

BMA

Management Consulting Inc.

Municipal Study 2018





Executive Summary

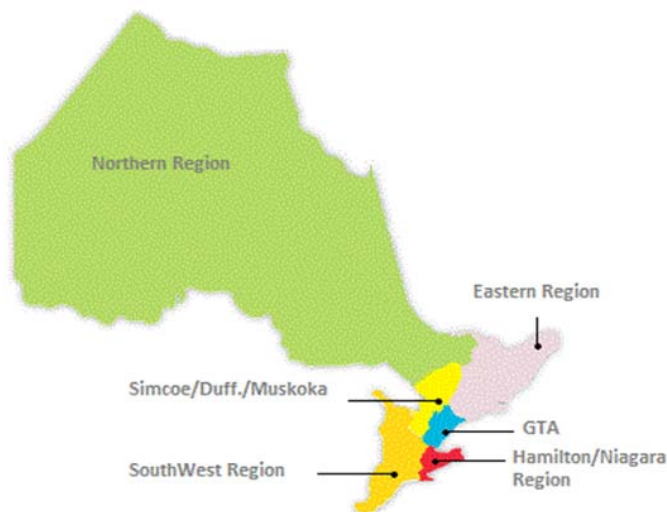
SECTION 1: Introduction

Since 2000, BMA Management Consulting Inc. has annually completed a municipal comparative study on behalf of participating Ontario municipalities. The **Executive Summary** provides an overview of the analysis contained in the comprehensive report.

The study identifies both key quantifiable indicators and selective environmental factors that should be considered as part of a comprehensive evaluation of a local municipality's financial condition. Use of the study over a number of years provides trends to allow decision makers to monitor selected indicators over time. Trend analysis helps to provide interpretative context. In addition, context can be provided by comparing a municipality's own experience with the experience of other municipalities.

108 Ontario municipalities, representing in excess of 85% of the population.

Populations	Number of Municipalities
100,000 or greater	26
30,000 - 99,999	27
15,000 - 29,999	24
0 - 14,999	31
Total	108



The analysis was completed using the most recent information available as provided by the participating municipalities including:

- 2018 Current Value Assessment
- 2018 Tax Policies
- 2018 Levy By-laws
- 2018 Development Charges
- 2018 Water/Sewer Rates
- 2017 FIRs
- 2018 User Fees
- Economic Development Programs

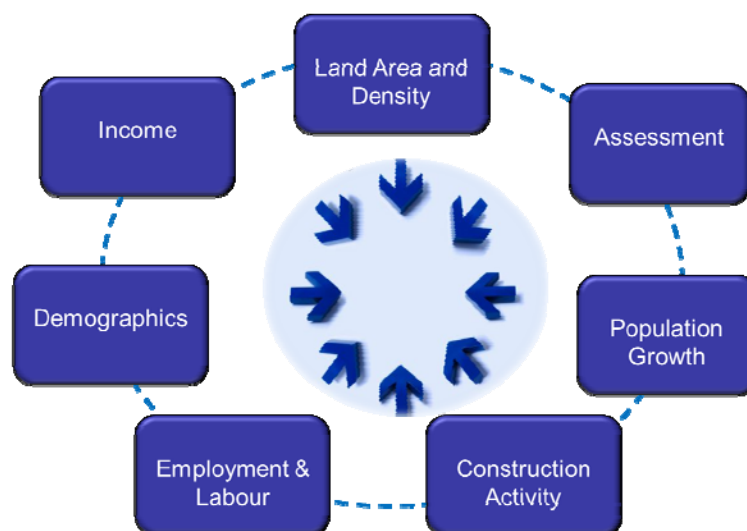
2018 Municipalities Included in the Study

The following provides a summary of the municipalities participating by population range:

Populations 15,000 or less	Populations 15,000 – 29,999	Populations 30,000 – 99,999	Populations >100,000
Bancroft	Bracebridge	Aurora	Barrie
Brock	Brockville	Belleville	Brampton
Brockton	Centre Wellington	Brant	Brantford
Central Elgin	Collingwood	Bruce County	Burlington
Elliot Lake	East Gwillimbury	Caledon	Cambridge
Erin	Grimsby	Clarington	Chatham-Kent
Espanola	Huntsville	Cornwall	Durham Region
Gravenhurst	Kenora	Fort Erie	Greater Sudbury
Greenstone	King	Georgina	Guelph
Grey Highlands	Lincoln	Grey County	Halton Region
Guelph-Eramosa	Middlesex Centre	Haldimand	Hamilton
Ingersoll	Midland	Halton Hills	Kingston
Kincardine	Niagara-on-the-Lake	Innisfil	Kitchener
Lambton Shores	Owen Sound	Muskoka District	London
Mapleton	Pelham	Newmarket	Markham
Meaford	Port Colborne	Niagara Falls	Milton
Minto	Prince Edward County	Norfolk	Mississauga
North Dumfries	Springwater	North Bay	Niagara Region
North Middlesex	Strathroy-Caradoc	Orangeville	Oakville
North Perth	Thorold	Orillia	Oshawa
North Stormont	Tillsonburg	Peterborough	Ottawa
Parry Sound	West Lincoln	Pickering	Peel Region
Penetanguishene	Wilmot	Quinte West	Richmond Hill
Puslinch	Woolwich	Sarnia	Simcoe County
Saugeen Shores		Sault Ste. Marie	St. Catharines
St. Marys		St. Thomas	Thunder Bay
Tay		Stratford	Toronto
Tiny		Timmins	Vaughan
Wainfleet		Welland	Waterloo Region
Wellesley		Wellington County	Waterloo
Wellington North		Whitchurch-Stouffville	Whitby
			Windsor
			York Region

