

2019 Municipal Study Haldimand County

February 4, 2020

BMA
Management Consulting Inc.

Municipal Study
2019



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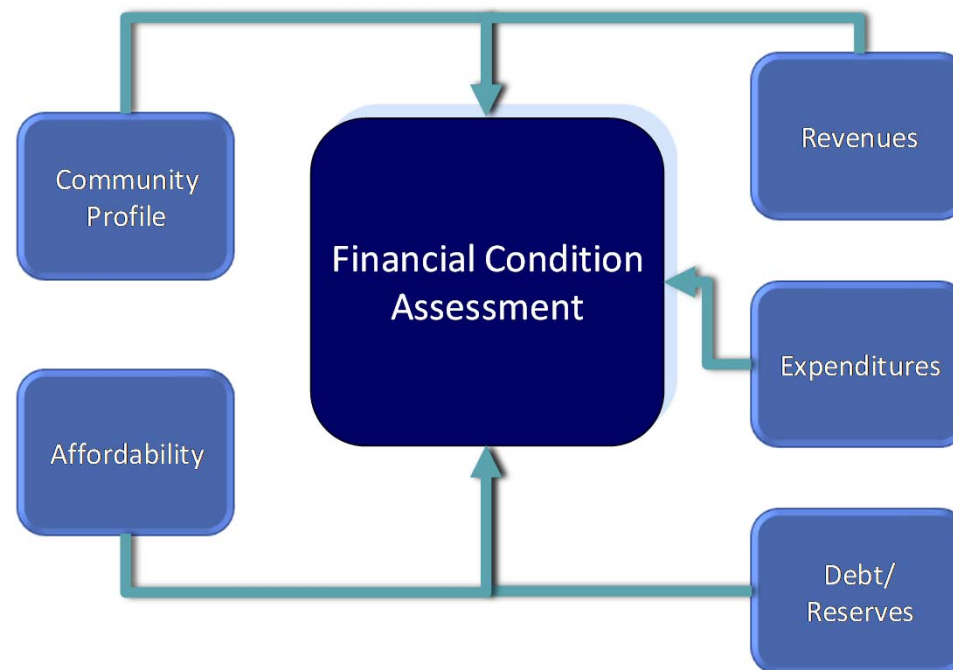
Presentation

- Review Highlights of 2019 Municipal Study
 - ✓ Socio-Economic Indicators
 - ✓ Financial Indicators
 - ✓ Cost of Service and Affordability Indicators
- 110 municipalities participated in the study, representing in excess of 85% of the population
- Comparisons provided to 9 Ontario municipalities – selected by either geographic location or population

| <i>Populations</i> | <i>Number of Municipalities</i> |
|--------------------|---------------------------------|
| 100,000 or greater | 27 |
| 30,000 - 99,999 | 29 |
| 15,000 - 29,999 | 23 |
| 0 - 14,999 | 31 |
| Total | 110 |

Introduction

- Sound fiscal health is imperative to ensuring effective operations of the County
- Regular and timely financial condition assessments can provide early warning of potential fiscal problems
- Helps form the foundation for the establishment of a long range financial plan, strategic plans, business plans, financial policies and budget



Financial Condition Assessment - Key Indicators

Growth and Socio-Economic Indicators



Population
Employment Statistics
Building Construction Activity
Property Assessment

Municipal Levy, Property Taxes & Affordability Indicators

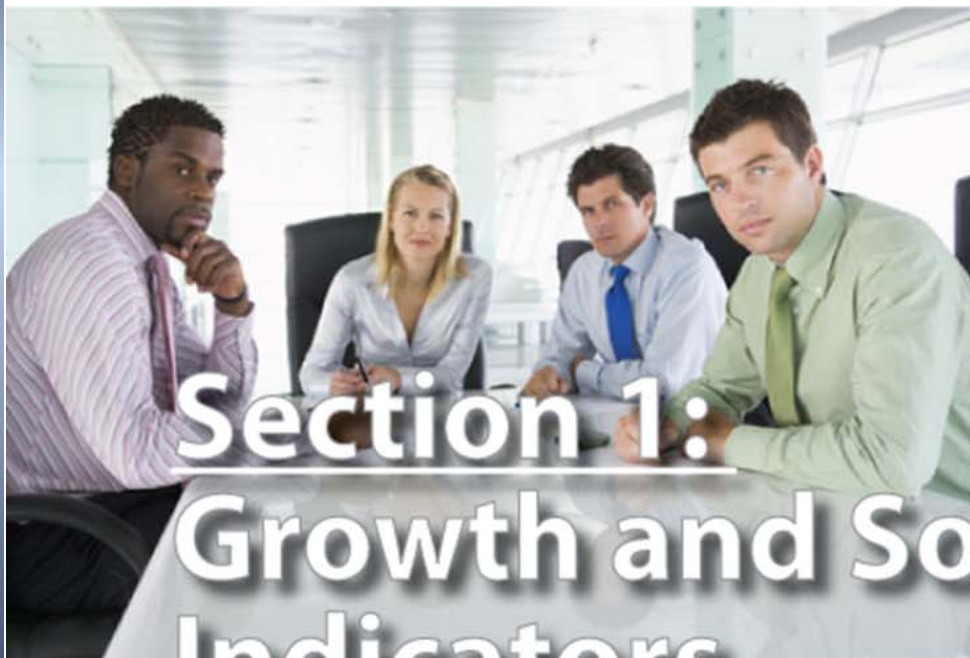


Municipal Levy
Municipal Property Taxes as a % of Income
Household Income
Water/WW Costs

Financial Position Indicators



Reserves & Reserve Funds
Debt
Municipal Financial Position
Taxes Receivable



Section 1: Growth and Socio-Economic Indicators

Growth and Socio-Economic Indicators

- Socio-economic characteristics factor heavily into economic analysis
- These indicators are largely external to the County's control but important to understand from a planning and forecasting perspective



Peer Municipal Comparators

| Municipality | 2019 Population | Land Area (sq. km.) | Land Density |
|-----------------|-----------------|---------------------|--------------|
| Norfolk | 67,185 | 1,608 | 42 |
| Chatham-Kent | 104,500 | 2,458 | 43 |
| Brant | 38,878 | 843 | 46 |
| Greater Sudbury | 168,858 | 3,228 | 52 |
| Belleville | 53,578 | 247 | 217 |
| Kingston | 129,093 | 415 | 311 |
| Niagara Falls | 94,999 | 210 | 453 |
| Hamilton | 569,639 | 1,117 | 510 |
| Brantford | 103,952 | 72 | 1,435 |
| Haldimand | 47,916 | 1,252 | 38 |

Source: Manifold Data Mining

- Challenge facing Haldimand: a large geographic area with a low population density
- This requires more infrastructure funded by fewer people
- Analysis also includes study averages of all municipalities

Growth & Socio-Economic Indicators

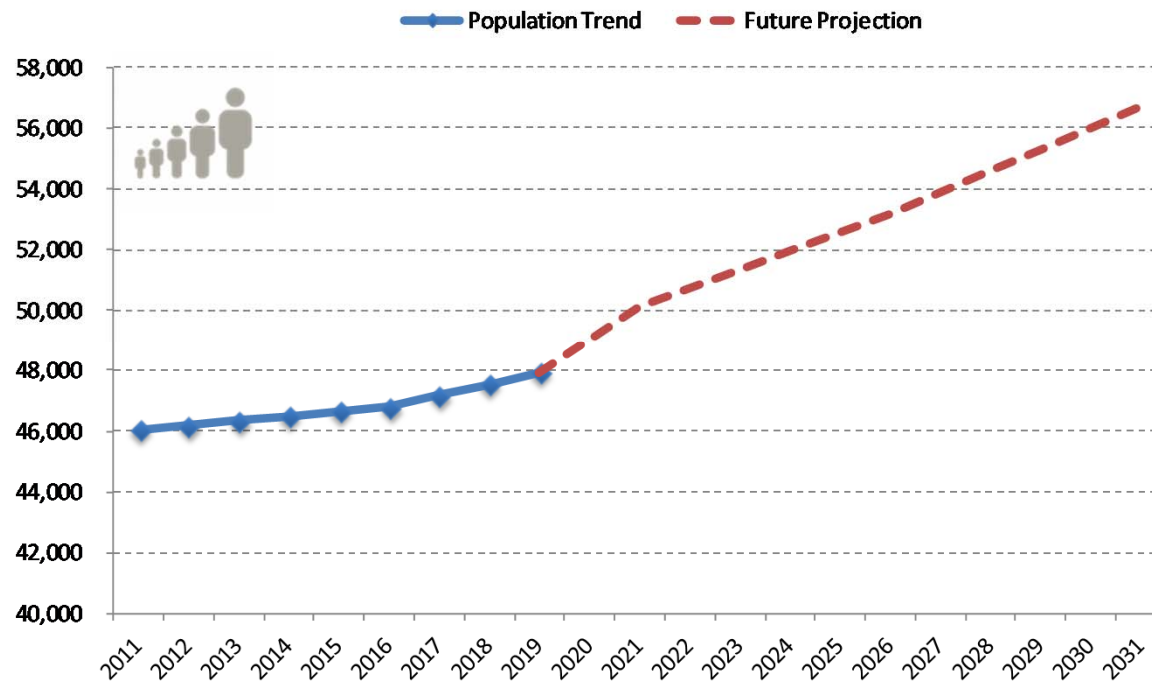
| Municipality | Population % Change 2016-2019 |
|-----------------|-------------------------------|
| Chatham-Kent | 0.2% |
| Kingston | 1.6% |
| Greater Sudbury | 1.9% |
| Norfolk | 2.2% |
| Belleville | 3.0% |
| Brant | 3.2% |
| Hamilton | 3.4% |
| Brantford | 3.9% |
| Niagara Falls | 5.1% |
| Group Average | 2.7% |
| Survey Average | 4.5% |
| Haldimand | 2.4% |

