



TOWNSHIP OF  
**NORTH  
STORMONT**   
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# Township of North Stormont Financial Condition Assessment

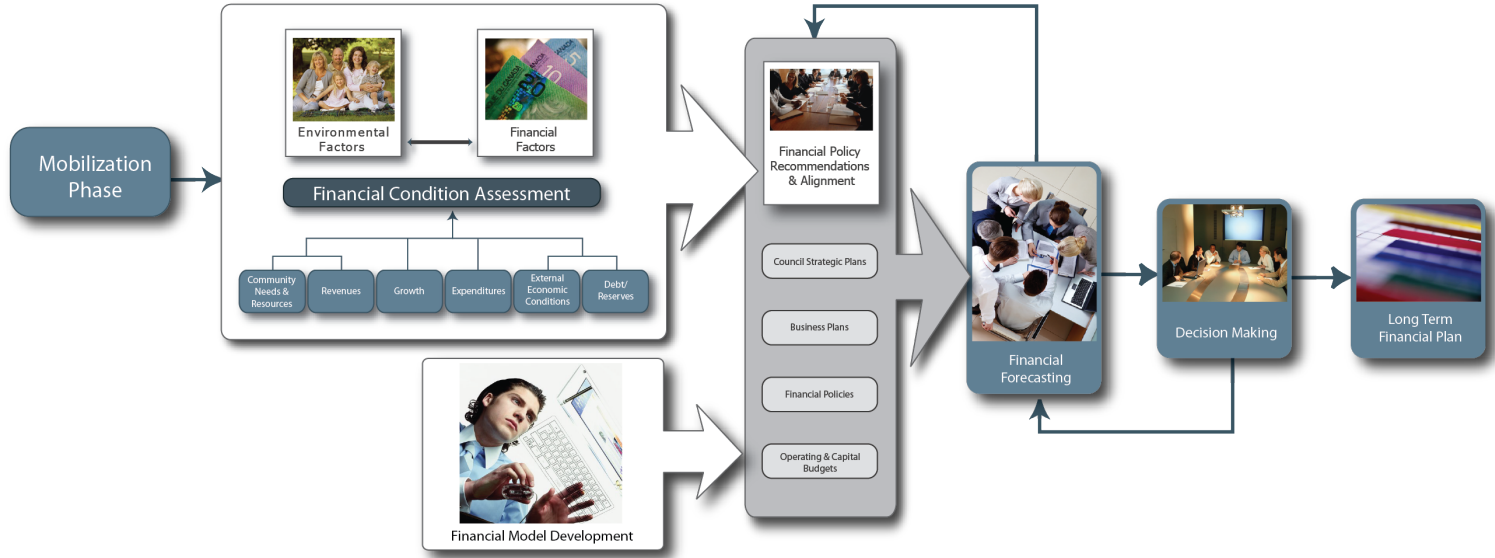


June 2018

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**Introduction—Long Range Financial Plan Process**



BMA Management Consulting Inc. (BMA) was retained by the Township of North Stormont to undertake a long range financial plan. There are a number of steps that must be undertaken to support the development of a financially sustainable plan. The above noted diagram provides highlights from the process that was undertaken.

After the mobilization phase which includes gathering all relevant information, BMA has prepared a Financial Condition Assessment which helps understand the current financial and socio-economic environment in which North Stormont operates.

The Financial Condition Assessment provides the foundation for the long-range financial plan. BMA will begin by analyzing a number of key financial and economic indicators and trends over the past 5 years, to understand the “Financial Condition” of a municipality. In order to maintain a strong financial position, municipalities must be able to continue paying for services they currently provide. By undertaking a financial condition assessment, which is the purpose of this report, we will be able to identify trends and areas where policy or strategic decisions will be required.

**Introduction—Financial Condition Assessment**

The purpose of this report is to provide an analysis of the demographic, economic and financial indicators of the Township and how they impact long term financial sustainability. The objective of providing an evaluation of a municipality’s financial condition is to recognize the factors that should be considered as part of a truly comprehensive evaluation of financial condition and provide a framework to improve the municipality’s financial sustainability.

As described by the Canadian Institute of Chartered Accountants (CICA), the intent of providing an evaluation of a municipality’s financial condition is to evaluate a municipality’s financial outlook and performance. Regular analysis can highlight potential fiscal problems and provide information necessary for timely corrective action. North Stormont is taking a proactive approach and has conducted a financial condition assessment over the past 3 years.

Financial condition is affected by a combination of environmental and fiscal factors, therefore, Key financial and socio-economic indicators have been included to help evaluate the Township’s existing financial condition 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.

*Excerpts from the Canadian Institute of Chartered Accountants (CICA) Regarding a Financial Condition Assessment*



**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 Township’s key financial performance and socio-economic indicators offer several advantages including:

- It provides information on changes in the Township’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
- It provides a good indication of where the Township is heading



**Peer Analysis**

Peer analysis has also been included to gain perspective on the Township’s financial health in relation to other municipalities. Figure 1 summarizes the peer municipalities selected. Municipalities were selected of similar size and assessment composition and also, in some cases, municipalities that are in Eastern Ontario. All County of Stormont, Dundas and Glengarry municipalities were included. Note: The **Group Average** reflects the peer municipalities surveyed and included in the table below and the **Survey Average** reflects a survey average of 105 Ontario Municipalities that participated in BMA’s Annual Municipal Study.

**Figure 1—Peer Municipal Comparator Group**

Municipality	2016 Population	Land Area (sq. km.)	Land Density
North Middlesex	6,352	598	11
Grey Highlands	9,804	883	11
North Glengarry	10,109	643	16
South Dundas	10,833	521	21
South Glengarry	13,150	605	22
North Dundas	11,278	503	22
Prince Edward County	24,735	1,050	24
Minto	8,671	301	29
South Stormont	13,110	448	29
Cornwall	46,589	62	757
Brockville	21,346	21	1,024
<b>Group Average</b>	15,998	512	179
<b>Survey Average</b>		485	286
<b>North Stormont</b>	6,873	516	13

*Financial Condition Assessment—Questions to Consider*

Finally, at the conclusion of the Financial Condition Assessment, the following questions will be addressed to help set the stage for the development of a long-range financial forecast.

- 1. Can the Township continue to pay for the services currently provided?*
- 2. Is there sufficient financial flexibility to address unexpected events, uncertainty and future liabilities?*
- 3. Is the Township's infrastructure network sustainable and adequately funded?*



*Financial Condition Assessment—Key Indicators*

The Financial Health Assessment includes the following:

***Growth and Socio-Economic Indicators***

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

- Population
- Building Construction Activity
- Property Assessment
- Household Income

***Municipal Levy, Property Taxes & Affordability Indicators***

This includes an evaluation of the cost of municipal programs and services and how these costs translate into municipal property taxes from a taxpayer affordability perspective to gain perspective on whether there are any affordability concerns.

- Municipal Levy
- Municipal Property Taxes as a % of Income

***Financial Position Indicators***

This includes an evaluation of the Township’s financial framework upon which the Township operates. These indicators help determine if modifications are needed to the Township’s existing financial policies and strategies as part of the development of the long-range financial plan.

- Reserves & Reserve Funds
- Debt
- Municipal Financial Position
- Taxes Receivable



# Section 1: Growth and Socio-Economic Indicators



## Growth and Socio-Economic Indicators

Growth and socio-economic indicators 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. Strong population growth drives the economic health of a municipality and creates an environment that supports business. It also provides an evolving and vibrant labour force that the business community relies on to produce goods and services.

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

- An inclining 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; and
- 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 Township's plans and potential for future development.

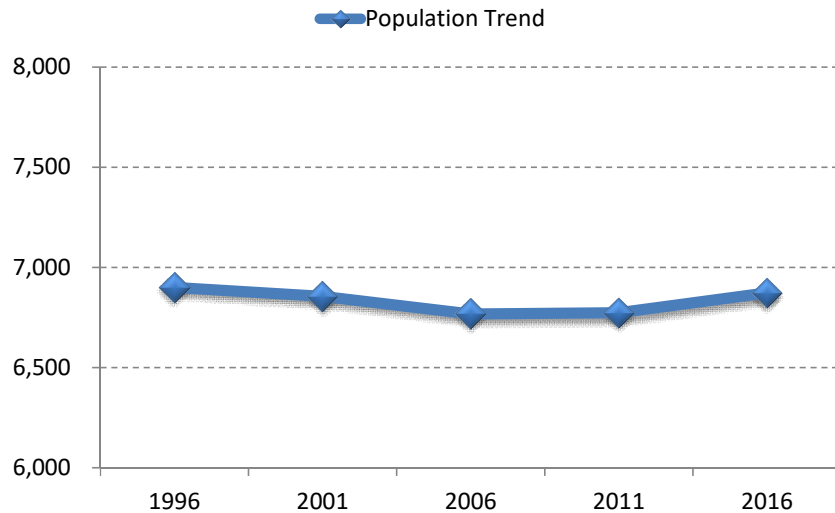
This section of the financial condition assessment explores the trends associated with growth and socio-economic indicators for the Township of North Stormont.



Population Changes

Changes in population directly impact both revenues (assessment base) and expenditures (service demand).