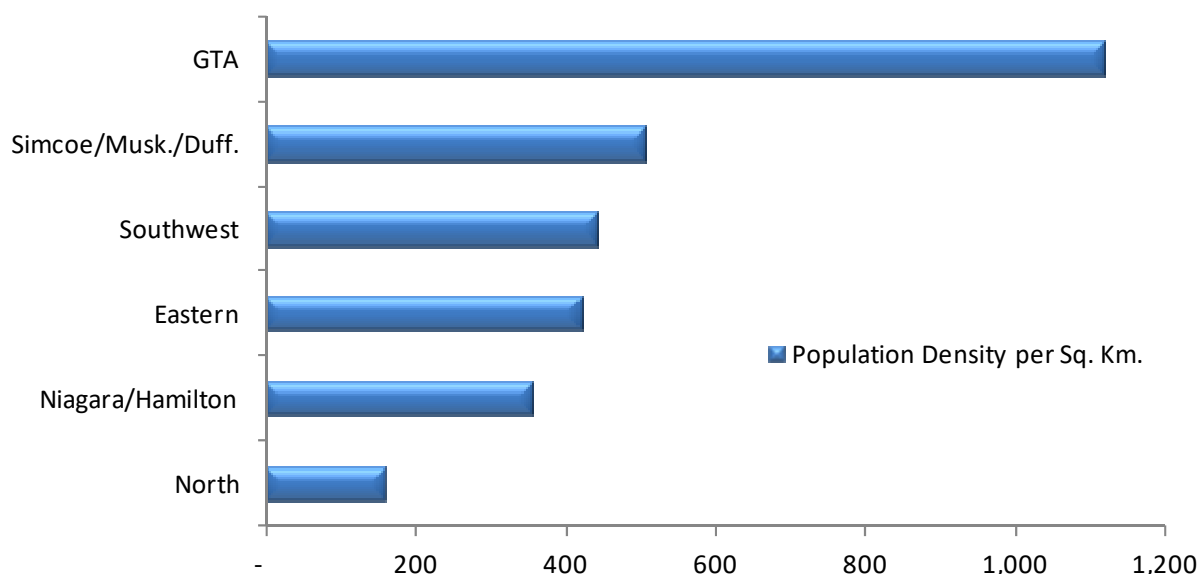
SECTION 2: Socio-Economic Indicators

A complete assessment of a municipality's financial condition should include consideration of socio-economic factors. Socio-economic indicators describe and quantify a municipality's wealth and economic conditions and provide insight into a municipality's ability to generate revenue relative to the municipality's demand for public services. An evaluation of socio-economic indicators contributes to the development of sound financial policies.



