



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 18, 2022
Subject: **Financial Indicator Review – Ministry of Municipal Affairs and Housing (MMAH)**

Background:

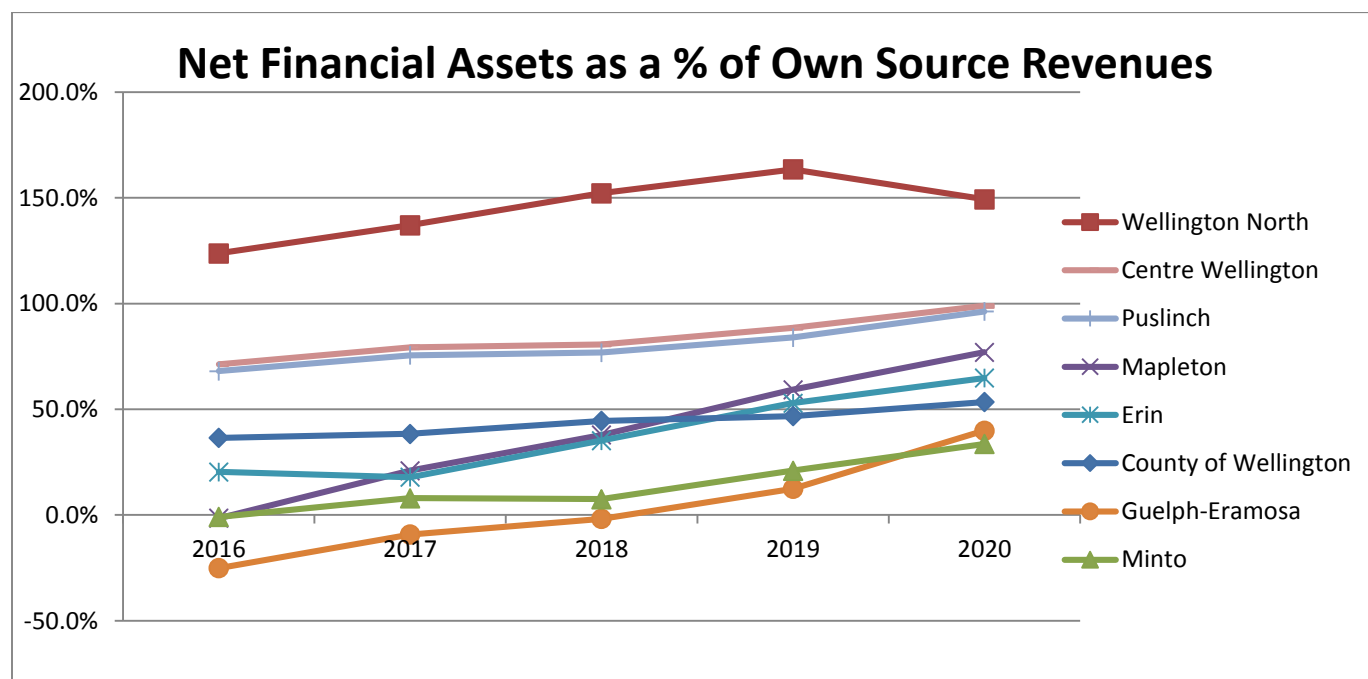
Each year staff from the Ministry of Municipal Affairs and Housing (MMAH) prepares certain financial indicators for each municipality based on information contained in the standard Financial Information Return (FIR). This report is based on information contained in each member municipality's 2016 to 2020 FIRs.

These financial indicators provide a snapshot at a particular moment in time. When the information is plotted over time, trends can be used to monitor changes in financial condition and alert the municipality to future challenges. Note that member municipality indicators include Water and Wastewater information as applicable. An explanation of the purpose of each ratio is included to assist with the interpretation of the ratios.