Figure 2—Township of North Stormont—Population Changes



Source: Statistics Canada

The following summarizes key findings related to the Township’s population growth:

- From 1996 to 2006 the population in North Stormont decreased from a population of 6,900 to 6,769 (1.8% decrease)
- From 2006 to 2016, this trend has reversed with a population increase of 1.5% reflecting a positive trend over the last 10 years.

Peer Municipal Comparisons—Population Growth

- As shown in Figure 3, over the past 5 years, North Stormont’s population growth was above the average for the peer group but considerably lower than the Ontario average.
- North Stormont is the County’s smallest municipality. Within the County of Stormont, Dundas and Glengarry, the population percentage increase in North Stormont was second highest (South Stormont being the highest).

Figure 3—Population Changes—Peer Municipalities (2011—2016)

Municipality	Population % Change 2011-2016
North Middlesex	-4.6%
Brockville	-2.4%
Prince Edward County	-2.1%
North Glengarry	-1.4%
South Glengarry	-0.1%
South Dundas	0.4%
North Dundas	0.5%
Cornwall	0.5%
Grey Highlands	3.0%
South Stormont	3.9%
Minto	4.0%
Group Average	0.2%
Provincial Average	4.0%
North Stormont	1.4%

- Based on a forecast prepared for the County of SDG in 2013 by Hemson Consulting, a 20 year period, the Township’s projected population growth is 2.8% which is equal to 0.14% annually. The County as a whole is forecast to grow by 3.1%. With relatively low growth anticipated, there is limited expected growth in assessment to offset expenditures.

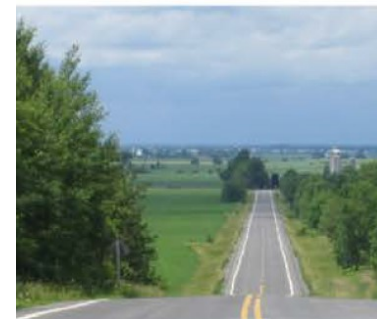
**Excerpts—Town of North Stormont’s Economic Development Strategy (2016) Prepared by MDB Insight**

The following summarizes North Stormont’s competitive advantages:

- *Proximity to Ottawa and Highway 417 strongly increases accessibility for investors. The township is also not far from Montreal’s west island*
- *Pastoral and rural quality of life. Quality of life attributes are often what are sought by people looking to escape the city for a calmer pace of life*
- *Strong spirit of local volunteerism which helps to keep local assets in good shape and allows opportunities for newcomers to get involved in the community*
- *New housing developments in Moose Creek and Chrysler are increasing marketability of the area to potential people in Ottawa and Montreal*
- *High proportion of residents with college or university educations which indicates a strong local skilled labour force which may be supportive of investment attraction and entrepreneurship*
- *Large bilingual population which can be welcoming to new residents or businesses targeted in nearby Quebec or eastern Ottawa*

**Excerpts—Town of North Stormont’s Economic Development Strategy Cont’d**

- *Low density of population*
- *Lack of industrial land. The Township has very little developable land, which limits ability to compete for large investment attraction projects*
- *Lack of local hospital diminishes the marketability and does not allow for spin-off services or businesses that can cluster around such an asset*
- *No corporate strategy in place, which results in ambiguity of a message to share with investors and visitors, and makes it difficult to assign responsibility and accountability for actions*
- *Lack of succession planning was a key theme in consultations, with many local business owners nearing retirement age; the threat of small business closures could diminish marketability of quality of life*
- *Declines in small local retail options which relates to the succession planning component, but signals a deeper challenge in regard to business retention and expansion tools within the township to understand local business needs and challenges*



**Population Density**

Population density indicates the number of residents living in an area (usually measured by square kilometre). Density readings can lend insight into the age of a Township, growth patterns and, zoning practices. As illustrated in Figure 4, North Stormont has the lowest population density per km in the County of SDG.

**Figure 4—Population Density—Peer Municipalities**

Municipality	2016 Population	Land Area (sq. km.)	Population Density per km
North Middlesex	6,352	598	11
Grey Highlands	9,804	883	11
North Glengarry	10,109	643	16
South Dundas	10,833	521	21
South Glengarry	13,150	605	22
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<b>North Stormont</b>	<b>6,873</b>	<b>516</b>	<b>13</b>

Source: Stats Canada

- A challenge facing North Stormont is a large geographic area with low population density. This requires more linear infrastructure funded by fewer people. The Township has a land area of 516 square kilometres, with a population of 6,873, reflecting a population density of 13 persons per square km.
- In relation to the survey of 105 Ontario municipalities (Survey Average), the density in North Stormont is well below average and is amongst the lowest in the survey.
- As stated by the Eastern Ontario Warden’s Council, in a report entitled Facing Our Fiscal Challenges, a highly dispersed population poses major challenges to local governments’ ability to generate sufficient revenues to sustain services and often to deliver those services in a cost-effective manner.
- For example, a review of the roads kilometres in each of the County of SDG municipalities reflects a higher number of road lane kilometres in North Stormont than any other municipality in the County which impacts the cost of service for road and winter maintenance. However, North Stormont also has the highest proportion of unpaved roads (68%), reflecting the rural nature of the community and a lower cost to maintain than paved roads.
- By far the largest expense in the Township’s operating budget is related to roads maintenance and, as will be discussed in the long range financial plan, there is a need to increase funding to support timely infrastructure replacement and maintain the roads in a good condition.

Age Demographics and Quality of Life

The age profile of a population and change in demographics can affect Township expenditures. The following summarizes the results:

- Compared to Ontario as a whole, the Township has a lower percentage of residents that are in the 20—44 age range but the proportion of residents in this age group has increased slightly.
- The Township has a slightly higher percentage of residents that are 19 years of age or under but this proportion of the population has decreased over the past 5 years, consistent with the Ontario trend.
- In relation to the County of SDG, North Stormont has a higher proportion of its population in the ranges of 0-19, 22-44 and 45-64 and a considerably lower proportion of the population 65 years of age or older. In fact, North Stormont’s seniors population is also lower than the Provincial average.
- The senior population is trending up and with projected low population growth, this trend will continue.
- Municipal expenditures may be affected by seniors requiring higher public services such as transportation, recreation and physical infrastructure.



Figure 5—Age Profile

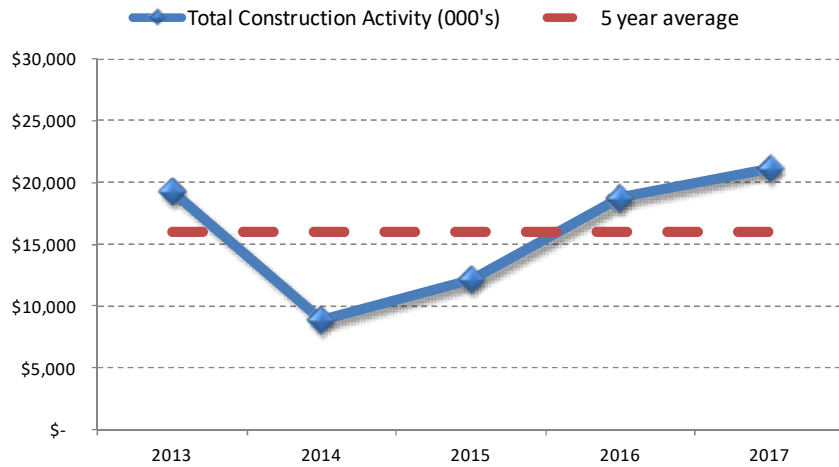
Age Profile	North Stormont			County SDG			Ontario		
	2011	2016	% Change	2011	2016	% Change	2011	2016	% Change
Age 0-19	25.7%	24.1%	↓ -1.5%	22.5%	21.1%	↓ -1.4%	23.7%	22.5%	↓ -1.2%
Age 20-44	30.1%	30.2%	↔ 0.1%	26.6%	26.4%	↔ -0.2%	33.0%	32.3%	↓ -0.6%
Age 45-64	31.5%	31.3%	↔ -0.1%	32.2%	30.7%	↓ -1.5%	28.7%	28.5%	↔ -0.3%
Age 65+	12.8%	14.3%	↗ 1.6%	18.7%	21.8%	↗ 3.0%	14.6%	16.7%	↗ 2.1%
Total	100.0%	100.0%		100.0%	100.0%		100.0%	100.0%	

### Construction Activity

Another growth related indicator is the construction activity within a municipality which provides information on both residential and non-residential development. Building permits and capital investment are strong indicators of how buoyant business feels about the local economy. Changes in building activity impact other factors such as the employment base, income and property values.

- It is important to look at building cycles over a relatively long period of time to identify trends in construction activity.
- Figure 7 provides the trends experienced in the Township of North Stormont for the past 5 years.