- Haldimand's population increased by 2.4% from 2016 to 2019
- Group Average increased by 2.7% and survey average increased by 4.5%

Source: 2016 Census Stats Canada
2019 Manifold Data Mining

Population Trend

- Changes in population directly impact both revenues (assessment base) and expenditures (service demands).
- Haldimand is entering a period of increased growth



Source:

Stats Canada

Manifold Data Mining

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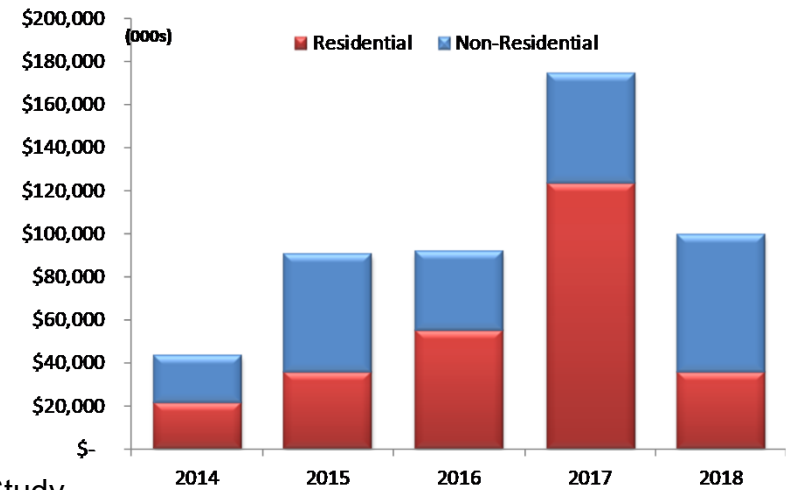
Age Demographics

| Age Profile | % Change Haldimand | | | % Change Ontario | | |
|-------------|--------------------|----------------|-------------|------------------|--------------|-------------|
| | 2011 Haldimand | 2016 Haldimand | 2011 - 2016 | 2011 Ontario | 2016 Ontario | 2011 - 2016 |
| Age 0-19 | 24.7% | 23.3% | ↓ -1.5% | 23.7% | 22.5% | ↓ -1.2% |
| Age 20-44 | 27.7% | 27.3% | ↔ -0.4% | 33.0% | 32.3% | ↓ -0.6% |
| Age 45-64 | 31.9% | 31.3% | ↓ -0.6% | 28.7% | 28.5% | ↔ -0.3% |
| Age 65+ | 15.7% | 18.1% | ↑ 2.4% | 14.6% | 16.7% | ↑ 2.1% |
| Total | 100.0% | 100.0% | | 100.0% | 100.0% | |

Analysis of demographics can identify a need to shift public service priorities

- Haldimand's 65 + population is higher than the Provincial average and is the fastest growing segment
- An aging population could affect services e.g. parks and recreation

Building Activity – Construction Value (000's)

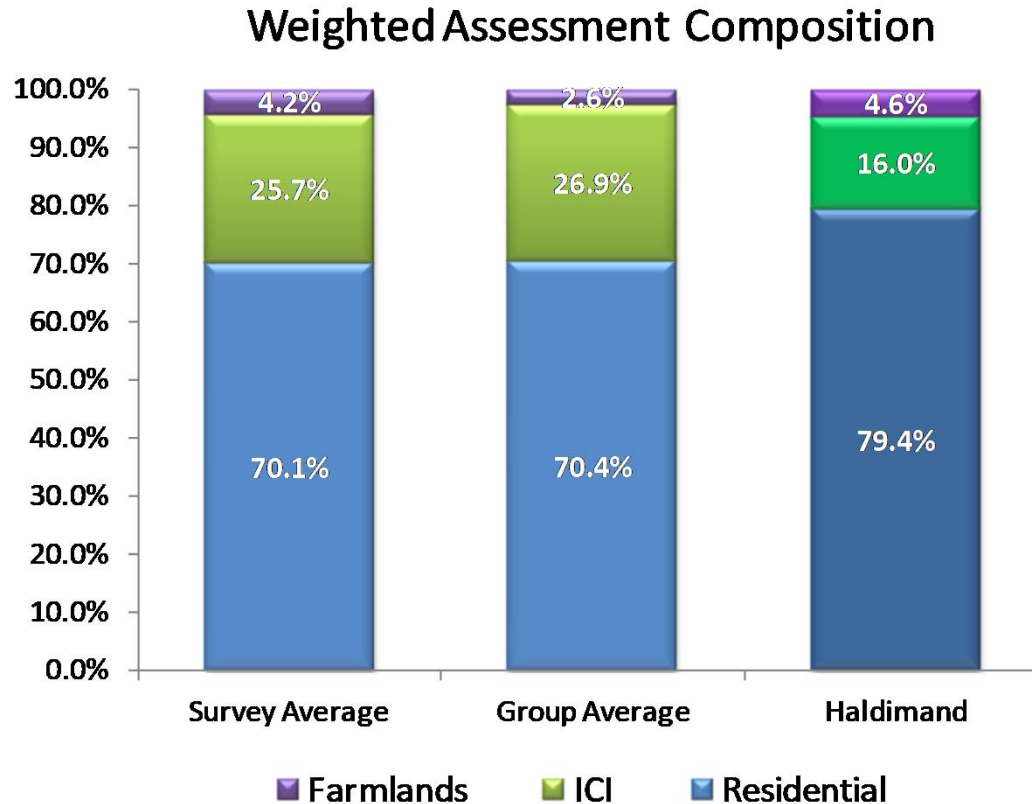


Source: BMA Study

Building activity impacts other factors such as employment base, income and property values

- Building construction activity is cyclical. Construction activity was at its peak in 2017. There was a notable increase in construction activity from 2014-2017
- Ideal condition is to have sufficient commercial and industrial development to offset the net increase in operating costs associated with residential development
- Over the past 5 years, residential/non-residential construction activity (on a \$ of construction) is a 51/49 split in the Haldimand County representing a good balance

Weighted Assessment Composition

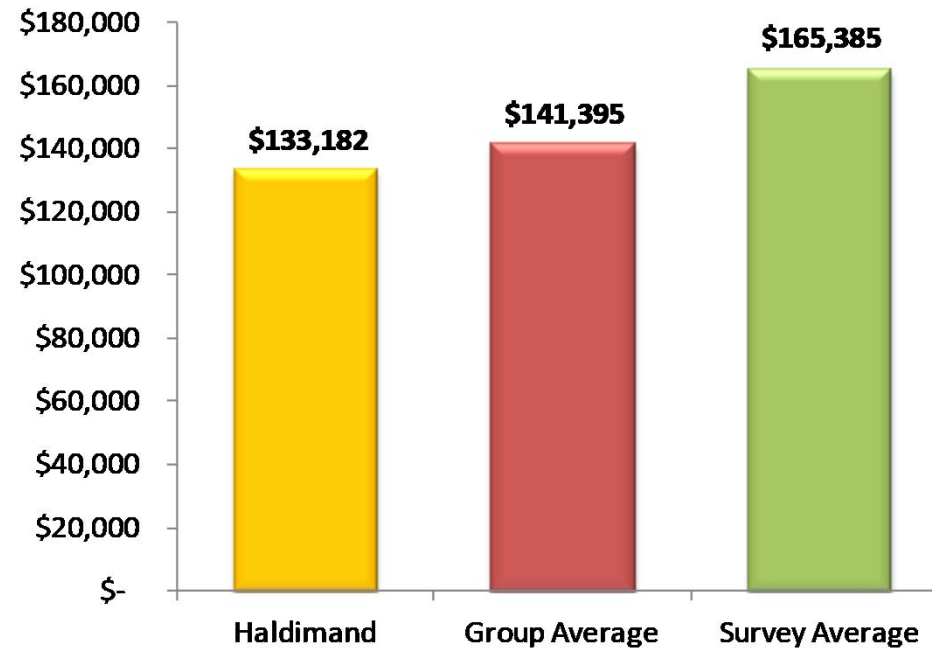


Source: BMA Study

- Weighted assessment composition is the basis upon which taxes are levied
- Haldimand has a higher percentage of assessment in the residential class and a higher percentage of the farm class

Richness of the Assessment Base

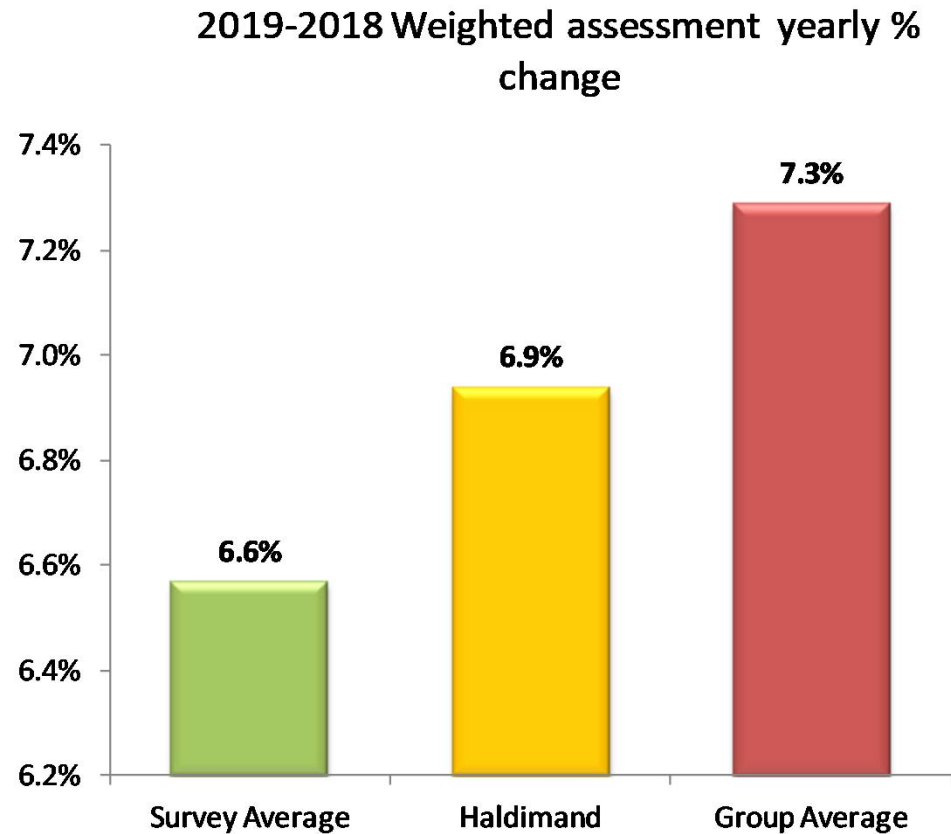
2019 Weighted Assessment per Capita



Source: BMA Study

- A strong assessment base is critical to a municipality's ability to raise revenues
- Haldimand's assessment per capita is lower than the group and survey average