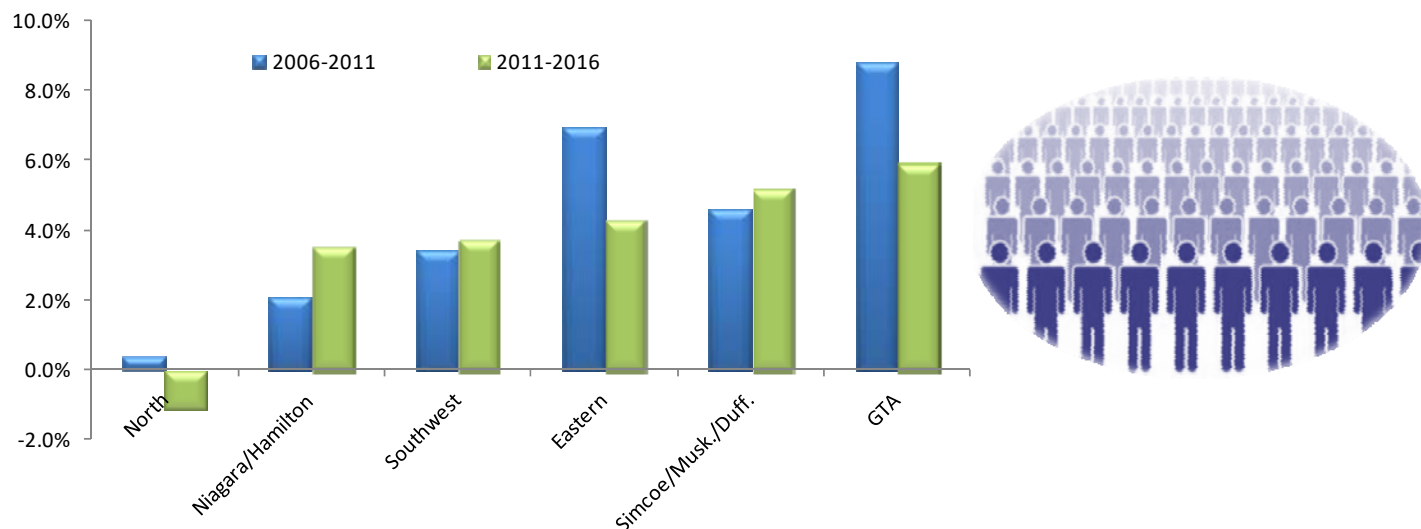
Land Density

Population density indicates the number of residents living in an area (usually measured by square kilometre). Analysis of density can provide insight into the age of a city, growth patterns, zoning practices and new development opportunities. High population density can indicate whether a municipality may be reaching build-out, as well as service and infrastructure needs, such as additional public transit or street routes. The following graph provides a summary of average population density per square kilometre by geographic location.



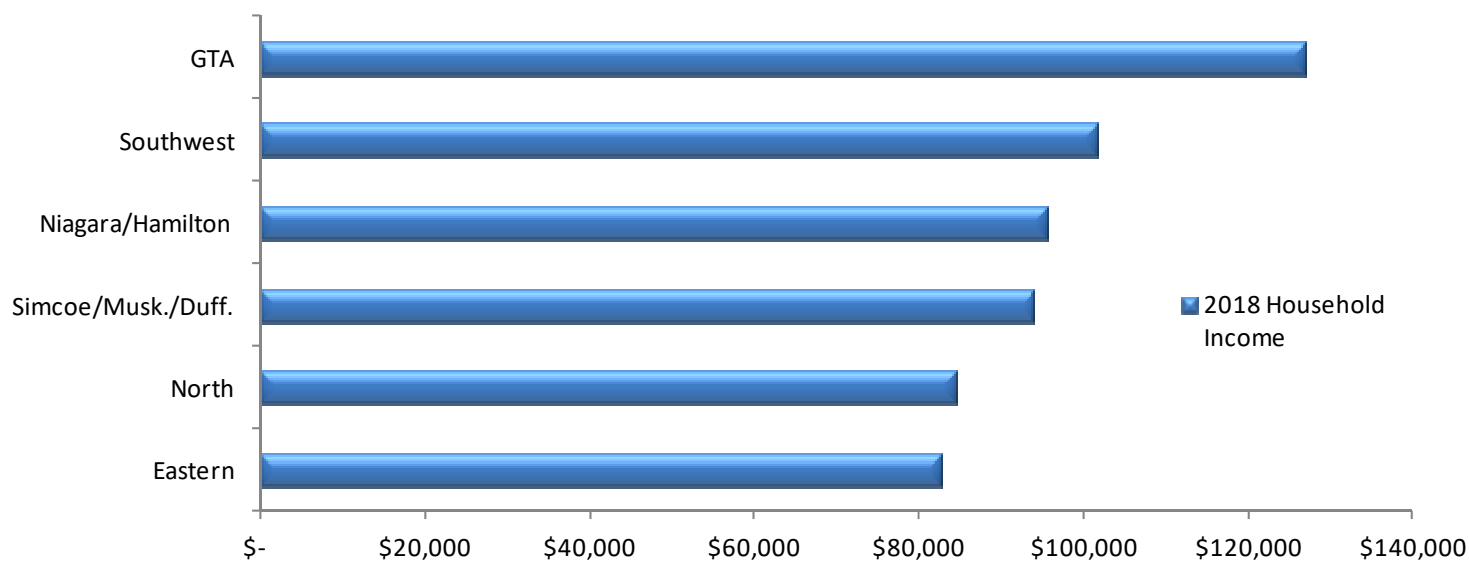
Population Growth

The following graph shows the change in population from 2006-2011 and from 2011-2016. As shown in the graph, the GTA municipalities experienced the largest population percentage growth in both periods. Northern municipalities experienced the lowest percentage of population growth.



