

*2011 Municipal Study
Chatham-Kent
January 16th 2012*

BMA
Management Consulting Inc.

DRAFT
Municipal Study - 2011



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Presentation

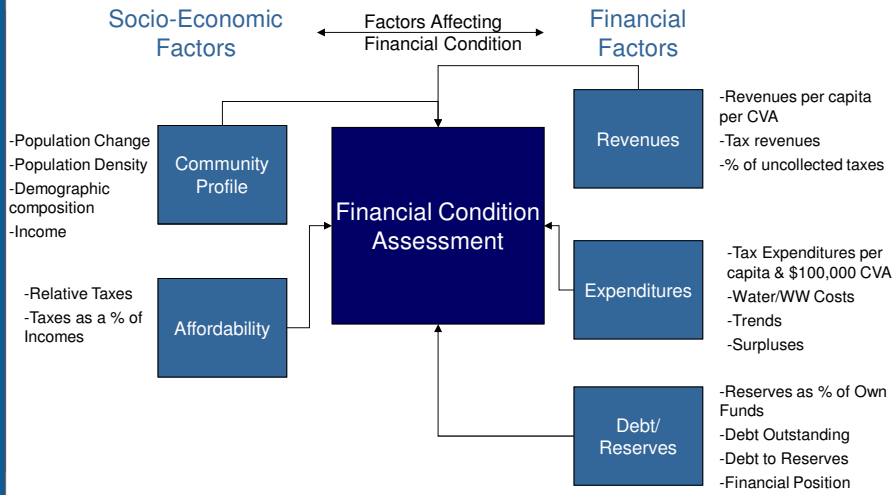
- Review Highlights of 2011 Municipal Study
 - Socio-Economic Indicators
 - Financial Indicators
 - Cost of Service and Affordability Indicators

- Comparisons provided to 12 Ontario municipalities (where information available) – selected by either geographic location or population



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Presentation Provides an Overview



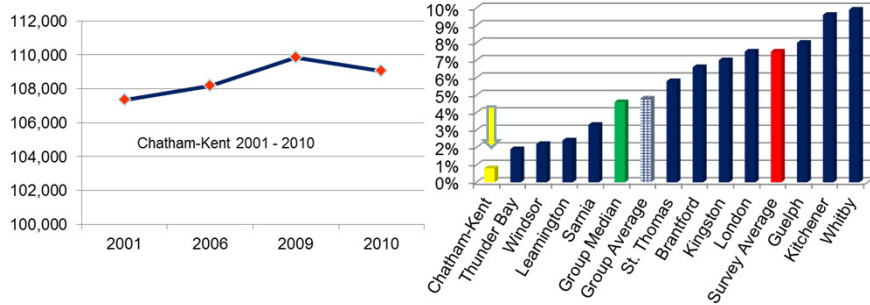
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Socio-Economic Indicators



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Population Growth

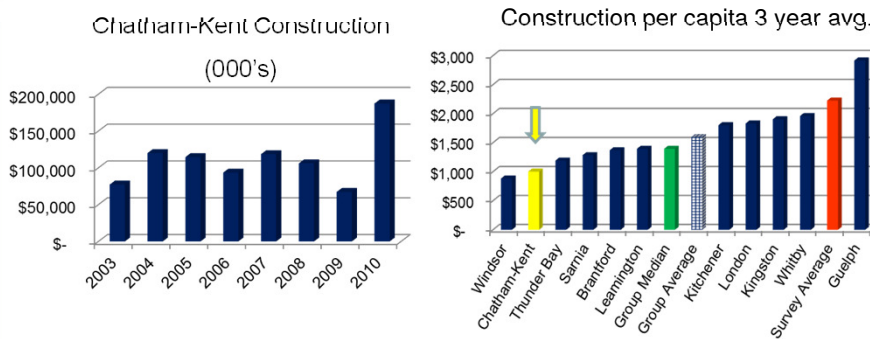


- 2006 – 108,177
- 2011 – 109,048
- Slow growth
- Chatham-Kent's growth from 2006 to 2010 was 0.8%
- Median 4.6%
- Ontario Average 8.6%

