
Assessment of the Town of Collingwood's Financial Health
December 2014
Prepared by BMA Management Consulting Inc.

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Assessment of the Town of Collingwood's Financial Health

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“Financial Health” can best be described as a municipality’s ability to finance its services on a continuing basis. It refers to a municipality’s ability to:

- Maintain required service levels
- Withstand local and regional economic disruptions
- Meet the demands of natural growth, decline and change

In order to maintain a strong financial position, municipalities must be able to continue paying for services that they presently provide. This includes basic services to the public, maintenance and renewal of capital facilities to protect the initial investment and maintain facilities in useable condition

It is important to understand the Town’s current “Financial Health” and the external factors that impact the Town’s delivery of programs and services. The Town’s “Financial Health” can be best described as its ability to:

- Achieve its vision as identified in the Town’s Strategic Plan
- Maintain required service levels including the maintenance and renewal of capital assets and infrastructure
- Withstand local and regional economic changes

Trend Analysis

The problems that create fiscal challenges seldom emerge overnight, rather they develop slowly, thus making potential problems less obvious. Analyzing the trends of the Town’s key financial performance and socio-economic indicators offer several advantages including:

- It provides information on changes in the Town’s financial health, revealing the most current trends;
- It shows how quickly a trend is changing;
- It will form the basis for future forecasting;
- It builds awareness and helps identify the potential need to modify existing policies or develop new strategies; and
- It provides a good indication of where the Town is heading.

Peer Analysis

Peer analysis has also been included to gain perspective on the Town’s financial health. The following table summarizes municipalities which are considered good comparators in terms of population growth patterns and proximity.

Peer Municipalities	Region	2014 Population
Innisfil	Simcoe	35,091
Prince Edward County	Prescott & Russell UCO	25,764
Orillia	Simcoe	31,561
Owen Sound	Grey	22,205
Springwater	Simcoe	19,153
Wilmot	Waterloo	21,079
Collingwood	Simcoe	20,976

Comparative Analysis

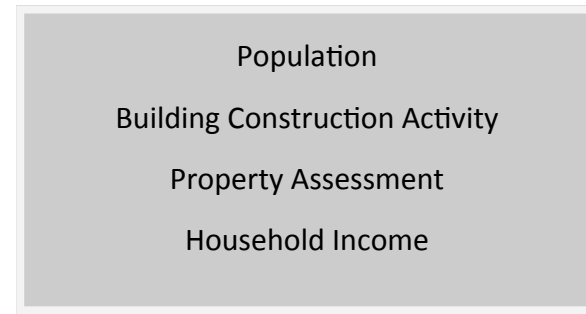
Each year BMA Management Consulting Inc. prepares a survey of 95 Ontario municipalities. The results of this survey have been included in this report.

Key financial and socio-economic indicators have been included to help evaluate the Town's existing financial health and to identify future challenges and opportunities. Industry recognized indicators that are used by credit rating agencies and/or recommended by Government Finance Officers' Association (GFOA) have been included. GFOA is a municipal association representing best practices in North America. GFOA has a committee dedicated to addressing Canadian issues and has developed recommended best practices from a Canadian perspective. GFOA has developed a body of recommended practices in the functional areas of public finance. Monitoring indicators contained in this report over time will reveal the progress and success of the plan and provide an enhanced opportunity to both respond to changing circumstances and to continually improve the effectiveness of the plan.

This report also provides recommendations to build upon the policies already in place in order to ensure fiscal sustainability and maintain flexibility to address future financial and economic conditions.

Growth and Socio-Economic Indicators

This includes an evaluation of the Town's growth and socio-economic indicators which are largely external to the Town's control but important to understand from a planning and forecasting perspective.



Collingwood's Financial Position

This includes an evaluation of the Town's financial framework upon which the Town operates. These indicators help determine if modifications are needed to the Town's existing financial policies.



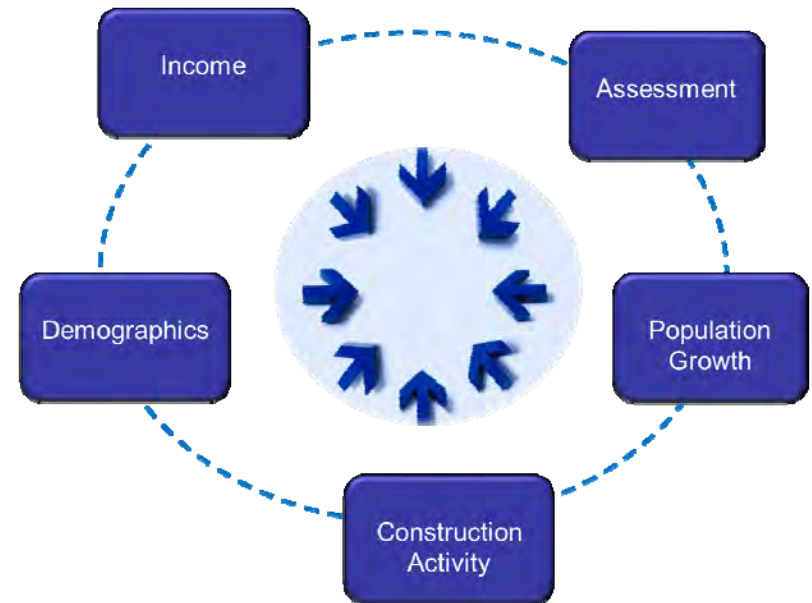
Growth and Socio-Economic Indicators

Analyzing growth and socio-economic indicators provide an overview of the internal and external factors that affect the community. They describe and quantify a community's wealth and economic condition and provide insight into the community's collective ability to generate revenue relative to the community's demand for public services.

An examination of economic and demographic characteristics can identify, for example, the following types of situations:

- An increasing tax base and correspondingly, the community's ability to pay for public services
- A need to shift public service priorities because of demographic changes in the community
- A need to shift public policies because of changes in economic and legislative conditions

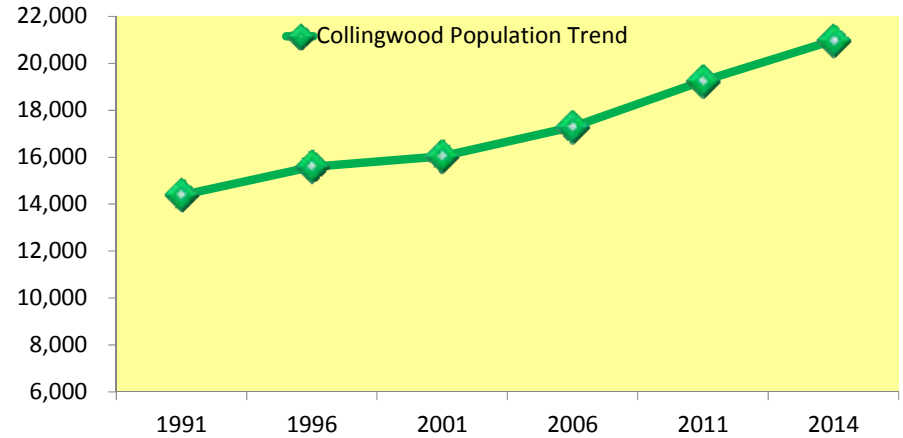
These indicators are closely interrelated and affect each other in a continuous cycle of cause and effect. Also important are the Town's plans and potential for future development. The diversification of the commercial and industrial tax base should be considered for its revenue-generating ability, employment-generating ability, vulnerability to economic cycles, and relationships to the larger economic region.