Indicator 1:

Net Financial Assets (Net Debt) as a % of Own Source Revenues

This ratio indicates the extent to which financial liabilities of the municipality could be met by sources of revenue within the municipality's control. It is a measure of a municipality's ability to pay its annual obligations with its financial assets (excludes tangible capital assets).

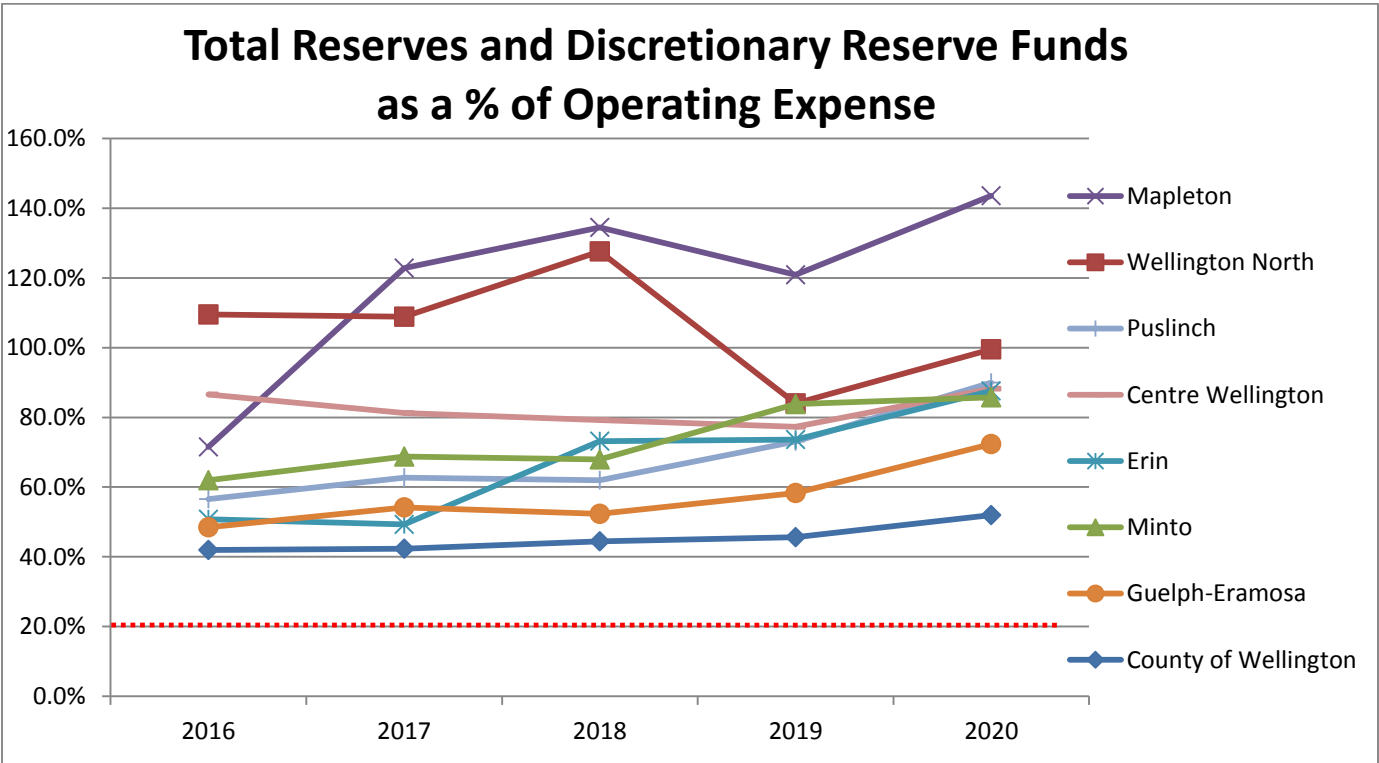


According to MMAH, any % greater than -50% can be interpreted to mean that the municipality faces a low challenge in meeting future funding requirements. Moderate and high challenges would be indicated with (-50% to -100%) and (<-100%) respectively. The Ministry considers the County and its member municipalities to be facing a low challenge in this measure.

