

CITY OF ORILLIA

TO: Council Committee – April 8, 2019
FROM: Treasury Department
DATE: April 2, 2019
REPORT NO: Treas-2019 G04
SUBJECT: **BMA Municipal Study**

Recommended Motion

THAT Report No. Treas-2019 G04 be received as information.

Purpose

The purpose of the staff report is to present the annual BMA Municipal Study (“The Study”) and provide a summary of the 539 page document. The study identifies both key quantifiable indicators and certain qualitative measures that impact a local municipality’s financial condition.

BMA Consulting annually prepares a report comparing various financial data from participating municipalities. In 2019, 108 out of 444 Ontario municipalities, including Orillia, participated.

Background & Key Facts

With changes to the Province’s Municipal Performance Measurement Program in 2015, the BMA study has become the only easily accessible and comprehensive source of data that analyzes municipal comparators.

The full study is located in Documents Centre under “Other Public Documents” <https://orillia.civicweb.net/filepro/documents/1472>

The following Schedules provide a summary of the BMA study:

- Schedule “A” – Growth Related Indicators
- Schedule “B” – Taxation
- Schedule “C” – Financial Indicators
- Schedule “D” – Cost of Services

The study is one of the tools that Council can use to aid in its decision-making process by using selected indicators to benchmark Orillia with other municipalities in Ontario, such as the ones presented in Schedules “A”, “B” and “C”.

Staff have identified several reporting limitations for measures presented in the schedules, which the readers should keep in mind. The limitations include the following:

- Tax assessment is different between municipalities and does not allow a fair comparison.
- Application of accounting standards: Differences in how municipalities interpret and follow accounting standards can make resulting measures difficult to compare.
- Local factors: Differences in population, geographic size, location of municipality, weather conditions, economic conditions, demographic mix and service level expectations are just some of the factors that affect the measures.
- Municipal structures and service delivery responsibilities vary; as a result the financial information contained in some indicators and resulting variances might not be explained with higher or lower spending but how the transactions were classified.
- Interest costs for debt are included in the measures causing reporting inequities between municipalities depending on how capital construction was financed.

When preparing the report, staff selected indicators to reduce the limitations of the study, as follows:

- To mitigate the impact due to differences in assessment between municipalities, staff chose to present cost of service measures based on population wherever possible. Population based data should provide better comparisons than assessment base, however there are still limitations. Differing population density and residents per household will affect comparisons.
- To mitigate the impact relating to accounting standards application, the measures reported in Schedule “D2” and “D3” exclude depreciation and focus on operating costs only. For Schedule “D1”, the BMA study only provides measures that include amortization.
- To mitigate the difference with local factors, in Schedules “A”, “B” and “C” staff included the Simcoe/Muskoka/Dufferin area comprised of the following 13 municipalities: Penetanguishene, Midland (varied participation), Tay, Orangeville, Bracebridge, Huntsville, Barrie, Springwater, Tiny, Gravenhurst, Innisfil and Collingwood; also referred to as the comparator group. In Schedule “D”, where possible, the comparators include municipalities with comparable population size (30,000 to 99,999) and other single-tier municipalities.

Option & Analysis

Staff present the following option for consideration:

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Summary – Growth Related Indicators

The table below provides a summary of growth related indicators; please refer to Schedule “A” - BMA Study Highlights – Growth Related Indicators for further details and analysis.

Population Growth	Orillia's population increase is lower than the average population increase in the Simcoe/Muskoka/Dufferin region.
Demographics	Orillia has a slightly higher proportion of senior's population compared to the comparator group average.
Construction Activity (Building Permit) – Mix	The City's relative construction activity demonstrates a good mix between both the residential and commercial sector; Orillia's building permit activity per capita, is similar the comparator group 3 year average.
Assessment Composition	The proportion of residential assessment is lower than the comparator group average; while the non-residential assessment composition is higher. This is a good indication that Orillia does not over-rely on residential assessment which can affect affordability.
Assessment Growth	<p>The City's assessment growth from 2017-2018 was marginally lower than the comparator group average. Although the City is experiencing a construction boom, several factors play a role in creating “new” assessment, such as:</p> <ul style="list-style-type: none"> • Decisions of the Assessment Review Board (appeals from 2008-2012 and 2013-2016); • Buildings being repurposed and/or reused (converted to office space); • Timing – when assessment is picked up by MPAC.
Household Income	The average gross household income in Orillia is one of the lowest in the comparator group.

Summary – Taxation

The diagrams below provide a summary of taxation as an additional growth related indicator; please refer to Schedule “B” - BMA Study Highlights – Taxation for further details and analysis.

Taxation	Reflecting the City’s tax policy, the property tax measure indicates that Orillia’s taxes are moderate to lower than average in several classes.
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Measure	Ranking
Tax level - Bungalow	MID
Tax level - 2 Storey Home	MID
Tax level - Senior Executive	LOW
Tax level - Multi-res walk-up	MID
Tax level - Multi-res High-Rise	LOW
Tax level - Office Buildings (per sq ft)	MID
Tax level - Small shopping (per sq ft)	MID
Tax level - Hotel (per room)	MID
Tax level - Motel per suite (per room)	HIGH
Tax level - Standard industrial (per sq ft)	LOW
Tax level - Large industrial (per sq ft)	HIGH
Tax level - Industrial Vacant Land (per acre)	MID
Water/Wastewater - Residential	LOW
Water/Wastewater - Commercial (10,000 m3)	MID
Water/Wastewater - Industrial (30,000 m3)	MID

Summary – Financial Indicators

The table below provides a summary of financial measures; please refer to Schedule “C” - BMA Study Highlights –Financial Indicators for further details and analysis.

<p>Tax Reserves as a % of Own Source Revenues</p>	<p>Reserves are below the comparator group average; although the City is taking action to reduce the gap, 2017 reflects a further increase to the gap due to major capital construction projects funded through reserves.</p>
<p>Debt Outstanding/Total Debt per Capita</p>	<p>Debt outstanding has been decreasing over the years as payments are being made. Total debt per capita is also below the survey average, thus indicating although Orillia's population is increasing, the City is in a good financial position.</p>
<p>Debt Principal and Interest as a % of Own Source Revenues</p>	<p>The City's debt as a percentage of own source revenues is one of the lowest reported in the comparator group and well below the group average.</p>
<p>Financial Position</p>	<p>The City's financial position continues to strengthen year over year and continues to be above the comparator group average.</p>
<p>Taxes Receivable</p>	<p>Taxes receivable are higher than the average when compared to the Simcoe/Muskoka/Dufferin region.</p>

Summary – Cost of Services

The chart below provides a ranking summary of the cost of services measure; please refer to Schedule “D” - BMA Study Highlights –Cost of Services for further details and analysis.

