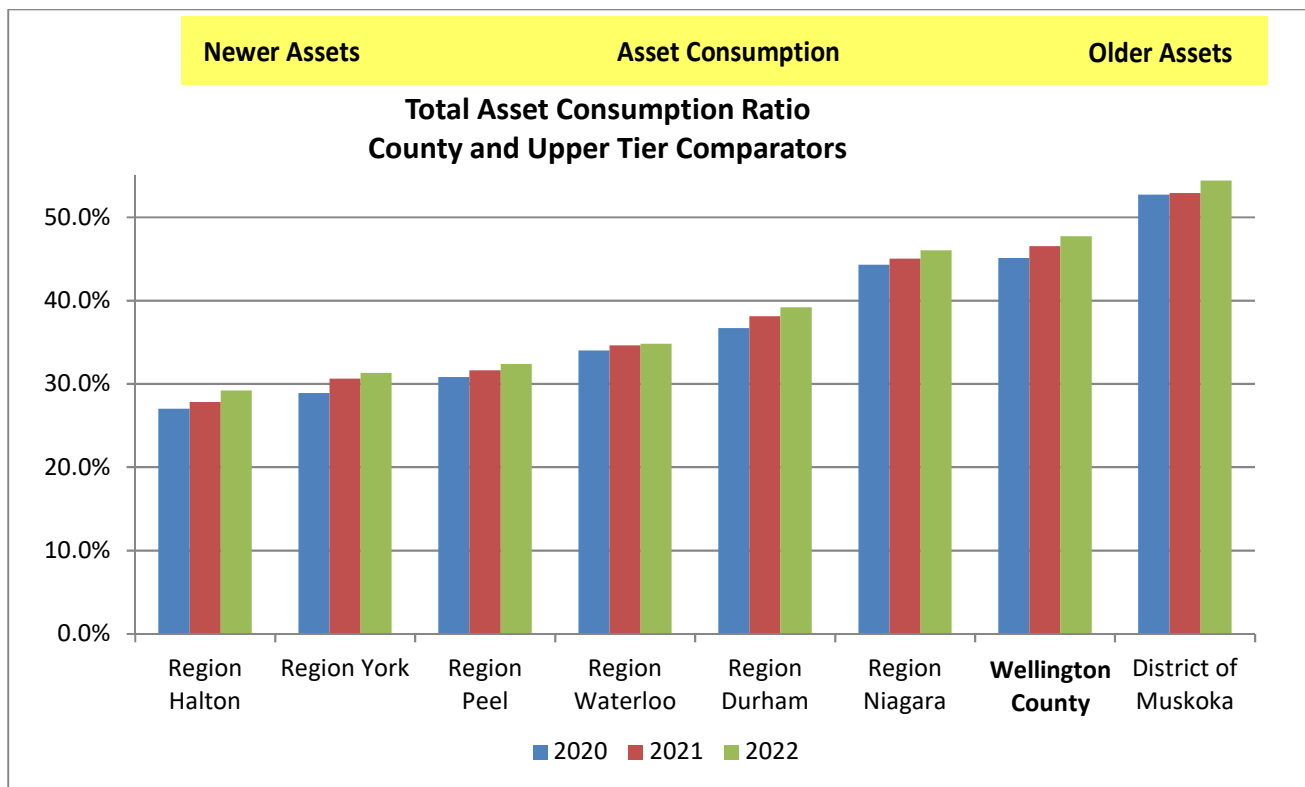




Indicator 3: Asset Consumption Ratio

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.





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

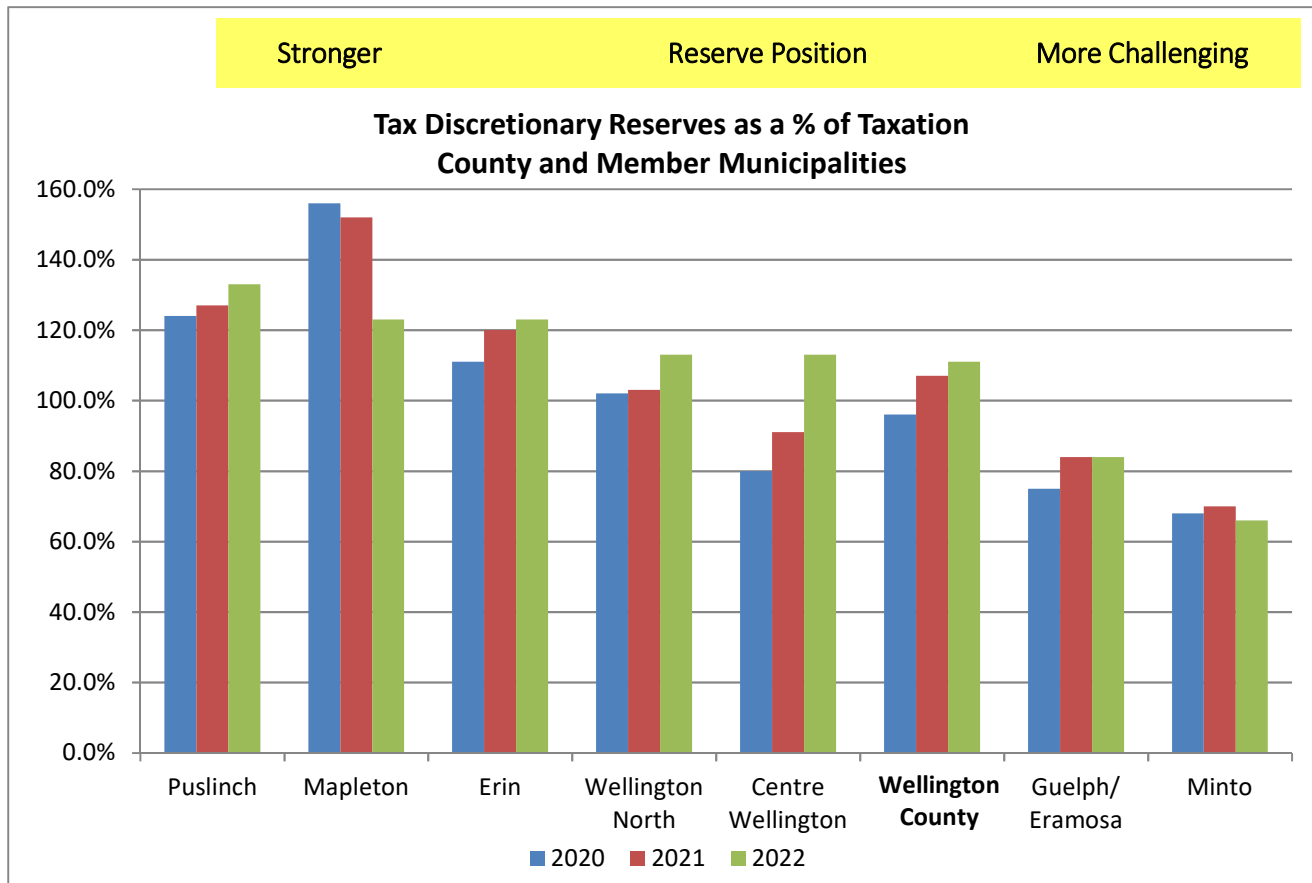
Indicator 4: Reserves

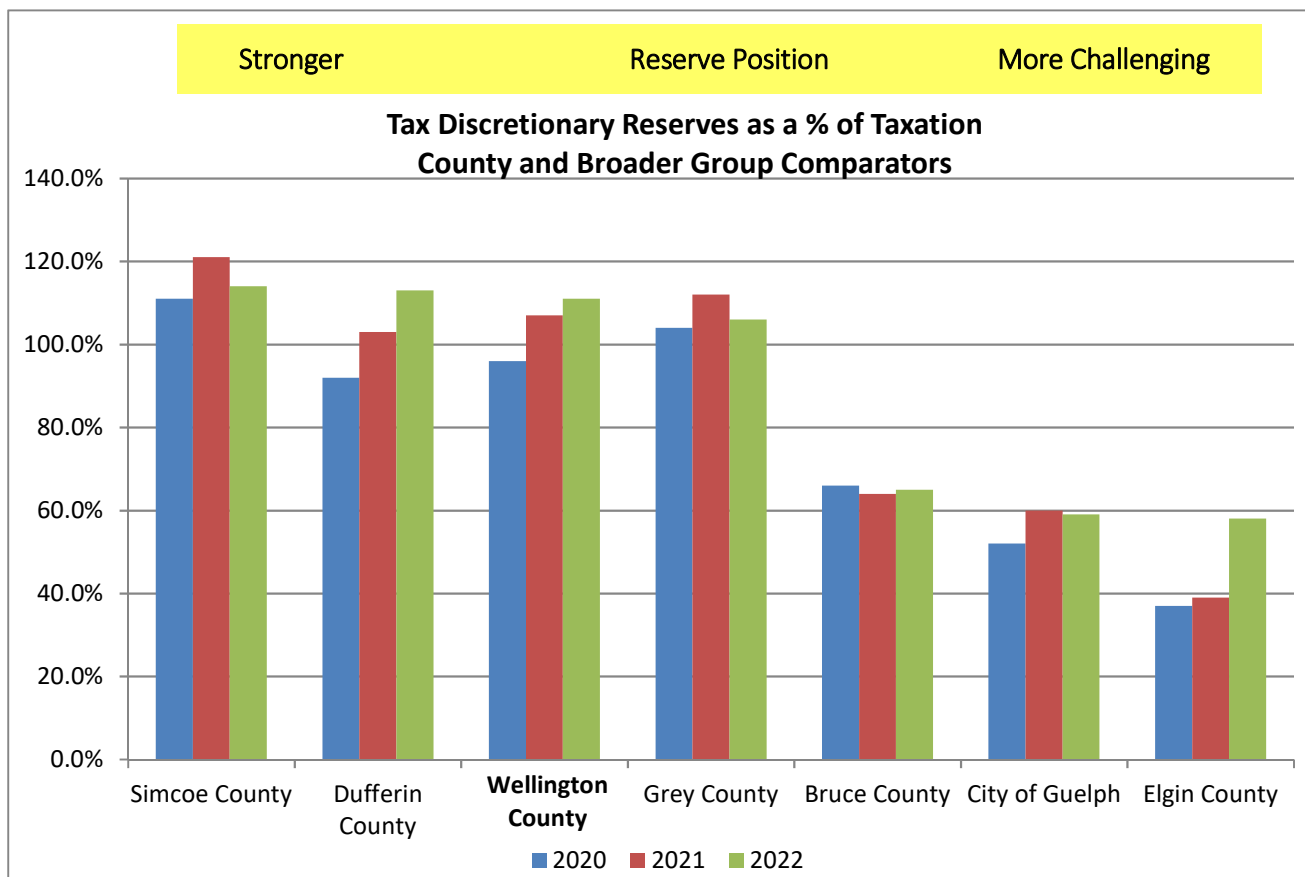
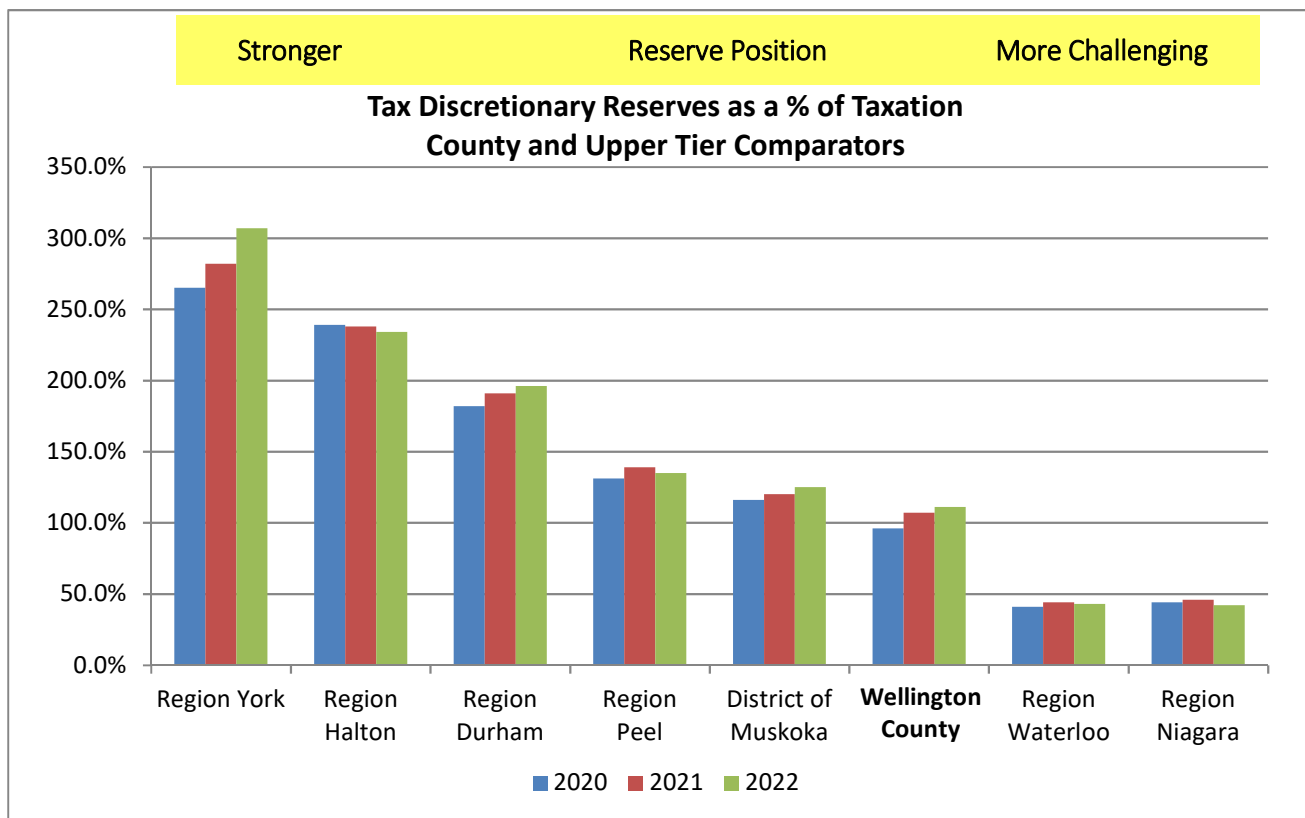
Reserves are a critical component of a municipality's long-term financial plan. Reserves offer liquidity which enhances the municipality's flexibility in addressing operating requirements and in permitting the municipality to temporarily fund capital projects internally, allowing it time to access debt 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 water and wastewater own source revenues.