Indicator 2:

Total Reserves and Discretionary Reserve Funds as a % of Operating Expenses

This indicator provides information as to how much money is set aside for future needs and contingencies. It measures how much is set aside in Reserves and Reserve Funds in proportion to a municipality’s annual operating expenses.

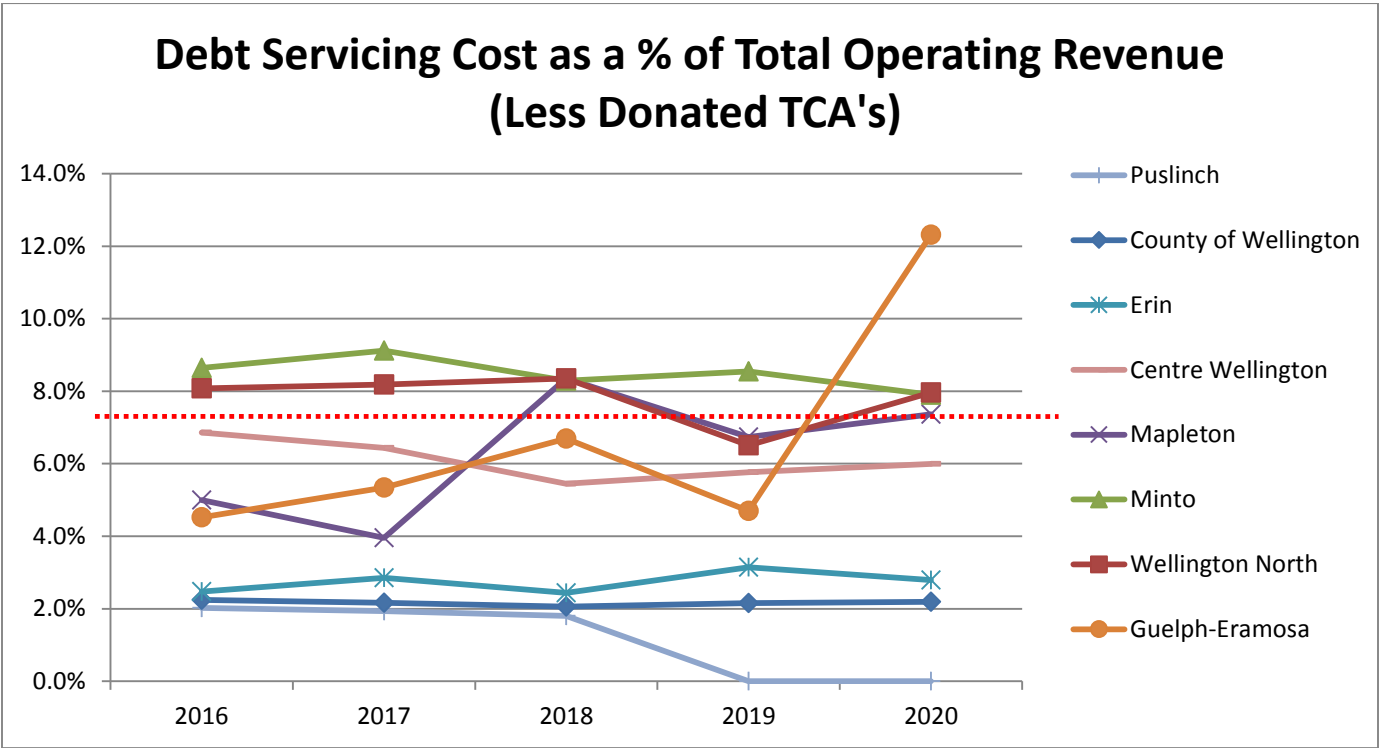


MMAH indicates that any % greater than 20% can be interpreted to mean that the municipality faces a low challenge in having adequate reserve and reserve funds to meet future needs and contingencies. The County of Wellington and all member municipalities face a low challenge according to the Ministry.