Indicator	Rating
Paved Roadway	LOW
Recreation Facilities	LOW
Public Health	LOW
General Assistance (ODSP)	LOW
Social Housing	LOW
Building Permit and Inspection	LOW

Indicator	Rating
General Government	MID
Waste Disposal	MID
Planning	MID
Police	MID
Transit	MID
Waste Collection	MID
Ambulance	MID
Child Care	MID
Winter Control	MID

Indicator	Rating
Fire	HIGH
Waste Diversion	HIGH
Parks	HIGH
Recreation Programming	HIGH
Culture (Orillia incl. Museums)	HIGH
Library	HIGH
Assistance to Aged	HIGH

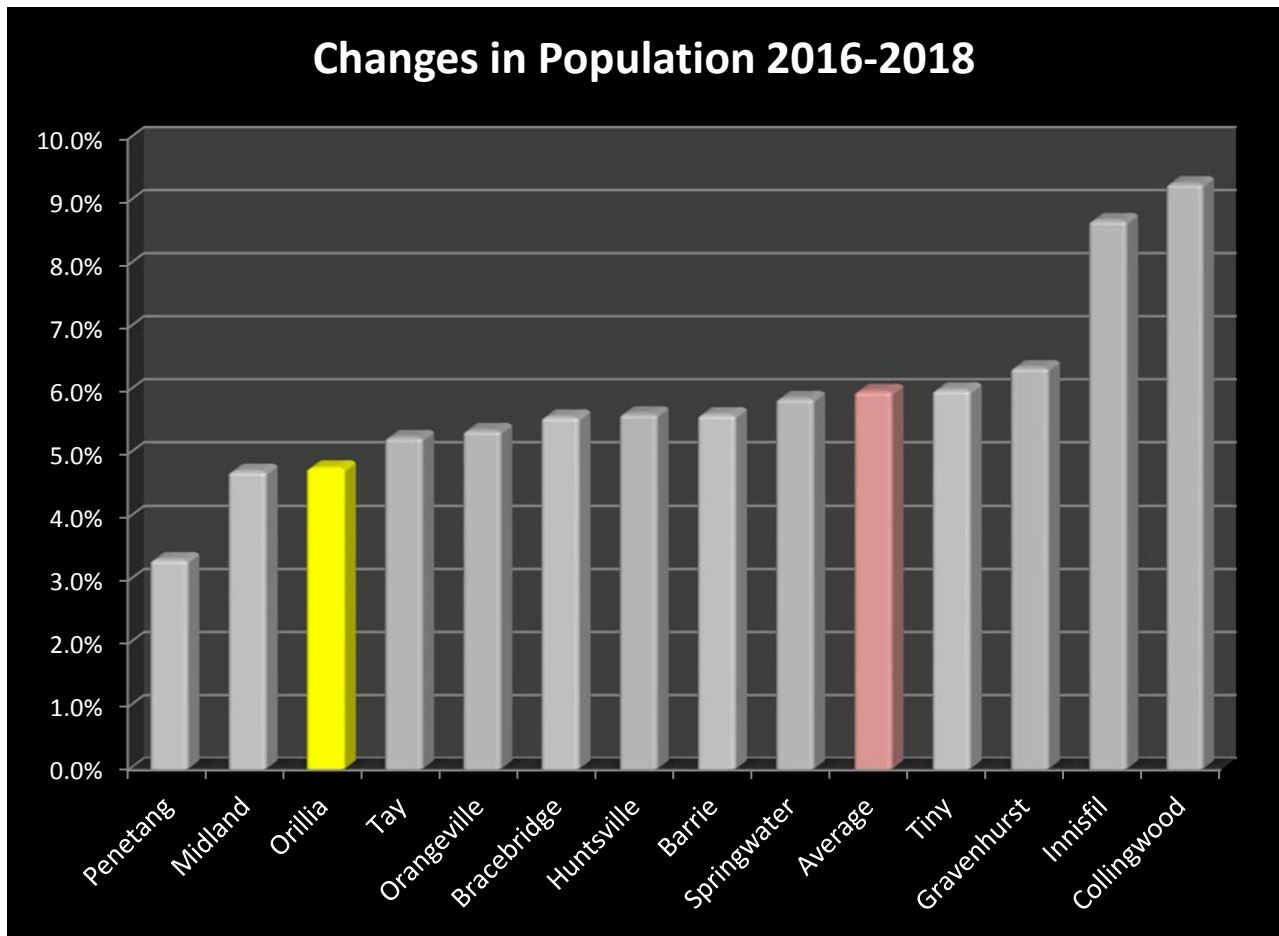
Ranking Index	
Low - bottom 33%	LOW
Medium - 34 to 66%	MID
High - high 67%	HIGH

Schedule “A” - BMA Study Highlights – Growth Related Indicators

Population Changes

Orillia has had a modest population growth and experienced an increase in population of 30,586 in 2011 to 31,166 in 2016 (1.9% increase), lower than the Simcoe/Muskoka/Dufferin average population increase during this time of 4.8%.

With future growth anticipated, the continued need for additional infrastructure and strategic financial planning is crucial and especially important to accommodate growth as existing assets reach an age where renewal/replacement needs will become more costly. The BMA Study produces an updated set of population projections for 2018, indicating the annual rate of growth of Orillia’s population is projected to ease gradually from 1.9% to 4.8% from 2016 to 2018.



Source: BMA Management Consulting Inc.