I. Tax Discretionary Reserves as a % of Taxation

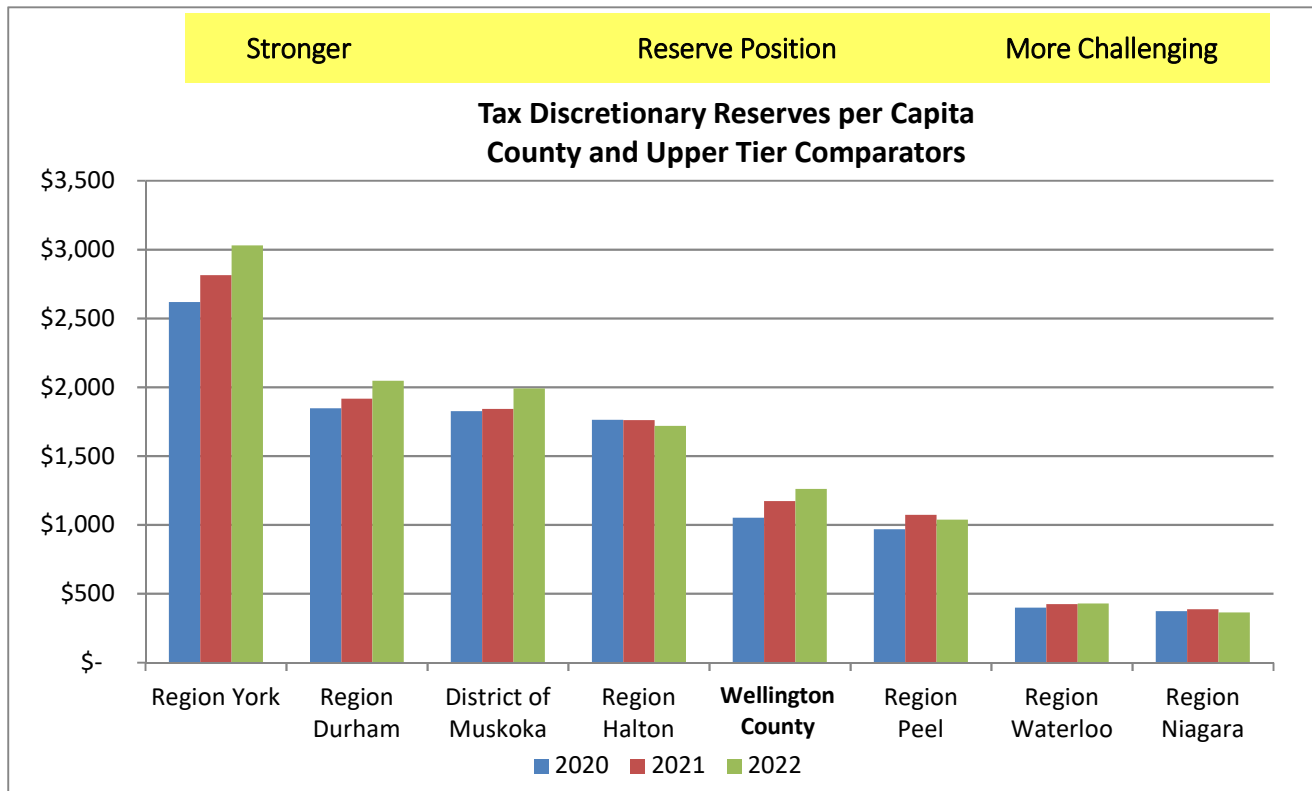
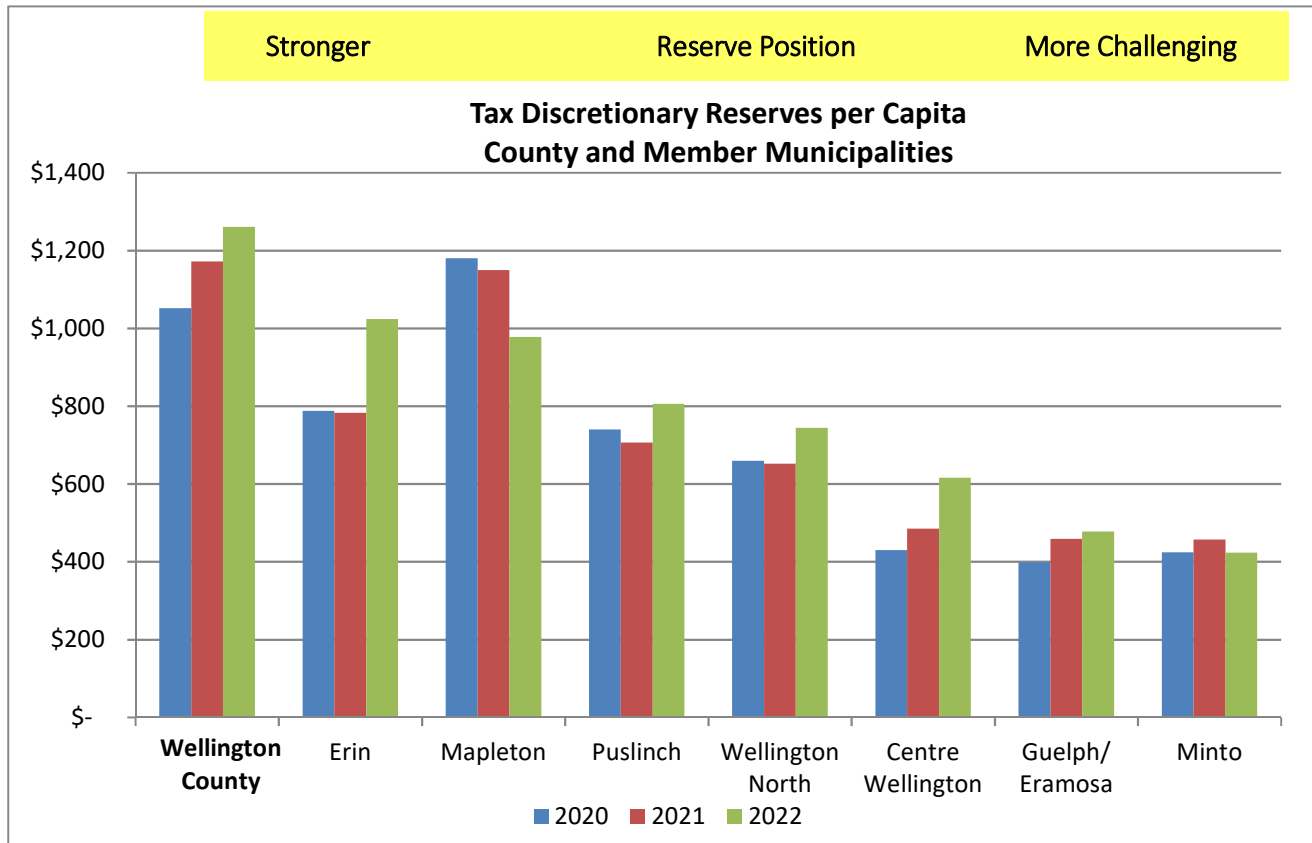
- This provides the total tax discretionary reserves and reserve funds in relation to total taxation