Indicator 3:

Debt Servicing Cost as a % of Total Operating Revenue (Less Donated TCA's)

This ratio indicates how much of each dollar raised in revenue is spent on servicing the municipality's debt. Note the Debt Servicing and Operating Revenues include Water and Wastewater amounts.

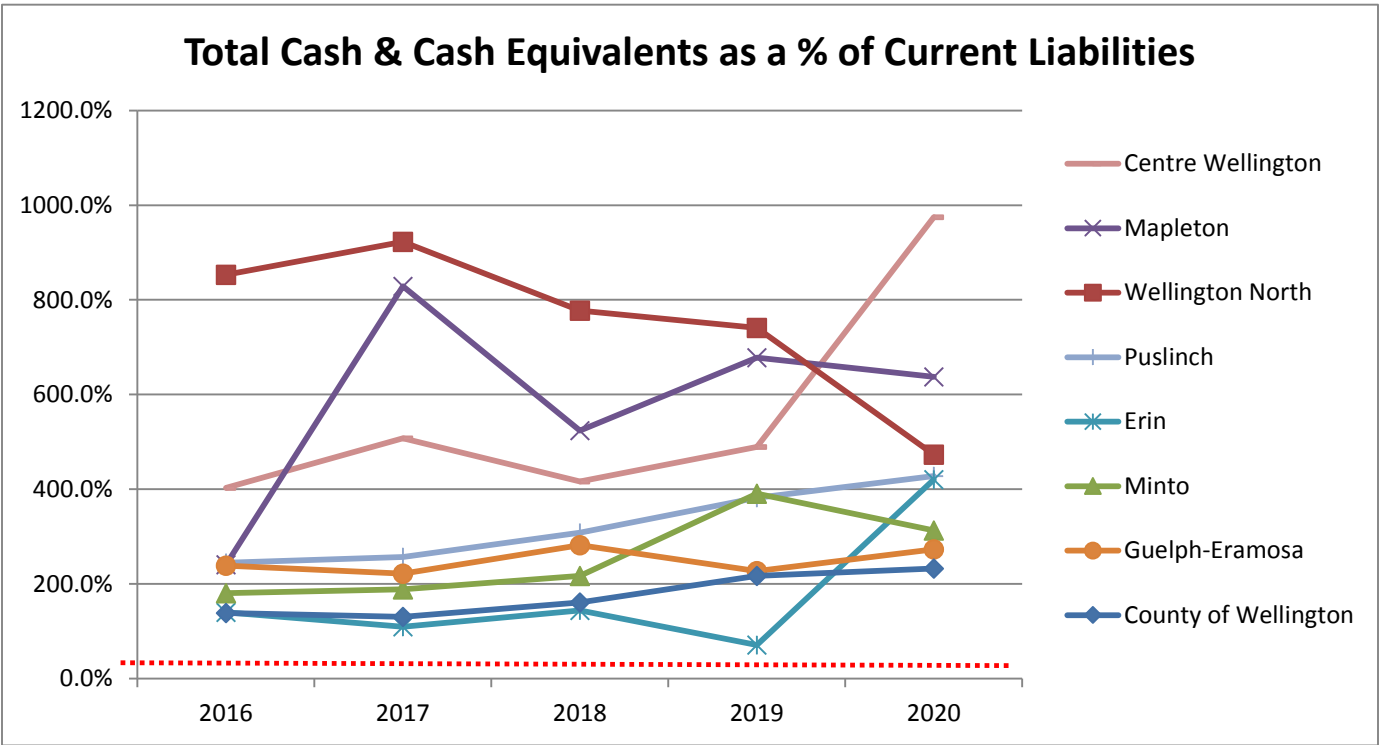


The Ministry considers any % lower than 5% to mean that the municipality faces low challenges related to municipal debt levels. Moderate and high challenges would be indicated with (5% to 10%) and (>10%) respectively. The large spike in Guelph/Eramosa's ratio for 2020 indicates a one-time balloon repayment of previously issued debt of \$1,255,000 and will return to prior levels in 2021.

