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**To:** Mayor and Council

**From:** Kelly McDonald, Director of Finance/Treasurer

**Date:** July 10, 2023

**Subject:** Report #FIN-009-2023 – 2021 Financial Indicator Review

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## Recommendation

Be It Resolved That Report #FIN-009-2023 2021 Financial Indicator Review dated July 10, 2023, be received.

## Background

Municipalities are required to submit financial data to the Ministry of Municipal Affairs under Section 294 of the Municipal Act. The Financial Information Return (FIR) is the main data collection document used by the Ministry of Municipal Affairs to collect financial and statistical information from municipalities.

Using information collected from the Financial Information Return and several key financial indicators, the Ministry of Municipal Affairs monitors municipal financial performance. The key elements measured are sustainability and flexibility as outlined in the Public Sector Accounting Boards' Statements of Recommended Practice (SORP-4). The attached Financial Indicator Review was received from the Ministry in June, 2023.

## Comments and Analysis

In order to compile financial indicators, municipalities are organized into municipal groupings. The groupings were defined to reflect different size and service responsibilities, type of municipality (single, lower or upper tier) and rural versus non-rural. Clearview has been placed in the South, Lower Tier within a County and Rural grouping.

Sustainability is the degree to which the municipality can maintain its existing financial obligations both in respect to its existing service commitments to the public and financial commitments to creditors. All indicators are in the Low risk range in this category. Of note is the Total Taxes Receivable less Allowance for Uncollectibles as a % of Total Taxes Levied. 2021 is the first year in over 10 years this indicator has been in the low range.

Flexibility indicators provide insight into how a Municipality manages its finances. An increase in current borrowing reduces future flexibility. Other than the Debt Servicing

Cost as a % of Total Revenues (Less Donated TCA's), all indicators in this category are in the Low range. This increase from Low to Moderate in 2021 is related to the addition of the Clearview Library Stayner Branch loan in 2020.

The Ministry notes that this information is not intended to be used on its own and should be used in conjunction with other financial information and resources available. The Finance department continues to look for ways to encourage property owners to reduce the amount owing on their tax accounts.

**Clearview's Strategic Plan**

The above initiative supports the following strategic pillars:

- Governance

**Financial Implications**

Specific indicators have been outlined in the Analysis section. Of final note, our Asset Consumption Ratio has been consistently rated as Low since 2016. We sit at 32.9% while our comparators are averaging 47.3%. Clearview is continuing to improve our asset management and are moving toward ensuring that future asset replacement happens in a timely manner and that our reserves are in place for future asset replacement.

**Report Appendices**

Appendix A – 2021 Financial Indicator Review

**Approvals**

- Submitted by:** Kelly McDonald, Director of Finance/Treasurer
- Reviewed by:** John Ferguson, CAO
- Financial Implications Reviewed by:** Treasurer
- Approved by:** CAO

# FINANCIAL INDICATOR REVIEW

(Based on 2021 Financial Information Return)

## Clearview Tp

Date Prepared:	20-Jun-23	2021 Households:	5,570	Median Household Income:	78,519
MSO Office:	Central	2021 Population:	14,814	Taxable Residential Assessment as a	
Prepared By:	Leah Yakeley	2022 MFCI Index:	2.4	% of Total Taxable Assessment:	87.4%
Tier:	LT			Own Purpose Taxation:	18,151,147

## SUSTAINABILITY INDICATORS

Indicator	Ranges	Actuals	South - LT - Counties - Rural		Level of Risk	
			Median	Average		
Total Taxes Receivable less Allowance for Uncollectibles as a % of Total Taxes Levied	Low: < 10% Mod: 10% to 15% High: > 15%	2017	11.3%	8.6%	9.8%	MODERATE
		2018	11.3%	7.6%	8.9%	MODERATE
		2019	10.6%	7.4%	8.4%	MODERATE
		2020	11.3%	7.4%	8.5%	MODERATE
		2021	9.3%	6.5%	7.4%	<b>LOW</b>
Net Financial Assets or Net Debt as % of Own Source Revenues	Low: > -50% Mod: -50% to -100% High: < -100%	2017	12.8%	47.2%	40.1%	LOW
		2018	20.5%	42.7%	41.6%	LOW
		2019	13.6%	45.7%	50.1%	LOW
		2020	19.2%	55.0%	57.3%	LOW
		2021	24.3%	53.6%	61.2%	<b>LOW</b>
Total Reserves and Discretionary Reserve Funds as a % of Municipal Expenses	Low: > 20% Mod: 10% to 20% High: < 10%	2017	59.4%	61.9%	68.6%	LOW
		2018	52.9%	64.0%	71.5%	LOW
		2019	62.2%	73.3%	78.8%	LOW
		2020	54.8%	82.4%	87.4%	LOW
		2021	60.9%	83.8%	91.3%	<b>LOW</b>
Cash Ratio (Total Cash and Cash Equivalents as a % of Current Liabilities)	Low: > 0.5:1 Mod: 0.5:1 to 0.25:1 High: < 0.25:1	2017	3.07:1	3.24:1	4.59:1	LOW
		2018	1.31:1	3.44:1	4.76:1	LOW
		2019	2.03:1	4.2:1	5.42:1	LOW
		2020	3.35:1	4.71:1	5.51:1	LOW
		2021	2.6:1	5.12:1	5.93:1	<b>LOW</b>