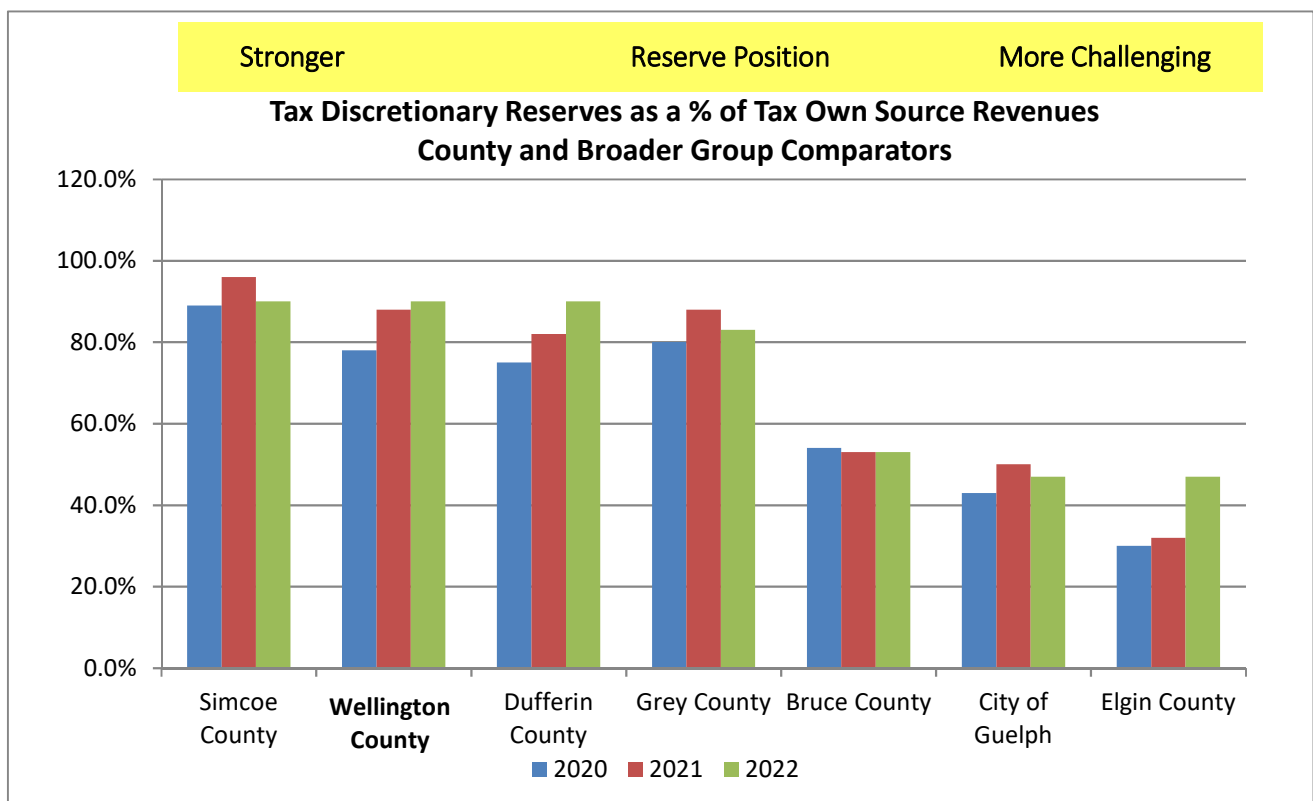
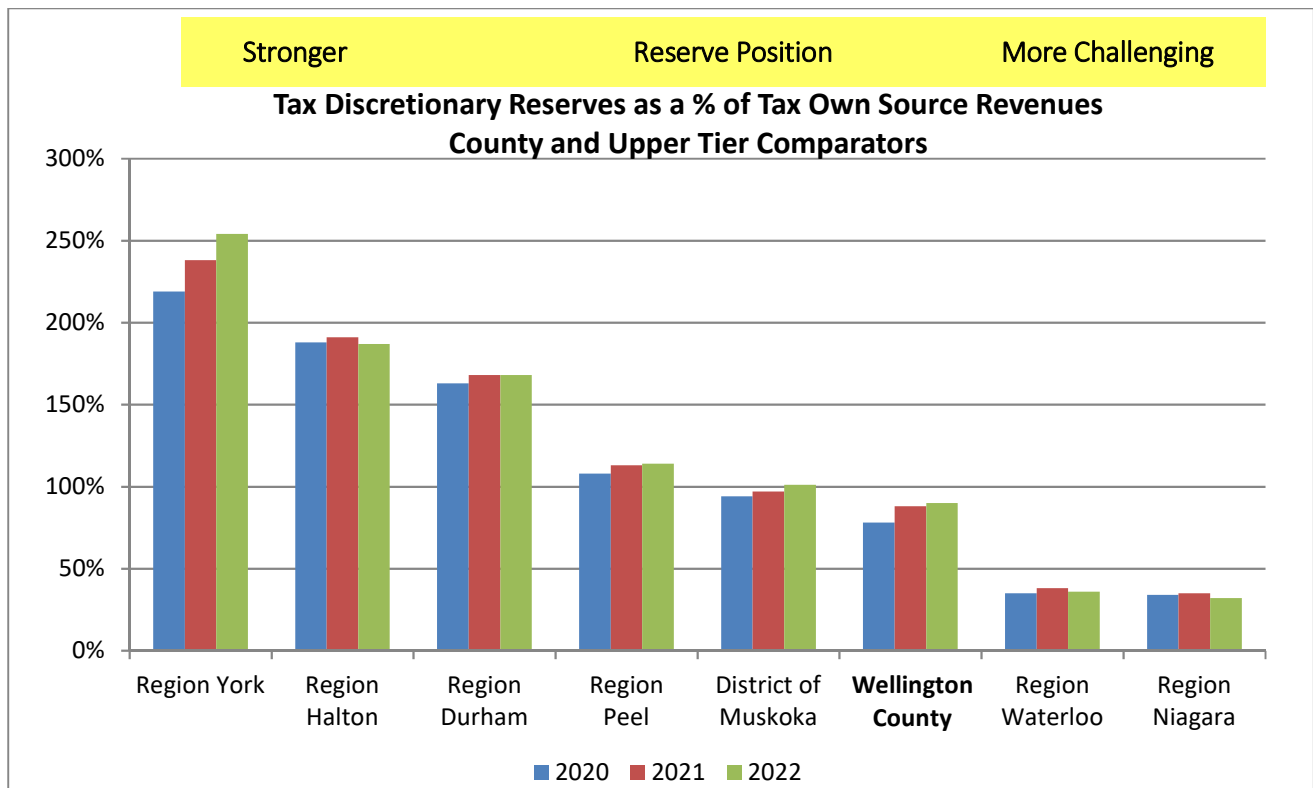




II. Tax Discretionary Reserves per Capita

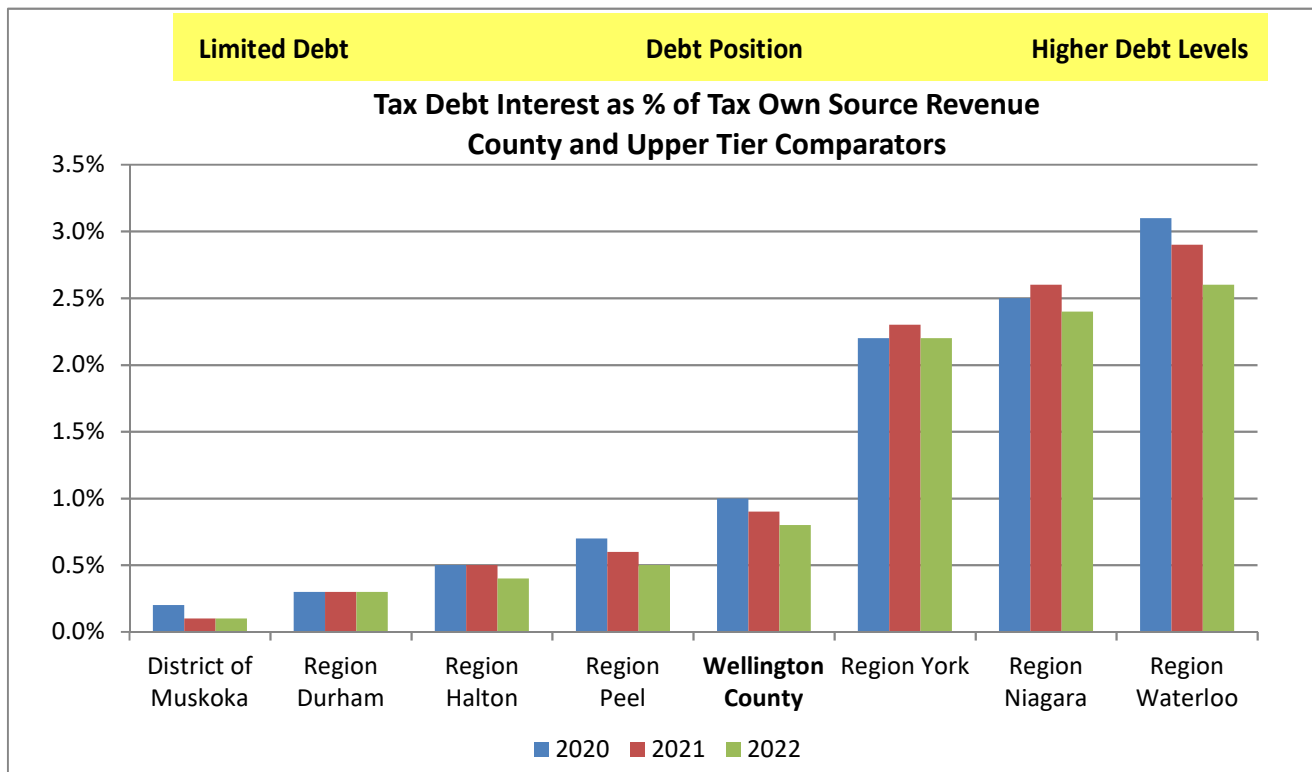
- This provides the total tax discretionary reserves in relation to the population.

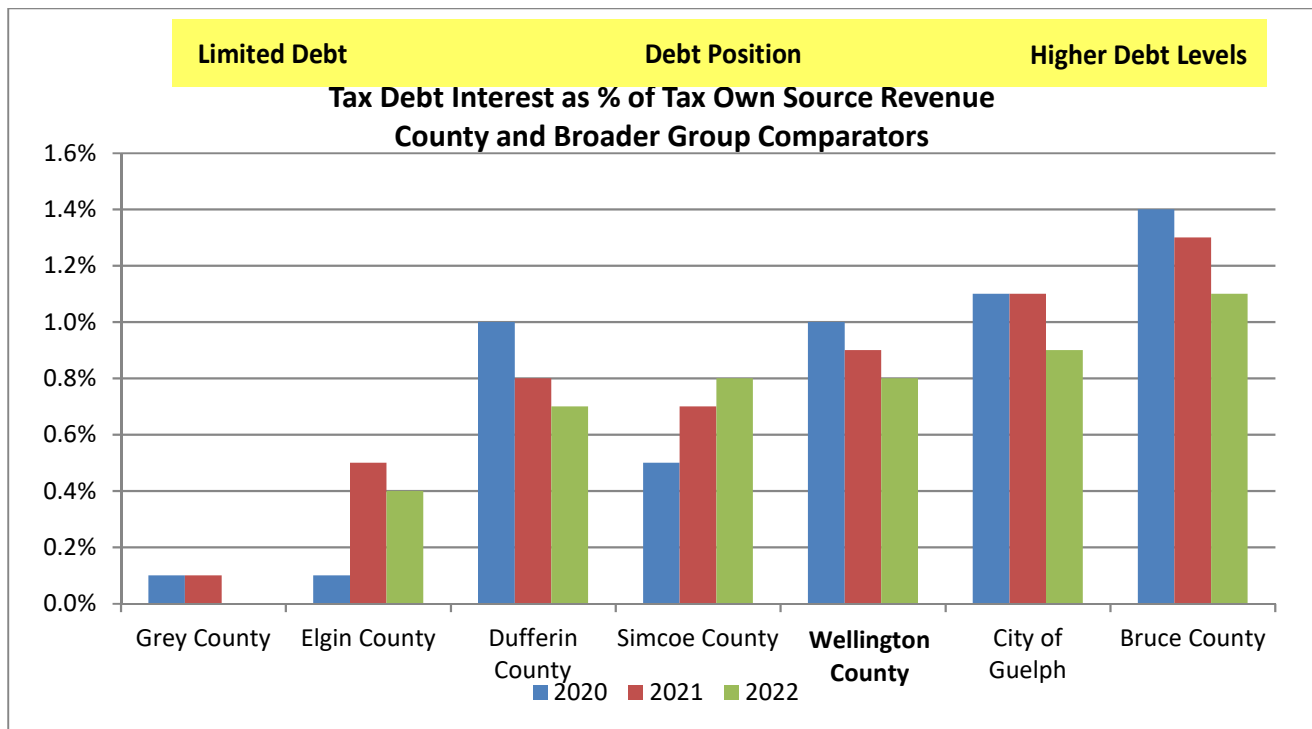




There are five financial debt indicators that have been included in the analysis to provide a clear understanding of the overall debt outstanding and the debt servicing costs.