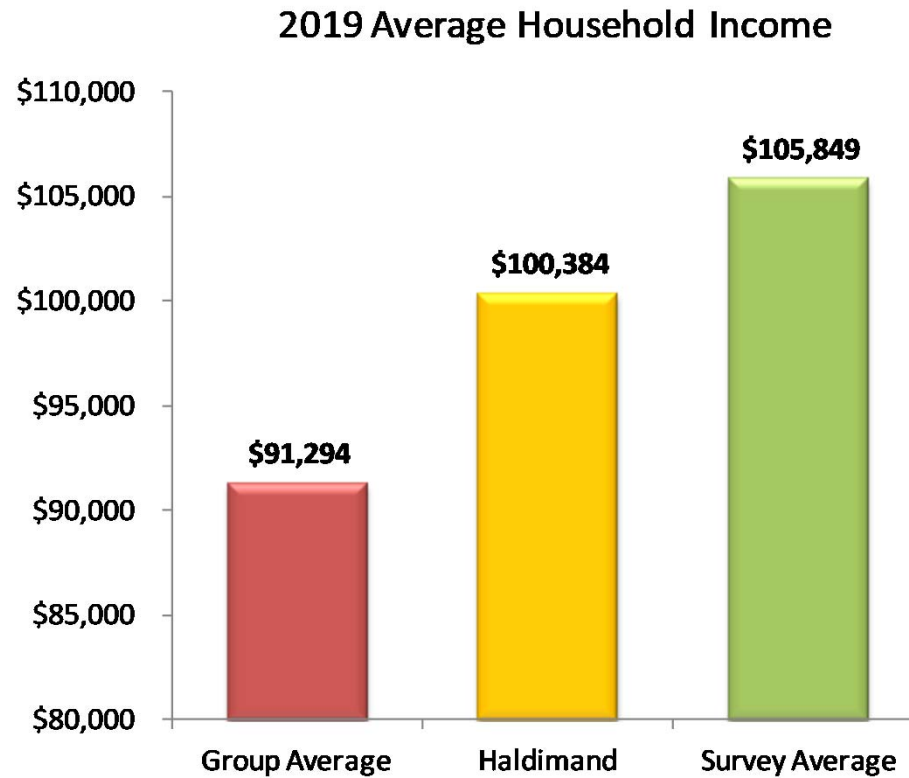
Assessment Change



Source: BMA Study

- Haldimand's yearly % change of assessment is higher than survey average but lower than group average

2019 Average Household Income



Source: BMA Study

- Household income is one measure of a community's ability to pay for service
- Haldimand's average household income is higher than the group and below survey average

Financial Indicators

It is important to understand trends and to identify future challenges and opportunities



Financial Sustainability Principles

Sustainability

Whether a government is living within its means.

The ability to provide and maintain existing programs without resorting to unplanned increases in rates or cuts in service.

Sustainability

- *Financial Position Per Capita*
- *Asset Consumption Ratio*

Flexibility

Whether a government can meet rising commitments by expanding its revenues or increasing its debt.

The degree to which a municipality can issue debt or generate revenues without affecting the credit rating.

Flexibility

- *Reserves*
- *Debt*

Vulnerability

The extent to which a government relies on money it cannot control.

Focus on minimizing the level of risk that could impact its ability to meet financial obligations and commitments including the delivery of services.

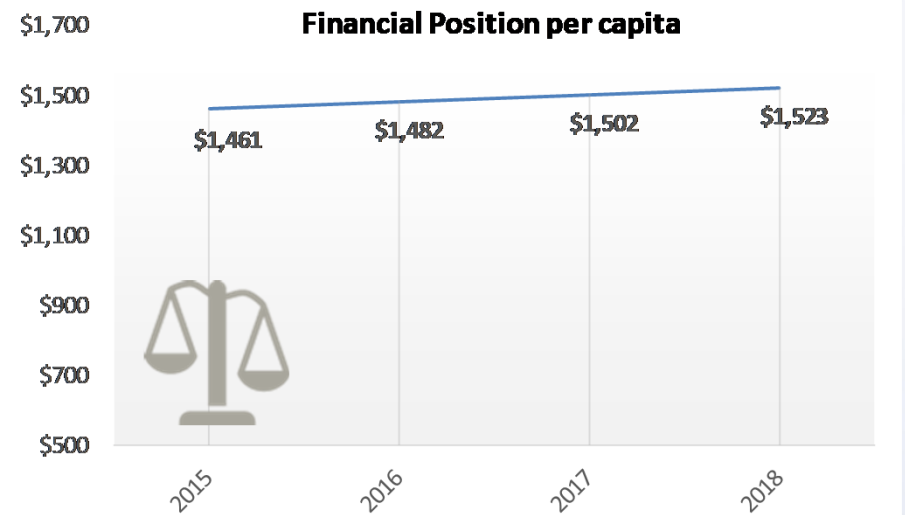
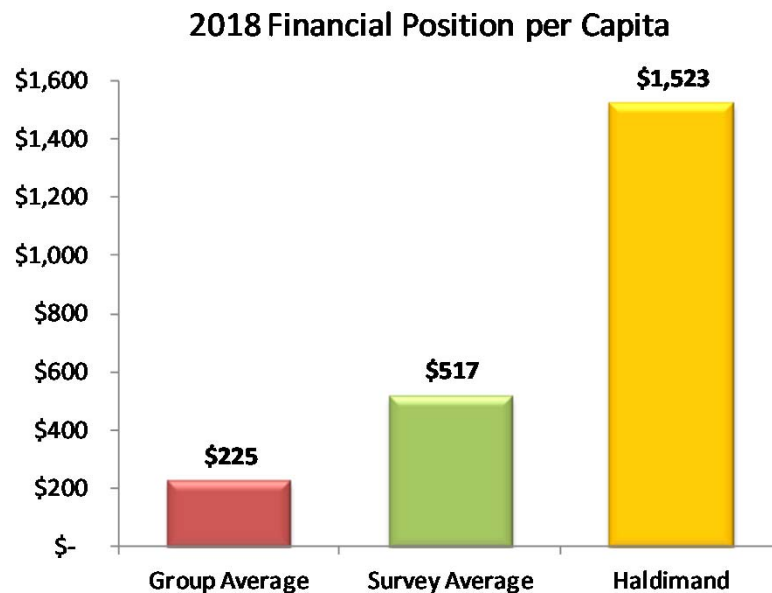
Vulnerability

- *Taxes Receivable as a % of Taxes Levied*

Financial Position Comparisons

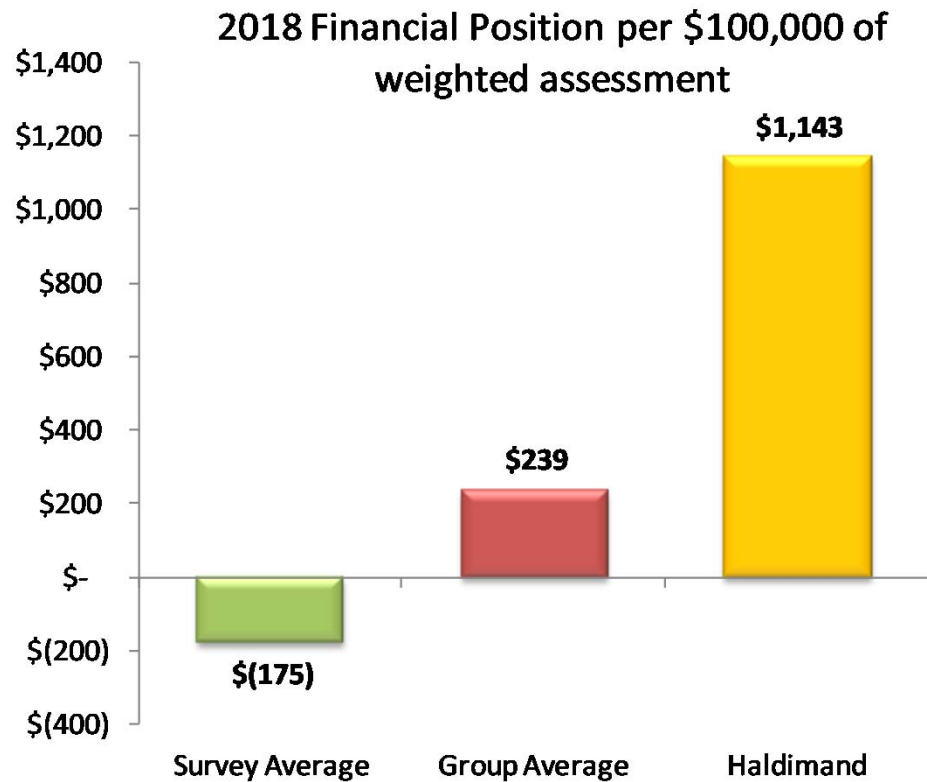
Financial Position (assets less liabilities) is a key sustainability indicator of a municipality's financial health

- Haldimand's per capita financial position is the highest in the peer average and well above total survey average.
- Haldimand is 4th highest in the total survey and has been trending up over the past 4 years