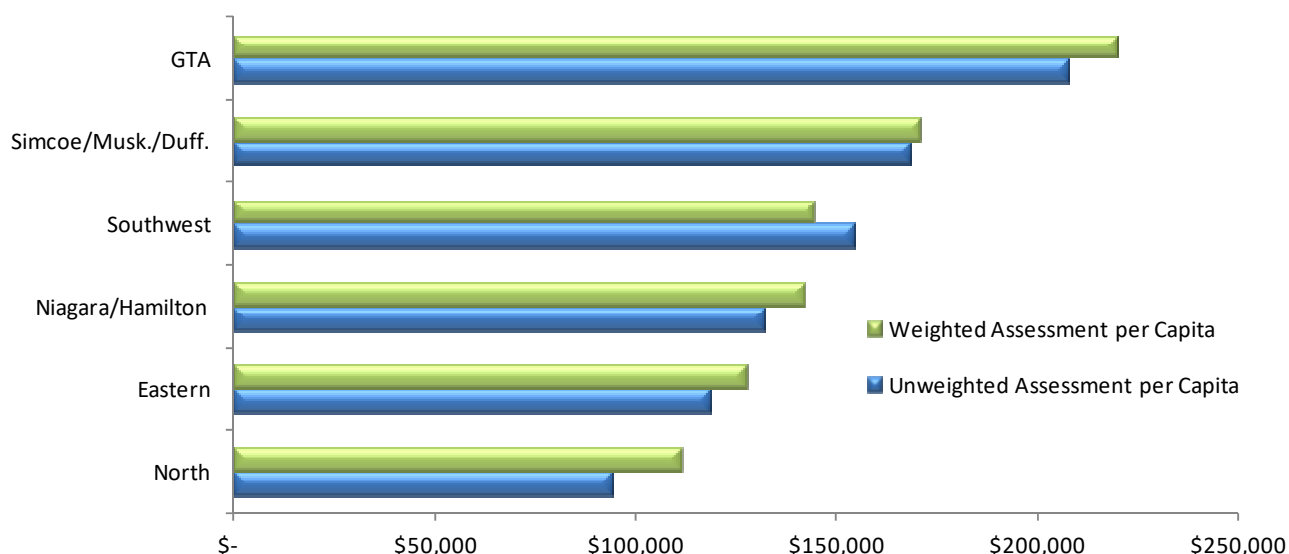
Household Income

Household income is one measure of a community's ability to pay. While a higher relative household income is a positive indicator of the overall local economy, it may lead to a greater expectation for quality programs and additional challenges in balancing desired levels of service with a willingness to pay for programs and services. The average household income varies by geographic location. The average household income in Northern municipalities was \$84,288 compared with \$115,474 in the GTA.



Assessment Per Capita

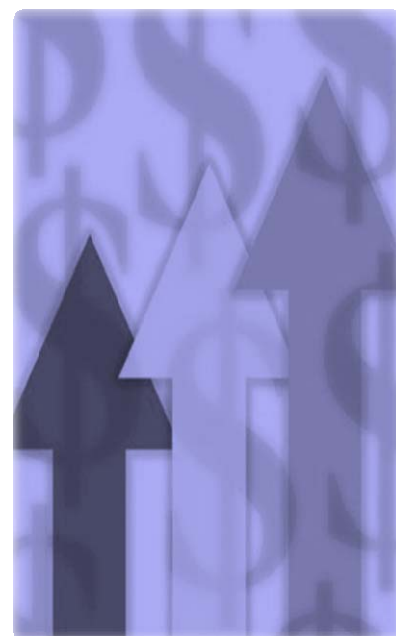
Property assessment is the basis upon which municipalities raise taxes. A strong assessment base is critical to a municipality's ability to generate revenues. Assessment per capita statistics have been compared to provide an indication of the "richness" of the assessment base in each municipality. Unweighted assessment provides the actual current value assessment of the properties. Weighted assessment reflects the basis upon which property taxes are levied, after applying the tax ratios to the various property classes to the unweighted assessment. The average assessment per capita is highest in the GTA and lowest in Northern municipalities.



Assessment Change

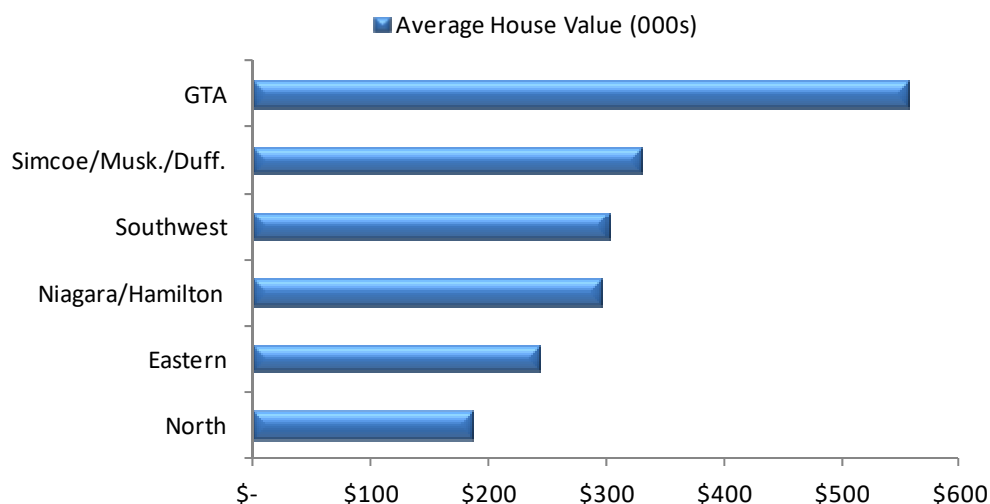
Assessment growth provides an indication of how the base upon which taxes are levied is changing over time. From 2017—2018, the assessment increased by 6.2% on average across the 108 Ontario municipalities. The GTA geographic area experienced the largest increase at 9.8%.

