



STAFF REPORT

THE CORPORATION OF THE TOWN OF COBOURG

Corporate, Finance, and Legislative Standing Committee

Report to: Mayor, Deputy Mayor, and Councillors
From: Adam Giddings, Treasurer/Director of Corporate Services
Standing Committee Date: February 8, 2024
Report Number: COR-2024-002
Council Meeting Date: February 28, 2024
Subject: **2022 Financial Information Return**

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1. Recommendation:

THAT Council receive this report and the analysis of the results from the 2022 Financial Information Return (FIR) for information.

2. Executive Summary:

Financial Information Returns (FIR) are a standard set of year end reports submitted by Municipalities to the Province which capture certain financial information. On an annual basis, Ministry staff prepare certain financial indicators for each Municipality, based on the information contained in the FIRs.

The Ministry of Municipal Affairs and Housing reviews each municipality's financial health using key financial indicators, which are compared to established provincial thresholds. For each financial indicator, medians and average have been calculated for comparator groupings relevant to Cobourg.

The FIR provides a standardized reporting of a Municipality's financial activities in the previous fiscal year (January to December).

3. Background

Section 294(1) of the Municipal Act states that the treasurer of a Municipality shall in each year provide the Minister with a return containing information designated by the Minister with respect to the financial affairs of the Municipality. This takes the form of the annual Financial Information Return. Municipalities must submit their FIR annually to the Ministry of Municipal Affairs and Housing by May 31st.

The Municipal Act, 2001 requires that every Ontario Municipality prepare annual audited financial statements. Each Municipality provides a copy of the audited financial statement to the Ministry of Municipal Affairs and Housing upon completion of the Financial Information Return.

4. Discussion:

The Ministry of Municipal Affairs and Housing reviews each Municipality's financial health through the use of key financial indicators which are compared to established Provincial thresholds.

The indicators utilized are categorized as either sustainability or flexibility. The definition of the indicators is summarized below.

Indicator	Explanation of KPI
Sustainability	
Total taxes receivable less allowance for uncollectible as a % of total taxes levied	Shows how much of the taxes billed are not collected.
Net financial assets or net debt as % of own source revenues	Indicates how much property tax and user fee revenue is servicing debt.
Total reserves and discretionary reserve funds as a % of municipal expenses	Indicates how much money is set aside for future needs and contingencies
Cash ratio (total cash and cash equivalents as a % of current liabilities)	Indicates how much cash and liquid investments could be available to cover current obligations
Flexibility	
Debt servicing cost as a % of total revenues	Indicates how much of each dollar raised in revenue is spent on paying down existing debt.
Closing amortization balance as a % of total cost of capital assets	Indicates how much of the assets' life expectancy has been consumed.
Annual surplus/(deficit) as a % of own source revenues	Indicates the municipality's ability to cover its operational costs and have funds available for other purposes (e.g. reserves, debt repayment, etc.

The financial indicators have all been assessed as a low level of risk for the Town of Cobourg and are summarized below as well as a comparison to the 2022 Provincial median and average.

Indicator	2018	2019	2020	2021	2022	Trend	Level of Risk	Median	Average
Sustainability									
Total taxes receivable less allowance for uncollectible as a % of total taxes levied	6.3%	5.7%	5.8%	5.4%	4.2%		Low	4.9%	5.4%
Net financial assets or net debt as % of own source revenues	-4.9%	5.7%	13.4%	24.8%	26.3%		Low	39.1%	40.1%
Total reserves and discretionary reserve funds as a % of municipal expenses	17.7%	19.3%	21.7%	23.4%	21.6%		Low	79.9%	84.8%
Cash ratio (total cash and cash equivalents as a % of current liabilities)	17.9%	60.8%	32.1%	98.0%	66.2%		Low	346.4%	452.0%
Flexibility									
Debt servicing cost as a % of total revenues	4.2%	3.2%	2.7%	2.8%	2.6%		Low	4.3%	5.5%
Closing amortization balance as a % of total cost of capital assets	38.2%	38.5%	39.5%	41.3%	42.3%		Low	40.0%	40.5%
Annual surplus/(deficit) as a % of own source revenues	9.7%	9.6%	20.1%	12.6%	15.4%		Low	21.0%	16.4%

Further, the FIR provides significant additional financial information. The below summarizes a few key indicators, however the below does not summarize all data listed in the FIR report attached.