Source: FIRs

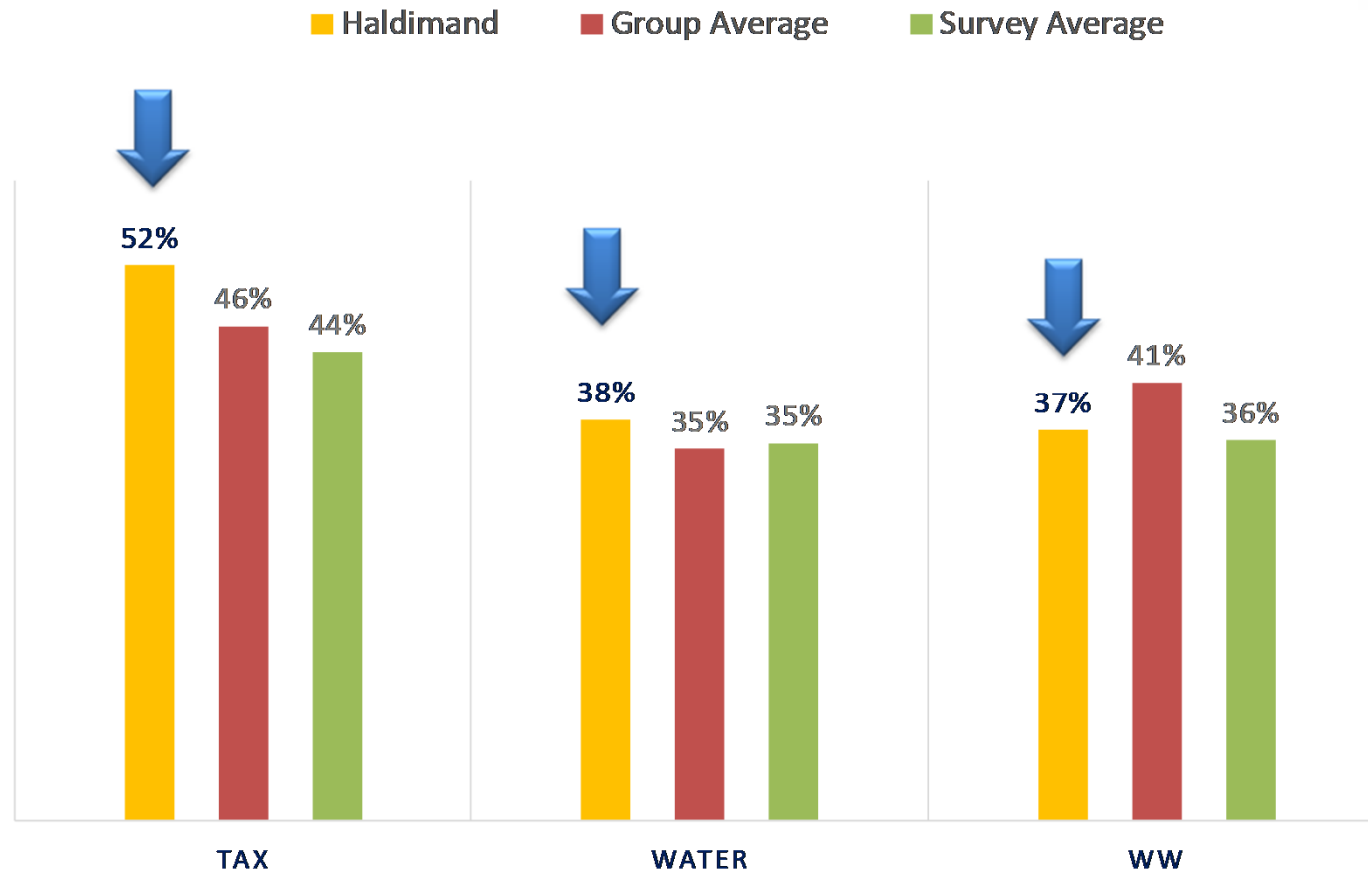
Financial Position per \$100,000 of weighted assessment



Source: FIRs

- Haldimand's financial position per \$100,000 of weighted assessment is one of the highest in the survey, well above the survey and group averages

2018 Asset Consumption Ratios



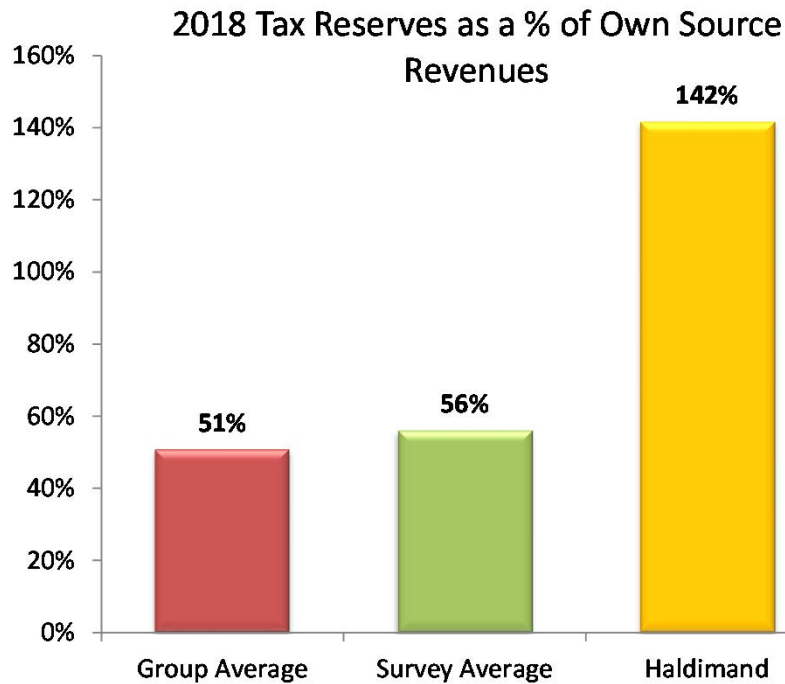
Provides an estimate of the useful life in a municipality's capital assets.
Haldimand's asset age is higher than survey average for tax and water

Reserves

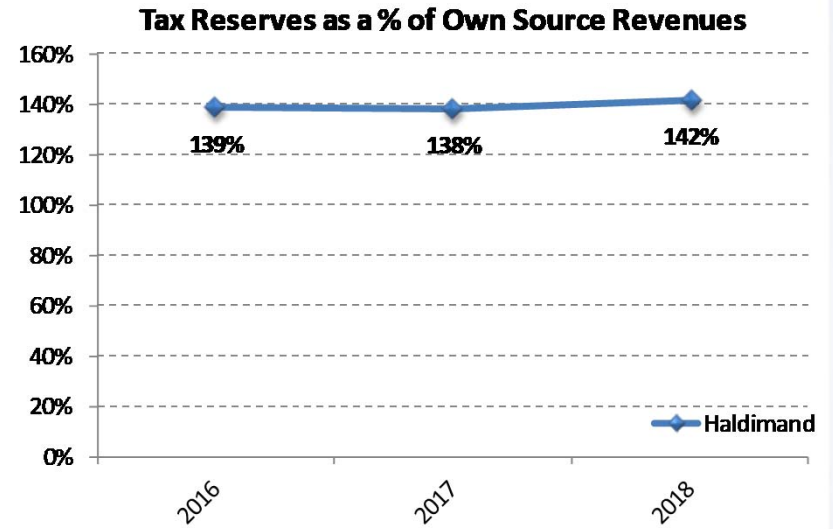
- Reserves are a critical component of a municipality's long-term financing plan. The purpose for maintaining reserves is to:
 - Provide stability of tax and user rates
 - Provide financing for one-time or short term requirements
 - Make provisions for replacements/acquisitions of assets/infrastructure
 - Ensure adequate cash flows
 - Provide flexibility to manage debt levels and protect the municipality's financial position