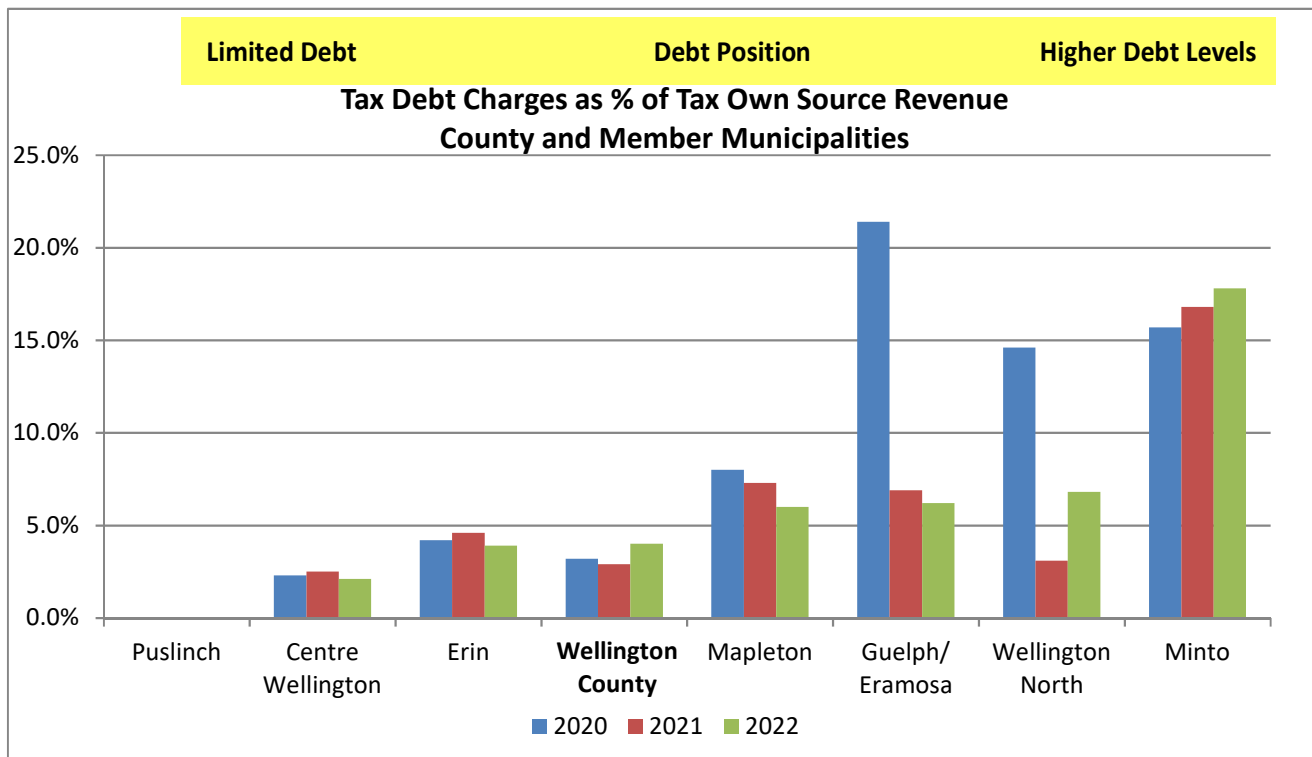
- This ratio indicates the extent to which the municipality's own source revenues are committed to debt interest charges.

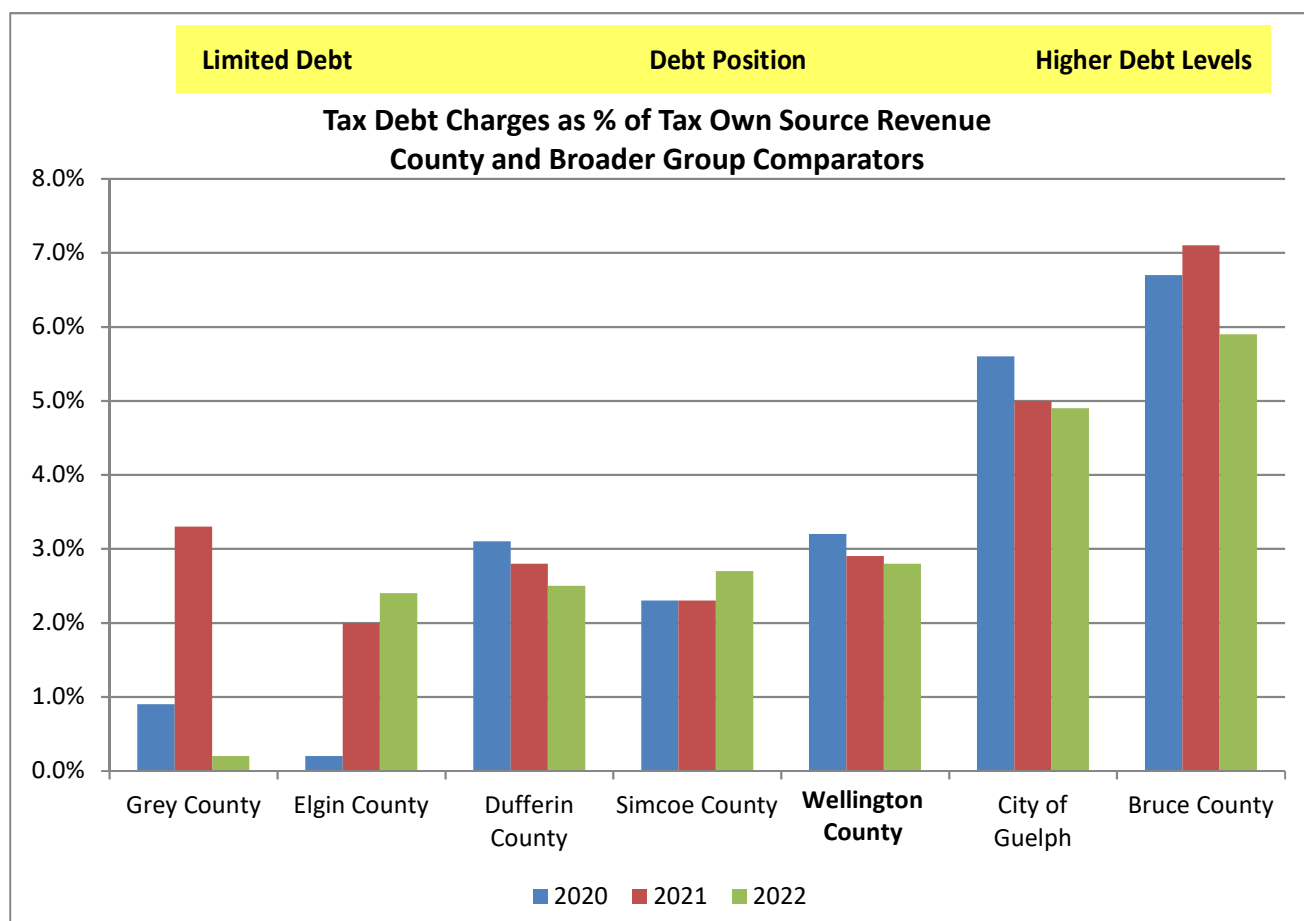
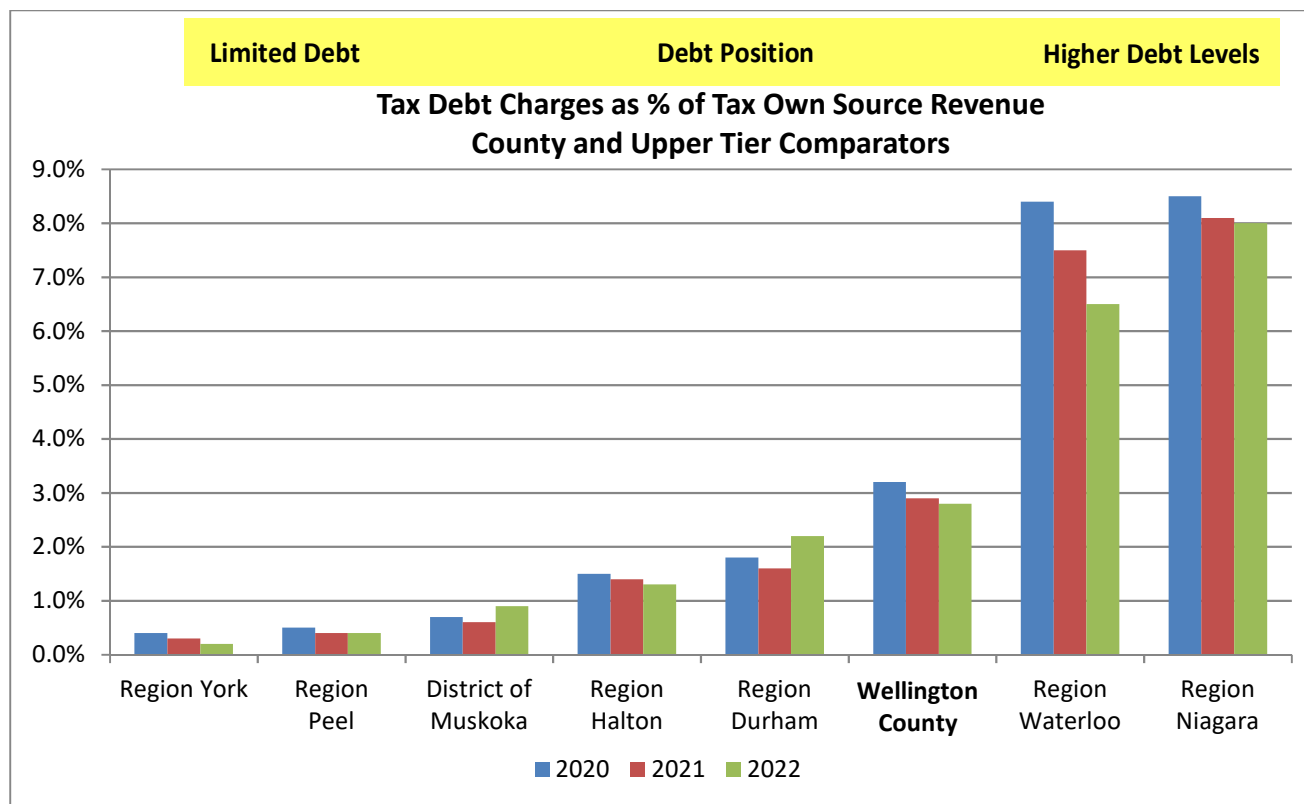