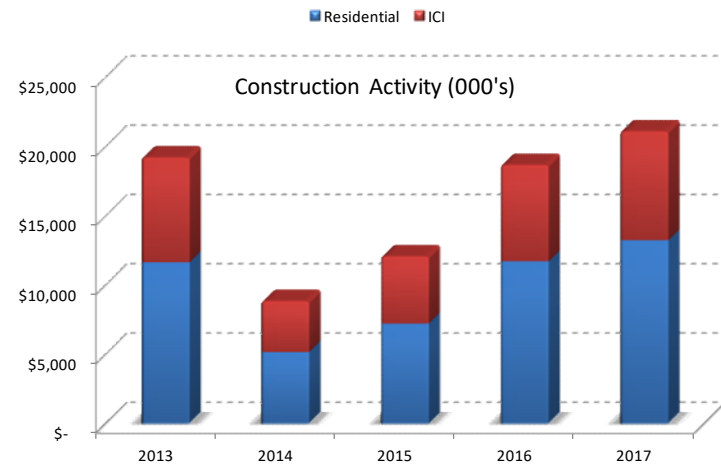
Figure 7—Total Construction Activity—North Stormont (000's)



- Building construction activity is cyclical. Construction activity trended upward from 2014 to 2017. The average annual construction activity for the 5 years was \$16.04 million.

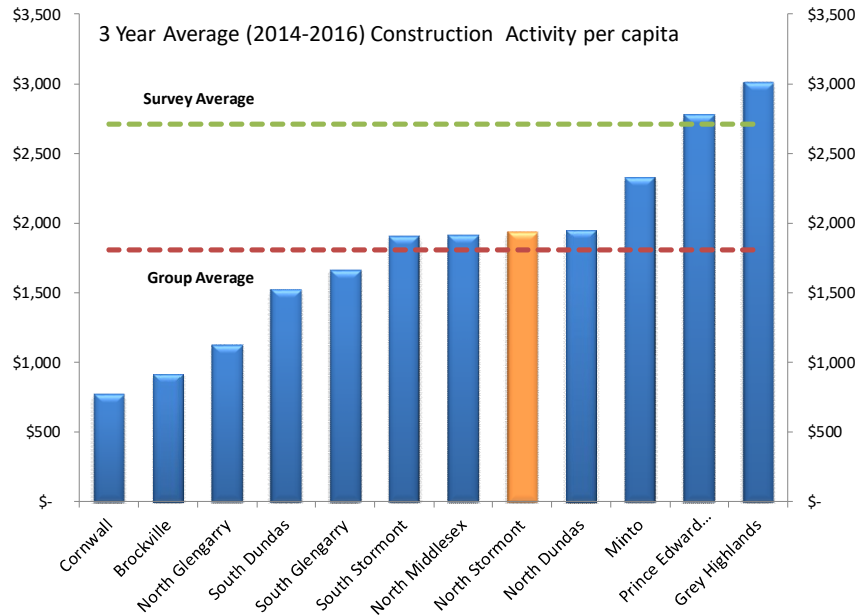
- Generally, a municipality’s net operating costs (expenditure increase net of the associated growth in assessment) to service residential development is higher than the net operating cost of servicing commercial or industrial development because many services such as recreation, libraries and parks are provided for use by residents.
- 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.
- Over the past 5 years, North Stormont has had a good mix of residential/non-residential construction activity (on a \$ of construction) which is a 61/39 split.

Figure 8—Residential and Non-Residential Construction Activity—North Stormont (000's)



Source: FIRs

**Figure 9—Construction Activity Per Capita—Peer Municipal Comparators—3 Year Average (2014—2016)**



Source: Township year end construction reports and FIRs

- Building permit value per capita is used as an indicator of the relative construction activity within each peer municipality.
- As show in figure 9, the average building permit value per capita from 2014-2016 in North Stormont was slightly above the group average and was second highest in the County of SDG. Of 105 Ontario municipalities surveyed, all County of SDG are below the total survey average.

**Assessment Composition**

Property assessment is the basis upon which the Township raises taxes. A strong assessment base is critical to a municipality’s ability to generate revenues. Assessment composition provides an understanding of the mix of assessment.

- As shown in figure 10, the combined assessment in the commercial and industrial class is 7.6% in North Stormont compared with the total BMA Survey municipal average of 18.8% and the County average of 11.2%.
- 2017 was a reassessment year and the relative composition has changed in North Stormont with a higher proportion of assessment in the farmland category.
- As previously mentioned, it is more desirable to have a larger share of non-residential assessment as the municipal cost of service is generally lower than residential.
- North Stormont has the a high percentage of farmland assessment in comparison to BMA Survey average. The challenge in rural municipalities is that the farmland property tax rebate (75% discount) must be funded from all other classes of properties.

**Figure 10—2018 Assessment Composition**

2017 Weighted Assessment	North Stormont	County Average	Total Survey Average
Residential	73.8%	75.6%	74.2%
Multi-Reside	0.6%	1.2%	3.7%
Commercial	6.2%	8.7%	14.6%
Industrial	1.4%	2.5%	4.2%
Pipelines	0.4%	4.4%	1.1%
Farmlands	17.5%	7.6%	2.3%
Landfill	0.1%	0.0%	0.0%
Forests	0.1%	0.0%	0.0%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: BMA Municipal Study using assessment bylaws

**Excerpts—Facing Our Fiscal Challenges – A Report on the Financial Sustainability of Local Government in Eastern Ontario, February 2012 – Eastern Ontario Warden’s Council**

*Extreme reliance on residential tax assessment (due to limited commercial or industrial assessment), which means that individual households are carrying almost all the load in terms of paying for local services, including those services which are provided to provincial facilities, assets and services.*

- Note: in the Township of North Stormont, in 2018, 91.3% of the municipal property taxes raised are in the residential and farmland classification compared with a survey average across Ontario municipalities 105 municipalities of 76.2% and the total County average of 83.2%.





*Changes in Weighted Assessment by Type of Assessment*

- Assessment growth is an important indicator of fiscal strength and how the municipal assessment base is changing over time.
- Assessment increase includes changes in assessment related to growth as well as changes in market value of existing properties (which does not generate additional revenues). In 2018, a new phase-in reassessment was implemented provincially by Municipal Property Assessment Corporation which resulted in considerable shifts across the County and specifically within the Township of North Stormont.
- As shown in figure 11, from 2014-2018, the assessment increase in North Stormont was mainly in Farmlands and Managed Forests, while the proportion of assessment in Multi-Residential decreased as did pipeline and industrial.
- From 2015-2018, the Township’s share of the County levy has increased from 9.1% in 2015 of the total County levy to 9.7% in 2018. As shown in figure 10, North Stormont has a larger proportion of farmland than the rest of the County. Under reassessment, the value of farmland properties have increased at a larger rate relative to other property classes. As will be discussed in the affordability section of the report, this will be a challenge to the Township as this is primarily a result of reassessment as opposed to actual growth in the assessment base and there is a phase-in period until 2020 where the farmland assessment increases will continue. The increase in current value assessment in the farmland classification from 2017-2020 is 46% compared with 10% increase in residential over the same period.

*Figure 11—Changes in Weighted Assessment*

Year	Residential	Multi-Res.	Commercial	Industrial	Pipelines	Farmlands	Landfill	Forests
2014	77.7%	1.1%	6.1%	1.9%	0.6%	12.5%	0.0%	0.1%
2015	76.4%	1.2%	6.3%	2.0%	0.5%	13.6%	0.0%	0.1%
2016	75.9%	1.2%	6.1%	1.9%	0.5%	14.4%	0.0%	0.1%
2017	74.7%	1.1%	6.2%	1.3%	0.5%	16.1%	0.1%	0.1%
2018	73.8%	0.6%	6.2%	1.4%	0.4%	17.5%	0.1%	0.1%
2018	-3.9%	-0.5%	0.1%	-0.5%	-0.1%	4.9%	0.1%	0.0%
% Change	-5.0%	-46.2%	1.1%	-27.7%	-18.4%	39.3%	0.0%	18.8%

**Ontario Federation of Agriculture, Presentation  
Farm Assessment and Taxes**

- Taxable assessment of farmland has increased significantly across Ontario as a result of the reassessment
- How much of an impact will depend on the increase in farmland values relative to other properties
- The more disproportionate the increases in farmland values are in your county, the more tax burden will be shifted to farmland property owners.

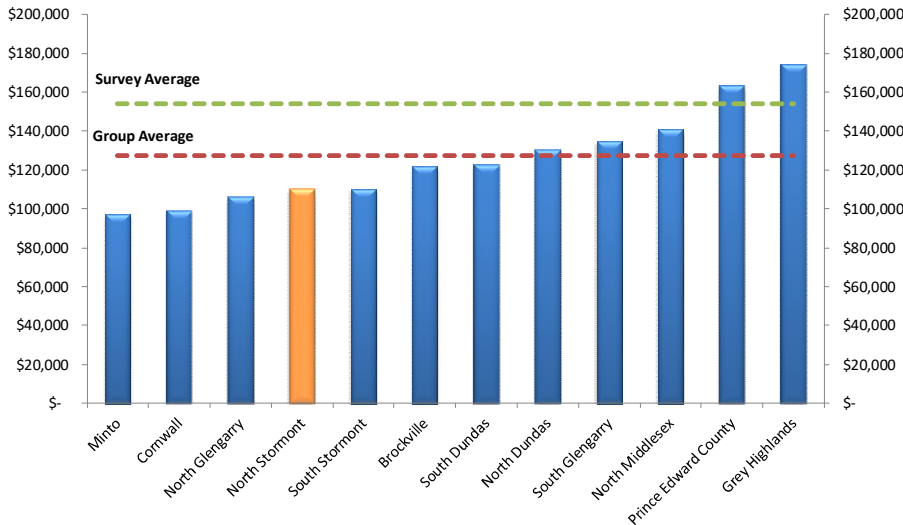
**Richness of the Assessment Base**

Assessment per capita statistics have been compared to provide an indication of the “richness” of the assessment base in each municipality as well as changes in assessment from year to year.