Tax Reserve Comparative Analysis

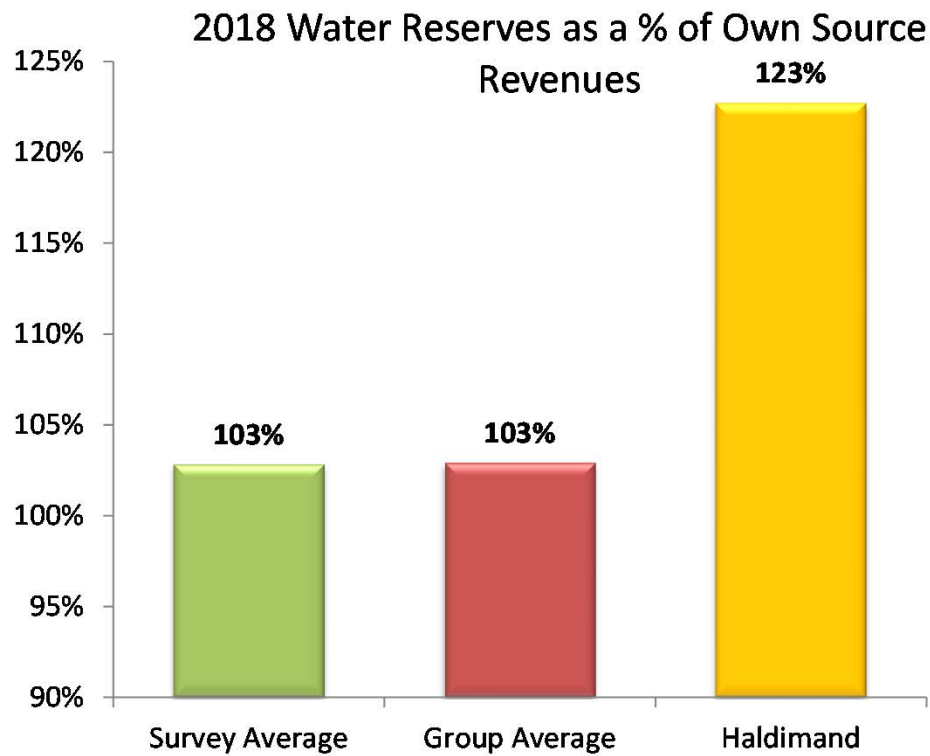


Source: BMA Study

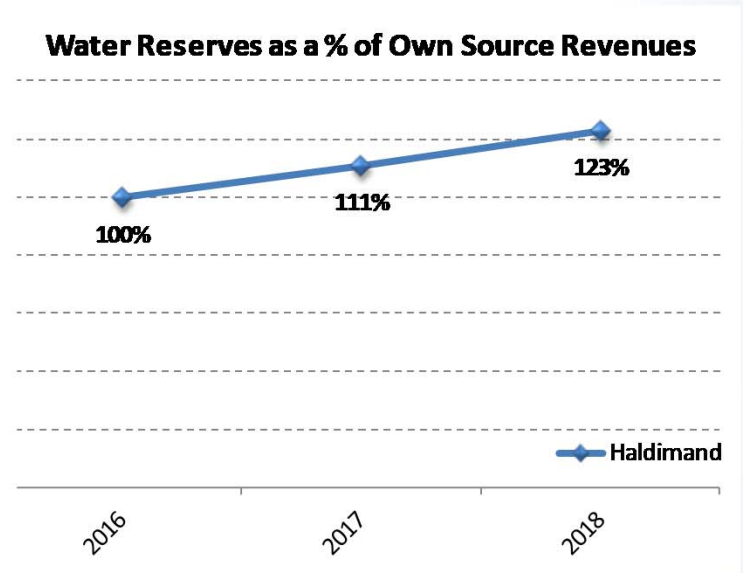


- Haldimand's Tax Reserve position is well above the group and survey average reflecting a strong financial position
- Haldimand's position is also the 2nd highest in the total survey

Water Reserve Comparative Analysis

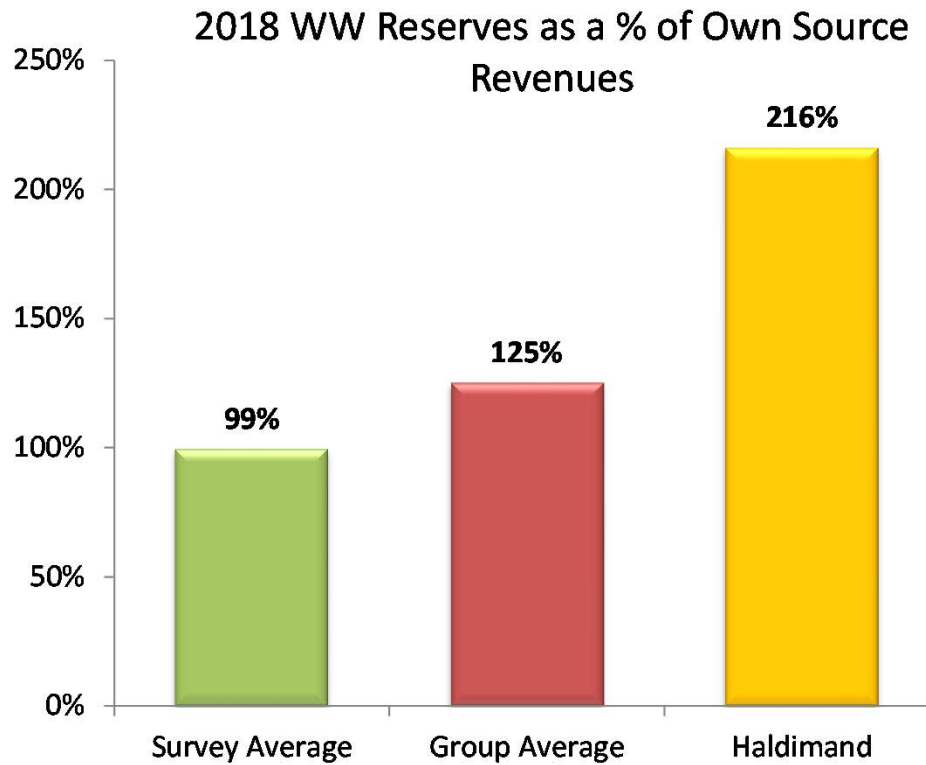


Source: BMA Study

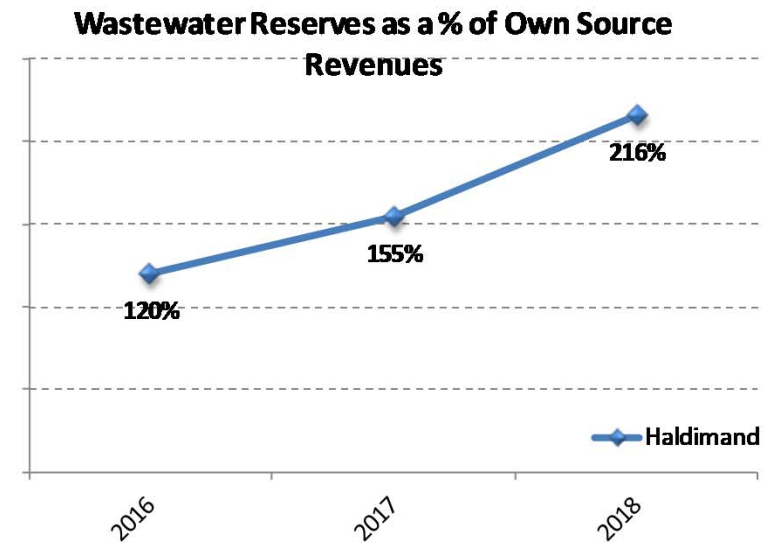


Haldimand's Water Reserve position is above the group and survey average and trending up

Wastewater Reserve Comparative Analysis

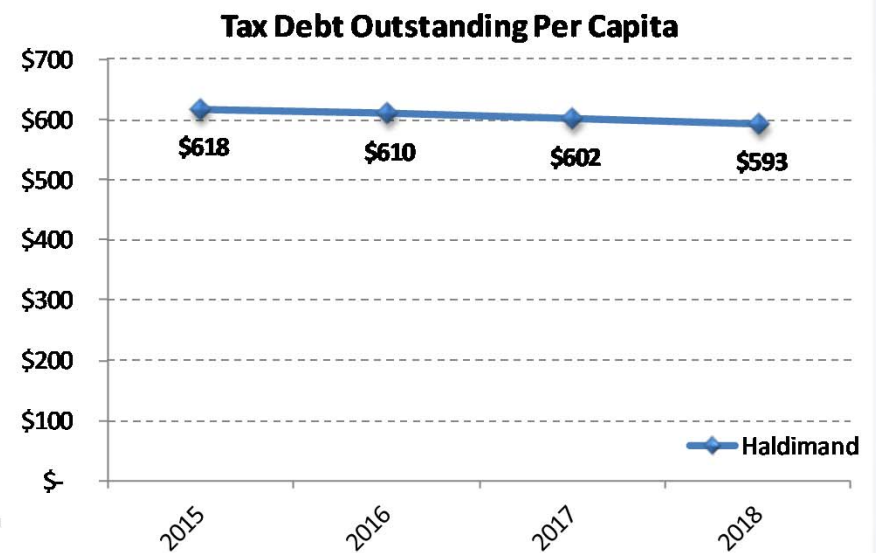
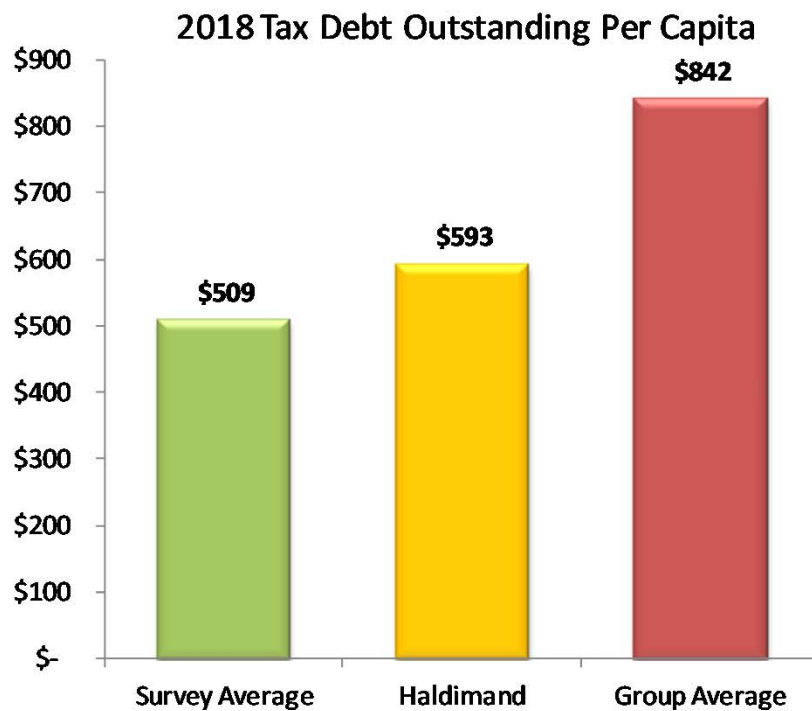