Age Demographics

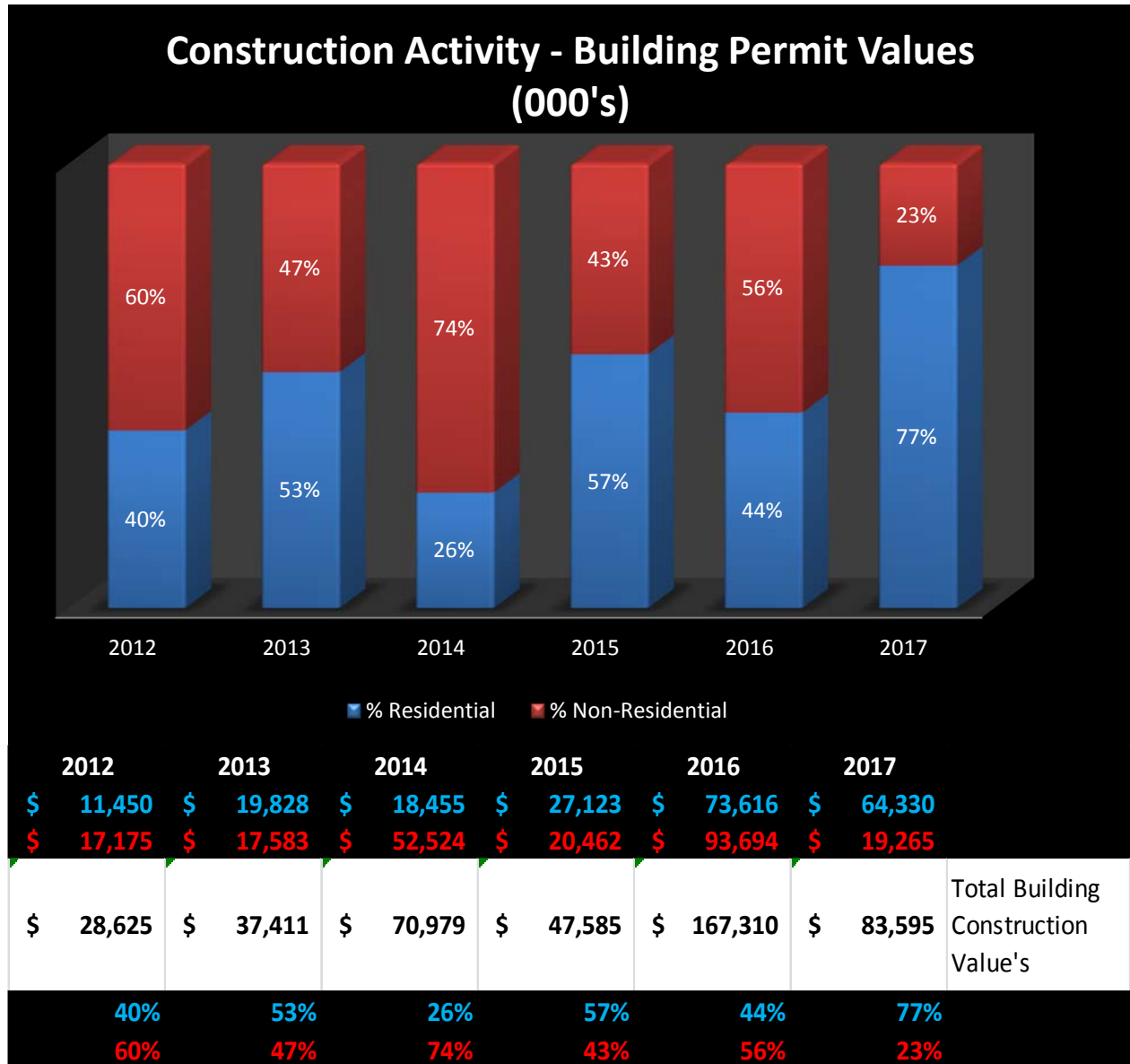
Orillia's age profile has some minor notable differences compared to the averages reported below; the City has 24% of residents that are ages 65+ compared with the Simcoe/Muskoka/Dufferin average of 21% and Provincial average of 17%.

Municipality	0-19	20-44	45-64	65+
Barrie	25%	34%	27%	14%
Bracebridge	19%	25%	31%	25%
Collingwood	19%	26%	28%	26%
Gravenhurst	16%	24%	33%	28%
Huntsville	20%	27%	32%	22%
Innisfil	24%	30%	31%	15%
Midland	19%	26%	31%	25%
Orangeville	26%	33%	27%	14%
Orillia	19%	29%	28%	24%
Penetanguishene	18%	26%	32%	24%
Springwater	25%	28%	33%	15%
Tay	19%	26%	34%	21%
Tiny	17%	22%	35%	26%
Simcoe/Musk./Duff. Avg	20%	27%	31%	21%
Provincial Average	22%	32%	28%	17%

Source: BMA Management Consulting Inc.

Construction Activity (Building Permits)

The City's construction activity is another growth-related indicator. Building activity can influence various elements within the economy, such as the employment base, income and property taxes. As illustrated by the graph below, 2017 construction activity in the City of Orillia indicates a larger mix of residential versus commercial activity.



Source: BMA Management Consulting Inc.

Generally, it is more costly to service residential development compared to commercial/industrial development. As shown on the graph above, the majority of Orillia's construction activity has been a mix of both residential and non-residential over the past six years. Ideally, non-residential development is desirable as a way to offset increasing operating costs associated with residential development, and also provides a strong assessment base, as well as increased employment opportunities. However, if the measure shows low residential activity, this may be a sign of poor growth from people moving into a municipality.

Building permit activity (per capita) is another indicator used to determine the relative construction activity within a municipality. The average building permit value per capita over the three year average in Orillia has increased to \$3,144, similar to the comparator group average of \$3,188.

Assessment

When determining fiscal strength of a municipality and the basis upon which to raise taxes, assessment growth, the richness of the assessment base and the assessment composition are all important indicators to consider.

Assessment composition provides an understanding of the mix of assessment by outlining the amount of reliance placed on residential versus non-residential. Orillia's proportion of residential assessment is lower than the Simcoe/Muskoka/Dufferin average by 9.7%, as outlined in the following table. Over-reliance on residential assessment can affect affordability and therefore increases the burden on residential taxpayers.

2018 Unweighted Assessment Composition %		
	Simcoe/Musk./Duff Avg.	Orillia
Residential	85.2%	75.5%
Multi-Residential	1.8%	5.5%
Commercial	9.5%	17.1%
Industrial	1.3%	1.6%
Pipelines	0.4%	0.3%
Farmlands	1.7%	0.0%
Other	0.2%	0.0%
Total	100.0%	100.0%

Source: BMA Management Consulting Inc.

