

To: Finance Committee

From: Stephanie Sinnott, Commissioner,  
Finance Services

Report Number: FIN-22-08

Date of Report: February 9, 2022

Date of Meeting: February 14, 2022

Subject: 2021 Financial Indicators Review

Ward: All Wards

File: 03-05

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## **1.0 Purpose**

Each year the Ministry of Municipal Affairs and Housing sends out a Financial Indicator Review, based on the City's Financial Information Return (FIR) and Financial Statements. It compares the results to other lower-tier municipalities in various Regions of Ontario.

The purpose of this report is to provide the 2021 Financial Indicator Review (based on the 2020 FIR). The report is contained in Attachment 1.

## **2.0 Recommendation**

That the Finance Committee recommend to City Council:

That Report FIN-22-08, Financial Indicator Review dated February 9, 2022 be received for information.

## **3.0 Executive Summary**

The Province monitors municipal financial performance and produces an annual report titled Financial Indicator Review.

From the five-year snapshot in the 2021 Financial Indicator Review report (based on the 2020 FIR) there is a clear trend in all categories that the City is approaching the comparator averages in virtually all indicators and the risk assessment in all categories is low with the exception of the Debt Servicing Cost as a percentage of total revenues which has a moderate risk assessment.

The indicators are a demonstration of the City's commitment to paying down debt, building reserve funds and investing in infrastructure.

## **4.0 Input From Other Sources**

Ministry of Municipal Affairs and Housing (“MMAH”)

## **5.0 Analysis**

The Province monitors Municipal finances to assess the capability of meeting the costs of service delivery, assess flexibility, monitor municipalities at risk, provide financial analysis for information purposes and identify municipalities with best practices.

The Financial Indicator Review Report provides seven indicators in the broad categories of sustainability indicators and flexibility indicators.

### **5.1 Sustainability Indicators**

Financial Sustainability in the context of the Financial Indicator Review may be seen as the degree to which a municipality can maintain its existing financial obligations both in respect of its service commitments to the public and financial commitments to creditors, employees and others without inappropriately increasing the debt or tax burden relative to the economy within which it operates.

In this report there are four indicators related to Financial Sustainability:

- a) Total Taxes Receivable less Allowance for Uncollectibles as a percentage of Total Taxes Levied - Shows how much of the taxes billed are not collected. This ratio is a strong indicator of the strength of a local economy and the ability of residents to pay their annual taxes. The City has consistently maintained a low percentage of uncollected taxes. The indicator of 3.1% is the second lowest in the GTA.
- b) Net Financial Assets or Net Debt as percentage of Own Source Revenues - Indicates how much property tax and user fee revenue is servicing debt. Historically the City's liabilities have exceeded assets showing a net debt position on the Statement of Financial Position. In 2018, the City's position had grown to become positive, or in a position of net assets. This can be seen from the indicator which was -25.9% in 2015 to 37.8% in 2020.
- c) Reserves and Reserve Funds as a percentage of Municipal Expenses - Indicates how much money is set aside for future needs and contingencies. The Financial Strategy notes that although the City was continuing to build its discretionary reserves it was doing it a much slower rate than most municipal comparators. As such a number of policies were developed and strategies were employed to build the City's reserve funds. In 2015, the City's indicator was 32.9% while the comparator average was 55.1%. The current indicator of 68.7% shows that the City is growing toward the Comparator average of 71.7%.
- d) Cash Ratio (Total Cash and Cash Equivalents as a percentage of Current Liabilities) - Indicates how much cash and liquid investments could be available to discharge current obligations. The City's indicator in this category has been relatively consistent with comparators in the five-year snapshot.

## **5.2 Flexibility Indicators**

Financial Flexibility is the degree to which a government can change its debt or tax level on the economy within which it operates to meet its existing financial obligations both in respect of its service commitments to the public and financial commitments to creditors, employees and others.

In this report there are three indicators related to Financial Flexibility:

- a) Debt Servicing Cost as a percentage of Total Revenues (Less Donated Tangible Capital Assets) - Indicates how much of each dollar raised in revenue is spent on paying down existing debt. Over the last 5 years, the City continues to pay down debt obligations without taking on significant debt, which is slowly influencing this indicator towards the comparator average. The 2020 risk assessment of moderate is a result of adjustments to non-cash items included in the City total revenue such as the revenue recognized for donated tangible capital assets and the net earnings of the Oshawa Power and Utilities Corporation. A risk assessment of low is a percentage less than 5%, the City's percentage in 2020 is 5.3%.
- b) Closing Amortization Balance as a percentage of Total Cost of Capital Assets (Asset Consumption Ratio) - Indicates how much of the assets' life expectancy has been consumed. The purpose of this indicator is to highlight the aged condition of the municipality's assets and the potential asset replacement needs. MMAH considers indicators in the range of 26%-50% to reflect that the assets are moderately new. The City's indicator at 44.0% falls within this classification.
- c) Annual Surplus / (Deficit) (Less Donated Tangible Capital Assets) as a percentage 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.). Generally, the City's indicator is in line with the comparator averages. It is important to note that the Annual Surplus/(Deficit) is influenced by a number of variables that are not cash revenues or expenses (i.e. net earnings from the Oshawa Power and Utility Corporation, amortization, etc.)