- 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 unweighted assessment.
- North Stormont’s weighted assessment base per capita is below the survey average of the peer municipal comparison.

- While the Township’s assessment base has grown at a faster pace than the total County assessment base, mainly due to the increase in farmland assessment, North Stormont’s weighted assessment base per capita is second lowest in the County due to a larger proportional share of farmland which is discounted by 75% of the residential municipal property taxes.
- With lower than average commercial and industrial assessment and significantly higher than average farmland assessment, the Township faces challenges in supporting property tax based programs.
- Prior to 1998, properties assessed as farmland paid 100% of their assessed property tax and then filed an application with the province to receive a 75% rebate of their property taxes paid directly by the province. Since 1998, farmland has a tax ratio of 0.25 - meaning that landowners pay property taxes on 25% of the assessed value of their property. While there is no change in the cost of property taxes to farmland; this means that all other tax classes are sharing in the cost of the farm tax rebate. Under the old system, this cost would have been shared province-wide through income taxes.
- The old Community Reinvestment Fund (CRF) grant since been replaced by the Ontario Municipal Partnership Fund (OMPF) was supposed to cover the cost of this rebate through a grant programme. However OMPF is forecast to decline. Urban municipalities do not share in this cost to the same extent. This creates a challenge for North Stormont.

**Figure 12—2018 Weighted Assessment Per Capita**



Source: Municipal By-laws

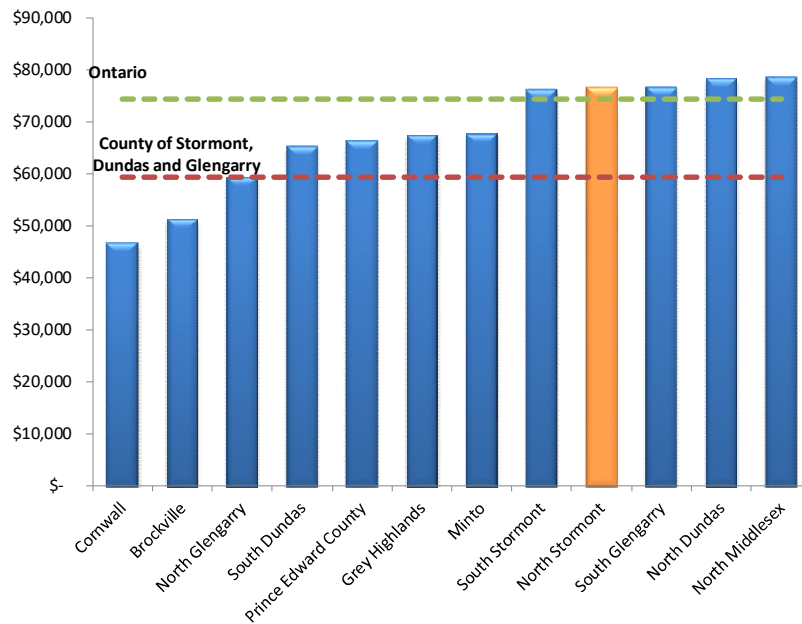
### Household Income

Household income is one measure of a community’s ability to pay. Credit rating agencies use this indicator as an important measure of a municipality’s ability to repay debt.

- As shown in figure 13, in 2016, median household income in the Township of North Stormont was \$76,544 which was slightly more than the peer municipal group average and substantially higher the County’s (\$59,256).
- The Township median household income is also slightly higher than the Ontario average.


- The Eastern Ontario Warden’s Council in a report called Facing Our Fiscal Challenges noted that, on average, Eastern Ontario municipalities have a lower median income compared with the Ontario average. North Stormont appears to be an exception which helps to support affordability.

Figure 13—2016 Median Household Income



Source: Statistics Canada 2016



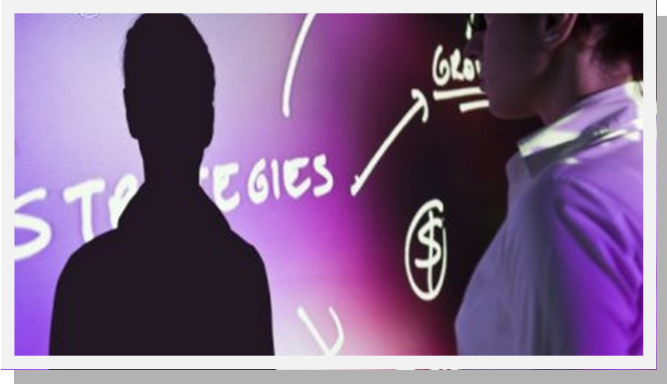
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## Section 2: Municipal Levy, Property Taxes and Affordability

**Municipal Levy, Property Taxes and Affordability**

This section of the Financial Condition Assessment provides an overview of the cost of municipal services in the Township of North Stormont and in relation to peer municipalities. In addition, property taxes are reviewed in relation to household income to provide an indication of the affordability of services in the Township of North Stormont.



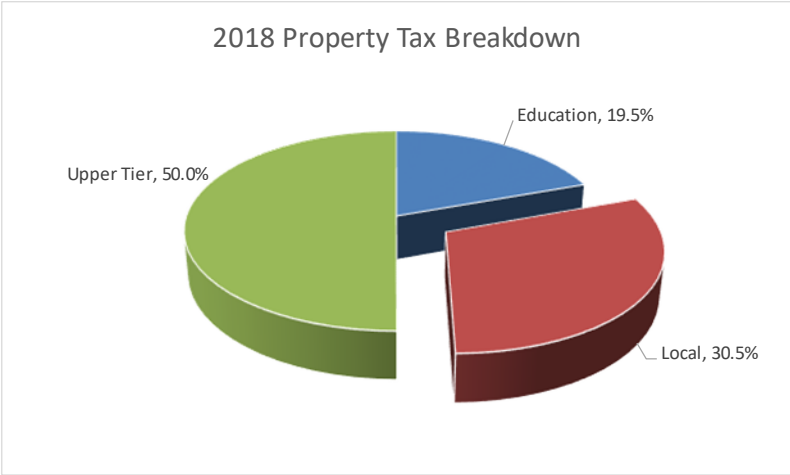
**Municipal and Education Property Taxes**

Property taxpayers in the Township of North Stormont receive municipal programs and services through a two-tiered government structure: County and Township.

As shown in figure 14, in 2018 approximately:

- 50% of a total taxes levied is related to the County cost of services
- 20% are related to education taxes
- 30% are related to programs and services delivered by the Township of North Stormont.

**Figure 14 Township of North Stormont Total Taxes Levied**



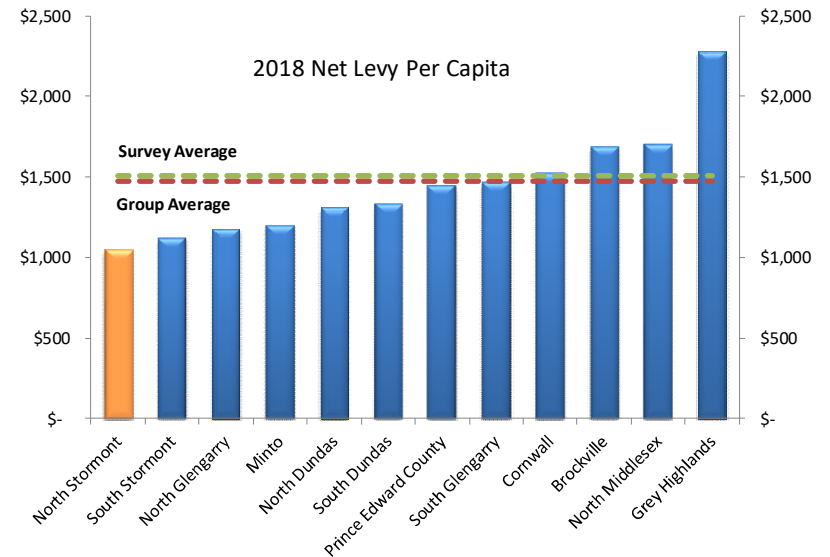
**Municipal Levy Per Capita and Per \$100,000 of Assessment Comparison**

In order to better understand the relative municipal tax position for the Township, a comparison of net municipal levies was calculated based on a per \$100,000 of assessment as well as on a per capita levy basis. 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

Note: These measures indicate the total net municipal levy (Upper Tier and Lower Tier) to provide services to the municipality.