Source: Stats Canada

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Building Activity – Construction Value (000's)



- After a 3 year decline in construction, activity increased significantly in 2010
- On a per capita basis, Chatham-Kent's 3-year average construction was amongst the lowest in the survey

Source: BMA Study

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Chatham-Kent's Weighted Assessment Composition

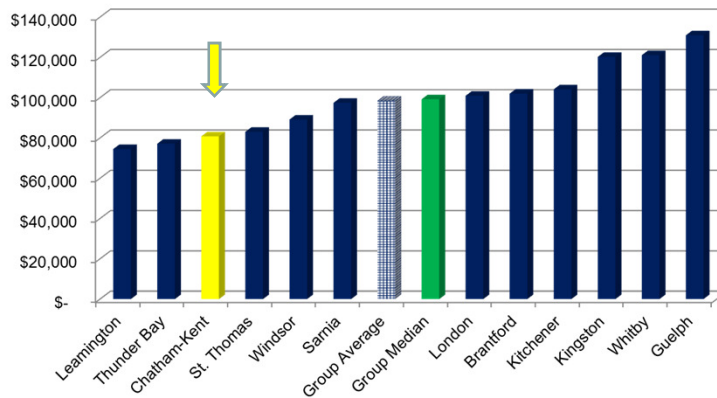
Year	Residential	Multi-Residential	Commercial	Industrial	Farm
2006	62.9%	5.0%	17.8%	6.9%	6.1%
2011	61.1%	4.9%	18.8%	7.8%	5.5%
Difference 2006 - 2011	-1.8%	-0.1%	1.0%	0.9%	-0.6%
% Change	-2.9%	-2.0%	5.6%	13.0%	-9.8%

- Weighted assessment composition is the basis upon which taxes are levied
- Proportion of commercial and industrial assessment has increased from 2006-2011 while farmlands and residential have decreased

Source: BMA Study

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2011 Weighted Assessment Per Capita



- Reflects the basis upon which property taxes are levied
- Chatham-Kent third lowest in the survey

Source: BMA Study

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Financial Indicators



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Reserves

- Reserves are a critical component of a municipality's long-term financing plan. The purpose for maintaining reserves is to:
 - Provide stability of tax and user rates
 - Provide financing for one-time or short term requirements
 - Make provisions for replacements/acquisitions of assets/infrastructure
 - Ensure adequate cash flows
 - Provide flexibility to manage debt levels and protect the municipality's financial position



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Reserve Comparative Analysis

	2010 Tax Reserves as a % of Own Source Revenue	2010 Water Reserves as a % of Own Source Revenue	2010 WW Reserves as a % of Own Source Revenue
Brantford	24.0%	81.4%	49.8%
Guelph	38.0%	101.8%	115.2%
Kingston	45.0%	96.7%	145.7%
Leamington	47.0%	125.5%	84.9%
Kitchener	8.0%	0.0%	0.0%
London	38.0%	67.2%	77.5%
Sarnia	22.0%	13.6%	0.0%
St. Thomas	20.0%	41.1%	164.2%
Thunder Bay	30.0%	0.0%	35.4%
Whitby	59.0%	N/A	N/A
Windsor	29.0%	N/A	2.1%
Group Average	32.7%	58.6%	67.5%
Group Median	30.0%	67.2%	63.7%
Survey Average	44.0%	44.1%	60.8%
Chatham-Kent	41.0%	-1.2%	1.8%

- Discretionary Tax Reserves are higher than group average and median
- Water and Wastewater Reserves below both group average and median

Source: BMA Study

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Operating Surplus

- Long Term sustainability is dependent upon ensuring revenues exceed expenditures (including amortization)
- Identifying appropriate levels of surplus must take into account future investment needs
- A negative operating surplus as % of own source revenues indicates the percentage required to increase to achieve break-even status
- Strive to have a positive ratio



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Analysis of Surpluses

Operating Surplus as a % of Own Source Revenues

Chatham-Kent's tax surplus ratio is above the survey average while the water and WW surplus ratios are lower than both survey average and median