II. Tax Debt Charges as a % of Own Source Revenues (less Water & Wastewater Revenue) (Debt Service Ratio)

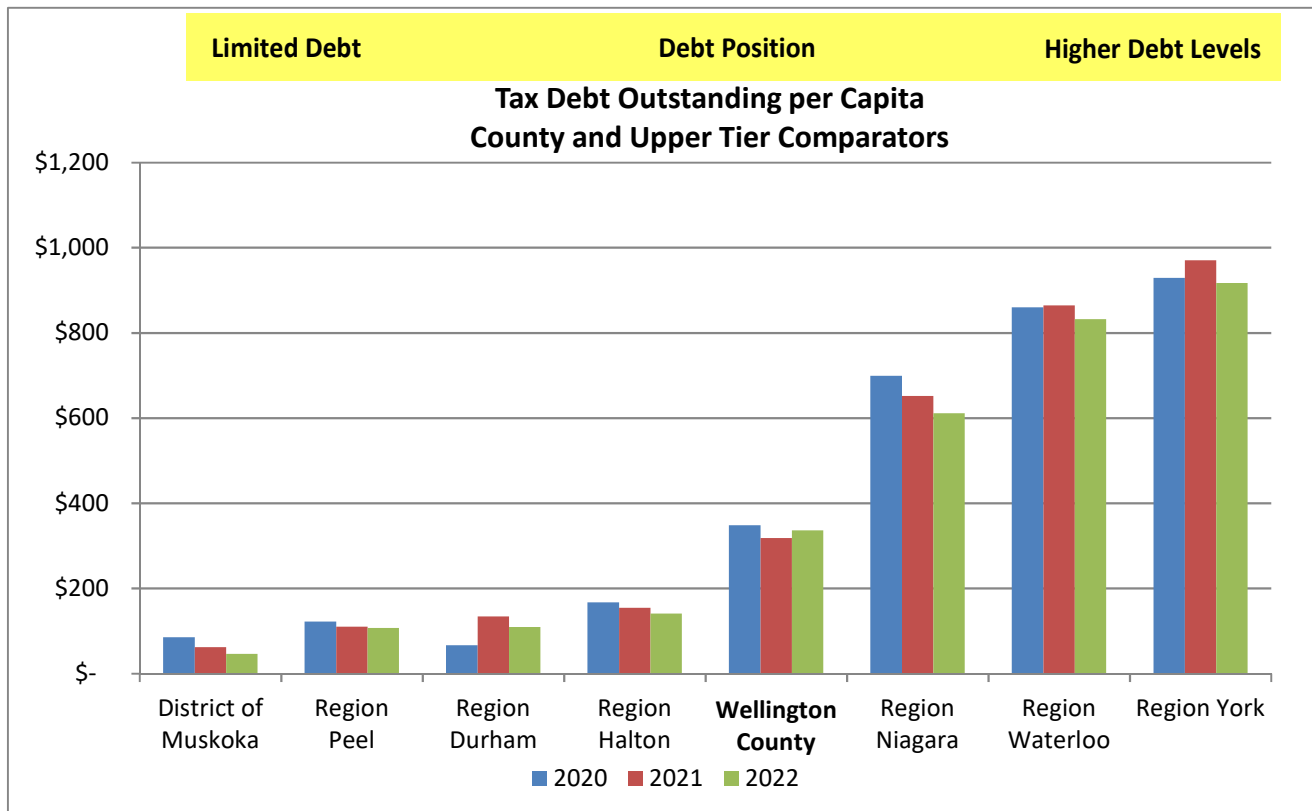
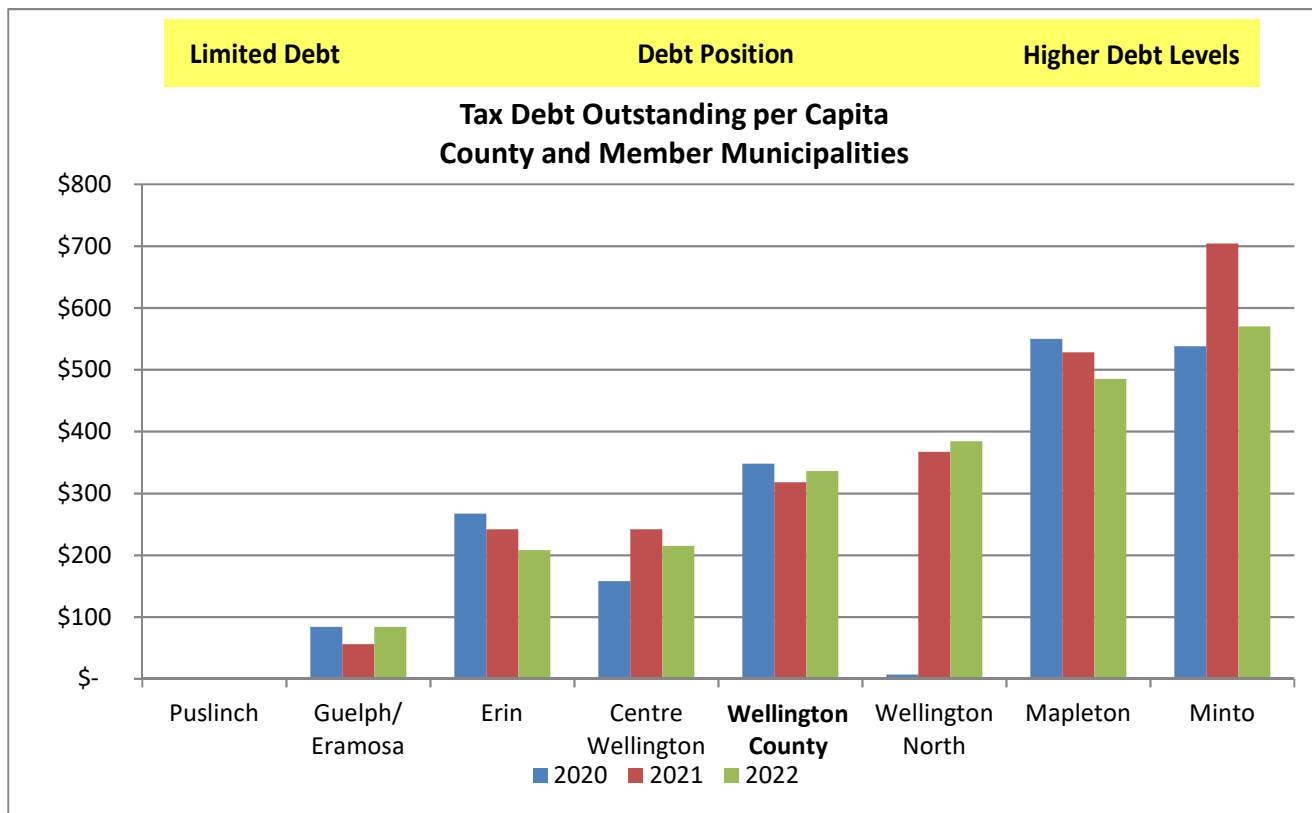
- Debt Service is the amount of principal and interest that a municipality must pay each year to service the debt. As debt service increases it reduces expenditure flexibility. This shows the % of total tax debt expenditures, including interest as a % of own source revenues (less water & wastewater revenue). 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.

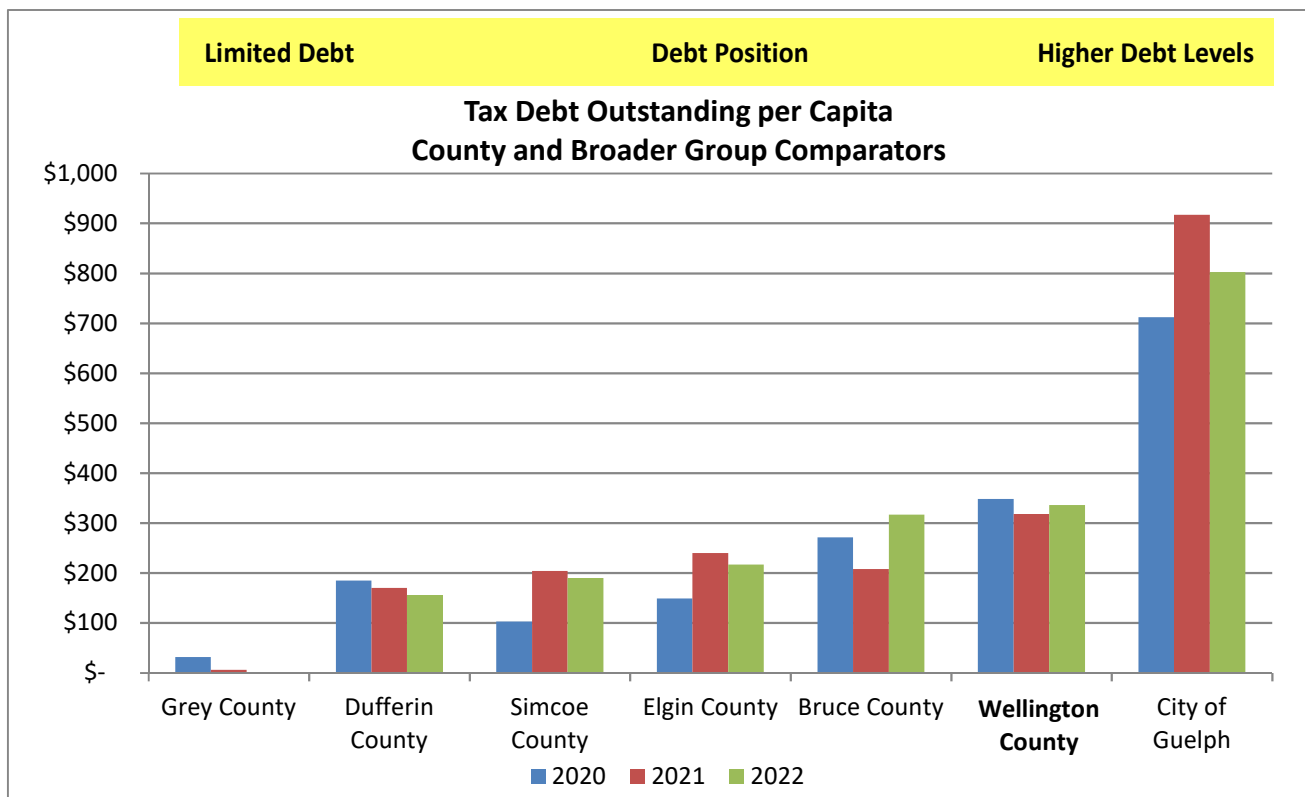




III. Tax Debt Outstanding per Capita

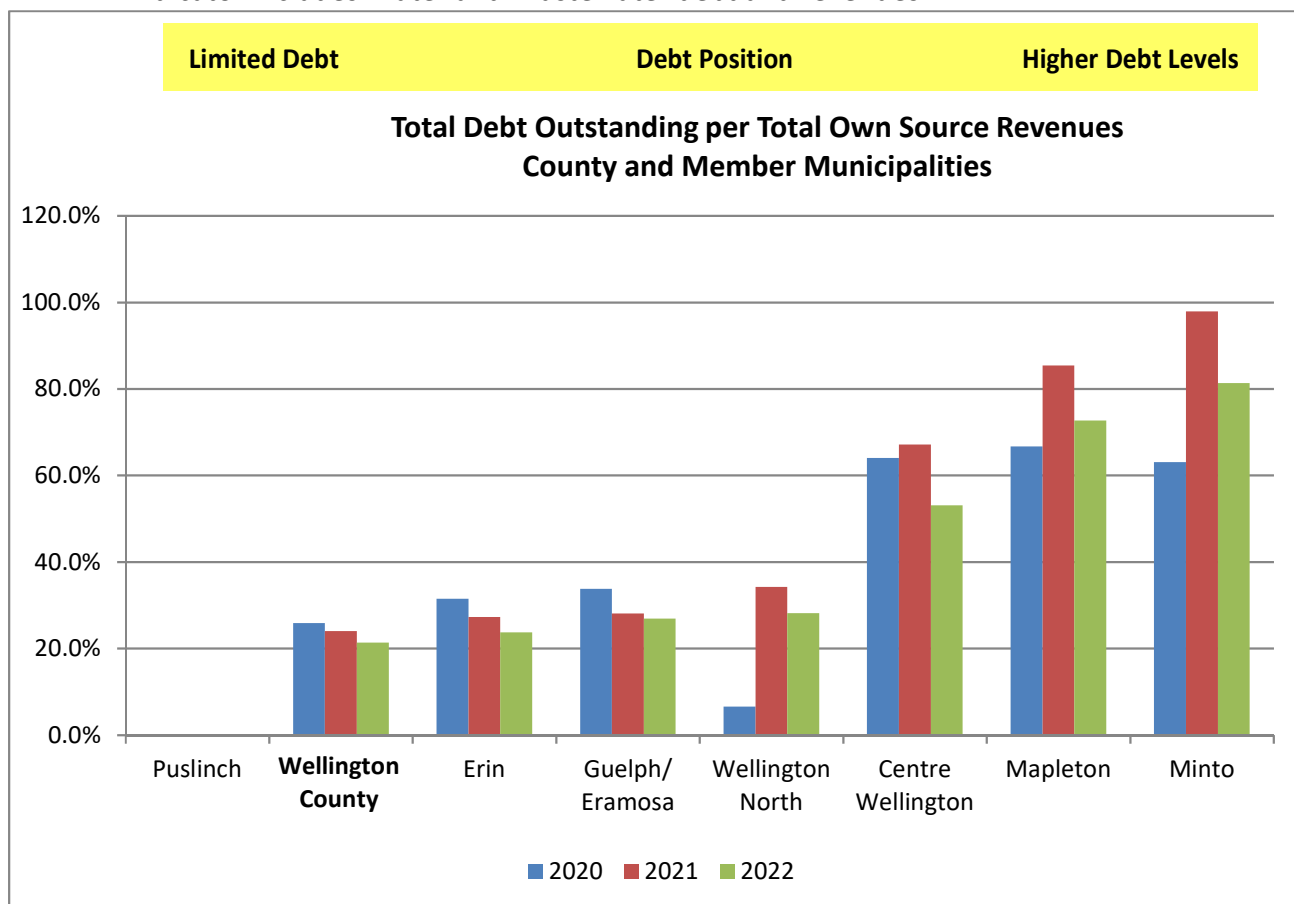
- This provides the tax debt outstanding divided by the population.