Changes in assessment related to growth and changes in market value of existing properties, both contribute to assessment increases. The assessment increase from 2017 to 2018 in Orillia was lower than the average of 6.5%. The slower than average increase could potentially be the result of slow increases in property values due to being on the outer edge of the GTA growth impact.

Change in Unweighted Assessment	
2017-2018	
Bracebridge	3.0%
Gravenhurst	3.3%
Huntsville	3.7%
Collingwood	5.6%
Orillia	5.7%
Orangeville	6.4%
Average	6.5%
Barrie	6.7%
Springwater	12.1%
Innisfil	12.5%

Source: BMA Management Consulting Inc.

Household Income

Changes in household income are essential to municipalities because this is the fundamental source from which taxes are levied. The Average household gross income in the City of Orillia is one of the lowest compared to the Simcoe/Muskoka/Dufferin Region. Household income in Orillia may be lower than average due to the fact that Orillia has a higher number of retirees on fixed income (Age Demographic 65+ equal to 24%). However, retirees often have more disposable income due to lower household costs. The average annual household income of all surveyed municipality's in the BMA study was \$102,194.

	2017 Est. Avg. Household Income	2018 Est. Avg. Household Income	\$ Increase	% Increase
Midland	n/a	\$ 72,919	n/a	n/a
Orillia	\$ 73,844	\$ 74,970	\$ 1,126	1.5%
Tay	n/a	\$ 83,731	n/a	n/a
Penetanguishene	n/a	\$ 83,774	n/a	n/a
Gravenhurst	\$ 80,805	\$ 83,879	\$ 3,074	3.8%
Collingwood	\$ 92,375	\$ 89,612	\$ (2,763)	-3.0%
Bracebridge	\$ 90,372	\$ 92,397	\$ 2,025	2.2%
Huntsville	\$ 93,606	\$ 94,047	\$ 441	0.5%
Barrie	\$ 93,878	\$ 97,290	\$ 3,412	3.6%
Tiny	n/a	\$ 100,784	n/a	n/a
Orangeville	\$ 98,952	\$ 101,444	\$ 2,492	2.5%
Innisfil	\$ 94,915	\$ 107,643	\$ 12,728	13.4%
Springwater	\$ 138,346	\$ 139,363	\$ 1,017	0.7%

Municipality	2018 Est. Avg. Household Income	2018 Income Ranking
Midland	\$ 72,919	low
Orillia	\$ 74,970	low
Tay	\$ 83,731	low
Penetanguishene	\$ 83,774	low
Gravenhurst	\$ 83,879	low
Collingwood	\$ 89,612	mid
Bracebridge	\$ 92,397	mid
Huntsville	\$ 94,047	mid
Barrie	\$ 97,290	mid
Tiny	\$ 100,784	mid
Orangeville	\$ 101,444	mid
Innisfil	\$ 107,643	mid
Springwater	\$ 139,363	high
Simcoe/Musk./Duff. Avg	\$ 93,989	

Schedule “B” - BMA Study Highlights – Taxation

Taxation

The survey notes Orillia’s household income is significantly below the survey’s average results. This creates a challenge to deliver quality services at an affordable cost. Partially offsetting the lower household income is that the property tax measures indicate the majority of property classes rank “LOW” to “MID” than the average taxes for comparable properties. Orillia ranked the 31st lowest in the Standard Industrial class. The Large Industrial and Motel classes are two exceptions to these lower than average results. The BMA ranking for the Large Industrial class only represents one commercial property.