Indicator 4:

Total Cash & Cash Equivalents as a % of Current Liabilities

This ratio indicates how much cash and cash equivalents could be available to cover the municipality’s current liabilities. It measures how much liquid assets are available to cover its annual current obligations.

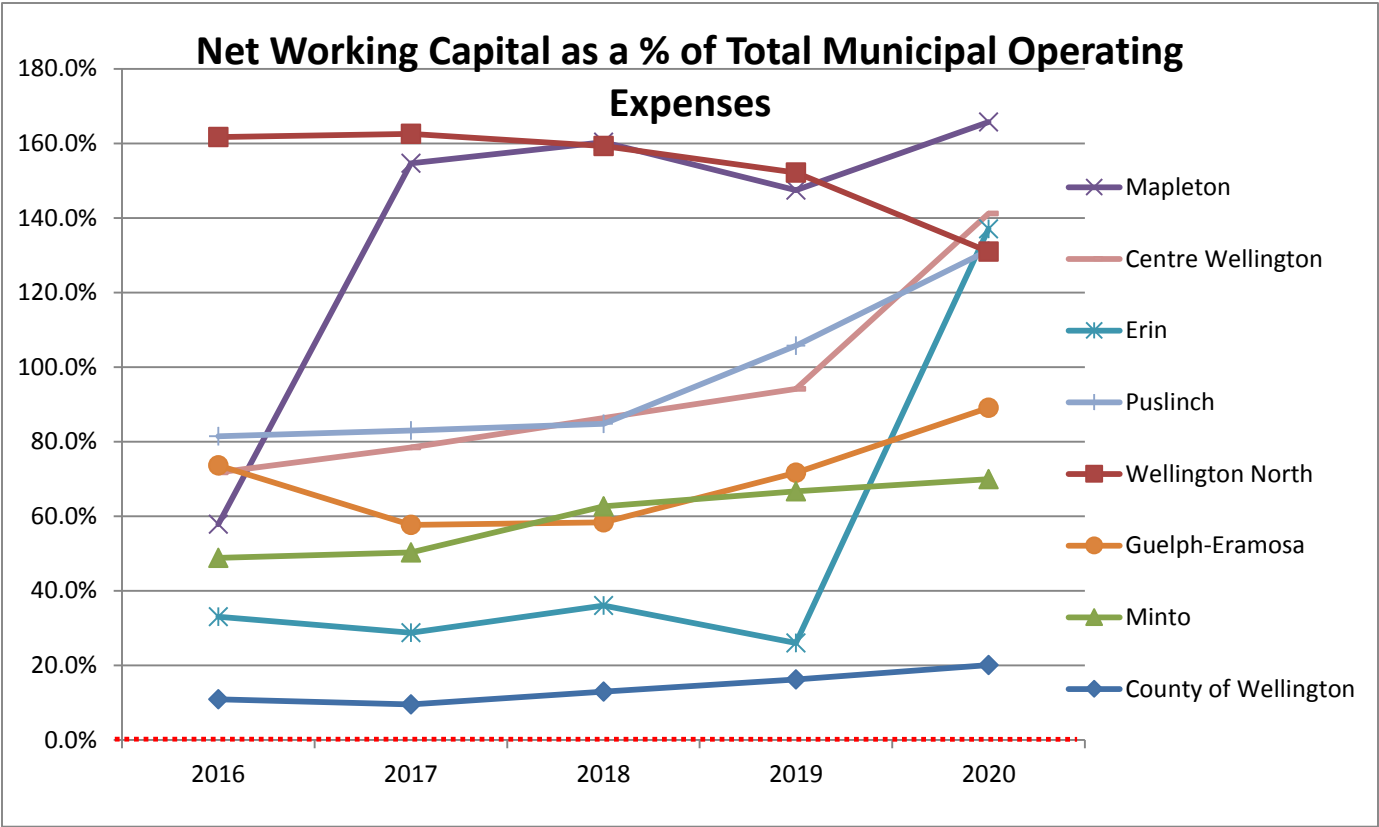


MMAH interprets the measure to mean that any % greater than 50%, the municipality faces low challenges related to cash flow. Moderate and high challenges would be indicated with (25% to 50%) and (<25%) respectively. According to the Ministry, the County and all of its member municipalities face a low challenge in this measure. Note that Centre Wellington received \$2.35 million cash from an Infrastructure Ontario loan acquired in November 2020.

Indicator 5:

Net Working Capital as % of Total Municipal Operating Expenses

This ratio indicates how much cash, receivables and inventory less short-term debt could be available to cover operating expense. It measures how much ‘free’ liquid assets are available to cover its annual operating expenses.