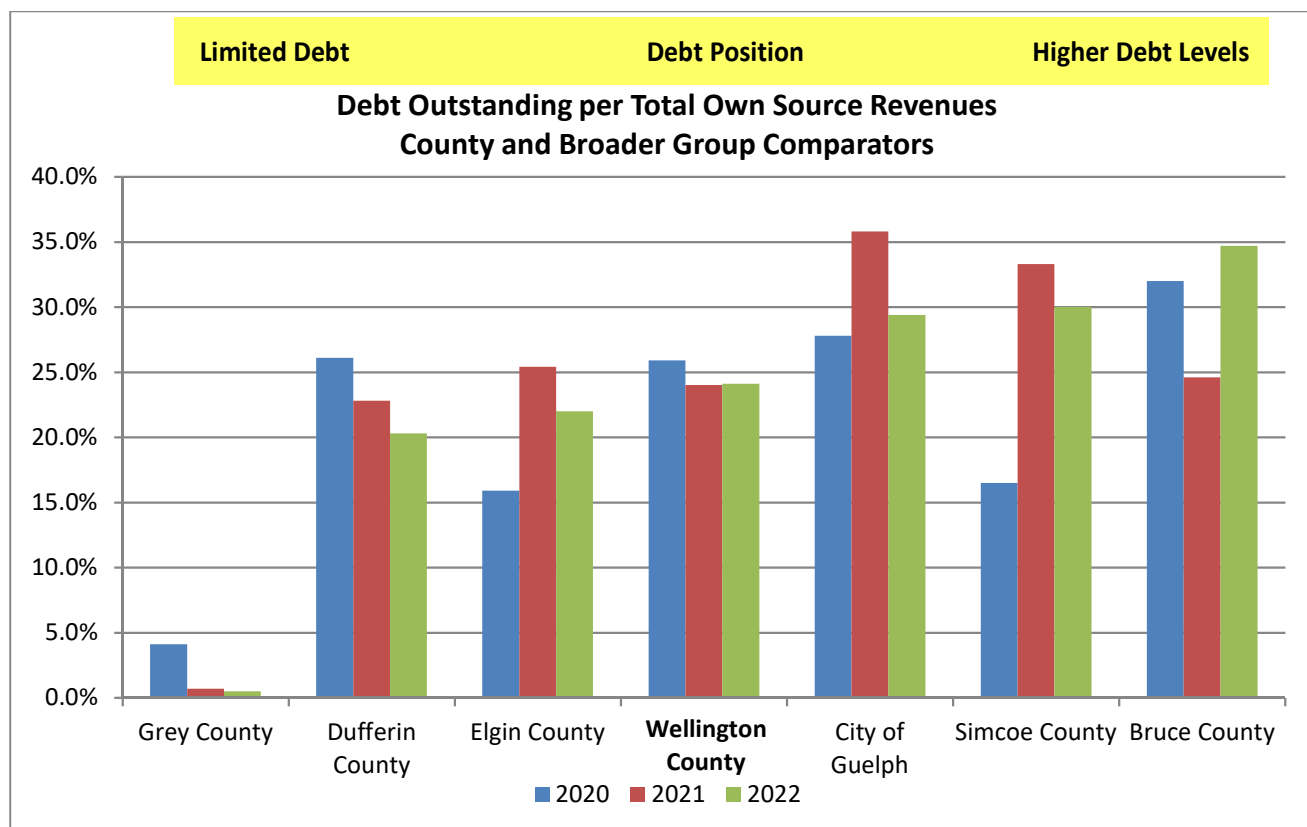
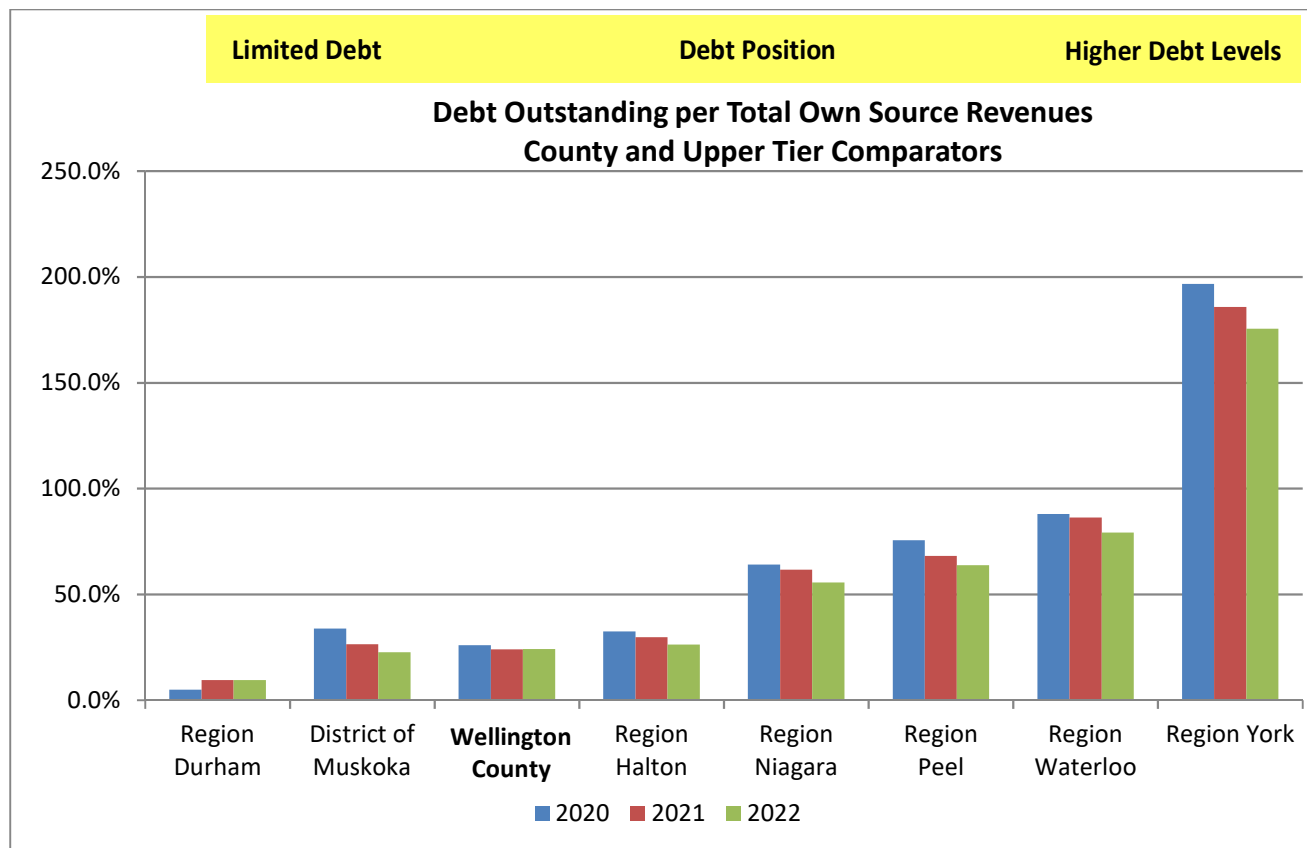




IV. Debt Outstanding Per Own Source Revenue

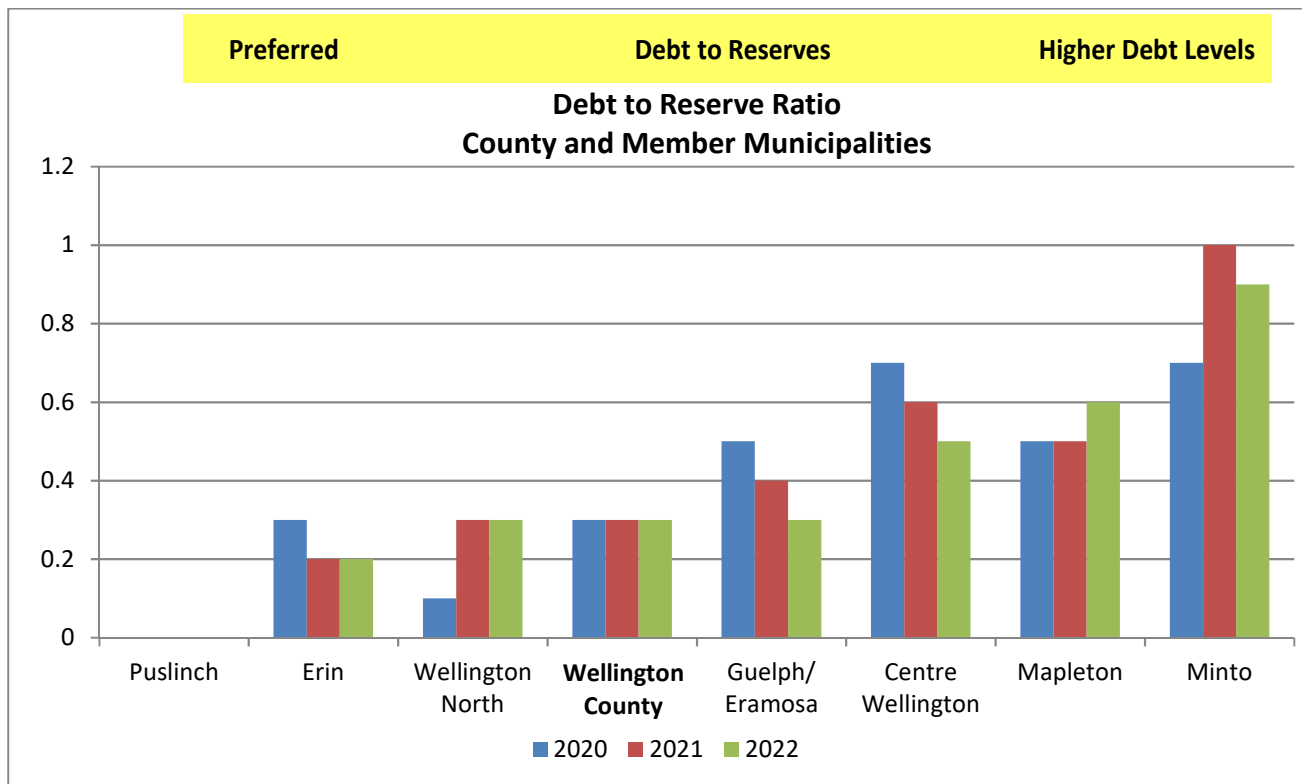
- This provides the debt outstanding divided by the municipality's own source revenues. This indicator includes Water and Wastewater debt and revenues.