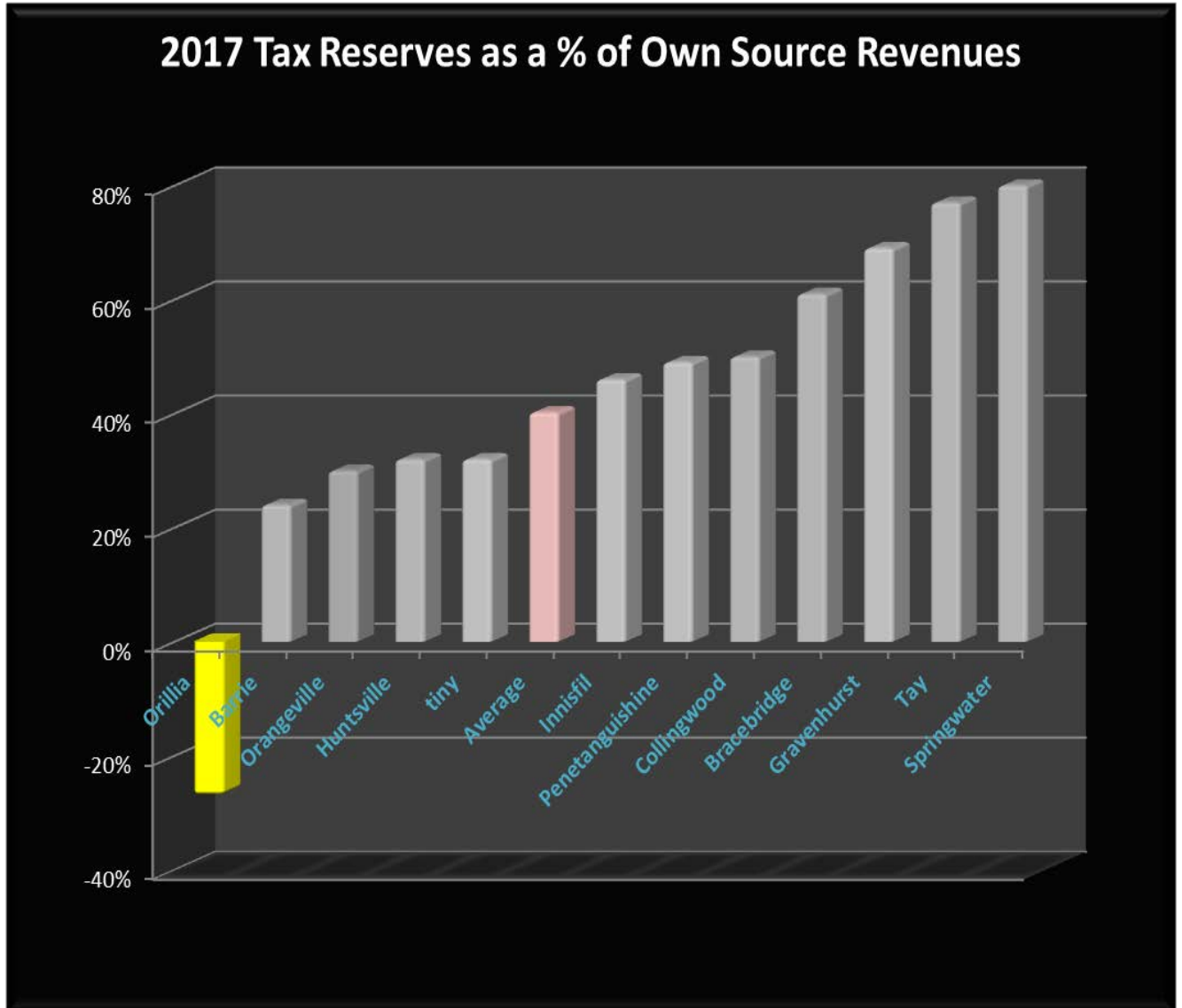
Measure	Orillia (2015 Taxes)	Orillia (2016 Taxes)	Orillia (2017 Taxes)	Survey AVG	Simcoe/Musk./Duf f. Average	Ranking
Tax level - Bungalow	\$3,139	\$3,362	\$3,434	\$3,397	\$3,014	MID
Tax level - 2 Storey Home	\$4,083	\$4,221	\$4,366	\$4,524	\$4,037	MID
Tax level - Senior Executive	\$5,121	\$5,303	\$5,454	\$6,286	\$5,703	LOW
Tax level - Multi-res walk-up	\$1,410	\$1,305	\$1,300	\$1,382	\$1,026	MID
Tax level - Multi-res High-Rise	\$1,705	\$1,297	\$1,289	\$1,715	\$1,615	LOW
Tax level - Office Buildings (per sq ft)	\$2.24	\$2.88	\$2.99	\$3.04	\$2.78	MID
Tax level - Small shopping (per sq ft)	\$3.11	\$3.88	\$4.13	\$3.63	\$3.28	MID
Tax level - Hotel (per room)	\$1,555	\$1,603	\$1,599	\$1,602	\$1,848	MID
Tax level - Motel per suite (per room)	\$998	\$1,464	\$1,507	\$1,240	\$1,094	HIGH
Tax level - Standard industrial (per sq ft)	\$1.02	\$1.22	\$1.23	\$1.67	\$1.31	LOW
Tax level - Large industrial (per sq ft)	\$1.38	\$1.53	\$1.52	\$1.11	\$1.03	HIGH
Tax level - Industrial Vacant Land (per acre)	\$1.02	\$1,633	\$1,834	\$3,673	\$1,949	MID
Water/Wastewater - Residential	\$749	\$793	\$840	\$1,074	\$1,148	LOW
Water/Wastewater - Commercial (10,000 m3)	\$29,707	\$31,456	\$33,307	\$36,054	\$40,616	MID
Water/Wastewater - Industrial (30,000 m3)	\$89,761	\$95,045	\$100,639	\$102,824	\$121,240	MID

BMA Ranking	
Low	LOW
Medium	MID
High	HIGH

Schedule "C" - BMA Study Highlights – Financial Indicators

Reserves

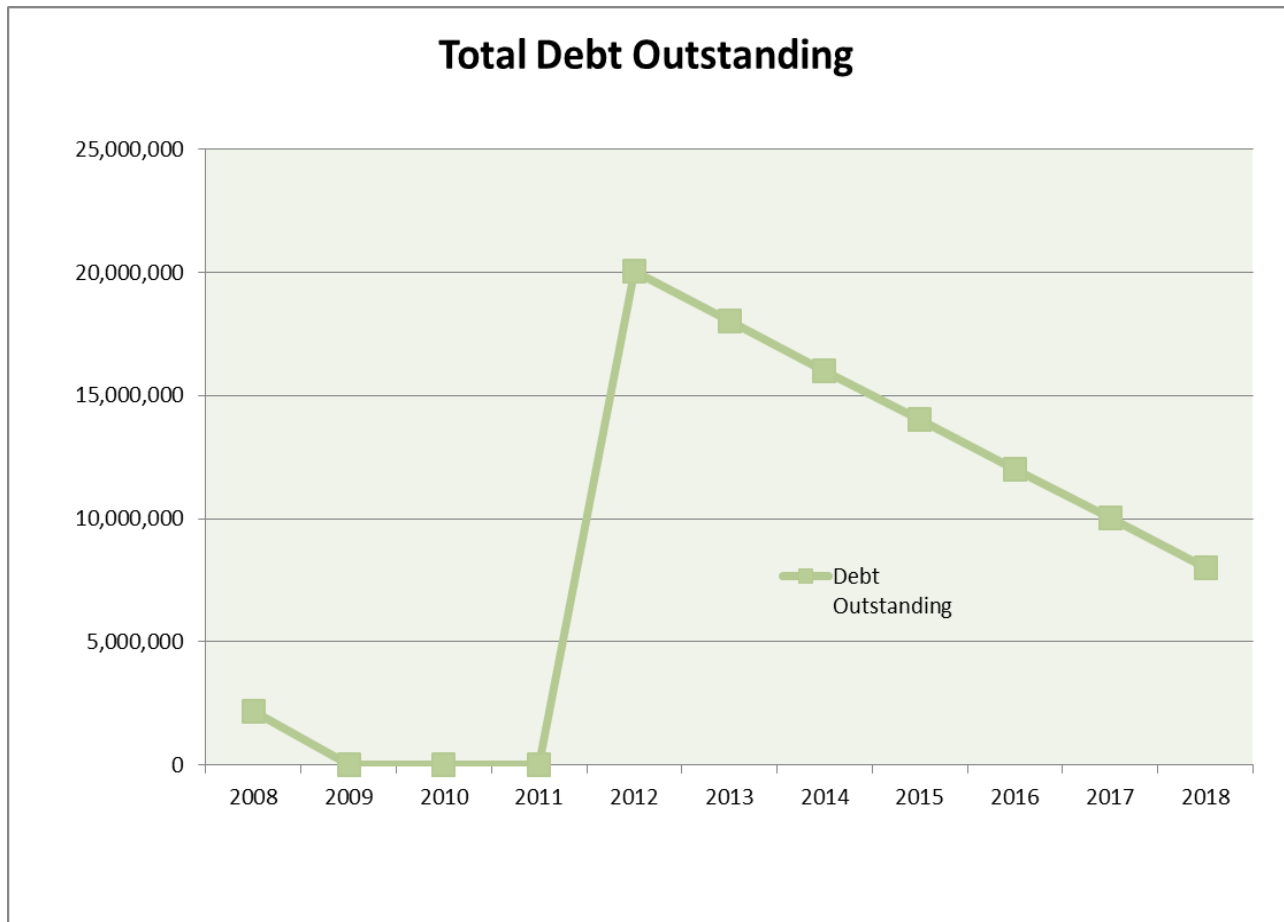
In 2012, Orillia's tax discretionary reserve ratio as a % of own source revenues was -29%; in 2014, the ratio decreased to -10%, and -4% in 2015. The ratio currently stands at -27% indicating an increase mainly due to large construction projects funded through reserves. A negative balance indicates there are not enough reserve funds to meet future long-term obligations, but also indicates Orillia is fully utilizing reserves and avoiding debt.