Municipalities Grouped by Location				
Location	2014-2015	2015-2016	2016-2017	2017-2018
Eastern	4.1%	4.8%	2.4%	3.9%
North	5.6%	5.0%	0.7%	4.1%
Southwest	4.8%	4.5%	5.1%	6.0%
Simcoe/Musk./Duff.	3.5%	3.5%	4.2%	6.5%
Niagara/Hamilton	4.2%	3.7%	4.4%	7.0%
GTA	6.4%	6.0%	8.7%	9.8%



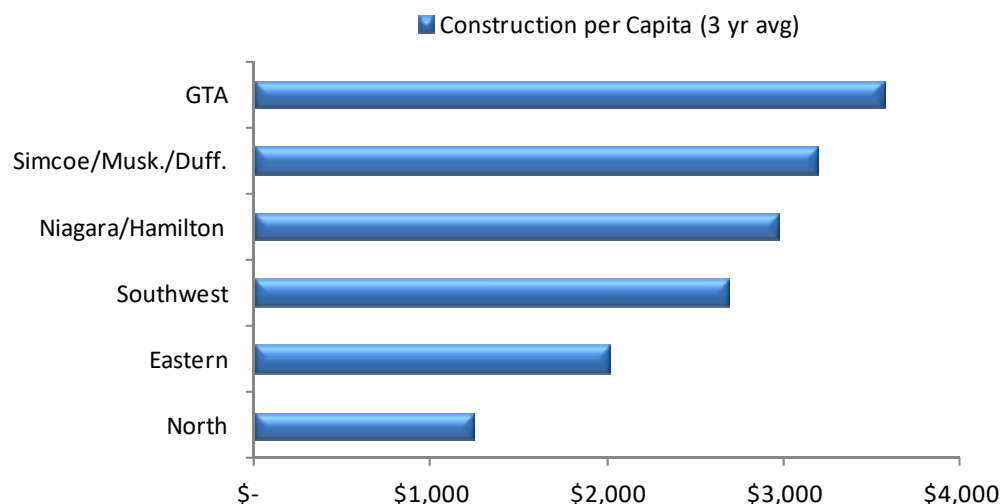
Residential Properties

Residential properties were broken down by property type to provide an indication of the housing mix in each municipality. The following graph reflects the average assessed values for residential properties by geographic location.



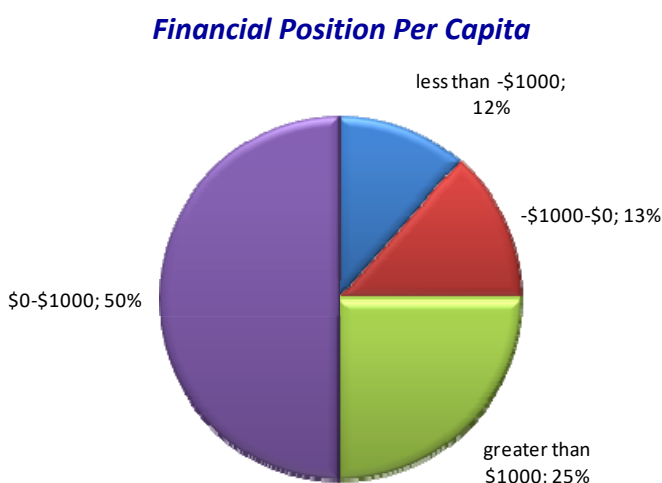
Construction Activity

The three year average of building permits per capita were analyzed to provide a measure of relative building activity in each municipality and across the geographic locations. The following reflects the results from 2015-2017.



SECTION 3: Municipal Financial Sustainability Indicators

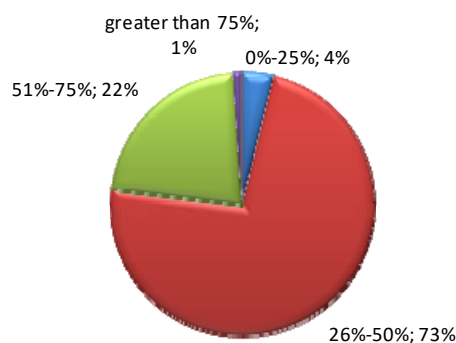
The **Financial Indicators** section of the report includes a number of indicators to assist municipalities in evaluating financial condition. A municipality's financial position is defined as the total fund balances including equity in business government enterprises less the amount to be recovered in future years associated with long-term liabilities. A comparison was made of each municipality's overall financial position (assets less liabilities). There is a significant range in municipal financial position per capita across Ontario from a low of negative (\$2,460) to a high of \$4,914 per capita. The following graph provides the percentage of municipalities that fall within each range.



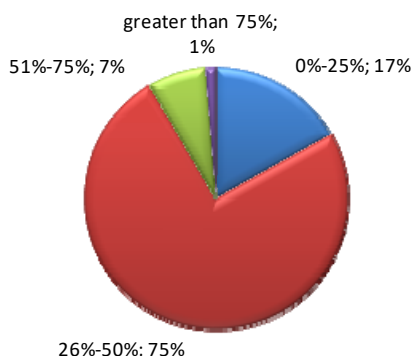
Asset Consumption Ratio

The asset consumption ratio reflects the written down value of the tangible capital assets in relation to the historical costs of the assets. This ratio seeks to highlight the aged condition of the assets and the potential asset replacement needs. A higher ratio may indicate significant replacement needs. However, if assets are renewed and replaced in accordance with an asset management plan a high ratio should not be a cause for concern. The following graphs reflect the ratio ranges across the survey for tax, water and wastewater assets.