	2010 Tax Operating Surplus Ratio	2010 Water Operating Surplus Ratio	2010 WW Operating Surplus Ratio
Brantford	-1.3%	29.1%	25.4%
Guelph	-1.2%	15.9%	1.6%
Kingston	1.1%	13.5%	16.0%
Kitchener	7.1%	26.9%	25.6%
Leamington	30.8%	-26.3%	17.9%
London	3.5%	31.3%	25.1%
Sarnia	1.9%	-17.0%	-20.5%
St. Thomas	-6.1%	11.4%	7.1%
Thunder Bay	-13.1%	-7.6%	-19.9%
Whitby	3.1%	N/A	N/A
Windsor	-1.3%	N/A	34.3%
Group Average	2.2%	8.6%	11.3%
Group Median	1.1%	13.5%	17.0%
Survey Average	-5.7%	-6.4%	-11.3%
Chatham-Kent	3.2%	-8.0%	-5.9%

Source: FIRs

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Consumption Ratios

Age of Chatham-Kent's assets are higher than survey average for tax and wastewater

	2010 Tax Asset Consumption Ratio	2010 Water Asset Consumption Ratio	2010 WW Asset Consumption Ratio
Brantford	44.6%	30.1%	38.0%
Guelph	42.9%	41.0%	46.9%
Kingston	34.9%	28.9%	26.8%
Kitchener	34.7%	21.4%	29.0%
Leamington	34.1%	25.8%	48.0%
London	32.8%	29.5%	36.9%
Sarnia	34.8%	32.4%	42.0%
St. Thomas	43.8%	49.9%	41.6%
Thunder Bay	53.3%	54.2%	60.4%
Whitby	29.6%	N/A	N/A
Windsor	37.4%	N/A	N/A
Group Average	38.4%	34.8%	41.1%
Group Median	34.9%	30.1%	41.6%
Survey Average	35.9%	29.8%	33.1%
Chatham-Kent	42.3%	30.9%	42.6%

Source: FIRs

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Debt Comparison

- Interest expense as a % of Own Source Revenues is higher than the survey average for water, wastewater and tax

	2010 Debt Interest Excluding WWW as a % of Own Source Revenues	2010 Debt Interest Water as a % of Own Source Revenues	2010 Debt Interest WW as a % of Own Source Revenues
Brantford	0.4%	0.0%	0.0%
Guelph	1.8%	1.2%	1.2%
Kingston	2.5%	1.0%	10.5%
Kitchener	1.3%	0.0%	0.0%
Leamington	2.6%	9.7%	16.3%
London	1.8%	0.3%	2.3%
Sarnia	2.4%	0.6%	6.2%
St. Thomas	1.7%	1.4%	0.0%
Thunder Bay	1.3%	11.8%	7.5%
Whitby	0.5%	N/A	N/A
Windsor	1.5%	N/A	1.7%
Group Average	1.6%	2.9%	4.6%
Group Median	1.7%	1.0%	2.0%
Survey Average	1.6%	2.4%	5.2%
Chatham-Kent	2.2%	10.6%	10.1%

Source: FIRs

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Debt O/S per \$100,000 of Unweighted Assessment

	Debt Outstanding per \$100,000 of Unweighted Assessment
Whitby	\$ 76
Kitchener	\$ 417
Brantford	\$ 472
Guelph	\$ 728
Sarnia	\$ 761
St. Thomas	\$ 782
Windsor	\$ 1,003
London	\$ 1,038
Leamington	\$ 1,669
Kingston	\$ 1,797
Thunder Bay	\$ 2,506
Group Average	\$ 1,023
Group Median	\$ 782
Survey Average	\$ 571
Chatham-Kent	\$ 1,846

Debt outstanding per \$100,000 of assessment is higher than survey average



Source: FIRs

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Debt to Reserve Ratio

- Rating agencies consider a ratio of 1.0 to be financially prudent
 - For every \$1 of debt there is a \$1 of reserves
- Chatham-Kent's ratio of 2.5 means that for every \$2.50 of debt there is \$1 of reserves