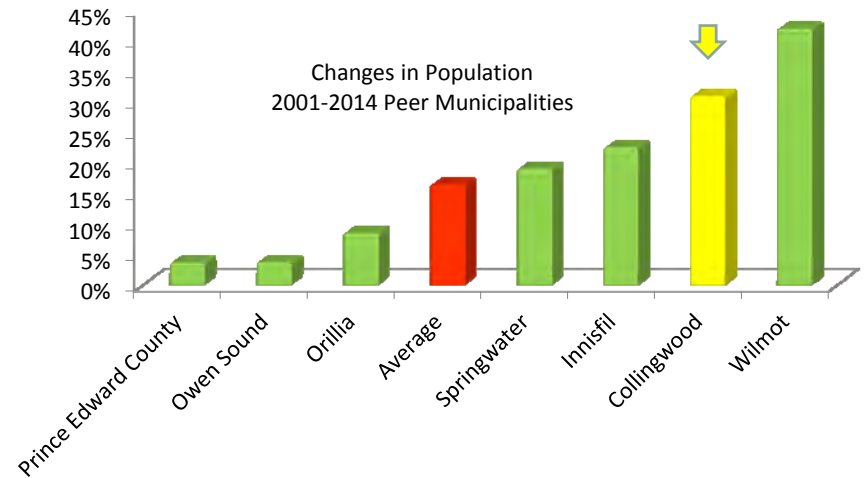
Population Changes

Changes in population directly impact both revenues (assessment base) and expenditures (service demand). The following summarizes key findings related to the Town’s population growth:

- Collingwood has had steady population growth and experienced an increase in population of 14,382 in 1991 to 20,796 in 2014 (45.8% increase), higher than the Ontario average population increase during this time of 35.6%. This increase in population has resulted in substantial new capital infrastructure requirements which ultimately will have to be replaced.
- Over the past 13 years, Collingwood’s population growth was second highest in comparison to peer municipalities. Sudden increases in population can create immediate pressures for new capital outlay and increased or different demands for service.
- The Town of Collingwood is a designated growth node in Simcoe County under the Provincial Growth Plan. Provincial estimates indicate a population of 33,400 by 2031 in Collingwood. The continued need for additional infrastructure to accommodate future growth will take place at the same time that existing assets are reaching an age where renewal/replacement is becoming critical and more costly.



Source: Stats Canada, Manifold Data Mining



Source: Stats Canada, Manifold Data Mining

Age Demographics and Quality of Life

The age profile of a population affects Town expenditures. For example, expenditures may be affected by seniors requiring higher public service costs and families with young children desiring enhanced services for recreational, and related programs. Collingwood has a diverse demographic, requiring a full range of programs and services.

- Compared to the province average, Collingwood's age profile has some notable differences. The Town has 22.8% of residents that are ages of 65+ compared with the Ontario average of 14.6% in 2011.
- From 2006-2011, there was an increase in the proportion of residents in the age group 65 and older in Collingwood of 2.3%, more than double the average increase in Ontario of 1%. This can increase the need for recreational programs and services for seniors.



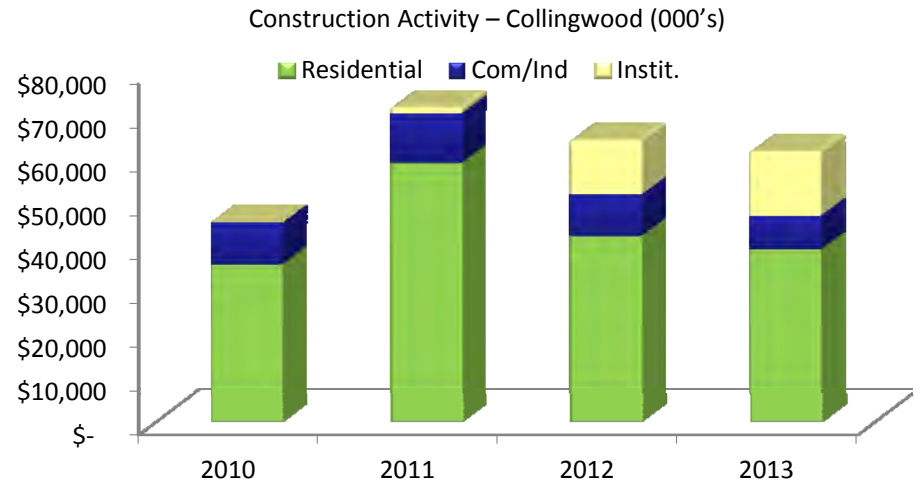
Age Profile	2006 Collingwood	2011 Collingwood	Change in Collingwood 2006-2011	2006 Ontario	2011 Ontario	% Change in Ontario 2006-2011
Age 0-14	15.6%	14.4%	-1.2%	18.2%	17.0%	-1.2%
Age 15-19	6.5%	6.1%	-0.4%	6.9%	6.7%	-0.2%
Age 20-44	28.7%	26.7%	-2.0%	34.8%	33.0%	-1.8%
Age 45-54	15.3%	14.7%	-0.6%	15.3%	16.0%	0.7%
Age 55-64	13.3%	15.3%	2.0%	11.2%	12.7%	1.5%
Age 65+	20.6%	22.8%	2.3%	13.6%	14.6%	1.0%
Total	100.0%	100.0%		100.0%	100.0%	0.0%

Source: Stats Canada

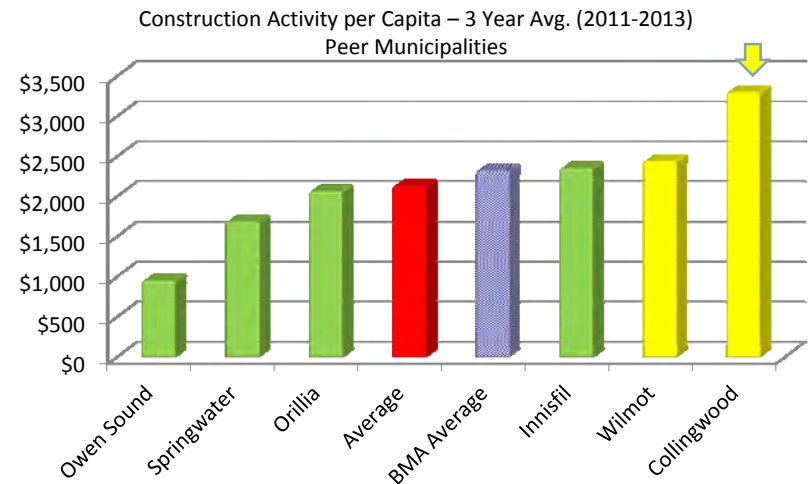
Construction Activity

Another growth-related indicator is the Town's construction activity. Building activity impacts other factors such as the employment base, income and property values.

- The Town uses supplementary tax revenues from new construction to fund reserves. As illustrated on the graph, construction activity in the Town decreased from 2011-2013 which poses a future risk for the Town, especially if the trend continues as contributions to reserves will decrease.
- Building permit value per capita is used as an indicator of the relative construction activity within each peer municipality. The average building permit value per capita over the three year average in Collingwood was the highest in the comparator group, however, as previously mentioned, it is trending down.
- Generally, a municipality's ongoing operating costs to service residential development is higher than the net ongoing cost of servicing commercial or industrial development. As illustrated on the graph, the majority of the construction activity is in the residential sector.
- The ideal condition is to have sufficient commercial and industrial development to offset the net increase in operating costs associated with residential development. Non-residential development is desirable in terms of developing a strong assessment base upon which to raise taxes and in providing employment opportunities. An economic development strategy for South Georgian Bay was prepared in June 2011 to support balanced development in all sectors.