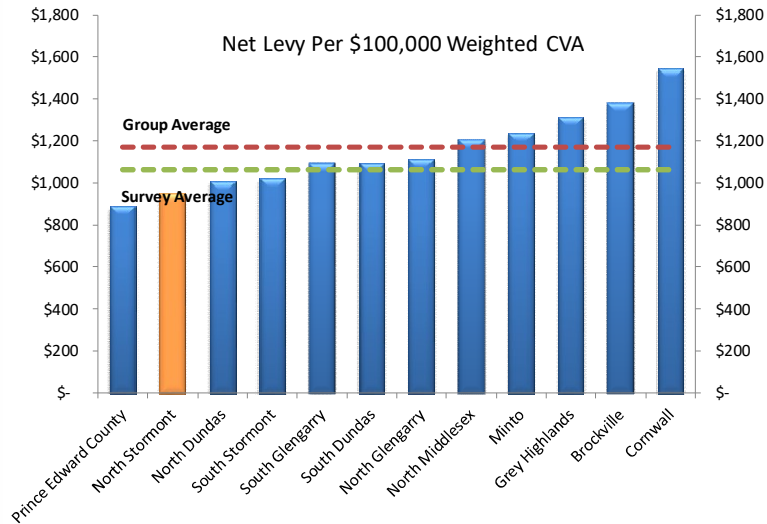
**Figure 15—2018 Levy Analysis per Capita**



Source: BMA Municipal Study using 2018 Levy By-laws for each municipality

- As shown in figure 15, the Township of North Stormont has the lowest municipal levy per capita. This includes the County as well as the local municipal levies.

Figure 16—2018 Levy Analysis per Weighted Assessment



Source: BMA Municipal Study using 2018 Levy By-laws for each municipality

- A comparison of the 2018 levy per \$100,000 of weighted assessment provides an indication of the levy in relation to the assessment base upon which taxes are raised. Despite having a lower assessment base to fund municipal programs, because of the low municipal spending, North Stormont’s levy per \$100,000 of weighted CVA is second lowest in the survey.

Capital Financing From Tax Levy

- One of the ways North Stormont was able to keep the tax levy in check was to reduce the contribution to capital. For example, in 2013, capital financing from the tax levy was \$498,600 and this decreased to \$347,800 in 2017 (Source FIRS). This practice is not sustainable on an ongoing basis based on the capital requirements identified in the Asset Management Plan.

**Municipal Levy Trend**

- An analysis of the County and Local levy was undertaken over the past 5 years to get an appreciation of the extent of the annual increases at the County level as well as the local levy. As shown in figure 17, the total annual municipal levy increases (local plus upper tier) has ranged from 5%-6.2% annually, exceeding inflationary increases.

**Figure 17—Municipal Levy Trend Analysis**

Total Municipal Levy	2014	2015	2016	2017	2018
Lower Tier	\$ 2,316,162	\$ 2,435,241	\$ 2,637,000	\$ 2,684,788	\$ 2,734,788
Upper Tier	\$ 3,533,991	\$ 3,713,518	\$ 3,848,922	\$ 4,200,196	\$ 4,493,803
<b>Total</b>	<b>\$ 5,850,154</b>	<b>\$ 6,148,759</b>	<b>\$ 6,485,922</b>	<b>\$ 6,884,984</b>	<b>\$ 7,228,591</b>
Year over year Lower		5.1%	8.3%	1.8%	1.9%
Year over year Upper		5.1%	3.6%	9.1%	7.0%
Year over year Total		5.1%	5.5%	6.2%	5.0%

County of SDG	2015 County Levy	2016 County Levy	2017 County Levy	2018 County Levy
<b>Total</b>	<b>\$ 40,958,434</b>	<b>\$ 42,128,044</b>	<b>\$ 44,382,164</b>	<b>\$ 46,439,421</b>
<b>% Change in County Levy</b>		2.9%	5.4%	4.6%
North Stormont's % of Total County Levy	9.1%	9.1%	9.5%	9.7%
% Change to North Stormont Allocation		3.6%	9.1%	7.0%

- The Township’s levy increase has ranged from 1.8%-8.3% annually. As will be discussed in the Long Range Financial Plan, because the capital budget varies from year to year, the levy increases are not predictable. Recommendations will be made to smooth the levy increases at the local level by changing the existing practice to provide for gradual increases in the Capital Reserves to support the capital spending.
- As discussed previously, over the past several years the Township’s share of the County levy is increasing which places additional burden on Township taxpayers because most of the change is related to reassessment as opposed to growth. For example, while the County levy increased by 5.4% in total from 2016-2017, the higher increase in the assessed values relative to the total County has increased the Township’s share of the County levy in the same period of time by 9.1%.



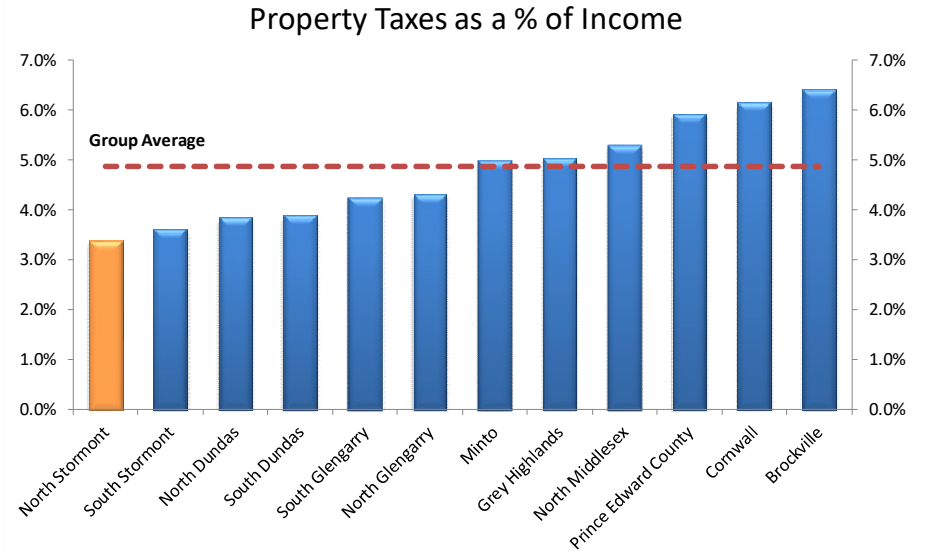
**Affordability**

Figure 18 compares total property taxes based on a median valued house in each of the municipalities using the Stats Canada database (2016) as well as the median household income to get an appreciation of the tax burden on a typical home in each municipality. The 2017 tax rates were used in the calculation as the latest complete set of comparator data.

- The median dwelling value in the Township of North Stormont is below the average of the survey of peer municipalities. This is reflective of the housing stock as well as house values.
- Municipal property taxes in North Stormont in relation to average household income are approximately 3.4% in North Stormont which is the lowest in the comparator group.



**Figure 18—Affordability Comparisons**



Municipality	2016 Median Household Income	2016 Dwelling Value	Property Taxes on an Average Dwelling Value	Property Taxes as a % of Income
North Dundas	\$ 78,192	\$ 250,764	\$ 3,001	3.8%
South Dundas	\$ 65,067	\$ 200,664	\$ 2,524	3.9%
North Glengarry	\$ 59,256	\$ 199,889	\$ 2,557	4.3%
South Glengarry	\$ 76,702	\$ 250,663	\$ 3,230	4.2%
South Stormont	\$ 76,092	\$ 228,145	\$ 2,733	3.6%
North Middlesex	\$ 78,426	\$ 302,258	\$ 4,142	5.3%
Grey Highlands	\$ 67,447	\$ 313,565	\$ 3,388	5.0%
Minto	\$ 67,696	\$ 246,631	\$ 3,364	5.0%
Prince Edward County	\$ 66,140	\$ 367,103	\$ 3,916	5.9%
Brockville	\$ 51,168	\$ 219,336	\$ 3,271	6.4%
Cornwall	\$ 46,564	\$ 179,778	\$ 2,860	6.1%
<b>Group Average</b>	<b>\$ 66,614</b>	<b>\$ 250,800</b>	<b>\$ 3,181</b>	<b>4.9%</b>
<b>North Stormont</b>	<b>\$ 76,544</b>	<b>\$ 224,551</b>	<b>\$ 2,586</b>	<b>3.4%</b>



# Section 3: Financial Position

## North Stormont's Financial Position

**Reserves/Reserve Funds** are established by Council to assist with long-term financial stability and financial planning. By maintaining reserves, the Township can accumulate funds for future or contingent liabilities; a key link to long-term financial planning practices. They also provide a cushion to absorb unexpected shifts in revenues and expenditures. Credit rating agencies consider municipalities with higher reserves more advanced in their financial planning.

**Debt** is an important indicator of the Township's financial health and is an appropriate way of financing longer life items. However, when debt levels get too high, it compromises the Township's flexibility to fund programs and services.

**Financial Position** of the Township is important to consider as this takes into consideration the Township'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.



### Introduction to Reserves and Reserve Funds

Maintaining sufficient reserves and reserve funds are a critical component of the Township’s long-term financial plan. The purposes for maintaining reserves are:

- ✓ To provide **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 capital assets** to sustain infrastructure
- ✓ To provide **flexibility** to manage debt levels and protect the Township’s financial position
- ✓ To provide for **future liabilities** incurred in the current year, but paid for in the future

The Township of North Stormont maintains numerous Discretionary and Obligatory Reserve/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 municipality. Obligatory reserve funds can only be used for their prescribed purpose. Examples include Development Charges Reserve Funds, Gas Tax Reserve Funds, Building Stabilization Reserve Fund.

