



Financial Condition Assessment



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Introduction

BMA Management Consulting Inc. (BMA) was engaged by the City of Cornwall to undertake a **Financial Condition Assessment**. The intent of a Financial Condition Assessment is to evaluate, through trend analysis, assessments, performance indicators, benchmarking, the City’s past performance, financial outlook, and to identify key areas of focus. The Financial Condition Assessment was evaluated using the Canadian Public Accountant (CPA) Canada guidelines which recommend consideration of the following:



Growth and Socio-Economic Indicators

Municipal Levy, Property Taxes & Affordability Indicators

Financial Position Indicators

The report includes trend analysis to consider how the City of Cornwall’s financial and socio-economic conditions have changed over time.




At the conclusion of each section, a performance dashboard has been included to summarize the results of the key metrics. The following provides the legend that was used to summarize the results.

Legend



Despite its socio-economic challenges, Cornwall’s financial condition is healthy.

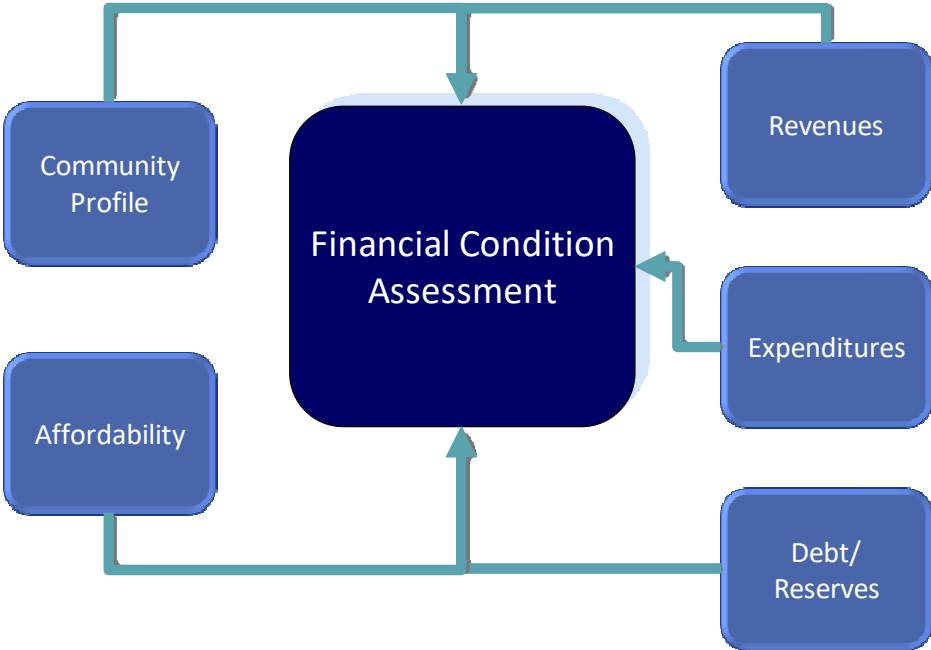


Introduction—Financial Condition Assessment

Ongoing evaluation of the City’s financial health is imperative. It provides an assessment of how the City is performing and provides valuable information on the current and future state of the City’s finances.

Regular and timely financial condition assessments can provide an early warning of potential fiscal problems and provide information necessary for timely corrective action.

As described by CPA Canada, an evaluation of a municipality’s financial condition considers an evaluation of the following elements:



Financial Condition

<p style="text-align: center;">Sustainability</p> <p>The ability to provide and maintain existing programs without resorting to unplanned tax increases in rates or cuts to services.</p>	<p style="text-align: center;">Flexibility</p> <p>The ability to issue debt responsibly without impacting the credit rating. Also, the ability to generate required revenues.</p>	<p style="text-align: center;">Vulnerability</p> <p>Focuses on minimizing the level of risk that could impact its ability to meet financial obligations and commitments including the delivery of services.</p>
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City of Cornwall's Commitment to Long Range Financial Planning