	2010 Debt to Reserve Ratio
Whitby	0.2
Brantford	0.6
Guelph	0.7
St. Thomas	0.9
London	1.0
Windsor	1.1
Kingston	1.2
Leamington	1.2
Thunder Bay	1.6
Sarnia	2.4
Kitchener	3.8
Group Average	1.3
Group Median	1.1
Survey Average	1.4
Chatham-Kent	2.5

Source: FIRs

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Financial Position Comparisons

- A comparison was made of each municipality's overall financial position (assets less liabilities)
- Chatham-Kent's per capita financial position is below the survey average the median

	2010 Financial Position per Capita
Thunder Bay	\$ (964)
Kingston	\$ (758)
Leamington	\$ (597)
Sarnia	\$ (126)
London	\$ (87)
Guelph	\$ 214
Windsor	\$ 290
Kitchener	\$ 661
St. Thomas	\$ 738
Whitby	\$ 841
Brantford	\$ 986
Group Average	\$ 109
Group Median	\$ 214
Survey Average	\$ 198
Chatham-Kent	\$ (635)

Source: FIRs

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Taxes Receivable as a % of Taxes Levied

- Taxes receivable as a % of taxes levied in Chatham-Kent are above the survey average but within the range of acceptability



	2010 Taxes Receivable as a % of Taxes Levied
London	2.7%
Guelph	3.3%
St. Thomas	3.6%
Brantford	5.0%
Thunder Bay	5.0%
Kingston	5.5%
Kitchener	6.2%
Leamington	6.4%
Sarnia	6.8%
Whitby	7.4%
Windsor	11.3%
Group Average	5.7%
Group Median	5.5%
Survey Average	6.8%
Chatham-Kent	6.5%

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Cost of Service and Affordability Indicators



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Net Municipal Levy Per Capita

- Levy per capita does not indicate value for money or the effectiveness in meeting community objectives. Net municipal expenditures per capita 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
 - What is being collected from rates as opposed to property taxes
- As such, this is not an “apples to apples” comparison. Further analysis would be required to determine the cause of differences

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Net Total Municipal Levy Per Capita

- Chatham-Kent’s net levy per capita is below the group and the survey average



	2011 Net Levy Per Capita
St. Thomas	\$ 1,059
Leamington	\$ 1,076
Kitchener	\$ 1,096
Brantford	\$ 1,195
London	\$ 1,222
Sarnia	\$ 1,243
Thunder Bay	\$ 1,345
Guelph	\$ 1,346
Whitby	\$ 1,385
Windsor	\$ 1,412
Kingston	\$ 1,500
Group Average	\$ 1,262
Group Median	\$ 1,243
Survey Average	\$ 1,283
Chatham-Kent	\$ 1,143

Source: BMA Study

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Net Total Municipal Levy Per \$100,000 CVA

- Chatham-Kent's net levy per \$100,000 CVA is below the group average but higher than the survey average



	2011 Net Levy Per \$100,000 CVA
Whitby	\$ 1,247
Kitchener	\$ 1,260
Guelph	\$ 1,274
Leamington	\$ 1,300
London	\$ 1,454
Brantford	\$ 1,481
Sarnia	\$ 1,514
Kingston	\$ 1,556
St. Thomas	\$ 1,559
Windsor	\$ 2,071
Thunder Bay	\$ 2,204
Group Average	\$ 1,538
Group Median	\$ 1,481
Survey Average	\$ 1,207
Chatham-Kent	\$ 1,402