## FLEXIBILITY INDICATORS

Debt Servicing Cost as a % of Total Revenues (Less Donated TCAs)	Low: < 5% Mod: 5% to 10% High: >10%	2017	4.9%	2.7%	3.3%	LOW
		2018	5.7%	2.5%	3.1%	MODERATE
		2019	4.9%	2.6%	3.1%	LOW
		2020	7.0%	2.3%	3.1%	MODERATE
		2021	5.1%	2.5%	2.9%	<b>MODERATE</b>
Closing Amortization Balance as a % of Total Cost of Capital Assets (Asset Consumption Ratio)	Low: < 50% Mod: 50% to 75% High: > 75%	2017	29.5%	43.8%	45.5%	LOW
		2018	30.7%	43.7%	46.0%	LOW
		2019	32.4%	43.9%	46.2%	LOW
		2020	31.6%	45.2%	46.6%	LOW
		2021	32.9%	45.1%	47.3%	<b>LOW</b>
Annual Surplus / (Deficit) as a % of Own Source Revenues	Low: > -1% Mod: -1% to -30% High: < -30%	2017	23.2%	11.4%	12.8%	LOW
		2018	13.4%	12.5%	13.9%	LOW
		2019	20.4%	18.7%	23.1%	LOW
		2020	9.7%	17.1%	17.2%	LOW
		2021	18.6%	17.0%	16.5%	<b>LOW</b>

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 The data and information contained in this document is for informational purposes only. It is not an opinion about a municipality and is not intended to be used on its own - it should be used in conjunction with other financial information and resources available. It may be used, for example, to support a variety of strategic and policy discussions.  
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# FINANCIAL INDICATOR REVIEW

(Based on 2021 Financial Information Return)

## Clearview Tp

### NOTES

*Financial Information Returns ("FIRs") are a standard set of year-end reports submitted by municipalities to the Province which capture certain financial information. On an annual basis, Ministry staff prepare certain financial indicators for each municipality, based on the information contained in the FIRs. It is important to remember that these financial indicators provide a snapshot at a particular moment in time and should not be considered in isolation, but supported with other relevant information sources. In keeping with our Financial Information Return review process and follow-up, Ministry staff may routinely contact and discuss this information with municipal officials.*

#### Supplementary Indicators of Sustainability and Flexibility

The following is a summary, adapted from the Chartered Professional Accountants of Canada Statement of Recommended Practice (SORP) 4.

- A government (including a municipality) may choose to report supplementary information on financial condition, to expand on and help explain the government's financial statements.
- Supplementary assessment of a government's financial condition needs to consider the elements of sustainability and flexibility.
- Sustainability in this context may be seen as the degree to which a municipality can maintain its existing financial obligations both in respect of its service commitments to the public and financial commitments to creditors, employees and others without inappropriately increasing the debt or tax burden relative to the economy within which it operates.
- Sustainability is an important element to include in an assessment of financial condition because it may help to describe a government's ability to manage its financial and service commitments and debt burden. It may also help to describe the impact that the level of debt could have on service provision.
- Flexibility is the degree to which a government can change its debt or tax level on the economy within which it operates to meet its existing financial obligations both in respect of its service commitments to the public and financial commitments to creditors, employees and others.
- Flexibility provides insights into how a government manages its finances. Increasing taxation or user fees may reduce a municipality's flexibility to respond when adverse circumstances develop if the municipality approaches the limit that citizens and businesses are willing to bear.  
A municipality may temporarily use current borrowing, subject to the requirements set out in the Municipal Act to meet expenses and certain other amounts required in the year, until taxes are collected and other revenues are received. Municipal current borrowing cannot be carried over the long term or converted to long term borrowing except in very limited circumstances.
- For each element of financial condition, the report on indicators of financial condition should include municipality-specific indicators and municipality-related indicators. It may be useful to also include economy-wide information when discussing financial condition.