**Discretionary Reserve Funds** are established, based on Council direction, to finance future expenditures for which the Township has the authority to spend money or to provide for a specific contingent liability.



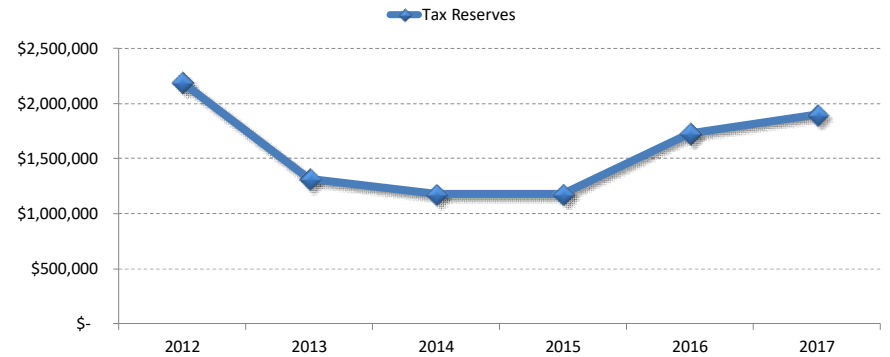
**Discretionary Reserves/Reserve Funds as a % of Taxation**

- The discretionary reserves/reserve funds as a percentage of taxation was evaluated, both the trends, as well, in relation to other peer municipalities. Note that this excludes obligatory reserve funds.
- For benchmarking purposes Financial Information Returns (FIRs) were used to compare discretionary reserves as a percentage of taxation.
- As shown in figure 19, the Township of North Stormont’s tax discretionary reserves as a percentage of taxation are below the group and total survey average (105 Ontario municipalities) from 2013-2016 but are consistent with the reserves in most of the County of SDG municipalities.

**Figure 19—Tax Discretionary Reserves/RF as a % of Taxation**

Municipality	Tax Discretionary Reserves/RF as a % of Taxation				
	2012	2013	2014	2015	2016
Brockville	11%	12%	14%	13%	15%
Prince Edward County	32%	39%	38%	42%	39%
North Glengarry	42%	51%	55%	59%	52%
South Stormont	33%	47%	56%	63%	55%
Minto			58%	60%	57%
Grey Highlands		63%	48%	52%	58%
Cornwall	73%	64%	66%	66%	62%
South Glengarry	82%	86%	90%	78%	67%
South Dundas	118%	108%	120%	135%	137%
North Middlesex				125%	141%
North Dundas	209%	208%	178%	160%	146%
Group Average	75%	75%	72%	78%	75%
Survey Average	60%	67%	69%	72%	74%
North Stormont	100%	57%	50%	48%	64%

**Figure 20—Township of North Stormont Reserves/Reserve Fund Trends**



- Reserves and reserve funds play a very important role in the Township’s finances and provide a strong indicator of the Township’s overall financial health. For this reason, the management of reserves and reserve funds is vitally important.
- As shown in figure 20, after several years of decline, the total tax reserves position increased from 2015-2017.
- While the reserves are trending up, as identified in the Township’s Asset Management Plan, there is a significant infrastructure gap that will require additional funds to address assets in poor condition and beyond their useful life. This will be discussed in further detail in the Long Range Financial Plan.

***Municipal strategies to deal with the infrastructure funding gap include:***

- *Focus on the critical components of infrastructure with safety as a priority*
- *Continue to produce accurate and up to date information on the Township's infrastructure*
- *Continue to develop and implement asset management strategies for various asset classes*
- *Develop a more comprehensive long-term financial plan*
- *Strategic use of debt to invest in infrastructure*
- *Increase transfers to the capital reserve to provide funding for asset replacement and rehabilitation*
- *Work with partners throughout Canada to continue to tell the infrastructure story and challenges that face all municipalities across Canada to help leverage sustainable funding and revenue tools by the Federal and Provincial Governments*



### Debt Management

Municipalities have limited options with respect to raising funds to support municipal programs and services. The Township of North Stormont is not unique, as virtually all municipalities across Ontario are facing increasing infrastructure backlogs, funding gaps, and increasing financial pressures in infrastructure management. These challenges have been driven by several trends over the last decade, specifically:

- Aging infrastructure that create large needs for capital replacement, renewal, and rehabilitation
- Limited ability to raise funds from property taxes, due to public and business resistance to increases in property taxes
- Resulting competition for resources, from other municipal responsibilities, growth and new initiatives

Prudent issuance of debt is an efficient use of available financial resources, however, when municipalities issue debentures, they enter into a long-term commitment that requires them to make principal and interest payments over the life of the debentures.

One of the challenges associated with issuing debt occurs when a municipality does not have a supporting debt policy. In this circumstance there is a risk that the municipality will take on too much debt that cannot be supported by the growth, resulting in reduced future financial sustainability and flexibility. Increasing levels of tax supported debt that are growing faster than tax revenues will also begin squeezing out other programs and future capital priorities and also reduce the amount of discretionary

To mitigate these concerns, municipalities need to strike a balance with debt. Too little debt can severely restrict the funds available for financing infrastructure, while too much debt is fiscally unsustainable over the long-term.

Hence, municipalities need to ensure that:

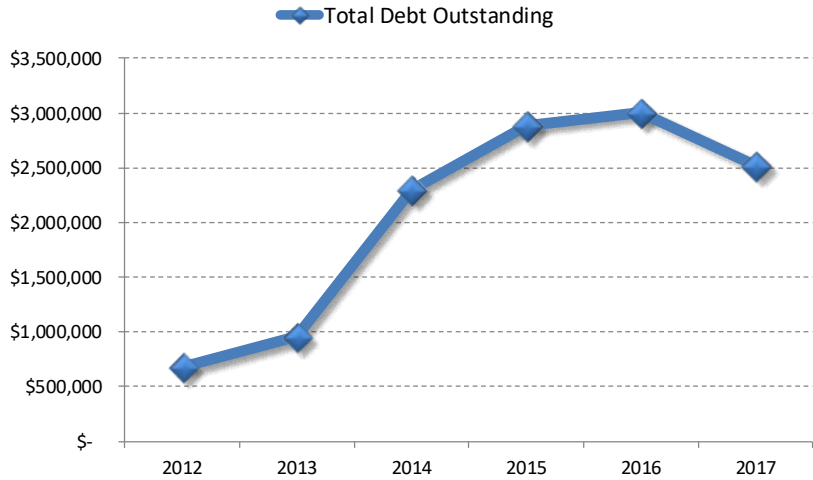
- Future debt service payments can be made in full and on time, without jeopardizing the provision of essential services
- Outstanding debt obligations will not threaten long-term financial stability of the municipality
- The amount of outstanding debt will not place undue burden on residents and businesses



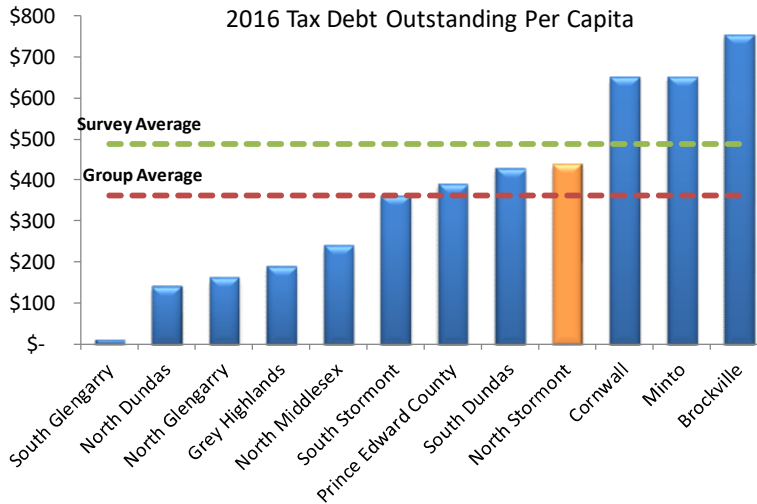
**Debt Indicators**

A number of key indicators have been analyzed as follows:

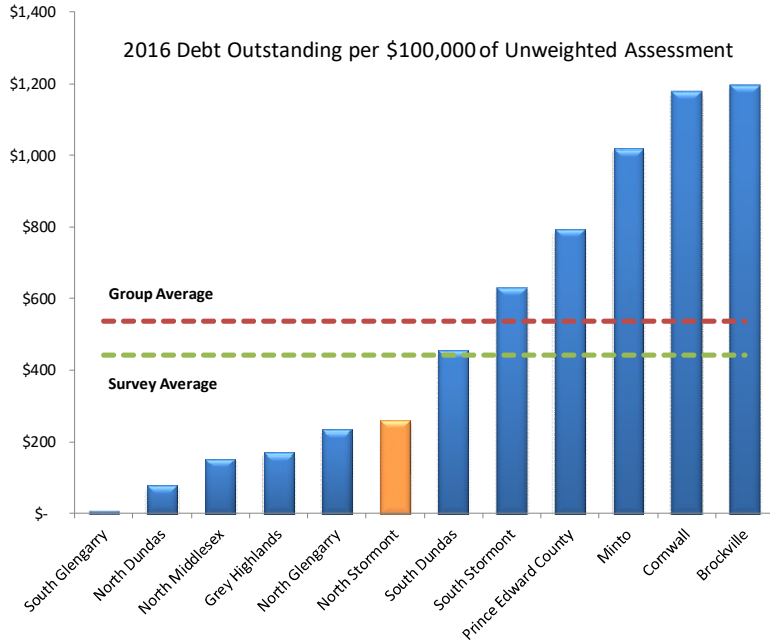
- Debt outstanding per capita is higher than the group average but below the total survey average of 105 Ontario municipalities.
- Total debt outstanding per \$100,000 of assessment is lower than the peer average and the total survey average of 105 Ontario municipalities.