Sources: Year End Building Reports



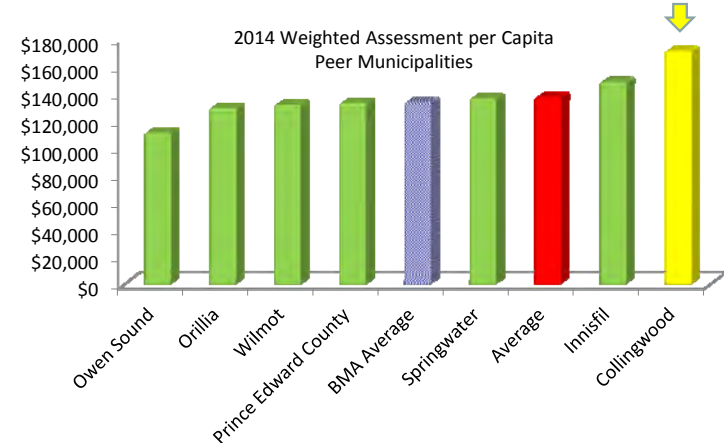
Sources: BMA Municipal Study & FIRs

Assessment

Property assessment is the basis upon which the Town raises taxes. Assessment growth, the richness of the assessment base and assessment composition are important indicators of fiscal strength.

- Assessment Composition**—Assessment composition provides an understanding of the mix of assessment. Collingwood’s proportion of residential assessment is higher than the peer average. This over-reliance on residential assessment can affect affordability.
- Richness of the Assessment Base**— Weighted assessment per capita statistics have been compared to provide an indication of the “richness” of the assessment base. Collingwood’s weighted assessment base per capita is above the peer average and also above the BMA survey average. This is an indication of a community’s ability to pay for services. Note: weighted assessment includes the application of tax ratios which are set by Simcoe County.
- Growth in Assessment**— Assessment increases include changes in assessment related to growth, as well as changes in market value of existing properties (which does not generate additional revenues). The assessment increase from 2013 to 2014 in Collingwood was higher than the peer average and slightly above the BMA survey average of 5.2%. Much of this increase in assessment was the result of increases in market value assessment. This price inflation on housing prices may adversely affect future demand.

2014 Unweighted Assessment Composition %		
	Peer Avg.	Collingwood
Residential	81.6%	83.8%
Multi-Residential	2.3%	1.8%
Commercial	9.3%	12.3%
Industrial	1.2%	1.8%
Farmlands	5.3%	0.1%
Other	0.5%	0.2%
Total	100.0%	100.0%



Change in Unweighted Assessment 2013-2014	
Orillia	2.7%
Owen Sound	3.3%
Springwater	4.0%
Innisfil	4.9%
Wilmot	5.6%
Prince Edward County	5.8%
Average	4.4%
Collingwood	5.3%

Source: BMA Municipal Studies

Household Income

Household income is one measure of a community's ability to pay.







- Credit rating firms use household income as an important measure of a municipality's ability to repay debt and the potential ability to pay for municipal services. Changes in household income are especially important to municipalities such as Collingwood that have a smaller proportion of Non-Residential tax base because this is the primary source from which taxes are levied.
- Average household gross income in the Town of Collingwood is lower than the peer municipal average.
- Household income in Collingwood may be lower than average due to the fact that Collingwood has a higher number of retirees on fixed incomes.
- The average annual household income of the 95 Ontario municipalities in the BMA Study was \$93,038.

Municipality	2013 Average Gross Household Income
Owen Sound	\$ 65,931
Orillia	\$ 67,009
Prince Edward County	\$ 84,782
Innisfil	\$ 90,753
Wilmot	\$ 107,540
Springwater	\$ 129,421
Peer Average	\$ 90,906
Collingwood	\$ 78,401



Source: Data Manifold Mining 2013

Summary—Growth Related Indicators

Indicator	Trend, Observation	Rating
Population Growth	Collingwood’s population increase over the past 20 years was higher than the Ontario population increase. And is higher than the average increase in peer municipalities	<i>Neutral</i>
Demographics	Collingwood has a higher proportion of seniors population compared to the Ontario average. This can increase the need for services to support seniors.	
Construction Activity—Mix	The Town’s relative construction activity is primarily in the residential sector which is generally more costly to service. Construction activity for the past 3 years has been trending down. This poses a risk to the Town as it relies on supplementary taxes resulting from new construction to fund reserves.	
Construction Activity—Comparison	The Town’s relative construction activity, as measured on a per capita basis, was the highest in the peer survey over the past 3 years.	
Assessment Composition	Proportion of residential assessment is higher than the peer average. An over-reliance on residential assessment can affect affordability.	
Richness of the Assessment Base	The Town’s assessment base, on a per capita basis is the highest in the survey of peer municipalities.	
Assessment Growth	The Town’s assessment growth from 2013-2014 was amongst the highest in the survey. The majority of the growth is in the residential sector.	<i>Neutral</i>
Household Income	Average gross household income in Collingwood is below the peer municipalities.	

Collingwood's Financial Position

Reserves/Reserve Funds are an important financial indicator in a Town's overall financial health. By maintaining reserves, the Town has the capability to fund future liabilities; a key link to long-term financial planning practices. They also provide a cushion to absorb unexpected shifts in revenues and expenditures. The availability of reserves also reduces the cost of financing capital as it allows the Town to avoid debt interest payments. Credit rating agencies consider municipalities with higher reserves more advanced in their financial planning.

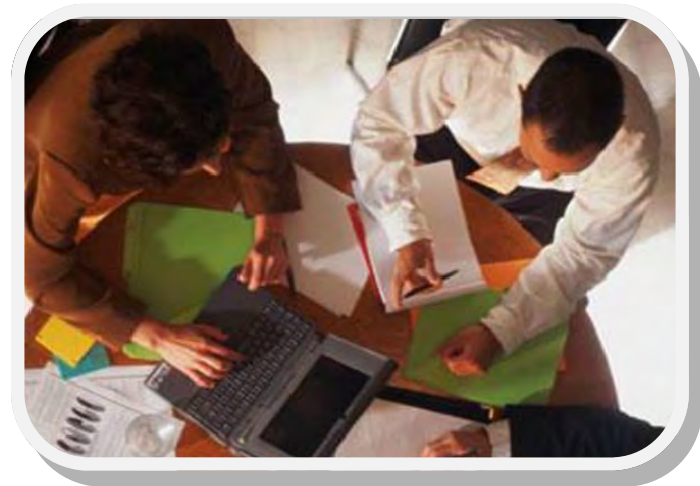
Debt is also an important indicator of the Town's financial health and is an appropriate way of financing longer life infrastructure and infrastructure related to growth that is not fully recovered through DCs. However, when debt levels get too high, it compromises the Town's flexibility to fund programs and services.

Operating Position of the Town considers the operating revenues against expenses (including amortization expense). This helps to determine whether the Town is contributing enough funds for the replacement of assets as they come due for replacement.

Financial Position of the Town is important to consider as this takes into consideration the Town's total assets and liabilities.

Taxes Receivable as a percentage of taxes levied is an indicator of the overall economic health whereby trends and industry benchmarks can be evaluated.

The condition and state of municipal infrastructure is an important factor in assessing a community's overall quality of life and economic health. Collingwood has **over \$259 million dollars (excluding land) on a historical cost basis in infrastructure and is significantly higher on a replacement cost basis**, which will require eventual replacement to sustain the community's overall quality of life and the economic health for future generations. Consequently, it is critical to understand that there is a great need and benefit for **further infrastructure investment in order to protect, sustain, and maximize the use of Collingwood's infrastructure assets**.