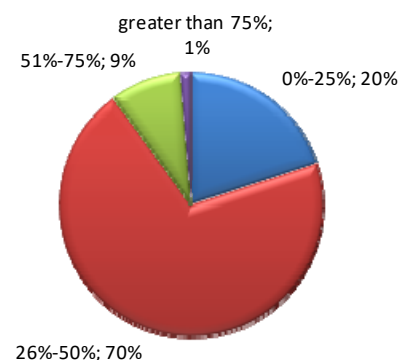
Tax



Water



Wastewater

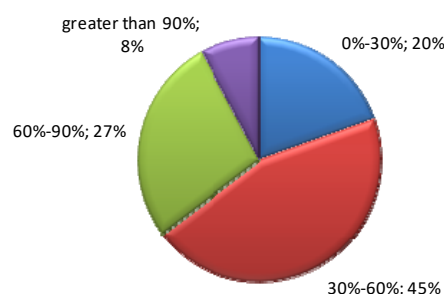


Reserves

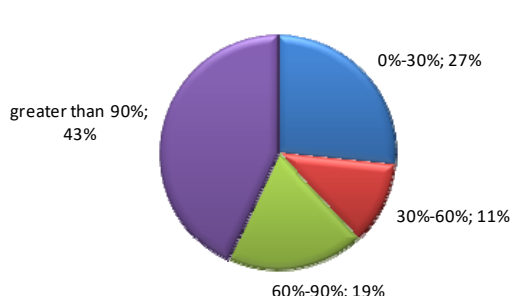
Reserves are a critical component of a municipality's long-term financing plan. The following graphs provide the range of reserves as a percentage of own source revenues for tax supported services, water and wastewater. The level of reserves required will vary for a number of reasons including:

- Services provided by the municipality
- Age and condition of infrastructure, inventory of fleet and vehicles supporting municipal operations
- Level of expenditures
- Internal debt and reserve policies
- Targets, ranges established on a reserve by reserve basis
- Economic conditions and projections

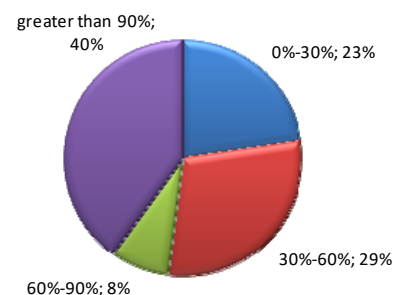
Tax % of OSR



Water % of OSR



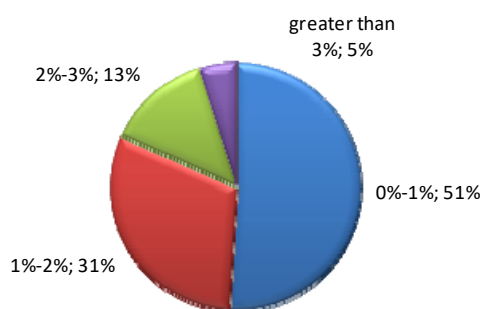
WW % of OSR



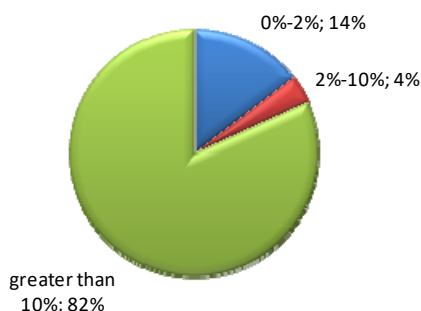
Debt Indicators

Debt indicators can reveal increasing reliance on debt, decreasing flexibility, sudden large increases or decreases in future debt service and the amount of debt that a community can absorb. The following graphs summarize the debt interest ratio for tax, water and wastewater to provide an understanding of the percentage of municipalities within various ranges of the **debt interest ratio**. This ratio indicates the extent to which a municipality's operating revenues are committed to interest expenses.