**Figure 21—2016 Tax Debt Indicators**

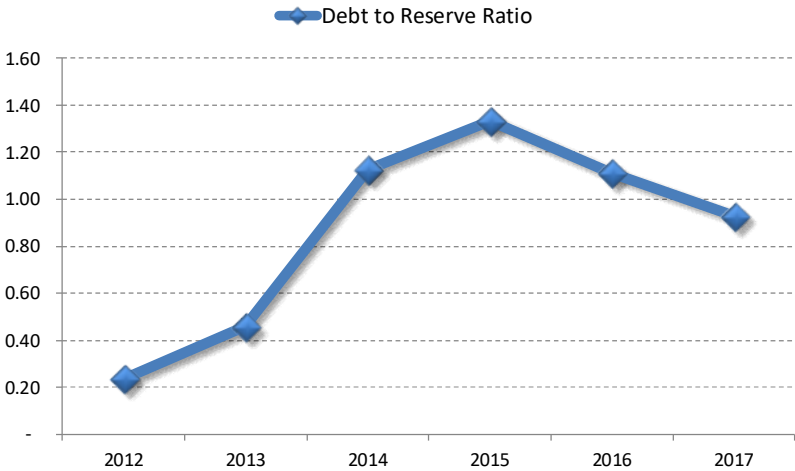


- While debt outstanding has been trending upward up to 2016, as shown on the previous graph, the Township’s debt is at a reasonable level.





Municipality	2016 Tax Debt Charges as % of Own Source Revenue
South Glengarry	0.0%
North Dundas	2.1%
Grey Highlands	2.7%
Prince Edward County	3.6%
Cornwall	4.0%
North Middlesex	4.4%
South Stormont	5.4%
North Glengarry	6.2%
Brockville	6.3%
South Dundas	9.1%
Minto	16.3%
Group Average	5.5%
Survey Average	3.5%
North Stormont	9.0%



- The Township’s debt to reserve ratio has declined from 2015 to 2016 but is above the recommended target of credit rating agencies of a 1:1 ratio. In 2017, the Township’s debt to reserve ratio is 1.1. For every dollar of reserves there is \$0.93 dollars of debt.

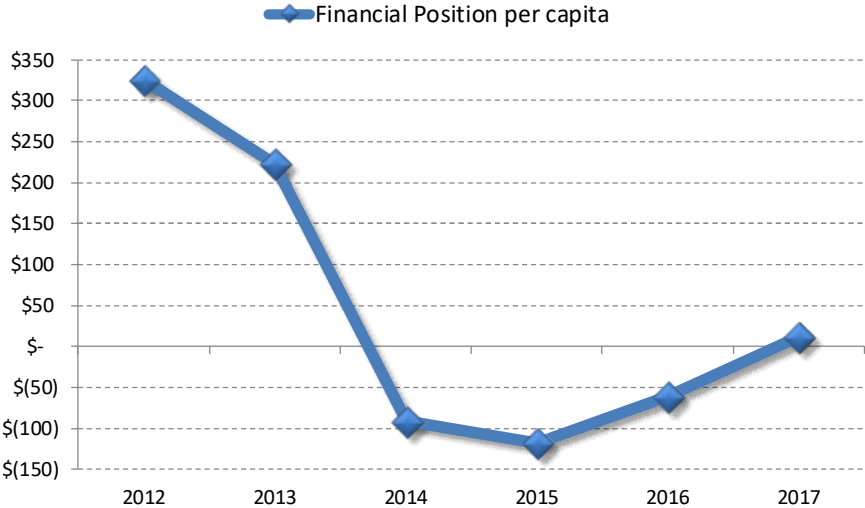
- Tax debt charges as a % of tax related own source revenues is 9.0% in North Stormont, higher than the survey average but well within the Provincial guidelines of 25% maximum.

Source: 2016 FIRs

**Financial Position**

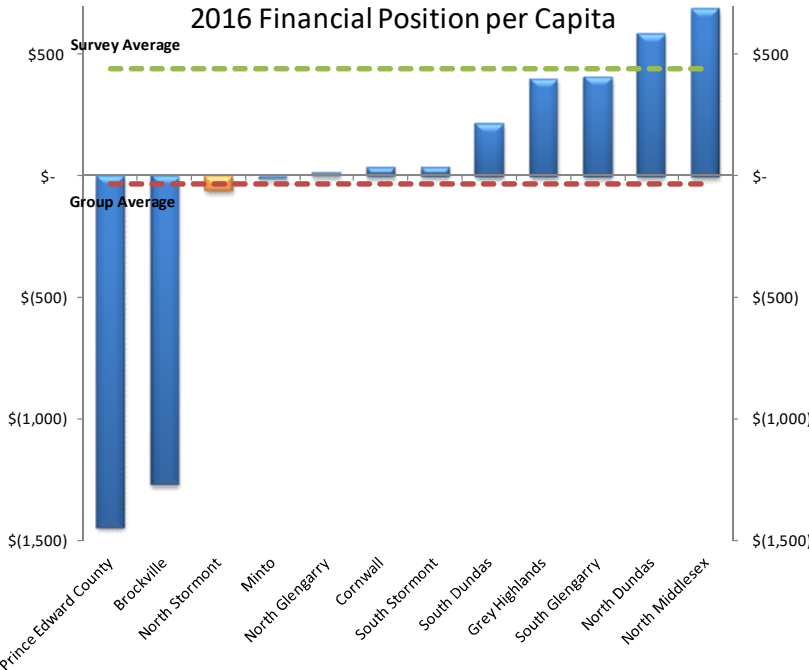
- A municipality’s financial position is defined as the total fund balances including equity in business government enterprises less the amount to be recovered in future years associated with long-term liabilities. A comparison was made of the Township’s overall financial position (financial assets less liabilities) from 2012 to 2017.
- North Stormont’s financial position was trending down from 2012 to 2015 but increased in 2016 and 2017.
- In the Township of North Stormont, the net financial position per capita declined from a \$326 per capita to a \$12 per capita .

**Figure 22 Financial Position per capita—Trend**



Source: FIRs

**Figure 23— Financial Position Per Capita**



Source: FIRs

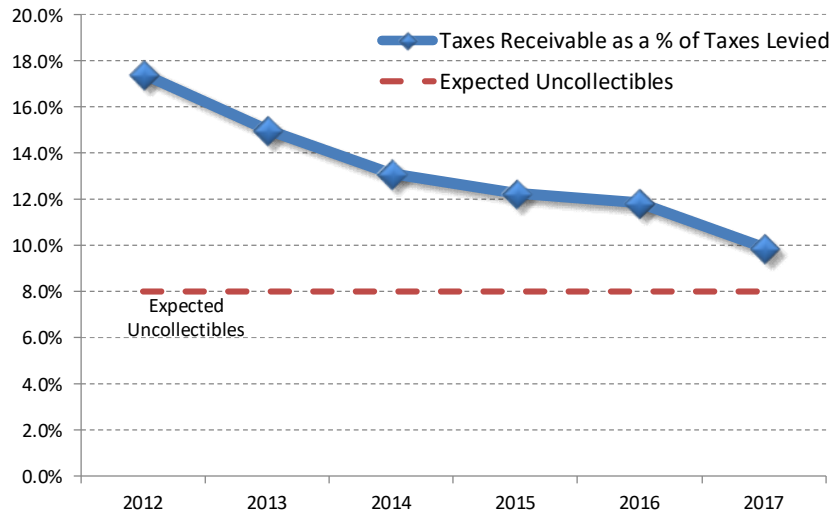
- To provide a comparison with other municipality’s financial position, a per capita analysis was undertaken. As shown in figure 23, the Township of North Stormont’s financial position per capita is below the survey average.

**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 municipality’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. The Township of North Stormont is **above the range considered to be acceptable**.