Tax Reserves and Reserve Funds

Reserves are a critical component of the Town's long-term financial plan. The purpose for maintaining reserves includes:

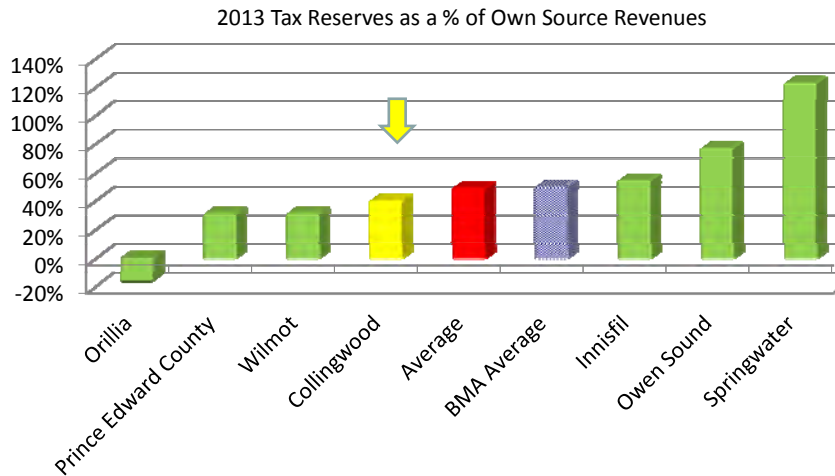
- ✓ To provide tax **stabilization** in the face of variable and uncontrollable factors (growth, interest rates, changes in subsidies) and to ensure adequate and **sustainable cash flows**;
- ✓ To provide financing for **one-time** or short term requirements without permanently impacting the tax rates thereby reducing reliance on long-term debt;
- ✓ To make provisions for **replacement of assets/infrastructure** on a timely basis;
- ✓ To provide **flexibility** to manage debt levels and protect the Town's financial position; and
- ✓ To provide for **future liabilities** incurred in the current year, but paid for in the future like post retirement benefits.

There are two types of Reserves and Reserve Funds:

- **Obligatory Reserve Funds** are created whenever a statute requires revenue received for special purposes to be segregated from the general revenues of the Town and includes reserve funds for development charges and developer agreements. Given that these are not available for use at the discretion of the Town or to support existing operations, they have **not been included in this section of the analysis**. Obligatory reserves include development charges to offset the cost of infrastructure related to new growth, however, under the Development Charges Act, not all growth related capital costs are recoverable. For example, for many services, the Town can only collect 90% of the costs.
- **Discretionary Reserve Funds** are established whenever the Town wishes to earmark revenues to finance a future expenditure for which it has the authority to spend money, and physically set aside a certain portion of any year's revenues so that the funds are available as required. The focus of the reserve analysis is on discretionary reserves, as this is an area where the Town can readily modify its existing policies to help ensure financial sustainability.

Tax Discretionary Reserve Ratio

- The tax discretionary reserve ratio is the total of tax discretionary reserves as a percentage of own source revenues. In 2012, tax discretionary reserves totaled \$26.1 million. In 2013, the tax discretionary reserves decreased by approximately \$9 million to \$17 million and, based on the 2014 budget, the tax discretionary reserves are projected to decrease a further \$2 million to \$15 million. In the past three years, tax discretionary reserves decreased by \$11 million.

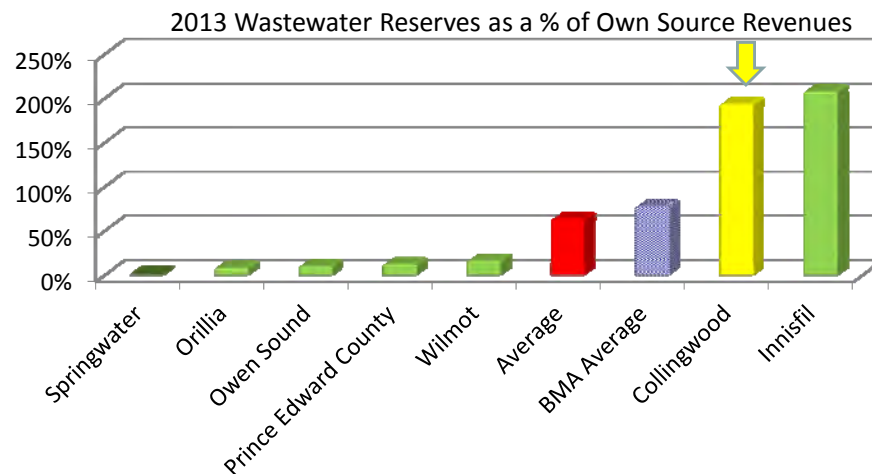
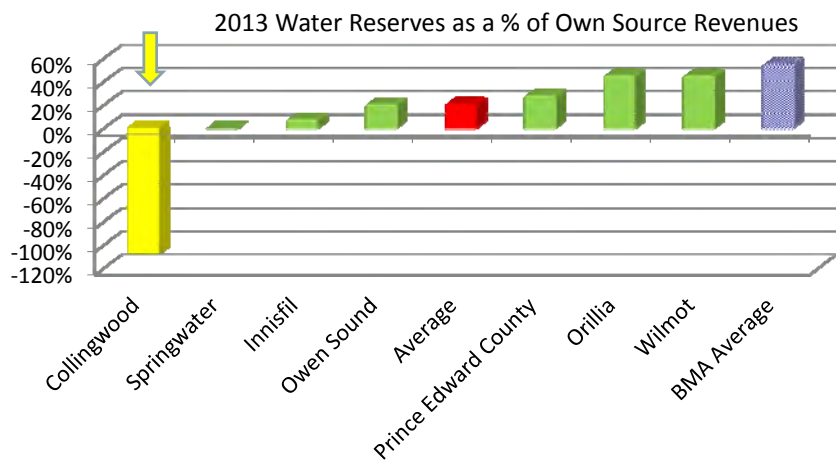


- As shown above, the Town’s reserves in relation to own source revenues (40%) is below the survey (49%) and BMA average (50%).
- The need for reserves will vary based on services provided by the Town and the age, composition and amount of assets and infrastructure that each Town supports as well as the type of liabilities.

Reserves and reserve funds serve as a mechanism to plan financially for both today and in the future. Currently, reserves are primarily funded from operating surpluses generated mainly from supplementary taxes, which is not a best practice and not sustainable, especially if construction activity declines.

It is recommended that each of the Town’s reserves and reserve funds be reviewed at least on an annual basis to ensure future liabilities can be met, that capital assets are properly maintained and replaced on a timely basis and that the Town maintain sufficient flexibility to respond to economic cycles.

Water & Wastewater Discretionary Reserve Ratio



Collingwood’s water reserves as a percentage of own source revenues is the lowest in the peer municipalities. Conversely, the Town’s wastewater reserves are amongst the highest in the survey.

Stabilization Reserves

- The Town maintains stabilization reserves to offset extraordinary and unforeseen expenditure requirements, revenue shortfalls and to manage cash flows. At the end of 2013, working fund reserves totaled \$1.9 million.
- GFOA recommends that municipalities maintain Stabilization Reserves/Reserve Funds for the general tax base within a target range of **5%-15%** of own source revenues to provide sufficient liquidity and protection against unforeseen events. The Town of Collingwood with an uncommitted Stabilization Reserve balance of 4.4% which is below the lower end of the recommended range.
- Stabilization reserves should be reviewed for adequacy on an annual basis.

Source: Town Reserve Report and FIR



Asset Consumption Ratio

The asset consumption ratio shows the written down value of the tangible capital assets relative to their historical costs. This ratio seeks to highlight the aged condition of the assets and the potential asset replacement needs, however, it should be noted that there is no standardized approach for amortizing assets and therefore, the approach varies amongst the municipalities.