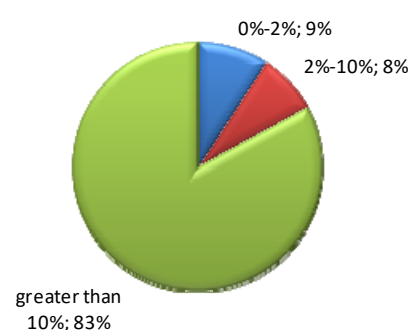
Tax



Water

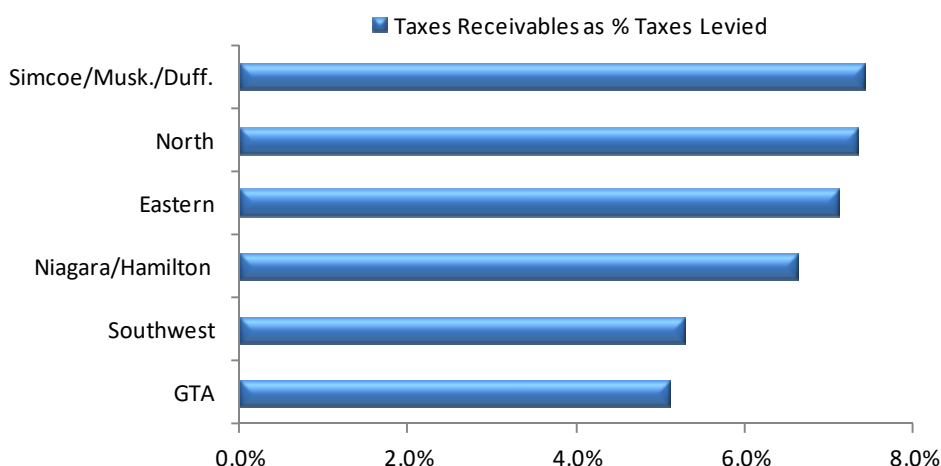


WW



Taxes Receivable as a % of Taxes Levied

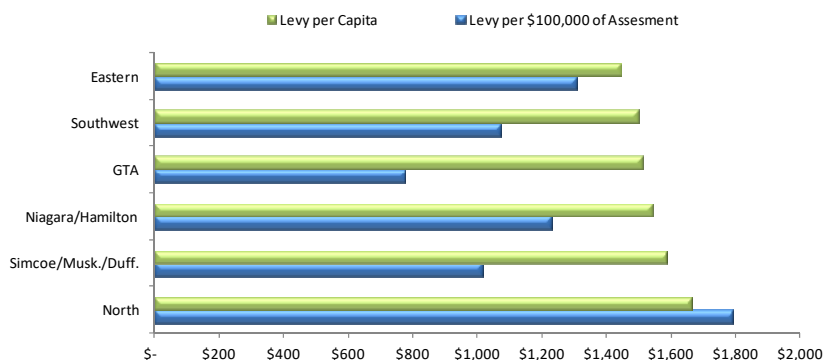
Every year, a percentage of property owners is unable to pay property taxes. If this percentage increases over time, it may indicate an overall decline in the municipality's economic health. Additionally, as uncollected property taxes rise, liquidity decreases. If the percentage of uncollected property taxes increases, over time, it may indicate an overall decline in the municipality's economic health. The following graph provides a summary of the 2017 taxes receivable as a percentage of taxes levied in each of the geographic areas.



SECTION 4: Revenue & Expenditure Analysis

Net Municipal Levy per Capita and per \$100,000 of assessment

- Different service levels
- Variations in the types of services
- Different methods of providing services
- User fee policies
- Different assessment composition
- Varying demand for services
- Locational factors
- Demographic differences
- Socio-economic differences
- Urban/rural composition differences



An analysis of levy per capita and per \$100,000 of assessment does not indicate value for money or the effectiveness in meeting community objectives. Municipal levies may vary as a result of:

Net municipal levy per capita was calculated using Manifold Data Mining 2018 estimated population and the 2018 municipal levies. The net levy on a per capita basis ranged from \$1,006 to \$3,038 (with an average of \$1,527 per capita). Net levy per \$100,000 of assessment is also provided. The net levy on a per \$100,000 of unweighted assessment basis ranged across the municipalities from \$538 to \$2,328 (with an average of \$1,111 per \$100,000 of assessment).

SECTION 5: Select User Fee and Revenue Information

The **Select User Fee and Revenue Information** section of the report includes development charges, building permit fees, tipping fees and transit fares.

Development Charges

The recovery of costs by Ontario municipalities for capital infrastructure required to support new growth is governed by the Development Charges Act (1997) and supporting regulations. The following table summarizes the 2018 development charges. Note: some municipalities do not charge development charges.

2018 Development Charges	Residential	Multiples Dwelling 3+	Apartment units ≥2 (per unit)	Apartment units < 2 (per unit)	Non-Residential Commercial (per sq.ft.)	Non-Residential Industrial (per sq.ft.)
North	\$ 13,789	\$ 7,645	\$ 6,624	\$ 6,624	\$ 7.61	\$ 4.63
Eastern	\$ 15,360	\$ 11,682	\$ 9,562	\$ 7,374	\$ 9.17	\$ 5.43
Southwest	\$ 20,235	\$ 15,639	\$ 12,058	\$ 10,239	\$ 7.95	\$ 6.27
Simcoe/Musk./Duff.	\$ 25,843	\$ 21,705	\$ 16,842	\$ 13,480	\$ 9.20	\$ 7.31
Niagara/Hamilton	\$ 27,231	\$ 19,513	\$ 18,055	\$ 11,481	\$ 16.40	\$ 8.54
GTA	\$ 72,422	\$ 59,269	\$ 43,903	\$ 32,204	\$ 42.65	\$ 21.32

SECTION 6: Tax Policies

The relative tax burden in each class of property will be impacted by the type of tax policies implemented in each municipality. As such, an analysis of the 2018 tax policies that impact the relative tax position was completed. The following table summarizes the range of 2018 tax ratios across the survey.