Source: BMA Study

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2011 Water and WW Costs

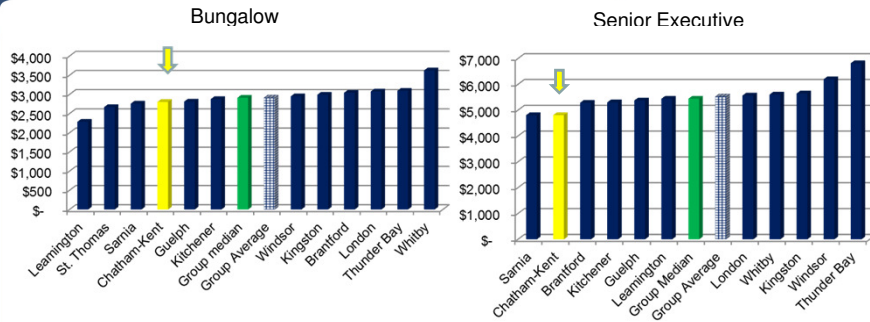
	2011 Residential Water/WW Costs per 250 m ³	2011 Commercial Water/WW Costs per 10,000 m ³	2011 Industrial Water/WW Costs per 500,000 m ³
Whitby	\$ 701	\$ 19,067	\$ 769,807
Leamington	\$ 741	\$ 20,825	\$ 1,030,225
London	\$ 771	\$ 19,264	\$ 723,427
Guelph	\$ 794	\$ 25,972	\$ 1,226,421
St. Thomas	\$ 804	\$ 16,347	\$ 1,090,632
Kitchener	\$ 825	\$ 33,009	\$ 1,650,450
Thunder Bay	\$ 879	\$ 16,879	\$ 671,190
Brantford	\$ 892	\$ 30,833	\$ 1,481,590
Kingston	\$ 894	\$ 15,382	\$ 662,659
Sarnia	\$ 919	\$ 11,686	\$ 258,909
Windsor	\$ 1,102	\$ 17,881	\$ 668,244
Group Average	\$ 847	\$ 20,650	\$ 930,323
Group Median	\$ 825	\$ 19,067	\$ 769,807
Survey Average	\$ 825	\$ 24,777	\$ 1,157,145
Chatham-Kent	\$ 780	\$ 17,302	\$ 399,088
% difference to average	-8.0%	-16.2%	-57.1%

Chatham-Kent's water and wastewater costs are below the survey average and median

Source: BMA Study

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2011 Relative Tax Burden Comparison

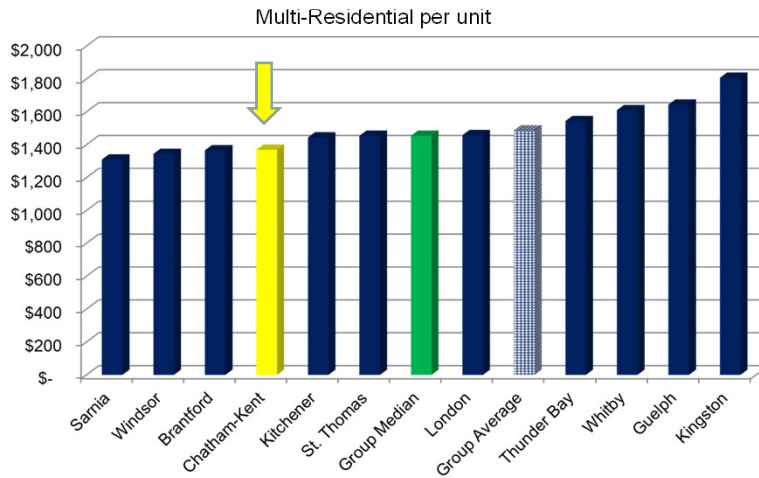


- Below the group median and group average for both the bungalow and executive

Source: BMA Study

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2011 Relative Tax Burden Comparison

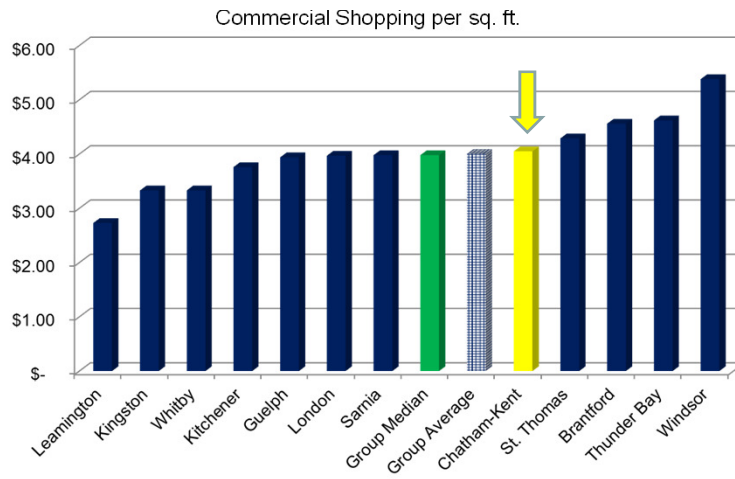


Lower than group average and median

Source: BMA Study

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2011 Relative Tax Burden Comparison