- 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 Town has prepared an asset management plan

Municipality	Tax	Water	WW
Innisfil	29.3%	19.0%	27.9%
Orillia	35.7%	37.1%	40.4%
Owen Sound	37.6%	54.6%	53.9%
Prince Edward County	40.8%	31.8%	17.6%
Springwater	29.5%	22.4%	26.0%
Wilmot	39.0%	28.3%	28.8%
Average	35.3%	32.2%	32.4%
Collingwood	35.3%	48.2%	36.2%

- Collingwood’s tax asset consumption ratio is 35% , the same as the peer average.
- Collingwood’s water asset consumption ratio is 48%, the second highest in the average, indicating the potential for significant capital needs. This is significant since there are no water reserves and in fact, there is a liability to the wastewater reserve of \$6 million. The wastewater asset consumption ratio is 36%, close to the average

Operating Surplus

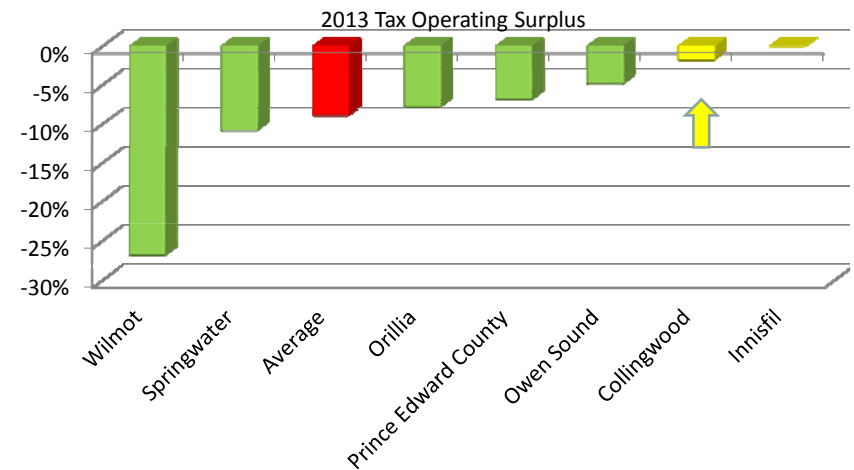
The operating surplus ratio is the operating surplus (deficit) expressed as a percentage of Own Source Revenues. A negative ratio indicates the percentage increase that would be required to achieve a break-even operating result. A positive ratio indicates the percentage of Own Source Revenue to help fund capital expenditures. Municipalities consistently achieving operating surpluses, with regard to asset management and meeting service level needs, are a good indication of financial sustainability.

An operating surplus (deficit) arises when operating revenue exceeds (is less than) operating expenses including amortization. When an operating surplus is achieved, the amount is available for capital expenditure over and above amortization expenses. Long term financial sustainability is dependent upon ensuring that, on average, over time, expenses are less than revenues. In essence, this requires current taxpayers to fully meet the cost of services. Municipalities operating with a deficit over several years should ensure that the long range financial plan provides clear direction to turn this around.

The presence of an accounting surplus does not necessarily represent financial sustainability. While a surplus is clearly better than a deficit, the accounting surplus may not be large enough for future asset replacement. Amortization expense is based on historic cost and will not reflect increased cost of replacement in the future. Taking into account future replacement costs in determining the appropriate level of surplus is a critical step towards financial sustainability. Some level of surplus is both appropriate and required.

Identifying the appropriate level of surplus must be done as a long term forward looking planning process that takes into account future capital investment needs.

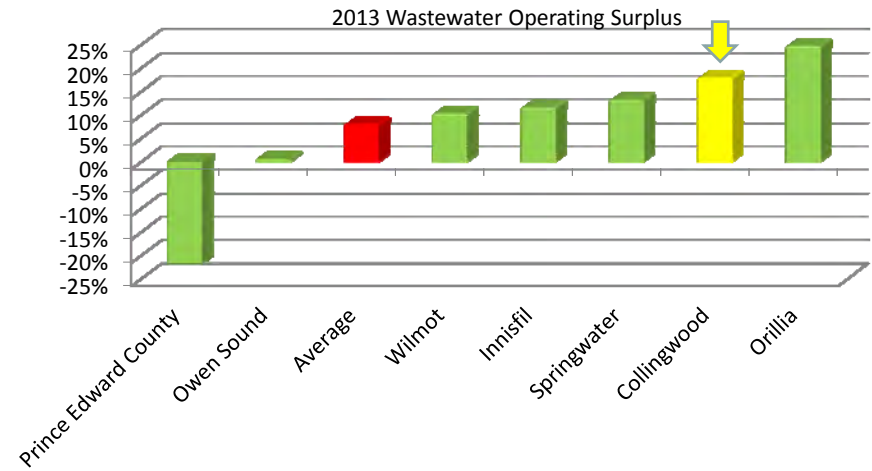
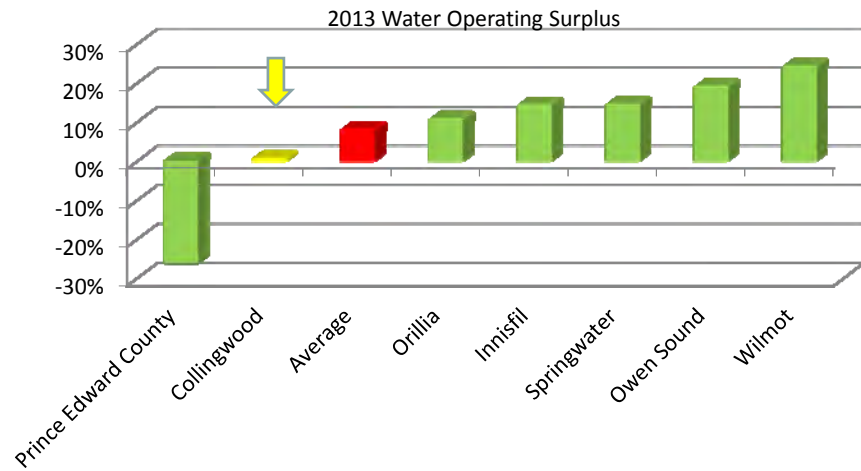
- In 2013, Collingwood had a tax **operating deficit ratio** of 2.0%. The 2012 the operating deficit ratio was 0.7%.



- While there is no specific target, municipalities should, at a minimum, operate at a break even position which would mean that revenues are sufficient to recover the cost of operations, including annual amortization on a historical cost basis.

The asset management plan and strategic financial plan should be used to determine the appropriate surplus that is required by the Town.

Source: BMA Municipal Study, FIRs



As shown in the above two graphs, Collingwood also has an operating surplus in water (marginal 1%) and wastewater operations of 18% which exceeds the survey average in wastewater.

Debt Indicators

Using debt strategically can provide capital funding flexibility by allowing certain infrastructure to be built and used before sufficient revenue has accumulated to offset the needed investment. Debt is frequently issued and considered a standard practice in municipalities for capital projects that are long term in nature and that benefit future taxpayers, thereby spreading the costs across future years.

High debt levels, however, reduce flexibility, can increase the cost of borrowing and could impair financial sustainability if debt repayments cause or contribute to future revenue inadequacy. A comprehensive and routine analysis of debt capacity provides assurance that the amount of debt required by a municipality is affordable and cost effective.

A debt management policy improves the quality of decisions, identifies policy goals and demonstrates a commitment to long-term financial planning, including a multi-year plan. Adherence to a debt management plan signals to rating agencies and capital markets that the municipality is well managed and is well positioned to meet its obligations in a timely manner.

Prior to the implementation of any new capital financing, consideration should be given to its impact on future taxpayers. The Province regulates the amount of debt municipalities issue by setting an annual repayment limit for each municipality at 25% (principal and interest) of a municipality's own source revenues.

The Government Finance Officers' Association (GFOA) recommends that municipalities adopt policies to identify the maximum amount of debt that should be outstanding at any time. The Town has a debt management policy, however, it does not address the maximum amount of debt. It is recommended that a limit for overall debt be established using the various debt related financial indicators.

In reviewing various Ontario municipalities debt policies, they are significantly more stringent than the Province's regulation for debt. In addition to a debt guideline, monitoring also becomes important, when considering the idea of the increased use of debt as a funding source to ensure that it is being used in a fiscally responsible manner. GFOA also recommends that municipalities adopt policies that specify appropriate uses for debt.

Debt ratios are the key analytical measures used by credit rating agencies to evaluate the credit worthiness of a municipality. Three key debt ratios for evaluating debt include:

1. Debt interest as a percentage of own source revenues
2. Debt principal and interest as a percentage of own source revenues
3. Debt per capita
4. Debt outstanding per \$100,000 of assessment

The use of these indicators allows the Town to continually monitor its debt position and provide a mechanism for calculating theoretical debt capacity and assist in the capital budget decision-making process.