Numerous reports and sources of data were used to undertake an assessment of the City's financial condition and continued commitment to financial sustainability including:

- *2019 Budget*
- *2017 Financial Reports*
- *City of Cornwall Strategic Plan*
- *Market Conditions*
- *Reserve/Reserve Fund Year End Reports 2013-2018*
- *Year End Debt Schedules*
- *Financial Information Returns (FIR) 2013-2017*
- *Budget Surveys 2014 and 2018*
- *Building Construction Year End Reports*
- *Cornwall Official Plan 2018*
- *Financial Policies*
- *Economic Development Strategic Plan*
- *City of Cornwall Data Book 2018*

Positive Financial Trends and Prudent Financial Policies

As will be shown in this report, the City tracks numerous financial and economic indicators. Further, the City has continued to fine tune financial policies and targets and to track performance and incorporate new strategies in the budget.



Trend Analysis

The problems that create fiscal challenges seldom emerge overnight, rather they develop slowly, thus making potential problems less obvious. Analyzing the trends of the City’s key financial performance and socio-economic indicators offers several benefits including:

- Information on changes in the City’s financial health, revealing the most current trends;
- How quickly a trend is changing;
- Forms the basis for future forecasting; and
- Builds awareness and helps identify the potential need to modify existing policies or develop new strategies.

Financial Indicators must be continually monitored and regularly evaluated to help ensure decisions are fully informed and financially responsible.

Better Information = Better Decisions

“The usefulness of indicators is not in the numbers themselves, but the analysis of what is driving the indicator. It may, however, be more useful to consider the combined results of several broad indicators in assessing performance rather than any one indicator of its own.”

Source: Local Government Financial Sustainability, Nationally Consistent Frameworks, published by Local Government and Planning Ministers’ Council (Australia), May 2007

Peer Analysis

Peer analysis has also been included to gain perspective on the City’s financial health in relation to other municipalities. Figure 1 summarizes the peer municipalities selected.

Figure 1—Peer Municipal Comparator Group

Municipality	Estimate 2018 Population	Land Area (sq. km.)	Density per sq. km.
Brockville	21,987	21	1,055
Kingston	128,937	415	311
Belleville	53,277	247	215
North Bay	52,773	319	165
Peterborough	85,227	64	1,326
Average	68,440	213	614
Median	53,277	247	311
Cornwall	48,556	62	789

Source: Population—Manifold Data Mining, Land Area—Stats Canada

Financial Condition Assessment—Key Indicators

The Financial Condition Assessment includes the following:

Growth and Socio-Economic Indicators



These are largely external to the City’s control but important to understand from a planning and forecasting perspective.

- Population
- Employment Statistics
- Building Construction Activity
- Property Assessment
- Household Income

Municipal Levy, Property Taxes & Affordability Indicators



Evaluation of the cost of municipal programs and services and how these costs translate into municipal property taxes.

- Municipal Levy
- Comparison of Relative Taxes
- Municipal Property Taxes as a % of Income
- Non-Residential Taxes
- Tax Ratios

Financial Position Indicators



Evaluation of the City’s financial framework helps determine if modifications are needed to the City’s existing financial policies and strategies.

- Reserves & Reserve Funds
- Debt
- Municipal Financial Position
- Taxes Receivable



Section 1: Growth and Socio-Economic Indicators

Growth and Socio-Economic Indicators

Growth and socio-economic indicators provide insight into the community’s collective ability to generate revenue relative to the community’s demand for public services. As noted by Standard & Poor’s bond rating agency, “demographic characteristics factor heavily into economic analysis”.

An examination of economic and demographic characteristics can identify, for example, the following types of situations:

- An inclining tax base and correspondingly, the community’s ability to pay for public services;
- A need to shift public service priorities because of demographic changes in the community; and
- A need to shift public policies because of changes in economic and legislative conditions.