2018 Tax Ratios	Average	Median	Min.	Max.
Multi-Residential	1.7902	1.8831	1.0000	2.6342
Commercial	1.6871	1.6929	1.1000	2.8476
Industrial	2.1826	2.2150	1.1000	4.7186

SECTION 7: Comparison of Relative Taxes

Like property comparisons were undertaken on 12 property types that were of most interest to the participating municipalities. In order to calculate the relative tax burden of “like” properties, every effort was made to hold constant those factors deemed to be most critical in determining a property’s assessed value. There are many reasons for differences in relative tax burdens across municipalities and across property classes. These include, but are not limited, to the following:

- The values of like properties vary significantly across municipalities
- The tax ratios in each class and the use of optional classes
- Non-uniform education tax rates in the non-residential classes
- Tax burdens across municipalities also vary based on the level of service provided and the associated costs of providing these services
- Extent to which a municipality employs user fees or has access to other sources of revenues such as dividends from hydro utilities, gaming & casino revenues

Residential Properties	Detached Bungalow	2 Storey	Senior Executive	Industrial Properties	Standard per sq.ft.	Large per sq.ft.	Vacant Land per acre
North	\$ 3,153	\$ 4,817	\$ 6,570	North	\$ 1.90	\$ 1.00	\$ 2,609
Eastern	\$ 3,185	\$ 4,401	\$ 6,273	Eastern	\$ 1.48	\$ 1.19	\$ 2,579
Southwest	\$ 3,093	\$ 4,322	\$ 6,004	Southwest	\$ 1.42	\$ 0.86	\$ 2,007
Simcoe/Musk./Duff.	\$ 3,014	\$ 4,037	\$ 5,703	Simcoe/Musk./Duff.	\$ 1.31	\$ 1.03	\$ 1,949
Niagara/Hamilton	\$ 3,518	\$ 4,693	\$ 6,328	Niagara/Hamilton	\$ 1.88	\$ 0.90	\$ 3,669
GTA	\$ 4,188	\$ 4,955	\$ 6,859	GTA	\$ 2.19	\$ 1.58	\$ 8,602
Survey Average	\$ 3,397	\$ 4,524	\$ 6,286	Survey Average	\$ 1.67	\$ 1.11	\$ 3,673
Survey Median	\$ 3,345	\$ 4,636	\$ 6,223	Survey Median	\$ 1.69	\$ 1.08	\$ 2,106

Multi-Residential Properties	Walk-Up per Unit	High-Rise per Unit	Commercial Properties	Office per sq.ft.	Neigh. Shopping per sq.ft.	Hotel per suite	Motel per suite
North	\$ 1,329	\$ 1,636	North	\$ 3.01	\$ 3.35	\$ 1,417	\$ 1,270
Eastern	\$ 1,561	\$ 2,091	Eastern	\$ 3.18	\$ 3.99	\$ 1,902	\$ 1,420
Southwest	\$ 1,377	\$ 1,771	Southwest	\$ 2.97	\$ 3.33	\$ 1,521	\$ 1,296
Simcoe/Musk./Duff.	\$ 1,026	\$ 1,615	Simcoe/Musk./Duff.	\$ 2.78	\$ 3.28	\$ 1,848	\$ 1,094
Niagara/Hamilton	\$ 1,618	\$ 1,752	Niagara/Hamilton	\$ 2.80	\$ 3.87	\$ 1,870	\$ 1,117
GTA	\$ 1,401	\$ 1,544	GTA	\$ 3.41	\$ 4.21	\$ 1,417	\$ 1,208
Survey Average	\$ 1,382	\$ 1,715	Survey Average	\$ 3.04	\$ 3.63	\$ 1,602	\$ 1,240
Survey Median	\$ 1,365	\$ 1,744	Survey Median	\$ 3.05	\$ 3.74	\$ 1,467	\$ 1,208

SECTION 8: Comparison of Water/Sewer Costs

The establishment of water and sewer rates is a municipal responsibility and the absence of standard procedures across Ontario has resulted in the evolution of a great variety of rate structure formats. There was considerable diversity across the survey in terms of the costs of water/sewer and how services are charged.

Volume Meter Size	Residential 200 m ³ 5/8"	Commercial 10,000 m ³ 2"	Industrial 30,000 m ³ 3"	Industrial 100,000 m ³ 4"	Industrial 500,000 m ³ 6"
Average	\$ 1,074	\$ 36,054	\$ 102,824	\$ 334,031	\$ 1,647,471
Median	\$ 1,038	\$ 33,087	\$ 96,928	\$ 313,040	\$ 1,541,796
Min	\$ 463	\$ 9,626	\$ 22,026	\$ 89,898	\$ 370,994
Max	\$ 2,090	\$ 86,527	\$ 186,000	\$ 620,000	\$ 3,100,000



SECTION 9: Property Taxes and Water/Wastewater as a % of Income

A comparison was made of relative property tax burdens and water/sewer costs on comparable properties against the median household incomes. The report also calculates the total municipal tax burden as a percentage of income available on an average household.

Total Municipal Burden as a % of Household Income	
GTA	4.5%
Southwest	4.8%
North	4.9%
Niagara/Hamilton	5.1%
Simcoe/Musk./Duff.	5.4%
Eastern	5.5%



SECTION 10: Economic Development Programs

Business Retention & Expansion Programs

Downtown/Area Specific Programs

Brownfield Redevelopment