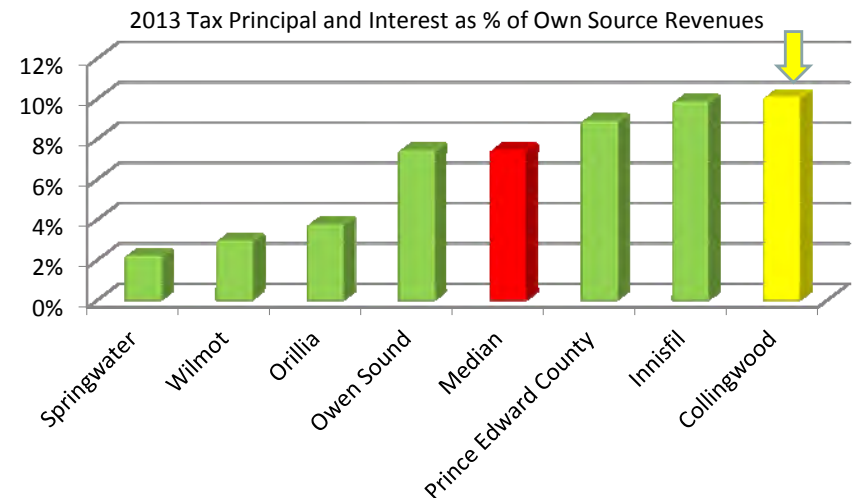
Total Debt Outstanding



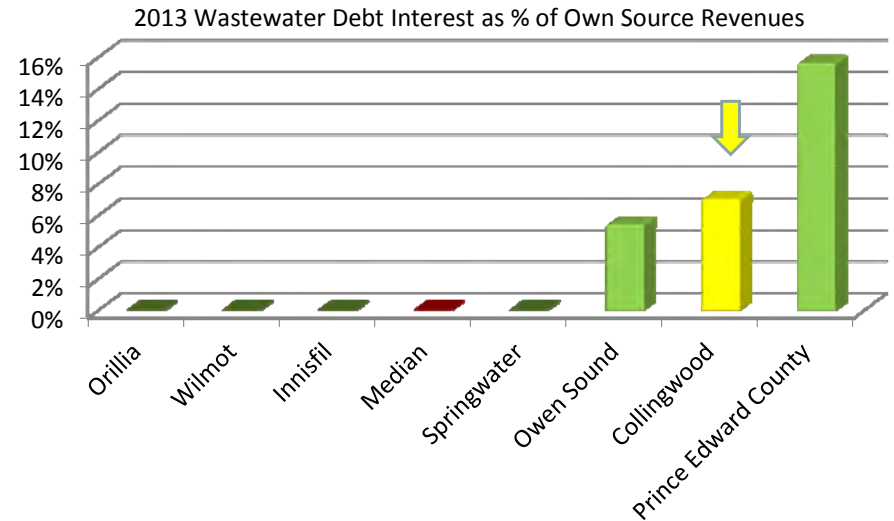
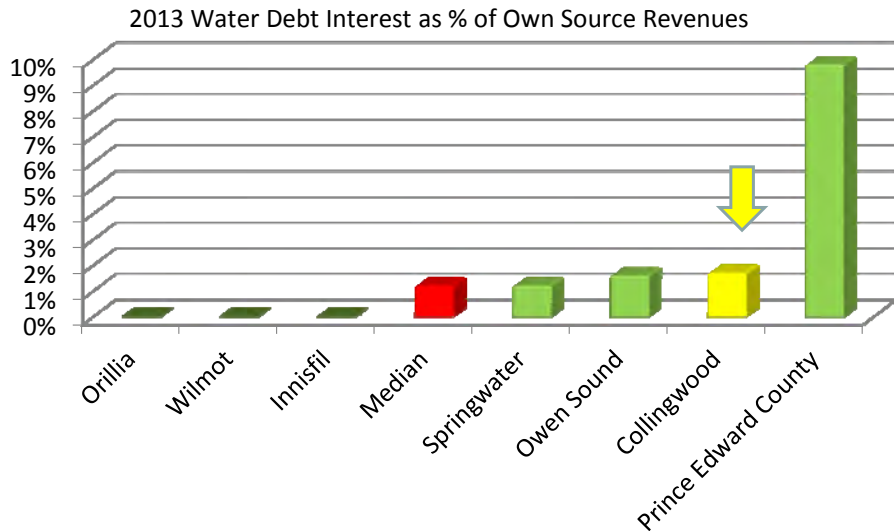
Collingwood's debt outstanding from 2008-2013 is shown above. The total debt outstanding and items committed to debt at the end of 2013 is approximately \$41.7 million.

Debt Principal and Interest as a Percentage of Own Source Revenues

Although the Province regulates debt principal and interest at 25% of own source revenues, credit rating agencies recommend that debt charges not exceed 7%. The Town's debt charges as a percentage of own source revenues is 10.0% amongst the highest in the BMA survey.



This indicator shows the extent to which a municipality must use revenue to pay principal and interest costs rather than pay for programs and services. Financial flexibility is the ability to respond to changing circumstances which may relate to economic, social or environmental conditions. The higher the percentage required by debt service, the less financial flexibility available for responding to economic slowdowns, unexpected expenditures or changes in services.

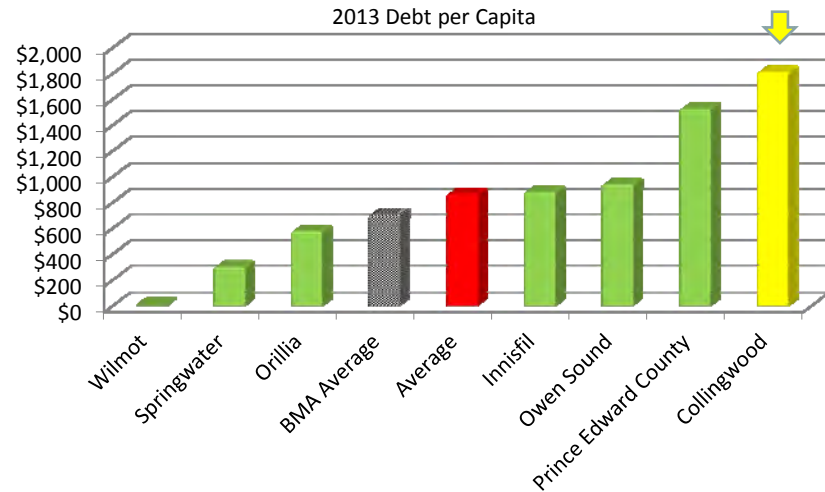


- Water/Wastewater debt interest as a percentage of water and wastewater revenues ranged from a low of 0% to a high of 15.6%.
- As shown in the graphs, Collingwood's water debt interest of 1.7% is below the peer average.
- Collingwood's wastewater debt interest at 7.0% is above the survey and peer average.

Source: BMA Municipal Study, FIRs

Debt per Capita

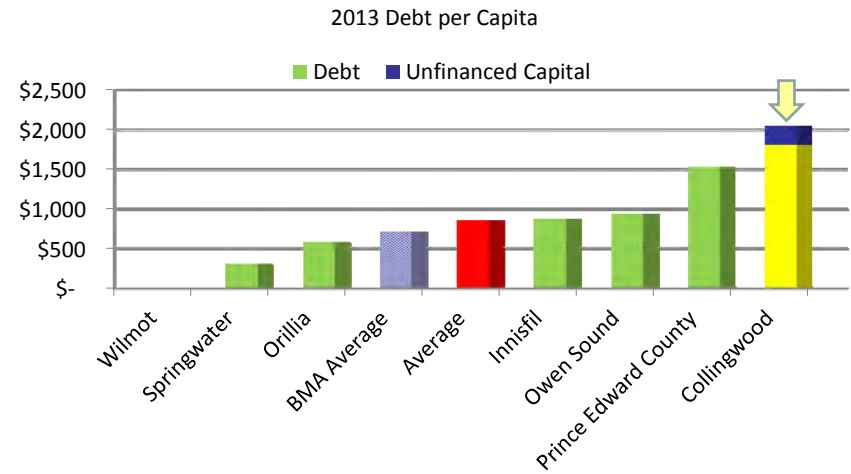
Debt per capita is another financial indicator that should be monitored according to GFOA. The debt outstanding per capita relates increases in debt to changes in population. As the population increases, capital needs and, therefore, long-term debt would be expected to increase. However, if debt is increasing at a greater rate than its population, debt levels may be reaching or exceeding the Town’s ability to pay.