Source: BMA Study



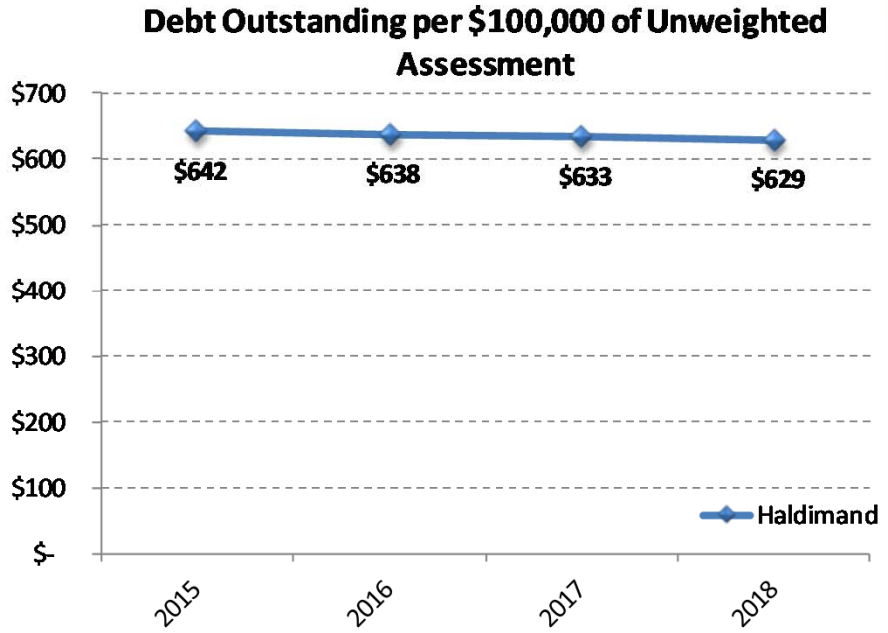
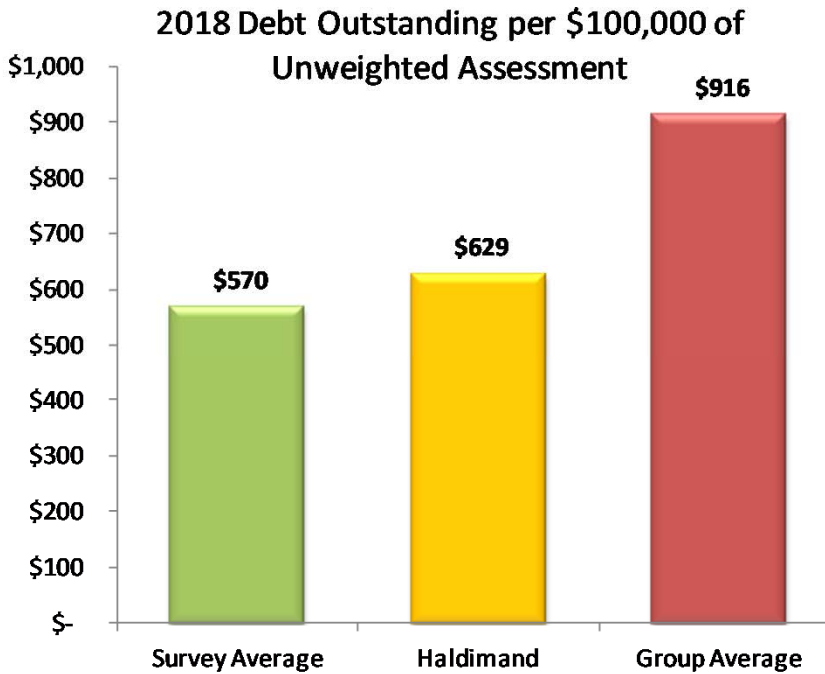
Haldimand's WW Reserve position is well above the group and survey average and trending up

Tax Debt Outstanding per Capita



- Tax debt outstanding per capita is higher than the survey average but lower than the group average
- This has been trending down over the last 4 years

Total Debt O/S per \$100,000 of Unweighted Assessment



Tax debt outstanding per \$100,000 of assessment is lower than the group average, however higher than survey average and has been trending down

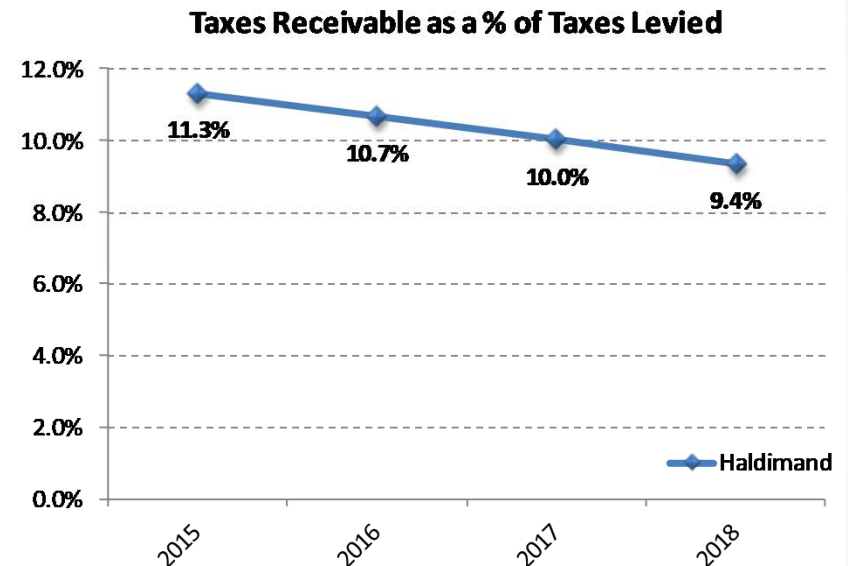
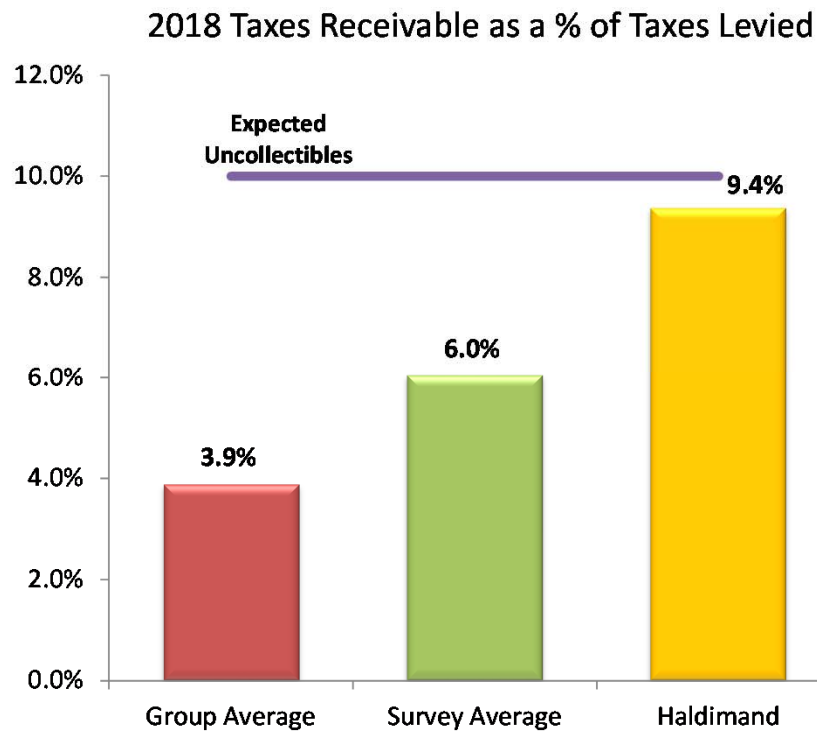
Debt to Reserve Ratio

- Rating agencies consider a ratio of 1.0 to be financially prudent
 - For every \$1 of debt there is a \$1 of reserves
- Haldimand's ratio of 0.3 means that for every \$1.00 of reserves there is \$0.30 of debt

| Municipality | 2018 Debt to Reserve Ratio |
|-----------------|----------------------------|
| Brantford | 0.5 |
| Chatham-Kent | 0.5 |
| Greater Sudbury | 0.5 |
| Norfolk | 0.6 |
| Hamilton | 0.7 |
| Brant | 0.8 |
| Kingston | 1.3 |
| Belleville | 1.6 |
| Niagara Falls | N/A |
| Group Average | 0.8 |
| Survey Average | 0.9 |
| Haldimand | 0.3 |

Source: FIRs

2018 Taxes Receivable as a % of Taxes Levied



- Taxes receivable as a % of taxes levied in Haldimand are higher than the survey average but are below the range of acceptability
- Taxes receivable have been trending down

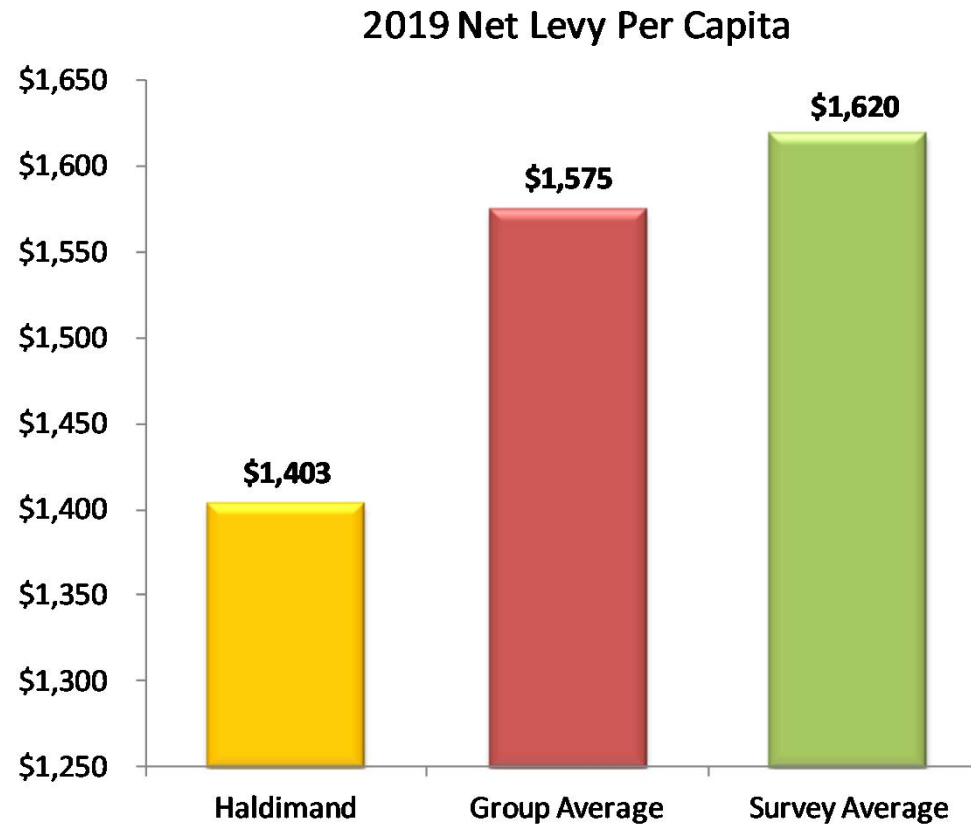
Cost of Service and Affordability Indicators