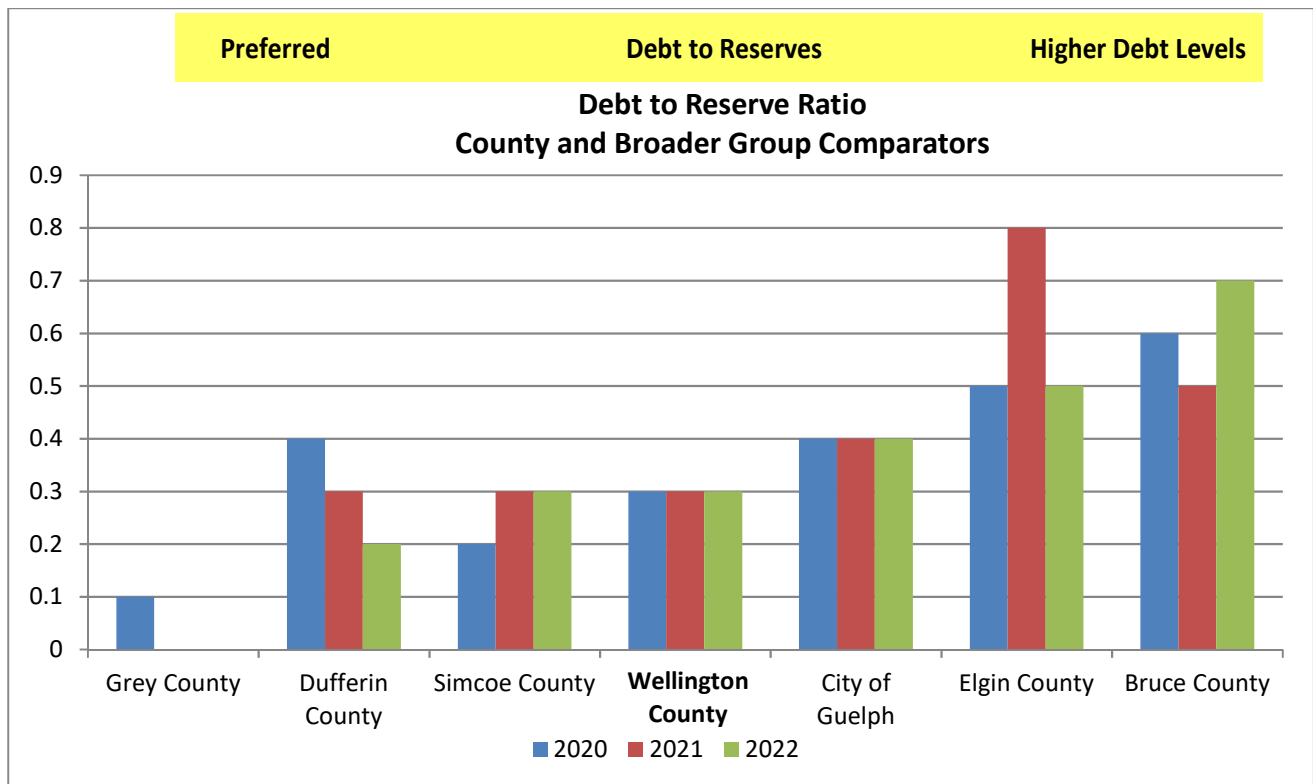
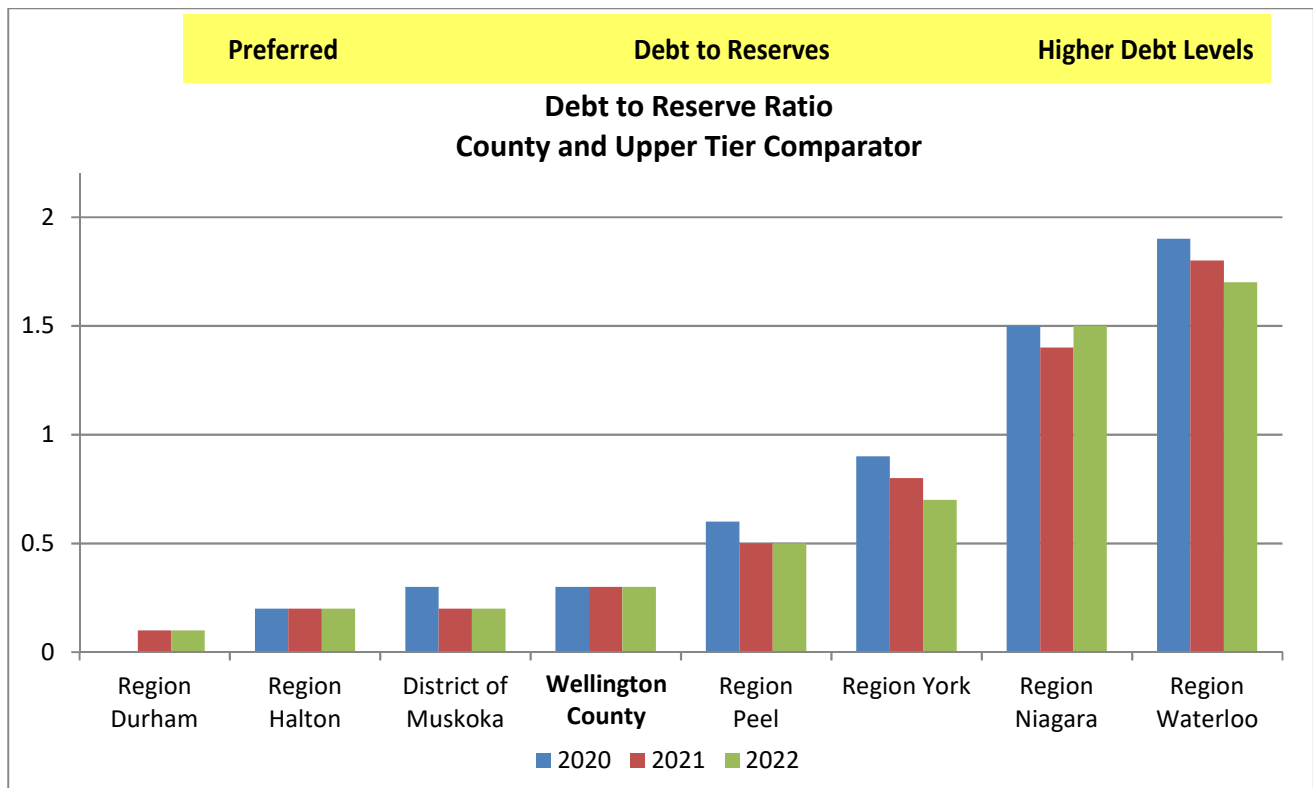




V. Debt to Reserve Ratio

- 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. This indicator includes Water and Wastewater Debt and Reserves/Reserve Funds.