The level of risk assessed against each indicator has been assigned by MMAH as a low risk with the exception of the Debt Servicing Cost as a percentage of total revenues which has a moderate risk assessment.

## **6.0 Financial Implications**

There are no financial implications resulting from the recommendation of this report.

## **7.0 Relationship to the Oshawa Strategic Plan**

The communication of Financial Indicator Review supports the Oshawa Strategic Plan goals of Economic Prosperity & Financial Stewardship and Accountable Leadership by ensuring respect, responsiveness and transparency.

A handwritten signature in black ink, appearing to read 'S. Sinnott', with a long horizontal line extending to the left.

Stephanie Sinnott, Commissioner,  
Finance Services

# FINANCIAL INDICATOR REVIEW

(Based on the 2020 Financial Information Return)

## Oshawa C (Durham R)

Date Prepared:		2020 Households:	66,450	Median Household Income (2016):	70,211
MSO Office:	Central	2020 Population:	172,000	Taxable Residential Assessment as a	
Prepared By:		2021 MFCI Index:	n/a	% of Total Taxable Assessment:	72.6%
Tier:	LT			Own Purpose Taxation:	144,771,806

## SUSTAINABILITY INDICATORS

Indicator	Ranges	Actuals	South - IT - Regions - Non-Rural		Level of Risk	Comments
			Median	Average		
Total Taxes Receivable less Allowance for Uncollectibles as a % of Total Taxes Levied	Low: < 10% Mod: 10% to 15% High: > 15%	2016	1.9%	4.9%	5.3%	LOW
		2017	2.9%	5.3%	5.3%	LOW
		2018	2.8%	5.3%	5.5%	LOW
		2019	2.7%	4.9%	5.5%	LOW
		2020	3.1%	5.5%	6.3%	LOW
Net Financial Assets or Net Debt as % of Own Source Revenues	Low: > -50% Mod: -50% to -100% High: < -100%	2016	-15.0%	78.3%	69.9%	LOW
		2017	-2.1%	79.3%	71.5%	LOW
		2018	8.1%	80.3%	68.9%	LOW
		2019	18.1%	83.2%	74.6%	LOW
		2020	37.8%	98.4%	90.2%	LOW
Total Reserves and Discretionary Reserve Funds as a % of Municipal Expenses	Low: > 20% Mod: 10% to 20% High: < 10%	2016	39.0%	51.1%	56.7%	LOW
		2017	45.1%	54.0%	58.7%	LOW
		2018	48.7%	54.7%	59.0%	LOW
		2019	51.7%	62.1%	63.0%	LOW
		2020	68.7%	65.5%	71.7%	LOW
Cash Ratio (Total Cash and Cash Equivalents as a % of Current Liabilities)	Low: > 0.5:1 Mod: 0.5:1 to 0.25:1 High: < 0.25:1	2016	2.24:1	2.36:1	2.48:1	LOW
		2017	2.09:1	2.19:1	2.54:1	LOW
		2018	2.86:1	1.83:1	2.67:1	LOW
		2019	3.07:1	2.46:1	3.14:1	LOW
		2020	3.01:1	2.27:1	3.02:1	LOW

## FLEXIBILITY INDICATORS

Debt Servicing Cost as a % of Total Revenues (Less Donated TCAs)	Low: < 5% Mod: 5% to 10% High: > 10%	2016	5.0%	3.4%	3.5%	LOW
		2017	5.2%	3.1%	3.3%	MODERATE
		2018	4.4%	2.9%	3.3%	LOW
		2019	5.2%	2.8%	3.7%	MODERATE
		2020	5.3%	2.9%	3.1%	MODERATE
Closing Amortization Balance as a % of Total Cost of Capital Assets (Asset Consumption Ratio)	Low: < 50% Mod: 50% to 75% High: > 75%	2016	39.9%	37.3%	35.3%	LOW
		2017	40.6%	38.0%	36.6%	LOW
		2018	42.5%	37.9%	36.9%	LOW
		2019	44.1%	38.8%	37.4%	LOW
		2020	44.0%	38.2%	37.5%	LOW
Annual Surplus / (Deficit) (Less Donated TCAs) as a % of Own Source Revenues	Low: > -1% Mod: 1% to -30% High: < -30%	2016	8.8%	9.9%	10.4%	LOW
		2017	14.7%	13.2%	14.1%	LOW
		2018	5.1%	9.3%	11.2%	LOW
		2019	8.6%	12.5%	13.7%	LOW
		2020	22.7%	16.9%	16.6%	LOW

The data and information contained in this document is for informational purposes only. It is not an opinion about a municipality and is not intended to be used on its own - it should be used in conjunction with other financial information and resources available. It may be used, for example, to support a variety of strategic and policy discussions.