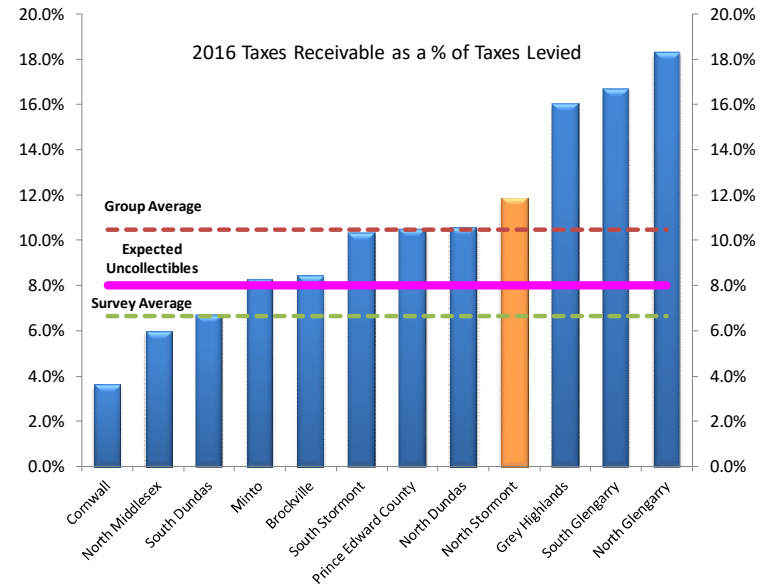
- North Stormont’s ratio has remained at or above the credit rating limit in every year, however it is trending towards it.
- Consistent with the experience in the peer municipalities, taxes receivable have been trending downward since 2013.

**Figure 24—Taxes Receivable as a % of Taxes Levied**



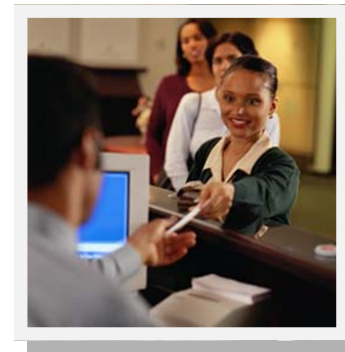
Source: FIRs

**Figure 25—2016 Taxes Receivable as a % of Taxes Levied**










Source: 2016 FIRs

- North Stormont’s taxes receivable as a % of Taxes levied are above the peer average as well as the total survey average of 105 Ontario municipalities.







Summary







## Summary—Socio-Economic Indicators

Indicator	Trend, Observation	Rating
<b>Population Growth</b>	Over the past 10 years, the population has increased, in total by only 1.5%. Based on County forecasts, over the next 20 years the expected annual increase in population in North Stormont is 0.14% which is relatively low, placing challenges on the existing tax base to support increases in expenditures.	
<b>Population Density</b>	Amongst the lowest population density in the peer municipal survey. This requires more linear infrastructure funded by fewer people.	
<b>Demographics</b>	Higher than Ontario or County average percentage of the population that is between the ages of 20 -64 and a lower percentage of population over 65 years of age. Trends over the past 5 years are similar to County and Ontario average but to a lesser extent. The forecast aging population will potentially have an impact on the cost of some municipal services.	
<b>Construction Activity</b>	Activity has been increasing over the past 3 years and reflects a good balance of residential and non-residential activity. The activity on a per capita basis is higher than the peer municipal comparator group.	
<b>Assessment Composition</b>	Lower than peer municipality non-residential assessment and higher farm assessment making it more difficult to increase taxes. This trend, if continued will reduce the ability to raise property taxes. Through the 2017 reassessment, North Stormont is now responsible for a larger percentage of the County levy, mainly having to be paid for by existing residents and not new assessment from growth.	
<b>Richness of the Assessment Base</b>	Assessment per capita, which is an indicator of the richness of the assessment base reflects a lower than average assessment base upon which to raise taxes in North Stormont. The Township has the second lowest weighted assessment base per capita in the County, primarily driven by a larger proportion of farmland property which is discounted.	
<b>Household Income</b>	Household income is above to the survey peer average as well as the Provincial average which helps support affordability.	

Summary—Municipal Levy, Property Taxes and Affordability

Indicator	Trend, Observation	Rating
<b>Municipal Levy Per Capita</b>	The Township of North Stormont’s total municipal levy per capita in 2018 is lowest in the peer survey.	
<b>Municipal Levy Per \$100,000 of Weighted Assessment</b>	The Township of North Stormont’s total municipal levy per \$100,000 of weighted assessment is the second lowest in the survey	
<b>Municipal Levy Increases Trend</b>	The Township of North Stormont’s annual municipal levy increase over the past 2 years has been below inflation but on average. The Township’s share of the County levy has also exceeded inflationary increases from 2014-2018.	
<b>Residential Affordability</b>	In comparison of property taxes on a median dwelling in relation to income (affordability indicator) North Stormont’s affordability indicator is the lowest in the survey.	

Summary—Financial Position

Indicator	Trend, Observation	Rating
<b>Discretionary Reserves as a % of Taxation</b>	The Township of North Stormont’s Discretionary Reserves have been trending up from 2015-2017 and but is lower than the survey average of peer municipalities. There are notable infrastructure gaps, as identified in the Township’s Asset Management Plan.	
<b>Debt Outstanding</b>	The Township’s debt levels are well within industry standards. The Debt Outstanding increased from 2012-2016, but declined in 2017. The debt outstanding per capita is slightly above the peer average but debt outstanding per unweighted assessment is amongst the lowest in the survey.	
<b>Debt Charges as a % of Own Source Revenues</b>	The Township’s debt charges as a percentage of own source revenues (9.0%) is above the peer average and total survey average but is well below the Provincial threshold (25%).	
<b>Debt to Reserve Ratio</b>	The Township’s debt to reserve ratio is 0.93, meaning for every dollar in reserves there is only 93 cents of debt which is aligned with credit rating recommendations.	
<b>Financial Position</b>	After years of decline, the Township’s financial position has increased from 2015-2017 but is below the peer average and total survey average.	
<b>Taxes Receivable</b>	The taxes receivable ratio has been trending down over the past 5 years and is moving toward the range considered expected uncollectible (8.0%). In 2017, the Township’s ratio was 9.9%.	

## Conclusion

Based on the analysis undertaken, the following questions have been addressed to help set the stage for the development of the long range financial plan.

- 1. Can the Township continue to pay for the services currently provided?*
- 2. Is there sufficient financial flexibility to address unexpected events, uncertainty and future liabilities?*
- 3. Is the Township's infrastructure network sustainable and adequately funded?*





## 1. Can the Township continue to pay for the services currently provided?

A number of positive indicators support the Township's ongoing ability to pay for services, including:

- Good mix of residential and non-residential construction activity.
- A lower than average municipal levy (per capita and per weighted assessment).
- Higher than average household income levels.
- Property taxes as a percentage of household income is lowest in the survey.

There are a number of challenges, however, that the Township must plan for in the future:

- North Stormont, like other Canadian municipalities, is facing a gap in infrastructure. This situation may result in deterioration in the quality of its infrastructure which, in turn, will increase maintenance costs and could affect some service levels.
- Low assessment base upon which to raise property taxes.
- Over-reliance on residential and farmland assessment.
- Relatively low commercial and industrial tax base upon which to raise taxes.
- Increase in assessed values relative to the rest of the County results in a higher allocation of County property taxes to the Township.
- County levy increasing at a rate faster than inflation which limits the Township's room for additional levy increases.
- Slow growth municipality with a relatively large geographic area (low density).
- Significant increase in the assessed values of farmlands creates affordability issues in this sector.

To be able to pay for services currently provided, the Township must ensure that:

- There is recognition that some of the Township's costs are increasing at a rate faster than inflation.
- It continues to stay on its path toward financial sustainability and resiliency through well planned and executed strategies.
- There is an alignment between the programs and services provided with shifts in demographics and the community's willingness to pay for services.

## 2. *Is there sufficient financial flexibility to address unexpected events, uncertainty and future liabilities?*

Financial flexibility is the degree to which a municipality can increase its financial resources to respond to rising commitments by either expanding its revenues or increasing its debt. The Township of North Stormont has a number of positive indicators that reflect a reasonable level of financial flexibility including:

- Recent improvements in the Township’s overall financial position.
- Recent increase in contributions to reserve.
- Debt levels that are reasonable and trending down.
- Reductions in the amount of taxes receivable which may be a sign of an improving local economy.

The Township, however, faces some challenges including:

- Finding the right balance between delivering services demanded by the community in an affordable manner and providing adequate funding for asset renewal needs
- Higher than inflation increases in the County’s levy which reduces ability to increase local levy.

### 3. *Is the Township's infrastructure network sustainable and adequately funded?*

Municipalities are responsible for a disproportionately large portion of public infrastructure in relation to the revenue sources available. There are a number of challenges the Township is facing:

- As identified in the Township's Asset Management Plan, The Township has a capital asset value of \$422 million. Based on the available information on the condition of the assets, the Township will need to invest \$11 million per year over the next 5 years and \$4.2 million per year over the following 10 years. This compares to the historical capital investment of about \$1.5 million per year reflecting a significant funding gap.
- Also, as stated in the Township's Asset Management Plan, previously, the Township has relied on federal and provincial grants to fund a large portion of its infrastructure. This resulted in fluctuations in its actual capital investment.
- A goal of the long range financial plan will be to reduce the infrastructure gap by gradually increasing a contribution to the capital reserve. This strategy will take into account taxpayer affordability and help smooth the Township's capital replacement program.