Net Municipal Levy per Capita

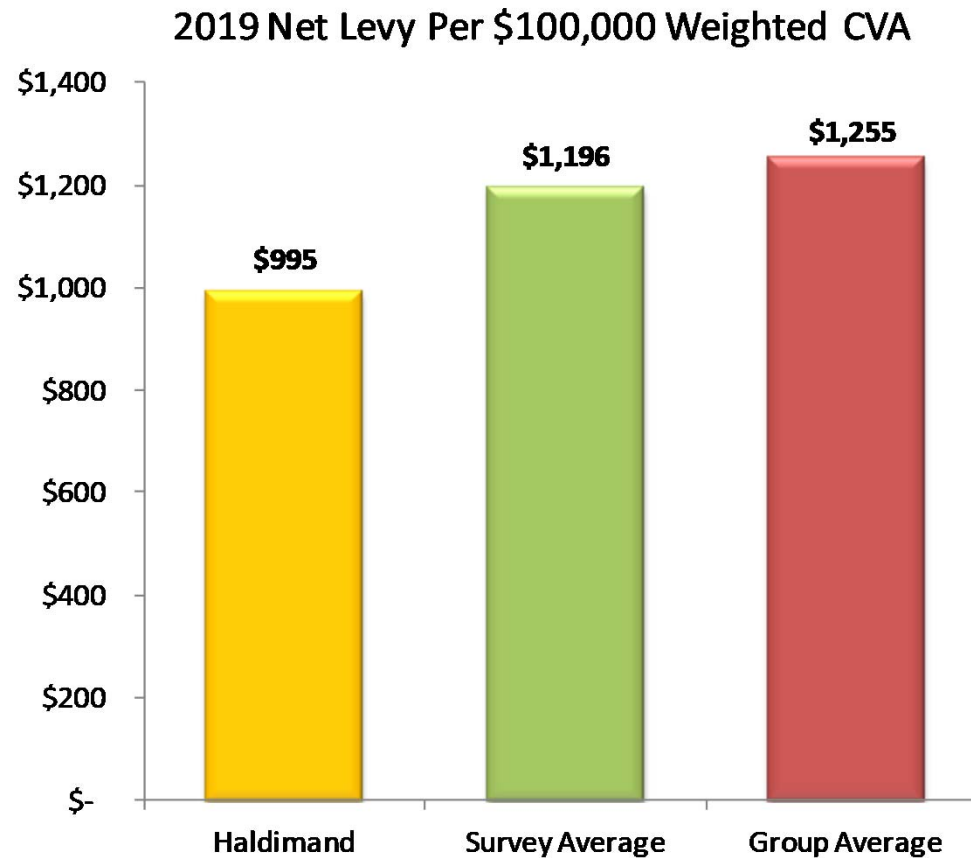
- Levy per capita does not indicate value for money or the effectiveness in meeting community objectives. Net municipal expenditures per capita may vary as a result of:
 - Different service levels
 - Different methods of providing services
 - Different residential/non-residential assessment composition
 - Socio-economic differences
 - User fee policies
 - Age of infrastructure
 - What is being collected from rates as opposed to property taxes
- As such, this is not an “apples to apples” comparison. Further analysis would be required to determine the cause of differences

2019 Levy Comparison



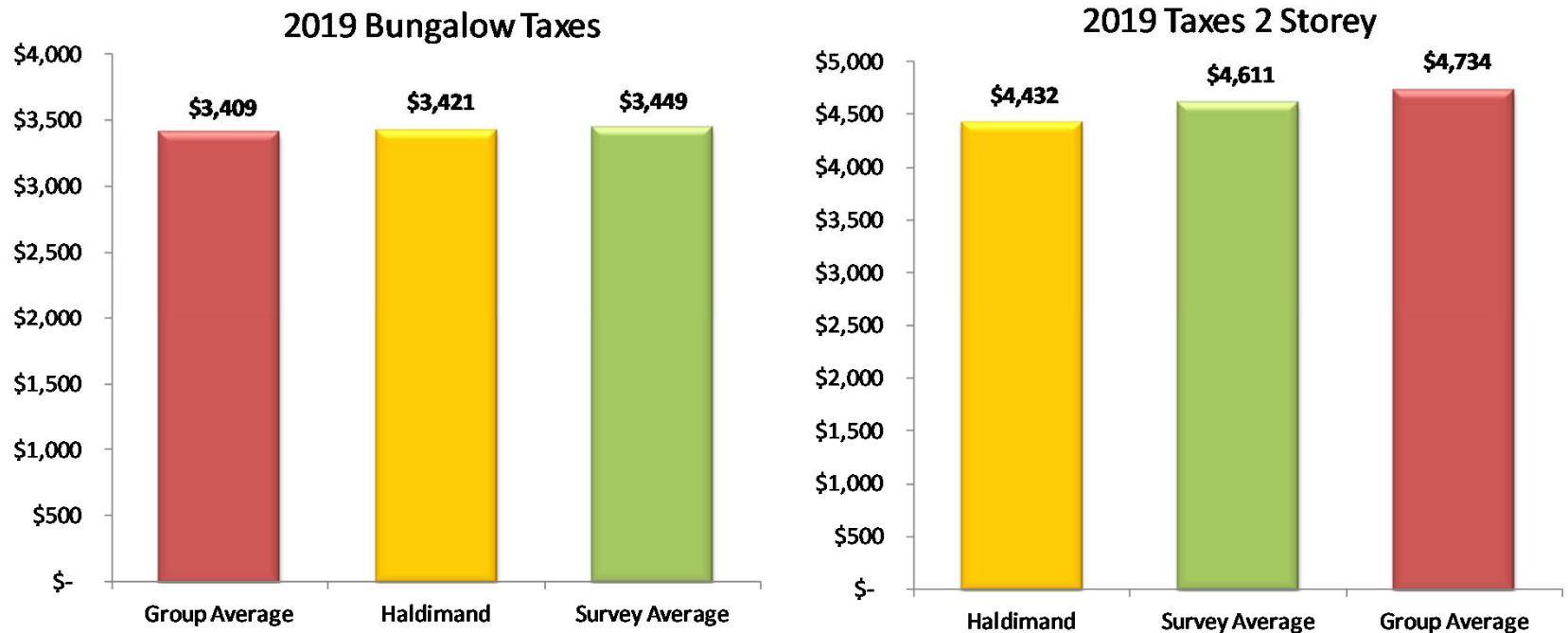
Haldimand's net levy per capita is amongst the lowest in the peer group and also lower than the total survey average

2019 Levy Comparison



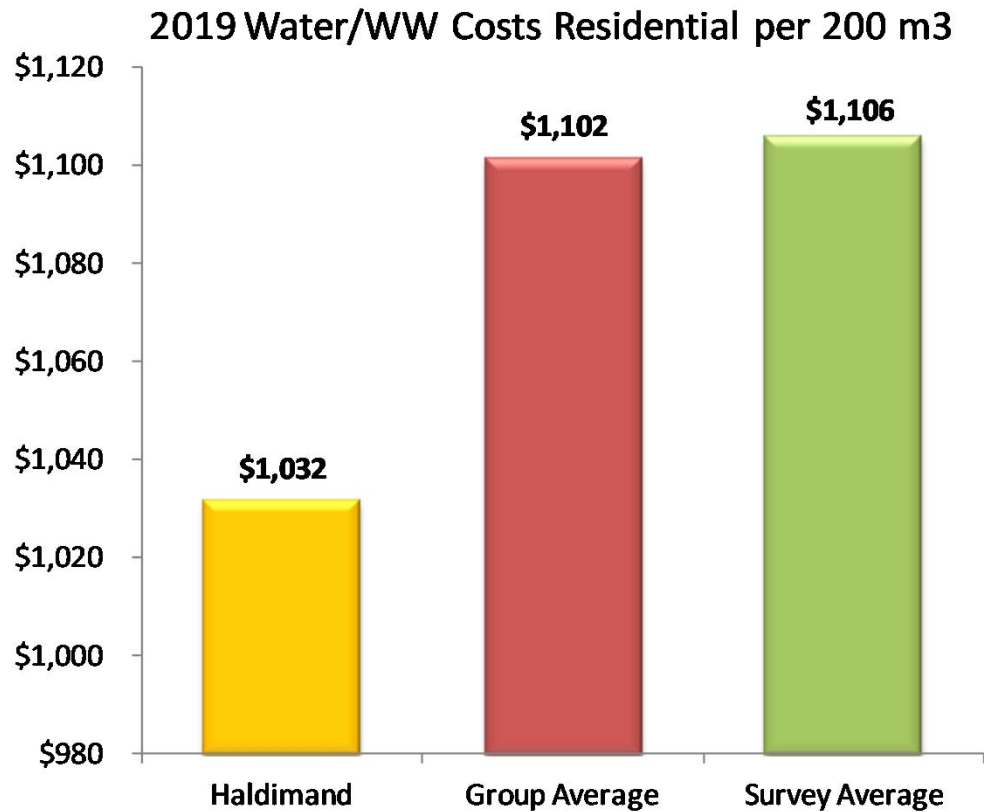
Haldimand's net levy per \$100,000 of weighted assessment is close to the total survey average and lower than the group average