Source: BMA Management Consulting Inc.

Debt Outstanding

Debt is considered a standard practice in most municipalities for long term capital projects and allows the cost of larger projects to be spread across future years. Debt outstanding is just one analytical measure used to evaluate a municipality's financial position. Orillia's debt outstanding from 2008-2018 is shown below. The total debt outstanding and items committed to debt at the end of 2018 is approximately \$8 million.

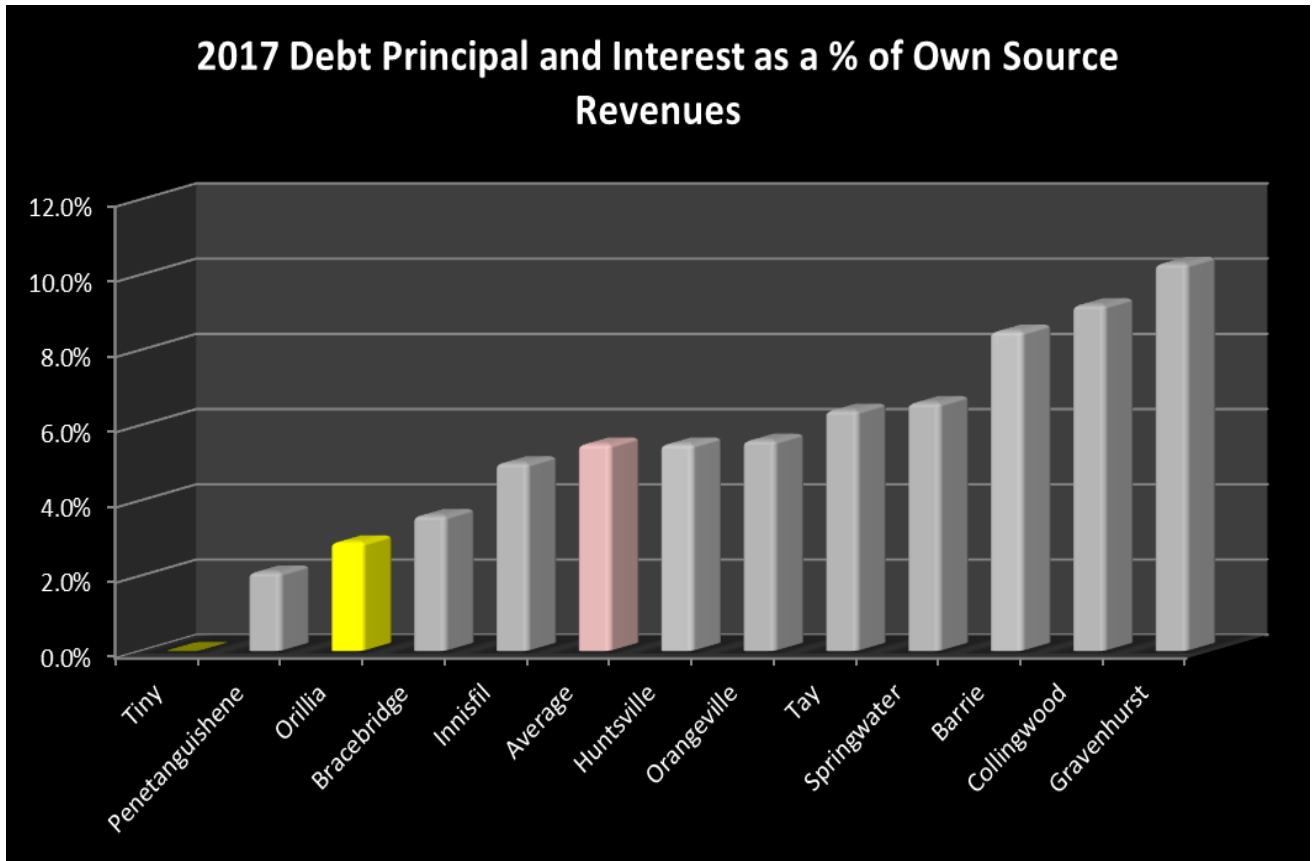


Source: BMA Management Consulting Inc.

The City of Orillia's total debt outstanding for 2018 per capita is \$307 (2017 \$386), which is significantly less than the survey average of \$731. The City ranked 44th out of 104 municipalities surveyed within the 2018 BMA study.

Debt Principal and Interest as a Percentage of Own Source Revenues

The City's debt charges as a percentage of own source revenue is 2.9% (2016 3.1%), amongst the lowest in the comparator group. This indicates that the City is not resorting to external debt compared to other municipalities. This indicator shows the extent to which Orillia is using revenue to pay for programs and services rather than external debt. Although the City is on the lower end of this measure when compared to the comparator group, the total survey average is only 5.1%. In addition, the Special Budget Committee meeting held on October 28th, 2015, indicated the goal of the major capital facilities plan was to limit City borrowing to \$1,000 per capita.