Growth and Socio-Economic Indicators

Growth and socio-economic indicators are closely inter-related and affect each other in a continuous cycle of cause and effect. Many of these indicators are largely uncontrollable by the municipality. Also important are the City’s plans and potential for future development.

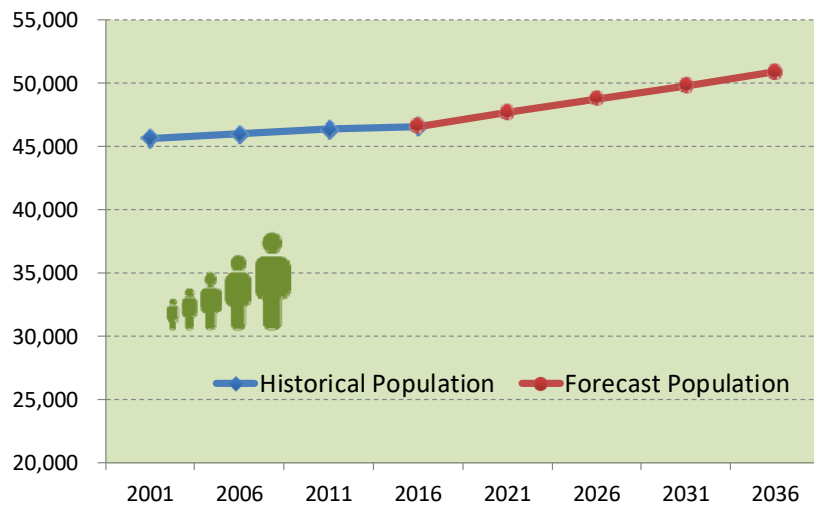


Population Changes

Strong population growth drives the economic health of a municipality and creates an environment that supports business. Also, it provides an evolving and vibrant labour force that the business community relies on to produce goods and services. Changes in population directly impact both revenues (assessment base) and expenditures (service demand). The following summarizes key findings related to the City’s population growth:

- Past growth trends reveal the City’s population remains relatively stable. Cornwall has grown from a population of 45,640 in 2001 to over 46,590 in 2016 (2.1% increase).
- Population is forecasted to exceed 50,900 by 2036, a 9.3% increase from 2016 (Source: Ontario Ministry of Finance). The population growth will lead to increased demand for services and new capital infrastructure. This new growth will be characterized by a significant increase in older seniors.

Figure 2—City of Cornwall—Population Changes



Source: Stats Canada (Historical), Ontario Ministry of Finance forecast

- While the majority of growth related capital expenditures are funded through development charges, there are mandatory exemptions and discounts not eligible under the *Development Charges Act* and therefore must be funded from other revenue sources, including the tax base. Funding new infrastructure and increased operating expenditures to maintain the system places additional pressure on the tax base.

Excerpts—Long Term Financial Plan—KPMG—2017

“The absence of significant growth in the City’s population base poses a challenge from a financial sustainability perspective as the total number of taxpayers is not anticipated to increase at the same rate as the City’s operating and capital costs. As such, the total tax burden for the City’s residents will likely increase over the duration of the long-term financial plan, which may give rise to affordability concerns.”

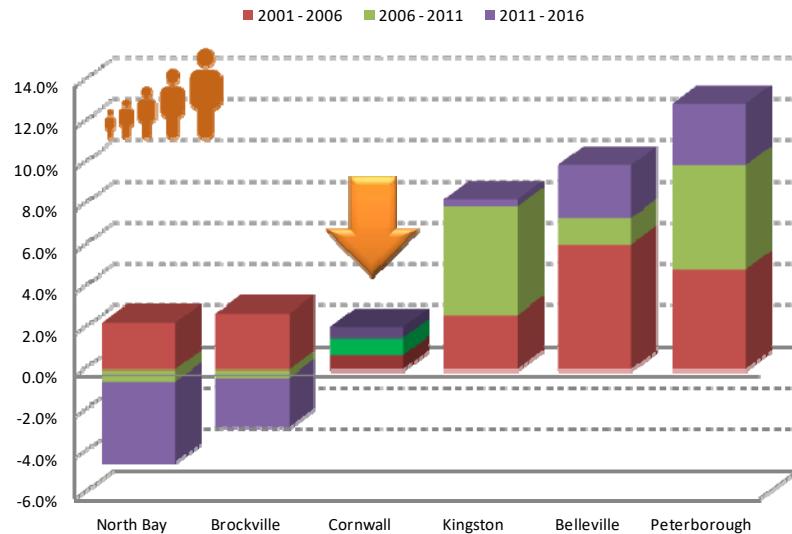
Excerpts—Economic Development Strategic Plan 2016

