

MANAGEMENT REPORT

Date: April 16, 2024
To: Finance and Labour Relations Sub-committee
From: Karmen Krueger, CPA, CA, Director of Corporate Services/Treasurer
Report Number: FIN24-014
Attachments: 1) Financial Indicator Review;
2) Financial Profile;
3) Debt Limits

Title: Financial Indicator Review, Financial Profile and Municipal Debt Limits

Objective: To provide information regarding the City's financial performance indicators and municipal debt limits.

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

While the reporting tool is cumbersome, it does give the Ministry a mechanism to compare municipalities by requiring a standardized structure.

Using information collected from the Financial Information Return and several key financial indicators, the Ministry of Municipal Affairs monitors municipal financial performance and financial health. The key elements measured are sustainability and flexibility as outlined in the Public Sector Accounting Boards' Statements of Recommended Practice (SORP-4). The attached Financial Indicator Review was received from the Ministry recently, after completion of the 2021 FIR. While this information is slightly dated at this point, it is still relevant and useful to identify trends and see how the City compares to its regional peers as well as province wide.

It also uses the data in this reporting tool to calculate the City's borrowing constraints.

Analysis: Municipalities are organized into groups defined to reflect different size and service responsibilities, type of municipality (single, lower or upper tier) and rural versus nonrural. Stratford has been placed in the South, Single Tier group which includes

Barrie, Belleville, Brant County, Brantford, Brockville, Chatham-Kent, Cornwall, Gananoque, Guelph, Haldimand County, Hamilton, Kawartha Lakes, Kingston, London, Norfolk County, Orillia, Ottawa, Pelee, Pembroke, Peterborough, Prescott, Prince Edward County, Quinte West, Smith Falls, St. Marys, St. Thomas, Stratford and Windsor.

Sustainability indicators look at the degree to which the municipality can maintain its existing financial obligations both in respect to its existing service commitments to the public and financial commitments to creditors. All indicators are in the Low-risk range and most of the comparisons are very close. One noteworthy item is Total Taxes Receivable less Allowance for Uncollectible Taxes as a % of Total Taxes Levied. Stratford has been significantly lower than the comparators in all previous years. This speaks to strong tax collection policies and arrears management.

Flexibility indicators provide insight into how a Municipality manages its finances. High debt levels reduce future flexibility. Other than the Debt Servicing Cost as a % of Total Revenues (Less Donated TCA's), all indicators in this category are in the Low-risk range.

That all the comparators are in a similar position of 'Moderate risk is an indication that we're all facing similar pressures to use increased levels of debt financing as one of the tools to mitigate asset investment pressures.

The Municipal Financial Profile document is just summarizing a few high-level attributes about the City and showing its comparators. Interestingly, Stratford's statistical information figures are consistently below the averages showing for the South-Single Tiers which is just demonstrating that many of those comparators are larger cities.

The Ministry notes that this information is not intended to be used on its own and should be used in conjunction with other financial information and resources available.

The Municipal Debt Limits refer to the City's capacity for repayment. The Province has established a calculation that stated simply caps the amount of annual debt repayments of Principal and Interest to 25% of own source revenues. For Stratford, this limit was \$16,104,887 annually while actual annual repayment was \$8,174,670 from the Financial Information Return (FIR) and due to timing, is the limit used for 2023. Since 2021, the calculated limit has increased, and the actual amounts have decreased, essentially increasing capacity slightly. Since this calculation refers only to annual repayments, the total debt load can vary, and would be dependent upon interest rates and repayment term length.

Once the 2022 year-end audit and Financial Information Return is completed, this more recent information will be communicated.

Financial Implications:

Not applicable:

Not applicable as this information is historical and provided for information.

Alignment with Strategic Priorities:

Strengthening our Plans, Strategies and Partnerships

Partnering with the community to make plans for our collective priorities in arts, culture, heritage and more. Communicating clearly with the public around our plans and activities.

Developing our Resources

Optimizing Stratford's physical assets and digital resources. Planning a sustainable future for Stratford's resources and environment.

Alignment with One Planet Principles:

Not applicable: Not applicable as this information is historical and provided for information.

Staff Recommendation: THAT the report titled, "Financial Indicator Review, Financial Profile and Municipal Debt Limits" (FIN24-014), be received for information.

Prepared by: Karmen Krueger, CPA, CA, Director of Corporate Services/Treasurer
Recommended by: Karmen Krueger, CPA, CA, Director of Corporate Services/Treasurer
Joan Thomson, Chief Administrative Officer