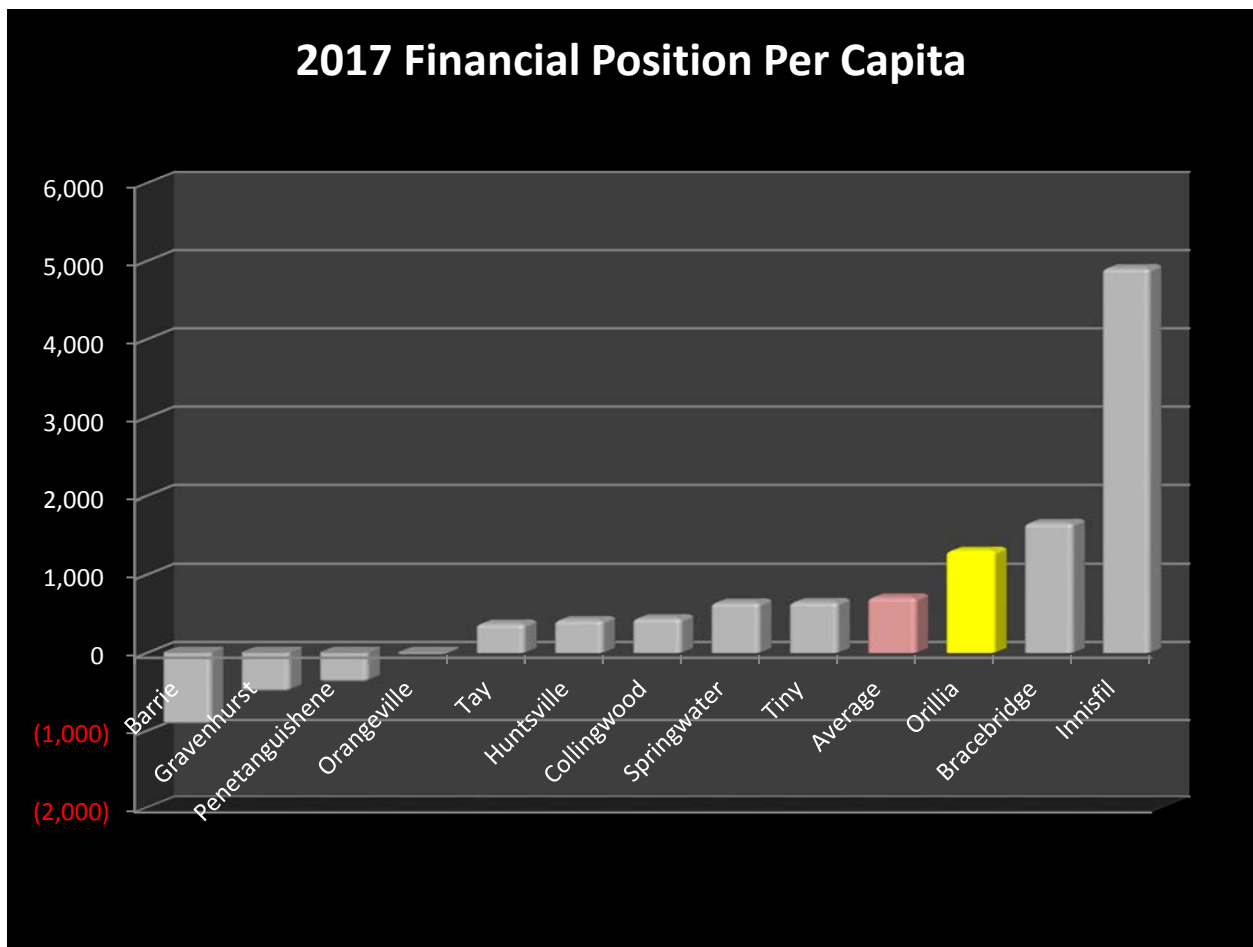


Source: BMA Management Consulting Inc.

Financial Position

The BMA study defines the financial position “as the total fund balances less the amount to be recovered in future years associated with long term liabilities.” This indicator includes all of a municipality’s financial assets and liabilities.

A comparison was made of financial position per capita with the comparator group. As illustrated below, Orillia’s financial position on a per capita basis is above the average. The current financial position indicates the City is in a favourable short term financial position, strengthening year after year, in comparison to other municipalities.