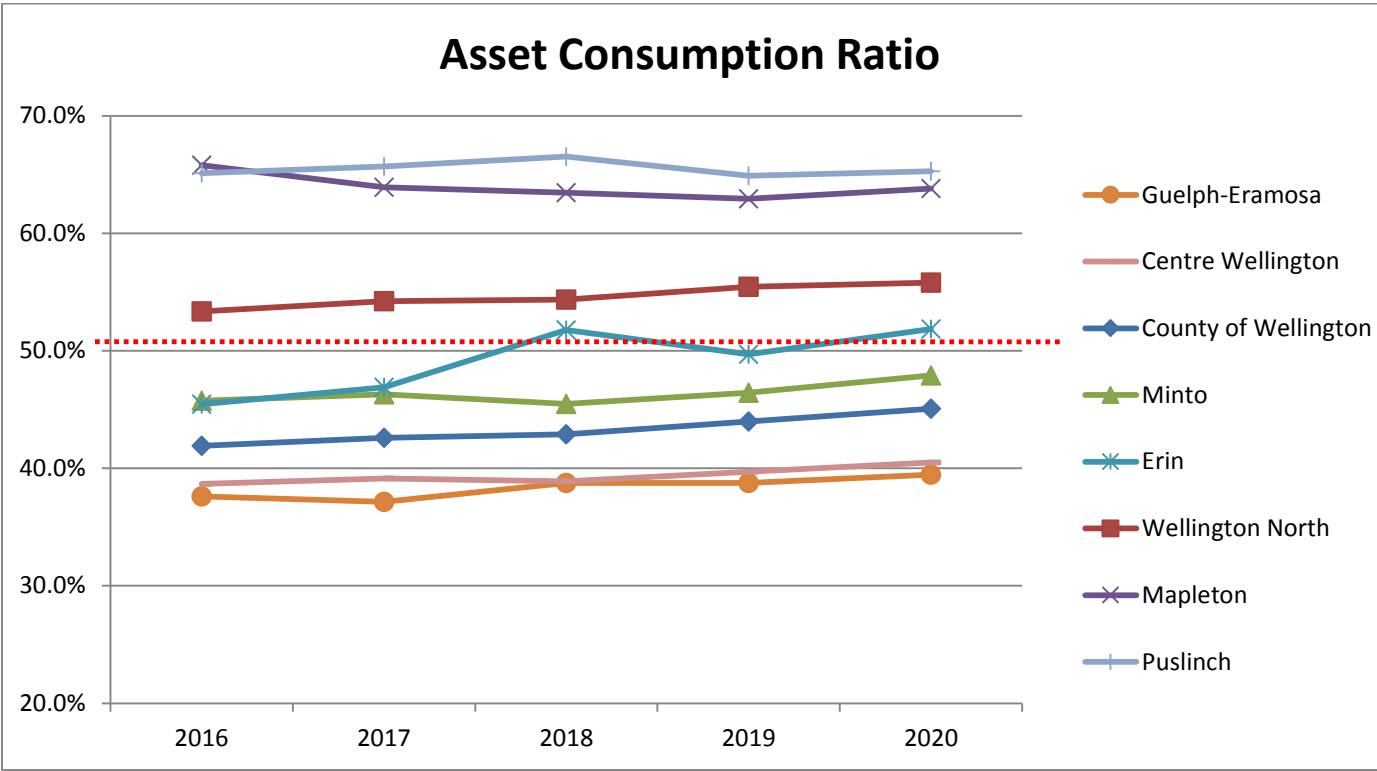


According to MMAH, any % greater than 10% can be interpreted to mean that the municipality faces low challenges related to liquidity. Moderate and high challenges would be indicated with (-10% to 10%) and (<-10%) respectively. The County of Wellington and all of its municipalities are considered to face a low challenge in this measure. The spike in this ratio for the Town of Erin in 2020 is related to \$13.5 million received in connection with early payment of Front Ended Services and of the Wastewater Treatment Plant components of the development charges.

Indicator 6:

Asset Consumption Ratio
(Closing Amortization Balance as a % of Total Cost of Capital Assets)

This ratio measures the age of a municipality’s physical assets. It measures the extent to which depreciable assets have been consumed by comparing the amount of the assets that have been used up and their cost.