Comparison of Property Taxes



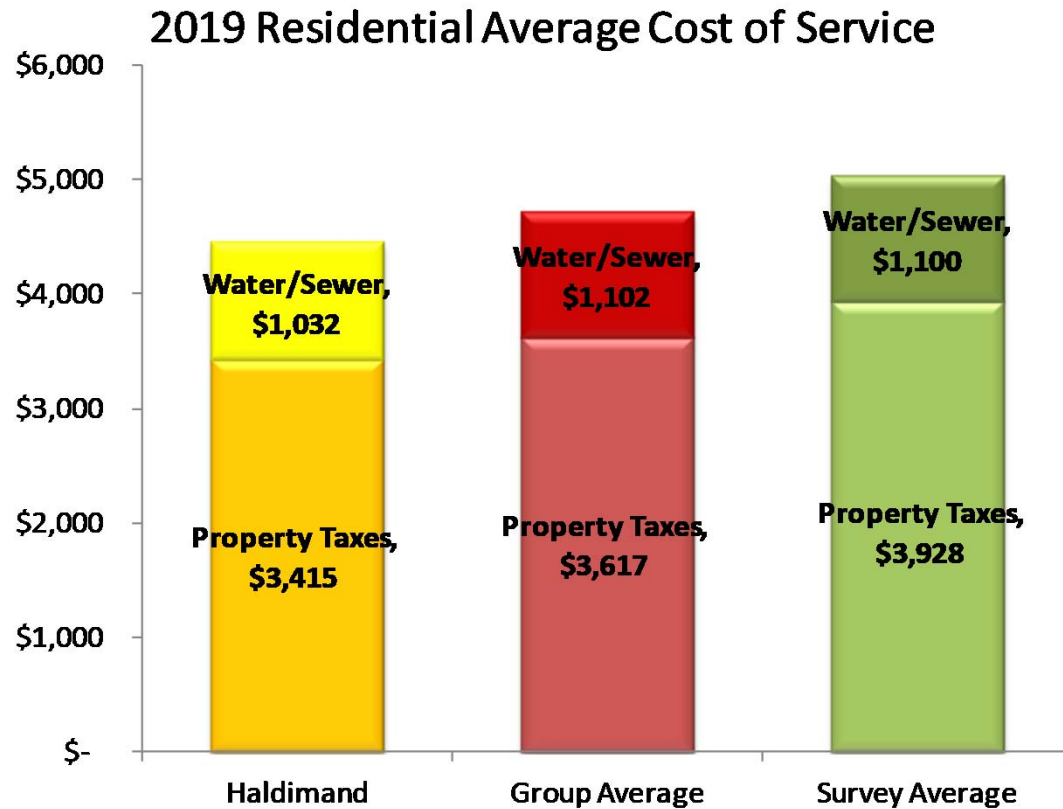
- Bungalow property taxes for Haldimand County are close to the group average and survey average
- Haldimand's taxes for 2 storey homes are among the lowest in the survey and group averages.

2019 Water and Wastewater Costs - Residential



Haldimand's residential costs are lower than total survey average and also the group average

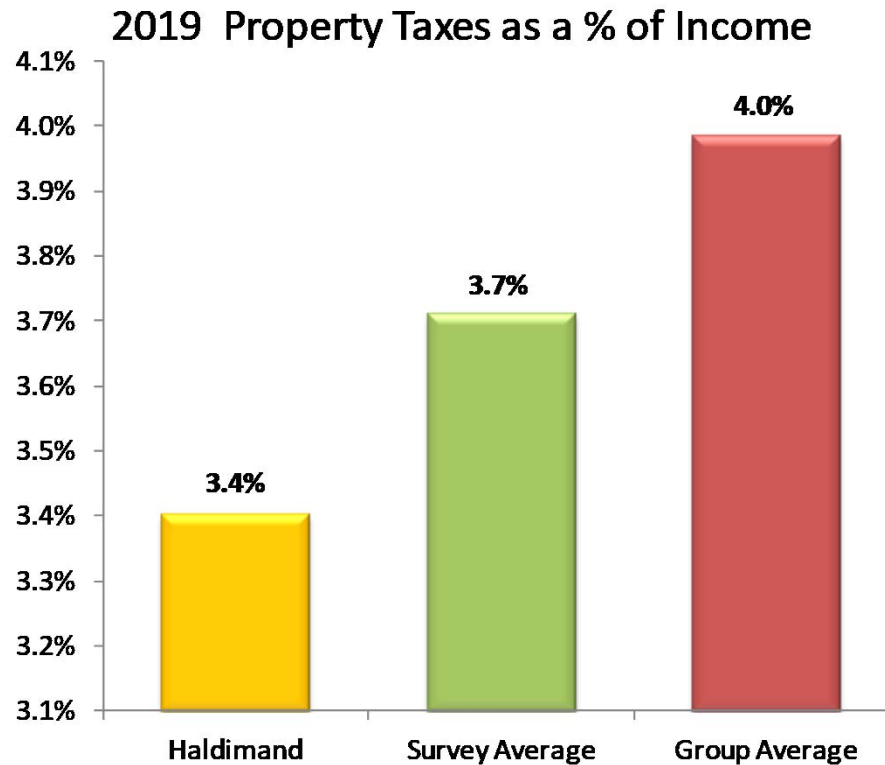
2019 Residential Average Cost of Service



Source: BMA Study

- Low municipal spending and relatively low water/sewer costs in Haldimand's result in one of the lowest cost of services in the survey

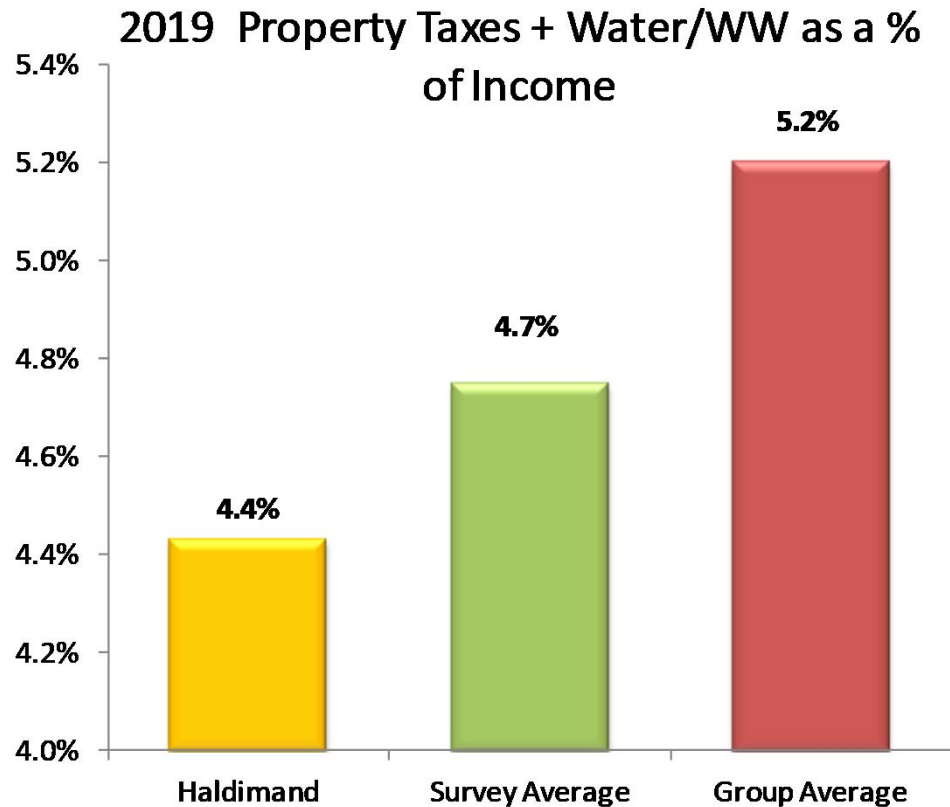
2019 Property Taxes as a % of Average Household Income



Source: BMA Study

- This chart compares the average residential property taxes in relation to income levels
- Property taxes as a % of income is below the group and survey average















2019 Property Taxes & Water as a % of Income









Source: BMA Study

- The total municipal cost as a % of income is below the group and survey average





Summary – Socio-Economic Condition

| | <i>Socio-Economic Indicator</i> | <i>2019 Rating</i> |
|---|--|---|
|  | <i>Population Growth</i> |  |
|  | <i>Population Density</i> |  |
|  | <i>Demographics</i> |  |
|  | <i>Construction Activity</i> |  |
|  | <i>Assessment Composition</i> |  |
|  | <i>Richness of the Assessment Base</i> |  |
|  | <i>Household Income</i> |  |






Summary – Financial Condition

| | <i>Financial Condition</i> | <i>2019 Rating</i> |
|---|--|--------------------|
|  | <i>Financial Position</i> | ✓ |
|  | <i>Tax Asset Consumption Ratio</i> | ⚠ |
|  | <i>Water Asset Consumption Ratio</i> | ✓ |
|  | <i>WW Asset Consumption Ratio</i> | ✓ |
|  | <i>Tax Reserves as a % of Own Source Revenue</i> | ✓ |
|  | <i>Water/WW Reserves</i> | ✓ |

Summary – Flexibility Indicators

| | <i>Flexibility Indicators</i> | <i>2019 Rating</i> |
|---|--|--------------------|
|  | <i>Tax Debt Outstanding per Capita</i> | ✓ |
|  | <i>Debt Outstanding per Capita and per \$100,000 of assessment</i> | ✓ |
|  | <i>Debt to Reserve Ratio</i> | ✓ |
|  | <i>Taxes Receivables as a % of Taxes Levied</i> | ⚠ |

Summary – Affordability Indicators

| | <i>Indicator</i> | <i>2019 Rating</i> |
|---|--|--------------------|
|  | <i>Municipal Levy Per Capita</i> | ✓ |
|  | <i>Municipal Levy Per \$100,000 of Weighted Assessment</i> | ✓ |
|  | <i>Water/WW Costs</i> | ✓ |
|  | <i>Property Tax Relative Burden</i> | ✓ |
|  | <i>Property Tax Water/WW as a % of income</i> | ✓ |