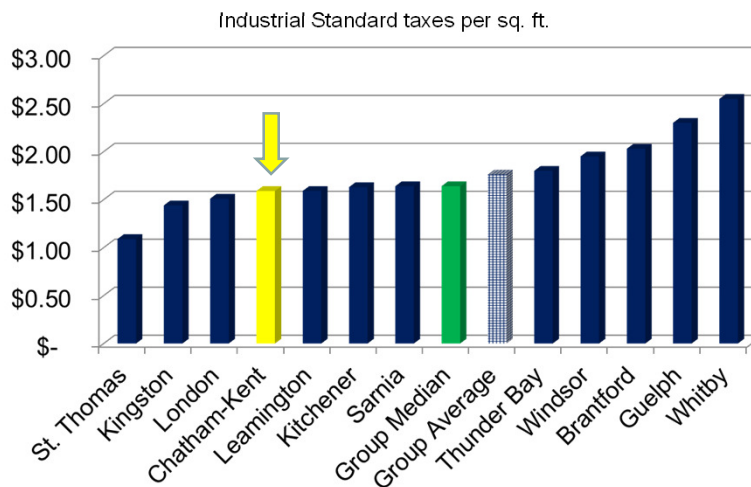


Approximately at the group average and median

Source: BMA Study

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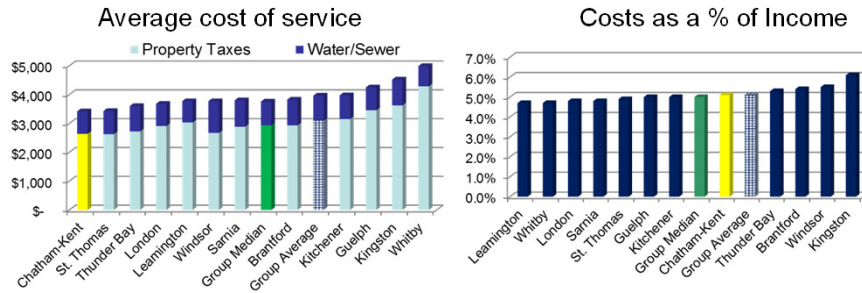
2011 Relative Tax Burden Comparison



Lower than group average and median

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Property Taxes & Water as a % of Income



- Low municipal spending and low water/sewer costs in Chatham-Kent result in the lowest cost of service in the survey
- With lower income levels, the cost as a % of income is at the group median and average

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Summary

Socio-Economic Indicators

- Slow population growth
- Lower than average income levels
- Lower than average assessment base
- ✓ Significant increase in construction activity in 2010, but lower than average construction activity
- ✓ Proportion of Commercial and Industrial assessment increased from 2006 - 2011

Financial Indicators

- ✓ Higher than average tax reserves as % of revenues
- Lower Water/WW Reserves
- Higher debt charges and debt outstanding
- Debt to reserve ratio above industry standard
- Negative financial position
- Taxes receivable higher than average
- ✓ Above average tax surplus ratio
- Water/ww deficit ratio
- Consumption Ratio higher than average for tax and wastewater reflect older infrastructure
- Water consumption ratio lower than average

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Summary

Cost of Service and Affordability Indicators

- ✓ Low municipal spending for tax supported services
- ✓ Low water/ww costs, especially for large customers
- ✓ Lower than average residential, multi-residential and industrial tax burden
 - At the average shopping centre taxes
- ✓ Municipal costs as a % of average household income is at the survey average and median

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