Debt per capita in 2013, including unfinanced capital is \$2,042.

Debt Outstanding per \$100,000 of CVA

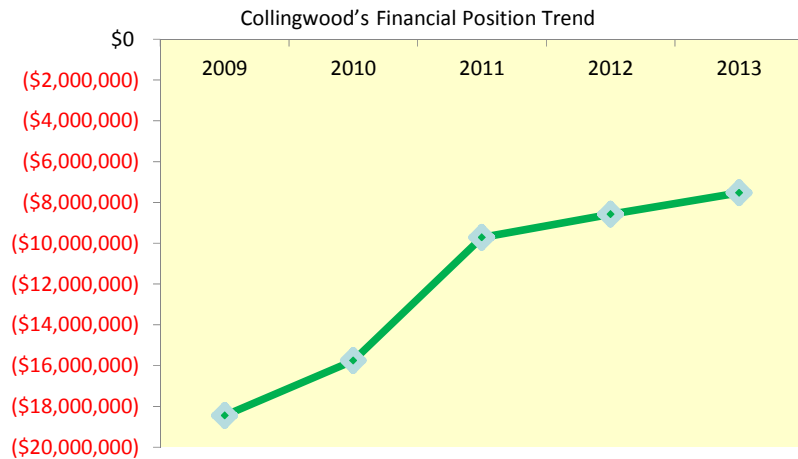
Debt outstanding per \$100,000 of assessment should be monitored to ensure that the debt load is not exceeding the municipality’s ability to pay for debt servicing costs. Debt outstanding including unfinanced capital per \$100,000 of assessment is \$1,217.



Source: BMA Municipal Study, FIRs

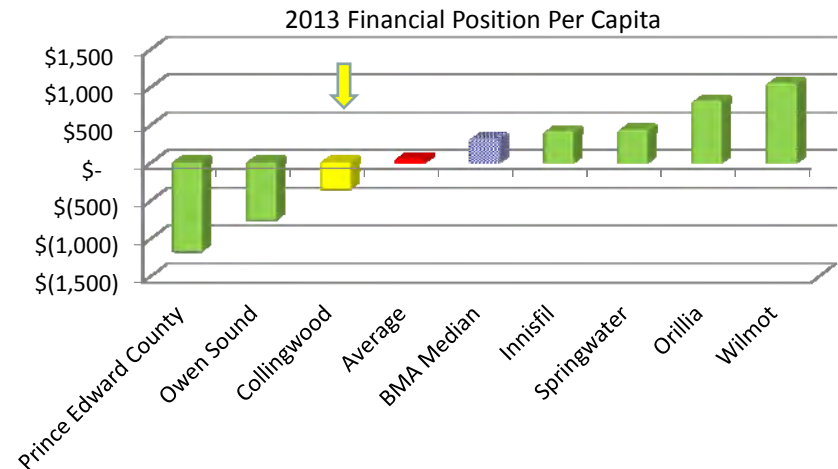
Financial Position

A Town’s financial position is defined as the total fund balances including equity in business government business enterprises less the amount to be recovered in future years associated with long term liabilities including water and wastewater operations. Net financial position is a broader and more appropriate measure of indebtedness than debenture debt as it includes all of a municipality’s financial assets and obligations. At the end of 2013 Collingwood had a net financial liability of \$7.5 million, a steady improvement since the year 2009.



Collingwood issued additional debt in 2013 and anticipates a further debt issuance in 2014. As such, it is anticipated that the financial position will decrease in 2014.

A comparison was made of financial position per capita with the peer municipalities. As illustrated below, Collingwood’s financial position on a per capita basis is below the survey average. In a broader survey of 95 Ontario municipalities representing over 85% of the Ontario population, Collingwood’s net financial position per capita is in the bottom quartile. The trend of this financial indicator needs to be monitored, on an ongoing basis.

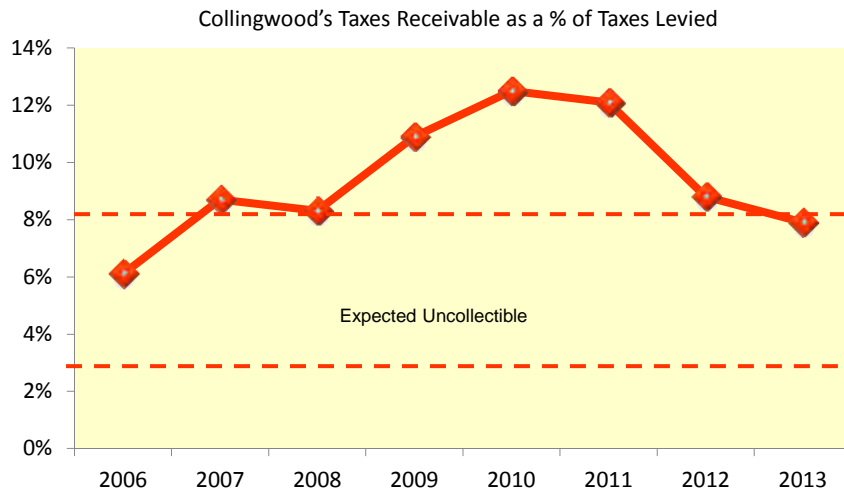
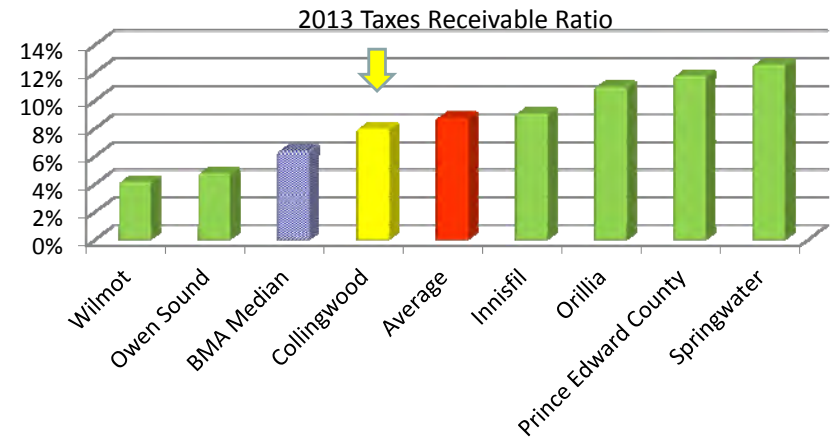


Taxes Receivable

Every year, a percentage of property owners are unable to pay property taxes. If this percentage increases over time, it may indicate an overall decline in the Town's economic health. If uncollected property taxes rise to more than 8%, credit rating firms consider this a negative factor because it may signal potential instability in the property tax base.

- Collingwood's ratio has fluctuated considerably over the past eight years, but has shown a recent downward trend. The current 7.9% ratio is at the high end of what is considered an acceptable range.