Indicator	2018	2019	2020	2021	2022	Lower-Tier Average	Provincial Average
Statistical Information							
Population	19,440	19,440	19,440	20,519	20,519	23,503	41,140
Households	8,958	8,958	8,958	9,135	9,134	9,819	16,577
Municipal expenses	\$47,736,360	\$48,550,458	\$47,875,586	\$49,868,990	\$53,880,838	\$43,753,338	\$142,610,097
Annual repayment limit	\$8,132,925	\$9,277,183	\$10,123,424	\$10,493,205	\$10,141,369	\$8,130,761	\$18,308,836
Residential Taxes							
Number of residential households	7,823	7,930	7,958	8,160	8,160	8,825	11,878
Average municipal property taxes per average residential household	\$3,237	\$3,337	\$3,437	\$3,498	\$3,599	\$3,231	\$2,628
Average total property taxes per average residential household	\$3,655	\$3,750	\$3,843	\$3,908	\$4,010	\$3,686	\$3,018
Average total property taxes per average residential household as a % of median household income (tax effort)	5.7%	5.8%	6.0%	6.1%	6.2%	4.7%	4.5%
Taxes Receivable							
Total taxes receivable less allowance for uncollectible	\$2,824,960	\$2,603,164	\$2,675,093	\$2,523,558	\$2,075,378	\$2,492,939	\$4,617,673
Total taxes receivable less allowance for uncollectible as % of total taxes levied	6.3%	5.7%	5.8%	5.4%	4.2%	5.4%	7.9%
Current year taxes receivable as % of total taxes receivable	4.9%	2.6%	0.9%	-8.5%	-7.6%	58.0%	63.4%
Total Debt Burden							
Total debt burden	\$8,440,132	\$6,935,143	\$5,569,358	\$5,558,880	\$4,025,331	\$17,659,684	\$69,631,565
Total debt burden per household	\$942	\$774	\$622	\$609	\$141	\$1,872	\$1,456
Debt service coverage ratio (target = > 2)	6	8	13	9	11	12	35
Reserves and Reserve Funds							
Total reserves	\$8,454,283	\$9,368,654	\$10,371,877	\$11,682,371	\$11,612,255	\$24,976,760	\$41,244,385
Total reserves per household	\$944	\$1,046	\$1,158	\$1,279	\$1,271	\$3,955	\$3,573

The above analysis indicates:

- Municipal expenses have increased on average 3.13% since 2018.
- The municipal property taxes for the average residential household are 11% higher than the typical lower tier Municipality and 37% higher than the Provincial average.
- Taxes receivable have improved from the prior year and is reasonable compared to other Municipalities and the Provincial average.

- Total debt burden is well below the average for the lower tier Municipality and the Provincial average.
- Although the total reserves are below the average for the lower tier Municipality and the Provincial average, the reserve analysis can be linked to the lower debt burden. That is, reserves have been utilized to fund projects as opposed to using debt, especially during a period of high interest rates.

5. Financial Impact and Budget

The report has no financial or budget impact.

6. Relationship to Council's Strategic Plan Priorities 2023 to 2027 and beyond:

Thriving Community

N/A

Service Excellence

Analysis of the Municipality's financial indicators as key performance indicators serve as a continuous improvement plan and overall measures customer satisfaction, community impact, and efficiency.

Sustainability

Utilizing key performance indicators and analysis of the annual FIR enhances the Town's financial plans to provide appropriate levels of services and ensure long-term sustainability.

7. Public Engagement:

Public engagement is not considered necessary.

8. Attachments:

1. Financial Indicator Review
2. Municipal Financial Profiles