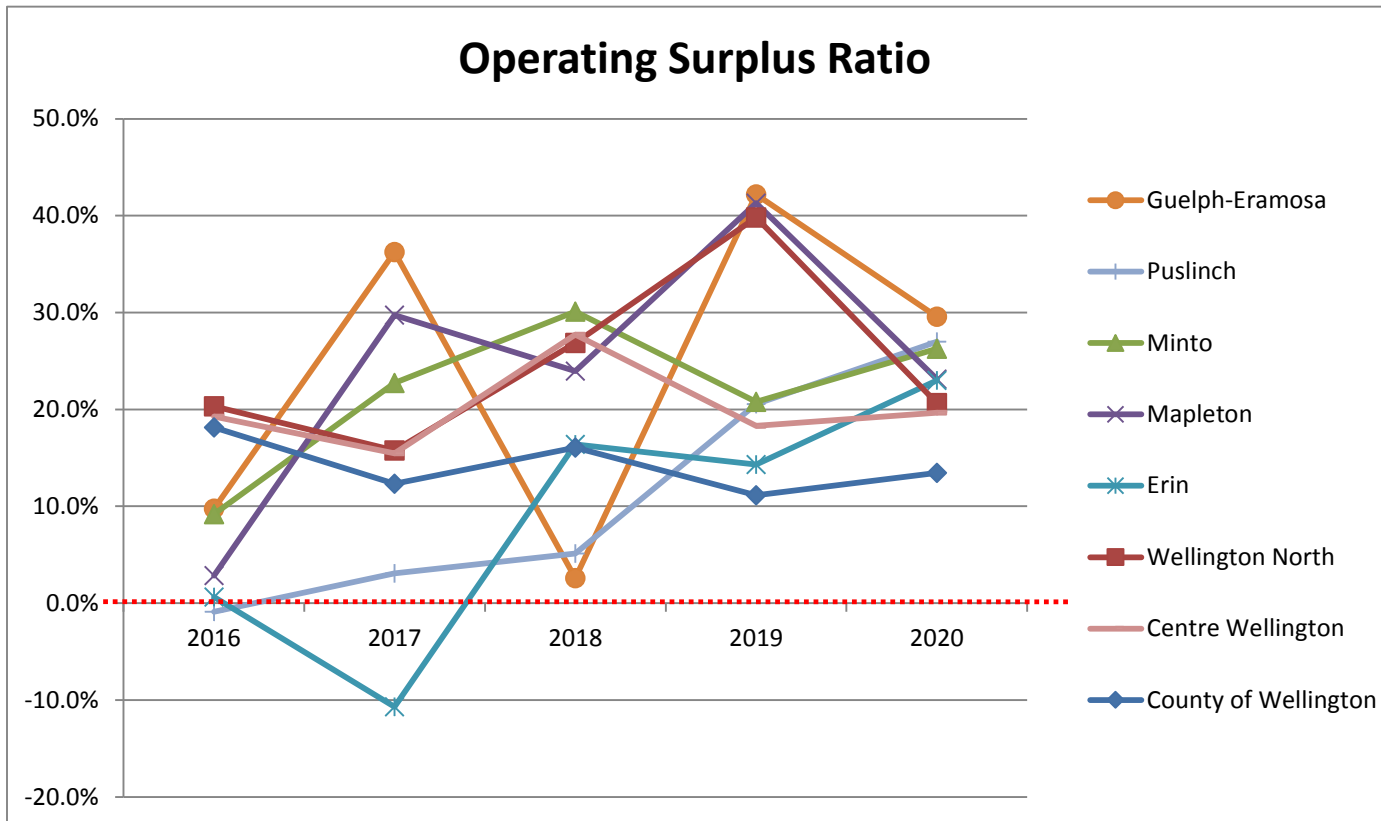


The Ministry indicates that any % lower than or equal to 50% can be interpreted to mean that the municipality faces low challenges related to the age of its infrastructure. Moderate and high challenges would be indicated with (51% to 75%) and (>75%) respectively. According to the Ministry, Guelph/Eramosa, Centre Wellington, the County of Wellington and Minto each face a low challenge in this measure. Erin, Wellington North, Mapleton and Puslinch face a moderate challenge.

Indicator 7:

Operating Surplus Ratio (Annual Surplus – Donated TCA's/Own Source Revenues)

This ratio measures a municipality's ability to cover operational costs and have funds available for other purposes. It measures the annual operating surplus as a percentage of the municipality's Own Source Revenue.



The Ministry indicates that any % greater than 0% can be interpreted to mean that the municipality faces low challenges related to operational expenditures. Moderate and high challenges would be indicated with (0% to -30%) and (<-30%) respectively.

Recommendation:

That the Financial Indicator Review – Ministry of Municipal Affairs and Housing report be received for information.

Respectfully submitted,

Ken DeHart, CPA, CGA
County Treasurer



Schedule A – Summary of Indicators (2020) 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	Net Financial Assets or Net Debt as % of Own Source Revenues	98.9%	64.8%	39.9%	77.0%	33.6%	96.3%	149.3%	53.4%
		2	5	7	4	8	3	1	6
2	Total Reserves and Discretionary Reserve Funds as a % of Operating Expenses	88.2%	87.6%	72.3%	143.6%	85.8%	90.0%	99.5%	52.0%
		4	5	7	1	6	3	2	8
3	Debt Servicing Cost as a % of Total Operating Revenue (less Donated TCA's)	6.0%	2.8%	12.3%	7.4%	7.9%	0.0%	8.0%	2.2%
		4	3	8	5	6	1	7	2
4	Total Cash and Cash Equivalents as a % of Current Liabilities	974.8%	420.3%	273.1%	637.6%	312.7%	427.7%	473.0%	232.5%
		1	5	7	2	6	4	3	8
5	Net Working Capital as a % of Total Municipal Operating Expenses	141.1%	137.0%	89.1%	165.7%	69.9%	131.3%	130.9%	20.1%
		2	3	6	1	7	4	5	8
6	Asset Consumption Ratio	40.5%	51.8%	39.5%	63.8%	47.9%	65.3%	55.8%	45.1%
		2	5	1	7	4	8	6	3
7	Operating Surplus Ratio	19.7%	23.0%	29.6%	23.1%	26.3%	27.0%	20.6%	13.5%
		7	5	1	4	3	2	6	8