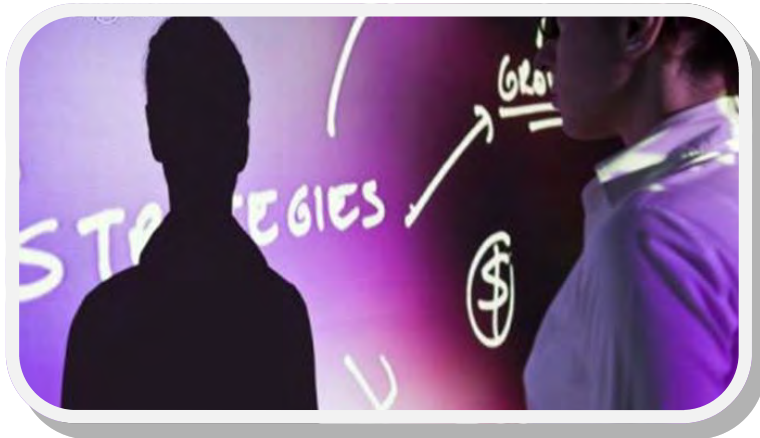
- Collingwood's ratio of taxes receivable to taxes outstanding in 2013 was 7.9% compared with the peer survey average of 8.7% and the BMA median of 6.3%.



Source: FIRs

Municipal Levy Per Capita and Per \$100,000 of Assessment Comparison

It is important to understand the cost of municipal services as well as affordability metrics to ensure that there is an alignment between the cost of municipal programs and services and the ability and willingness of taxpayers to support the existing service levels.

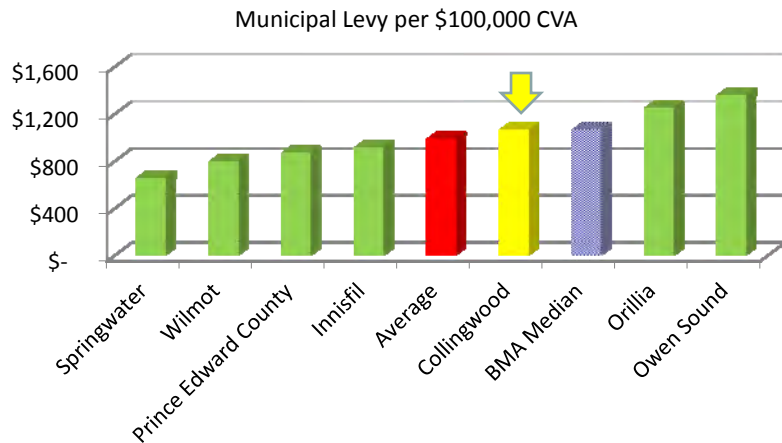


In order to better understand the relative municipal tax position for the Town and to take into consideration the impact of growth, a comparison of net municipal levies on a per \$100,000 of assessment and a per capita was used. This analysis does not indicate value for money or the effectiveness in meeting community objectives as net municipal expenditures may vary as a result of:

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

Levy per \$100,000 of Weighted CVA

- A comparison of the 2014 levy per \$100,000 of weighted assessment provides an indication of the levy in relation to the assessment base upon which taxes are raised. As shown below, the Town of Collingwood has above average levies per \$100,000 of assessment of peer municipalities and approximately at the median of municipalities surveyed in the BMA Study.

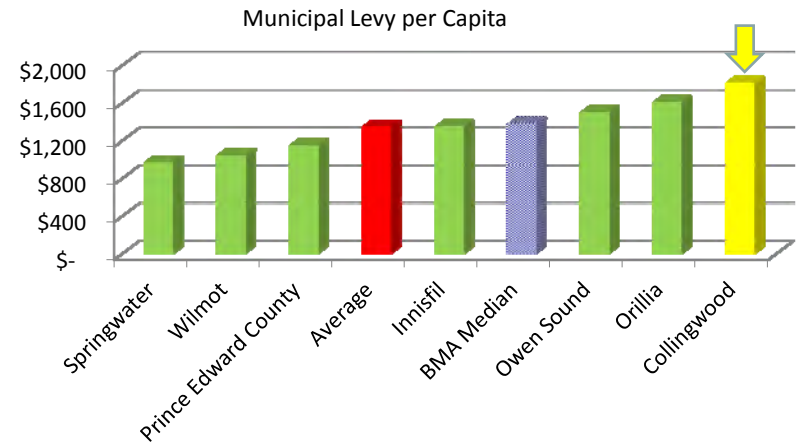


Source: BMA Municipal Study using Levy By-laws

- Similar to other municipalities, the Town of Collingwood faces multiple pressures annually related to costs that are not readily controllable by the Town and that are increasing at a rate faster than inflation. As expenditure demands increase, the Town's options to meet those demands are restricted to efficiencies, user fees, and lastly taxation. This is exacerbated by declining operating grants from the Province.

Levy per Capita

- An analysis was undertaken on the total municipal 2014 levy (upper and lower tier) per capita across the peer municipal group. As shown in the following graph, the **Town of Collingwood's levy per capita is the highest in the peer group**, and 6th highest in the BMA Study.



Municipal levy increases are also influenced by the internal policies and programs of the municipality and the overall health of the municipality. For example, some municipalities have developed financial plans to support ongoing contributions to reserves which will impact the levy in the short term and will help in the long term.

The Town of Collingwood is currently undertaking an operational review of corporate expenditures to help ensure that taxpayers are receiving value for money.

Financial Position Evaluation Summary

The Town of Collingwood, like many other Ontario municipalities, is facing a number of challenges which could threaten the future financial sustainability.

At the end of December 2013, the Town of Collingwood had an overall negative financial position (financial assets less financial liabilities) of \$7.5 million (approximately \$369 per capita). In addition, the Town continues to face significant capital budget pressures which will further impact the Town's financial position. On a per capita basis, the existing debt obligation amounts to approximately \$1,807.











Without action to address the Town's financial position, the Town will become increasingly challenged to provide the services and infrastructure that citizens expect and value.

The Town recognizes that the status quo is not a viable option and, as a result, is proactively planning for its future and is in the process or has completed a number of planning documents including but not limited to:

- Development Charge Background Study
- Water Sustainability Plan
- 10 Year Capital Forecast
- Asset Management Plan
- Water and Wastewater Rate Strategy

To improve the understanding of the Town's financial situation and favourably influence its financial future, the Town will now be taking the results of these studies and other challenges and opportunities and prepare a Long-Term Strategic Financial Plan. The outcome of the Long-Term Strategic Financial Plan will be the establishment of specific policies, plans and programs necessary to ensure financial sustainability.

Summary—Financial Indicators

Indicator	Trend, Observation	Rating
<i>Tax Reserves as a % of Own Source Revenues</i>	Reserves are below the survey average and are trending down.	
<i>Water Reserves as a % of Own Source Revenue</i>	There are no reserves to support water operations which, for a capital intensive operation poses a high risk. In fact, the waterworks operation has an overall negative liability of \$6 million.	
<i>Wastewater Reserves as a % of Own Source Revenue</i>	The wastewater reserves are amongst the highest in the peer comparator group however this may not meet future capital requirements based on the 10 year forecast.	
<i>Stabilization Reserves</i>	Stabilization reserves as a percentage of own source revenues (4.4%) is below the target range of 5%-15%.	
<i>Debt Outstanding</i>	Debt outstanding increased slightly in 2013 which includes the \$4.8 million in unfinanced debt. Debt per \$100,000 of CVA exceeds the survey average as does the debt per capita.	
<i>Debt per Capita</i>	Debt per capita is the largest in the peer group and greater than the BMA median	
<i>Debt Interest as a % of Own Source Revenues</i>	The Town's tax, water and wastewater debt as a percentage of own source revenues is above the peer average and median.	
<i>Financial Position</i>	The Town's financial position has been gradually improving but continues to be lower than the peer municipal average and BMA survey average of 95 municipalities.	
<i>Taxes Receivable</i>	Taxes receivable are within the range considered to be acceptable and has been trending downward since 2011. The Town's taxes receivable are lower than the peer municipal average.	
<i>Municipal Levy Per \$100,000 of CVA</i>	The municipal levy per \$100,000 of assessment is higher than the survey average. An operational review is currently being undertaken which may potentially identify efficiencies.	
<i>Municipal Levy per Capita</i>	The municipal levy per capita is higher than the survey average.	