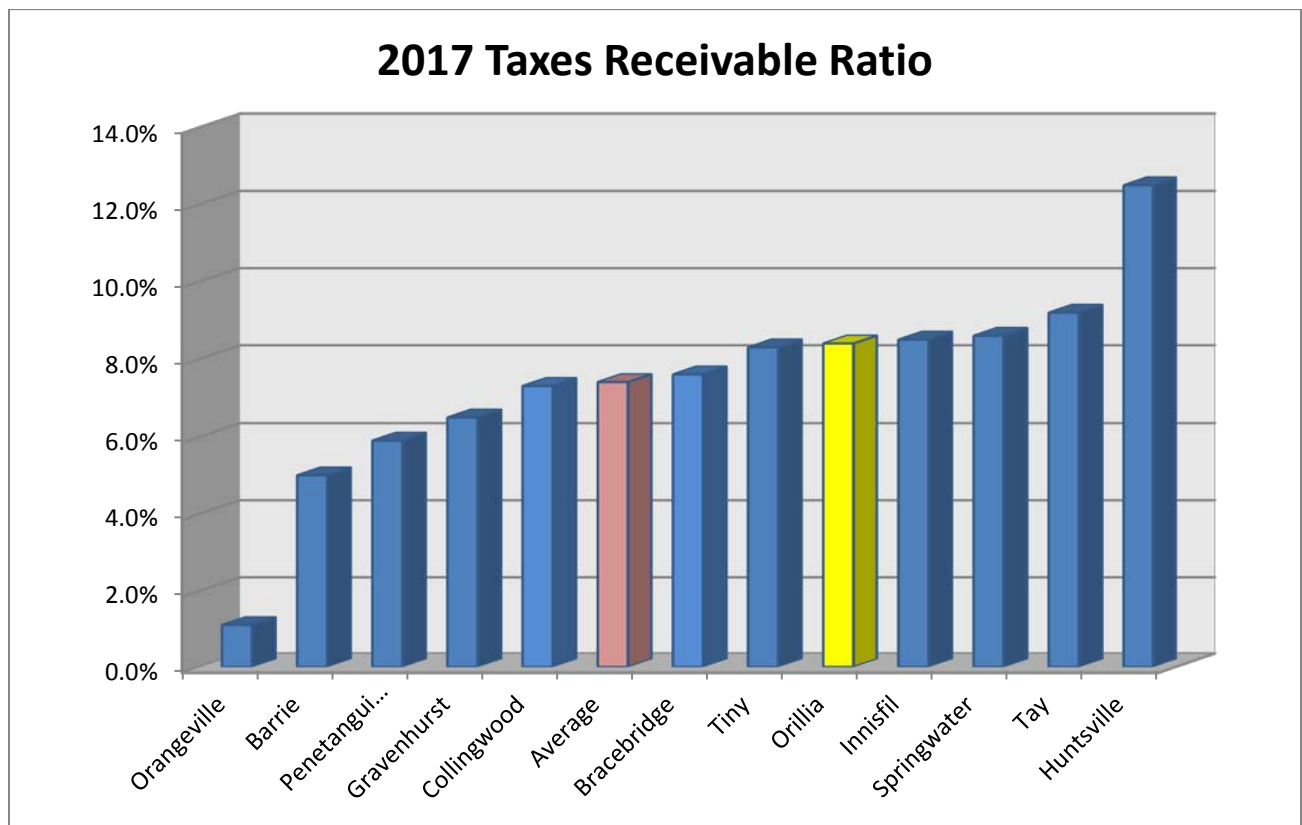


Source: BMA Management Consulting Inc.

Taxes Receivable

A high taxes receivable ratio may indicate a higher number of property owners unable to pay property taxes and over time may lessen a municipality's economic health; however, it also reflects the City's collection policy. A stringent policy will force taxpayers to reduce or eliminate their outstanding payments, while a more relaxed policy will allow taxpayers to choose their payment priorities.

Orillia's ratio has seen small changes over the past two years; the current 8.4% (2016 8.1%) ratio is slightly higher compared to the Simcoe/Muskoka/Dufferin average as shown on the following graph. Interest is collected on taxes outstanding; therefore, lowering this ratio would result in lower interest revenue and impacting the operating budget and resulting taxes.



Source: BMA Management Consulting Inc.

Schedule "D1" - BMA Study Highlights - Cost of Service PER CAPITA, INCLUDING AMORTIZATION

Measure	Comparators	Orillia (2015 Data)	Orillia (2016 Data)	Orillia (2017 Data)	Survey AVG	
Building Permit and Inspection (Delivered)	Full Survey	\$14	\$16	\$16	\$21	LOW
Winter Control (Delivered)	Single tier	\$46	\$49	\$60	\$62	MID
TOTAL		\$60	\$65	\$76	\$83	

Source: BMA Management Consulting Inc.

Schedule "D2" - BMA Study Highlights - Cost of Service PER CAPITA, EXCLUDING AMORTIZATION – Contracted Services

Measure	Comparators	Orillia (2015 Data)	Orillia (2016 Data)	Orillia (2017 Data)	Survey AVG	
Police	Population 30,000 to 99,000	\$230	\$221	\$209	\$268	MID
Transit (Conventional)	Population 30,000 to 99,000	\$32	\$36	\$40	\$48	MID
Waste Collection	full survey excluding regions	\$9	\$6	\$6	\$9	MID
Public Health	full survey excluding regions	\$12	\$12	\$12	\$19	LOW
Ambulance	full survey excluding regions	\$45	\$50	\$56	\$57	MID
General Assistance (ODSP)	full survey excluding regions	\$48	\$40	\$32	\$60	LOW
Assistance to Aged	full survey excluding regions	\$30	\$38	\$29	\$24	HIGH
Child Care	full survey excluding regions	\$15	\$19	\$16	\$14	MID
Social Housing	full survey excluding regions	\$46	\$36	\$47	\$56	LOW
TOTAL		\$467	\$458	\$447	\$555	

Source: BMA Management Consulting Inc.

Ranking Index	
Low - bottom 33%	LOW
Medium - 34 to 66%	MID
High - high 67%	HIGH

Schedule “D3” - BMA Study Highlights - Cost of Service PER CAPITA, EXCLUDING AMORTIZATION – Non-Contracted Services

Measure	Comparators	Orillia (2015 Data)	Orillia (2016 Data)	Orillia (2017 Data)	Survey AVG	Ranking
General Government	Full Survey	\$89	\$89	\$88	\$104	MID
Fire	Population 30,000 to 99,000	\$212	\$222	\$214	\$156	HIGH
Paved Roadway	Single tier	\$22	\$18	\$13	\$84	LOW
Waste Disposal	full survey excluding regions	\$19	\$17	\$19	\$19	MID
Waste Diversion	full survey excluding regions	\$32	\$36	\$35	\$20	HIGH
Parks	Full Survey	\$64	\$61	\$56	\$45	HIGH
Recreation Programming	Full Survey	\$22	\$25	\$32	\$21	HIGH
Recreation Facilities	Full Survey	\$38	\$41	\$44	\$68	LOW
Culture (Orillia incl. Museums)	Full Survey	\$52	\$50	\$42	\$15	HIGH
Library	Population 30,000 to 99,000	\$78	\$79	\$71	\$43	HIGH
Planning	Single tier	\$26	\$24	\$17	\$18	MID
TOTAL		\$654	\$662	\$631	\$593	

Source: BMA Management Consulting Inc.

- Overall, the measures indicate that the City is :
 - Controlling the spending of services delivered to meet the limitation due to lower than average household income (Schedule “D1”).
 - Managing cost to compensate for external and unexpected events as the City is below the average for contracted services (Schedule “D2”).
- The following measures have unusual issues that affect the study results:
 - Winter Control \$ per capita: The City’s Tangible Capital Asset policy currently does not breakout amortization on multi-purpose vehicles and therefore Winter Control expenditures appear lower than average.
 - Library \$ per capita: This measure includes interest cost on debentures that will continue to occur until 2022.
 - Transit \$ per capita: Calculation is based on total expenses excluding amortization, less transit user fees (does not include Provincial Gas Tax); the City has a high volume of transit riders and which therefore results in higher user fee revenues.
 - Paved Roadway \$ per capita: Some municipalities in the category have large rural areas making comparisons inaccurate. A wide range of results among the municipalities indicate a variety of reporting methods.
 - Culture \$ per capita: Orillia’s measure includes museum facilities (OMAH contribution and Leacock Home) that fall under the Culture description for reporting purposes, and as a result make comparisons inaccurate with municipalities that do not have similar facilities.