#### ***Additional Notes on what Financial Indicators may indicate:***

**Total Taxes Receivable less Allowance for Uncollectibles as a % of Total Taxes Levied** - Shows how much of the taxes billed are not collected.

**Net Financial Assets or Net Debt as % of Own Source Revenues** - Indicates how much property tax and user fee revenue is servicing debt.

**Reserves and Reserve Funds as a % of Municipal Expenses** - Indicates how much money is set aside for future needs and contingencies.

**Cash Ratio (Total Cash and Cash Equivalents as a % of Current Liabilities)** - Indicates how much cash and liquid investments could be available to cover current obligations.

**Debt Servicing Cost as a % of Total Revenues (Less Donated TCAs)** - Indicates how much of each dollar raised in revenue is spent on paying down existing debt.

**Closing Amortization Balance as a % of Total Cost of Capital Assets (Asset Consumption Ratio)** - Indicates how much of the assets' life expectancy has been consumed.

**Annual Surplus / (Deficit) (Less Donated TCAs) as a % of Own Source Revenues** - Indicates the municipality's ability to cover its operational costs and have funds available for other purposes (e.g. reserves, debt repayment, etc.)

**The Northern and Rural Municipal Fiscal Circumstances Index (MFICI)** is used by the Ministry of Finance to calculate the "Northern and Rural Fiscal Circumstances Grant" aimed at northern as well as single and lower-tier rural municipalities. The index measures a municipality's fiscal circumstances. The MFICI is determined by six indicators: Weighted Assessment per Household, Median Household Income, Average Annual Change in Assessment (New Construction), Employment Rate, Ratio of Working Age to Dependent Population, and Per Cent of Population Above Low-Income Threshold. A lower MFICI corresponds to relatively positive fiscal circumstances, whereas a higher MFICI corresponds to more challenging fiscal circumstances. (Note: the MFICI index is only available for northern and rural municipalities)

# FINANCIAL INDICATOR REVIEW

(Based on 2021 Financial Information Return)

Clearview Tp

## CALCULATIONS

Total Taxes Rec. less Allowance for Uncollectibles as % of Total Taxes Levied	SLC 70 0699 01 / (SLC 26 9199 03 - SLC 72 2899 09)
Net Financial Assets or Net Debt as % of Own Source Revenues	SLC 70 9945 01 / (SLC 10 9910 01 - SLC 10 0699 01 - SLC 10 0899 01 - SLC 10 1098 01 - SLC 10 1099 01 - SLC 10 1811 01 - SLC 10 1812 01 - SLC 10 1813 01 - SLC 10 1814 01 - SLC 10 1830 01 - SLC 10 1831 01 - SLC 12 1850 04)
Total Reserves and Reserve Funds as a % of Municipal Expenses	(SLC 60 2099 02+SLC 60 2099 03)/(SLC 40 9910 11-SLC 12 9910 03-SLC 12 9910 07)
Cash Ratio (Total Cash and Cash Equivalents as a % of Current Liabilities)	SLC 70 0299 01 / (SLC 70 2099 01 + SLC 70 2299 01)
Debt Servicing Cost as a % of Total Revenues (Less Donated TCAs)	(SLC 74 3099 01 + SLC 74 3099 02) / (SLC 10 9910 01 - SLC 10 1831 01)
Closing Amortization Balance as a % of Total Cost of Capital Assets (Asset Consumption Ratio)	SLC 51 9910 10 / SLC 51 9910 06
Annual Surplus / (Deficit) (Less Donated TCAs) as a % of Own Source Revenues	(SLC 10 2099 01 - SLC 10 1831 01) / (SLC 10 9910 01 - SLC 10 0699 01 - SLC 10 0899 01 - SLC 10 1098 01 - SLC 10 1099 01 - SLC 10 1811 01 - SLC 10 1812 01 - SLC 10 1813 01 - SLC 10 1814 01 - SLC 10 1830 01 - SLC 10 1831 01 - SLC 12 1850 04)