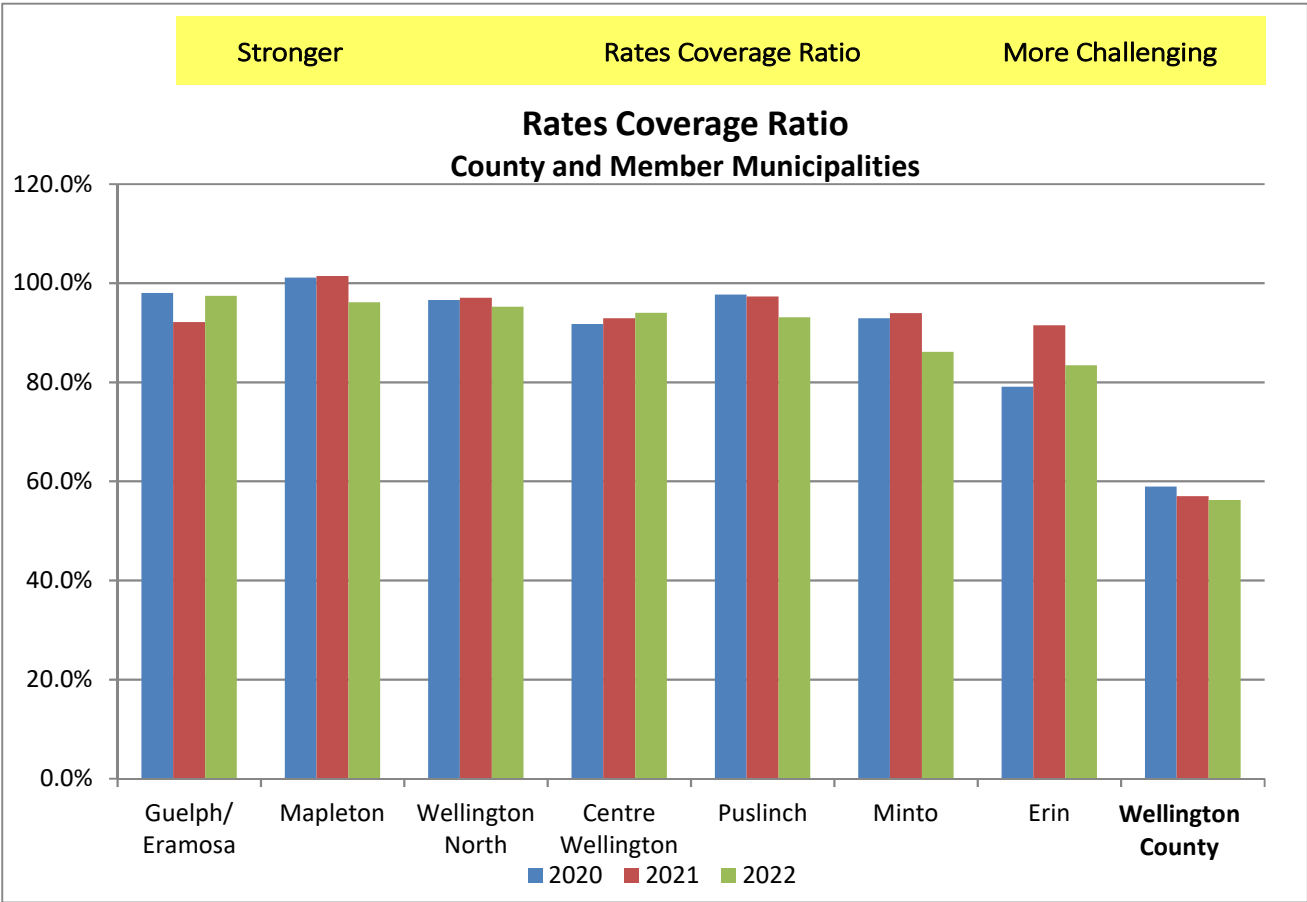


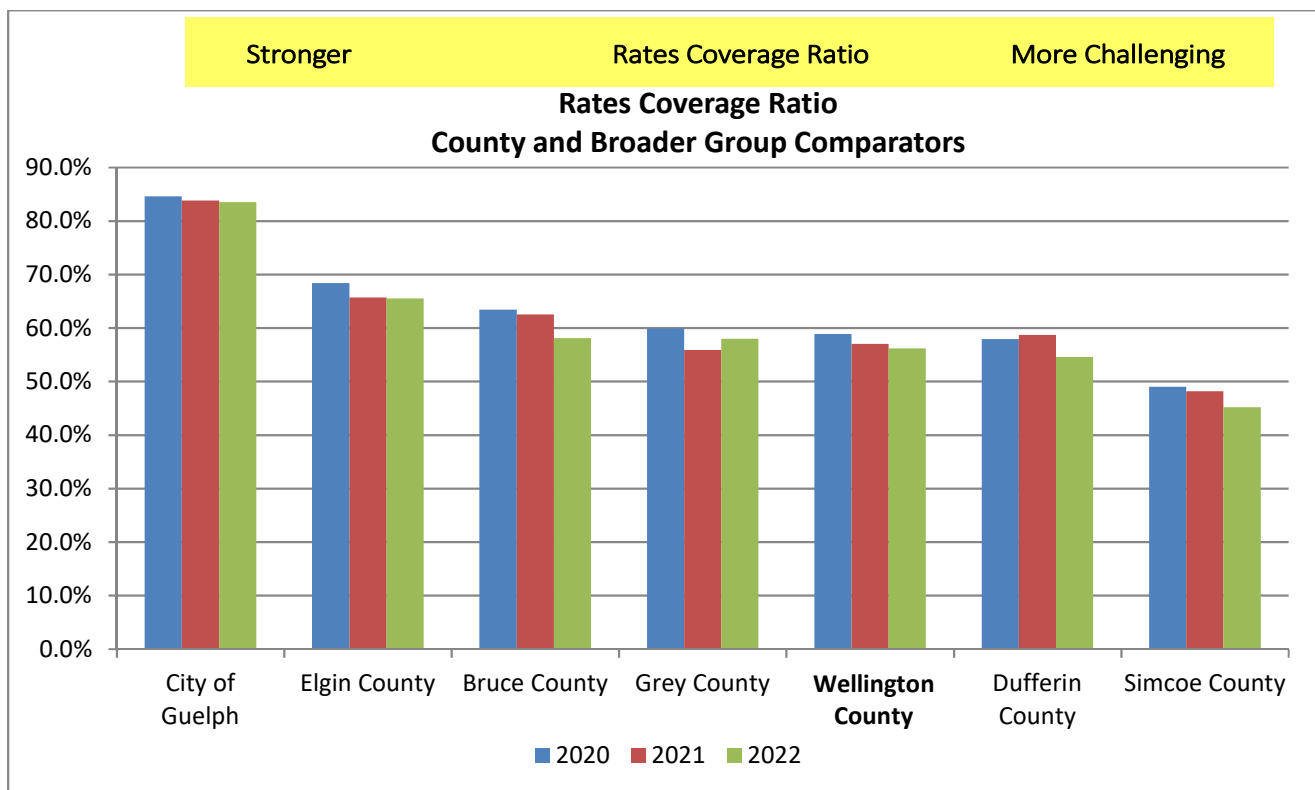
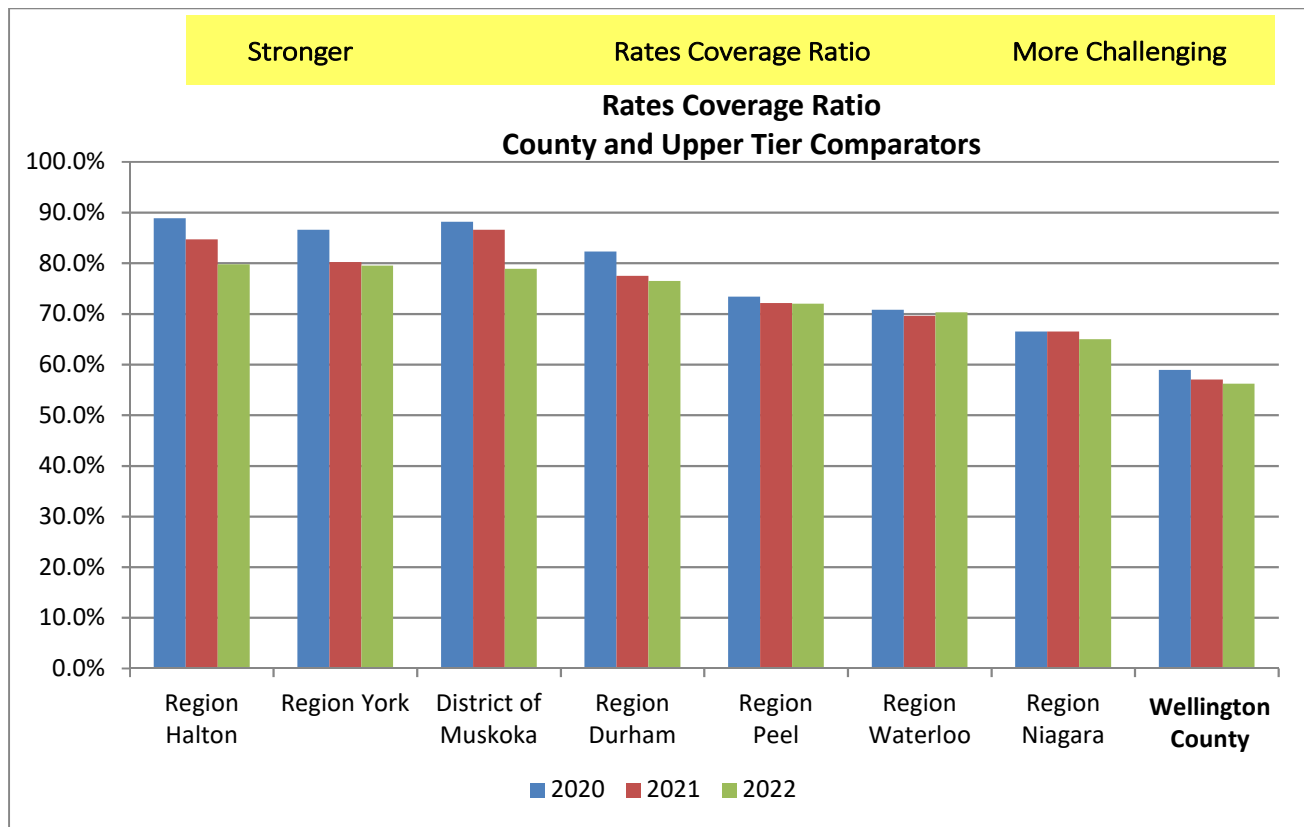


VULNERABILITY – Addresses a municipality’s vulnerability to external sources of funding that it cannot control and its exposure to risks.

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. Water and Wastewater expenditures and revenues are included in this indicator. 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.





Strategic Action Plan:

This report relates to the following objectives and priorities in the County's Strategic Action Plan:

- Making the Best Decisions for the Betterment of the Community

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 stylized flourish extending from the end.

Ken DeHart, CPA, CGA
County Treasurer

Schedule A – Summary of Indicators (2022)

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	\$1,235	\$702	\$477	\$615	\$587	\$802	\$2,193	\$1,157
		2	5	8	6	7	4	1	3
2	Net Financial Liabilities Ratio	-1.05	-0.8	-0.48	-0.54	-0.42	-0.93	-1.66	-0.83
		2	5	7	6	8	3	1	4
3	Asset Consumption Ratio	42.4%	53.1%	40.2%	65.1%	48.0%	61.0%	55.2%	47.7%
		2	5	1	8	4	7	6	3
4	Tax Discretionary Reserves as a % of Taxation	113.0%	123.0%	84.0%	123.0%	66.0%	133.0%	113.0%	111.0%
		4	2	7	2	8	1	4	6
	Tax Discretionary Reserves per Capita	\$616	\$1,024	\$478	\$978	\$423	\$806	\$744	\$1,261
		6	2	7	3	8	4	5	1
	Tax Discretionary Reserves as a % of Own Source Revenues	75.0%	99.0%	61.0%	100.0%	46.0%	94.0%	81.0%	90.0%
		6	2	7	1	8	3	5	4
5	Tax Debt Interest as % of Own Source Revenue (less W & WW Revenue)	0.9%	0.9%	0.5%	1.7%	2.2%	0.0%	0.0%	0.8%
		5	5	3	7	8	1	1	4
	Tax Debt Charges as a % of Own Source Revenues (less W & WW Revenue)	2.1%	3.9%	6.2%	6.0%	17.8%	0.0%	6.8%	4.0%
		2	3	6	5	8	1	7	4
	Tax Debt Outstanding per Capita	\$215	\$208	\$84	\$485	\$570	\$0	\$384	\$336
		4	3	2	7	8	1	6	5
	Debt Outstanding Per Own Source Revenue	53.1%	23.7%	26.9%	72.7%	81.3%	0.0%	28.2%	21.4%
		6	3	4	7	8	1	5	2
6	Rates Coverage Ratio	94.0%	83.4%	97.4%	96.1%	86.1%	93.1%	95.2%	56.2%
		4	7	1	2	6	5	3	8

Schedule B – Summary of Indicators (2022)

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	\$2,020	\$3,085	\$3,373	(\$125)	\$638	(\$1,018)	\$622	\$1,157
		3	2	1	7	5	8	6	4
2	Net Financial Liabilities Ratio	-0.91	-1.94	-2.62	0.09	-0.52	0.71	-0.42	-0.83
		3	2	1	7	5	8	6	4
3	Asset Consumption Ratio	54.4%	39.2%	29.2%	46.0%	32.4%	34.8%	31.3%	47.7%
		8	5	1	6	3	4	2	7
4	Tax Discretionary Reserves as a % of Taxation	125.0%	196.0%	234.0%	42.0%	135.0%	43.0%	307.0%	111.0%
		5	3	2	8	4	7	1	6
	Tax Discretionary Reserves per Capita	\$1,991	\$2,046	\$1,720	\$364	\$1,038	\$429	\$3,030	\$1,261
		3	2	4	8	6	7	1	5
	Tax Discretionary Reserves as a % of Own Source Revenues	101.0%	168.0%	187.0%	32.0%	114.0%	36.0%	254.0%	90.0%
		5	3	2	8	4	7	1	6
5	Tax Debt Interest as % of Own Source Revenue (less W & WW Revenue)	0.1%	0.3%	0.4%	2.4%	0.5%	2.6%	2.2%	0.8%
		1	2	3	7	4	8	6	5
	Tax Debt Charges as a % of Own Source Revenues (less W & WW Revenue)	0.9%	2.2%	1.3%	8.0%	0.4%	6.5%	0.2%	2.8%
		3	5	4	8	2	7	1	6
	Tax Debt Outstanding per Capita	\$46	\$109	\$141	\$611	\$107	\$832	\$917	\$336
		1	3	4	6	2	7	8	5
	Debt Outstanding Per Own Source Revenue	22.7%	9.5%	26.3%	55.6%	63.8%	79.2%	175.5%	24.1%
		2	1	4	5	6	7	8	3
	Debt to Reserve Ratio	0.2	0.1	0.2	1.5	0.5	1.7	0.7	0.3
		2	1	2	7	5	8	6	4
6	Rates Coverage Ratio	78.9%	76.5%	79.8%	65.0%	72.0%	70.3%	79.5%	0.0%
		3	4	1	7	5	6	2	8

Schedule C – Summary of Indicators (2022)

County and Broader Group Comparators

Ranking 1 = Lowest Challenge 7 = Greatest Challenge		Bruce County	City of Guelph	Simcoe County	Dufferin County	Elgin County	Grey County	Wellington County
Indicators								
1	Financial Position Per Capita	\$82	\$1,653	(\$71)	\$542	\$263	\$487	\$1,157
		6	1	7	3	5	4	2
2	Net Financial Liabilities Ratio	-0.09	-0.61	0.11	-0.71	-0.27	-0.61	-0.83
		6	3	7	2	5	3	1
3	Asset Consumption Ratio	47.2%	48.4%	33.6%	49.3%	48.2%	57.2%	47.7%
		2	5	1	6	4	7	3
4	Tax Discretionary Reserves as a % of Taxation	65.0%	59.0%	114.0%	113.0%	58.0%	106.0%	111.0%
		5	6	1	2	7	4	3
	Tax Discretionary Reserves per Capita	\$486	\$1,087	\$570	\$692	\$464	\$666	\$1,261
		6	2	5	3	7	4	1
	Tax Discretionary Reserves as a % of Own Source Revenues	53.0%	47.0%	90.0%	90.0%	47.0%	83.0%	90.0%
		5	6	1	1	6	4	1
5	Tax Debt Interest as % of Tax Own Source Revenue	1.1%	0.9%	0.8%	0.7%	0.4%	0.0%	0.8%
		7	6	4	3	2	1	4
	Tax Debt Charges as a % of Tax Own Source Revenues	5.9%	4.9%	2.7%	2.5%	2.4%	0.2%	2.8%
		7	6	4	3	2	1	5
	Tax Debt Outstanding per Capita	\$317	\$802	\$190	\$155	\$217	\$0	\$336
		5	7	3	2	4	1	6
	Debt Outstanding Per Own Source Revenue	34.7%	29.4%	30.0%	20.3%	22.0%	0.5%	24.1%
		7	5	6	2	3	1	4
6	Debt to Reserve Ratio	0.7	0.4	0.3	0.2	0.5	0	0.3
		7	5	3	2	6	1	4
6	Rates Coverage Ratio	58.1%	83.5%	45.2%	54.6%	65.5%	58.0%	56.2%
		3	1	7	6	2	4	5