“An online survey was created and promoted by the City of Cornwall in which residential growth was identified as a very important issue for the community.”

Peer Municipal Comparisons—Population Growth

- Kingston, Belleville and Peterborough have experienced higher percentage increases in population growth since 2011 in comparison to Cornwall.

Figure 3—Population Changes—Peer Municipalities

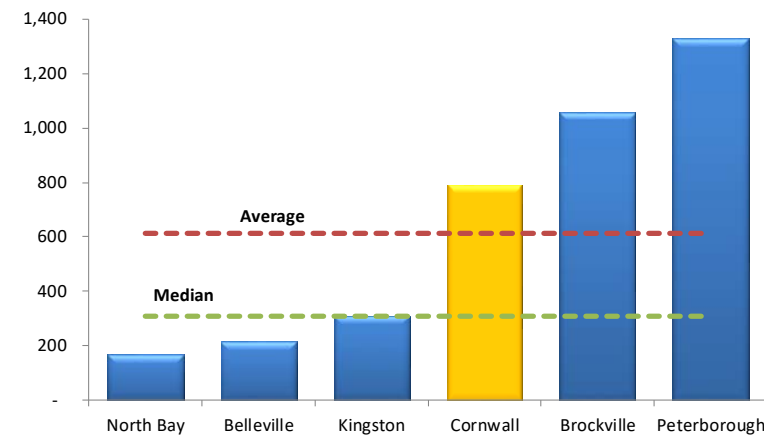


Source: Stats Canada

Population Density

Population density indicates the number of residents living in an area (usually measured per square kilometre). Density readings can lend insight into the age of a city, growth patterns, zoning practices, new development opportunities and the level of multi-family unit housing. As illustrated in Figure 4, Cornwall has the third highest population density per km².

Figure 4—Population Density per km² —Peer Municipalities



Source: Stats Canada

Excerpts—Economic Development Strategic Plan 2016

“Cornwall’s population has not shown substantial growth over the past several decades. Several investment opportunities (i.e. business and retail) have not been realized because the existing market size of Cornwall is not big enough and is not showing signs of growth. In addition, Cornwall needs residential growth to help combat their issues with an aging population, youth outmigration, lower skilled workforce and overall community image.”

Excerpts—City of Cornwall Official Plan 2018

“Over the long term, a compact and orderly development pattern will prove to be cost effective and efficient from the point of view of the delivery of municipal services, energy conservation and convenience to the population. In a compact community people benefit from improved quality of life associated with having opportunities to work, shop and play near where they live.”

Age Demographics

The age profile of a population has an impact on spending plans, especially around the type and level of service required. The needs of residents shift over the course of their lives.

An analysis was undertaken of the 5 year trend in Cornwall in relation to the Ontario average.

- The fastest growing cohort is residents aged 65-69, reflecting the entry of many “baby boomers” into those years.
- In the City of Cornwall, the number of residents that are age 65+ has increased 16.7% over the 5 year period, compared with the Ontario average increase of 18.3%.
- Conversely, the number of residents age 0-19 has declined by almost 5.4% compared with a reduction of 2.2% across Ontario.

Figure 5—Age Profile Trend

Age Profile	Cornwall			Ontario		
	2011	2016	% change	2011	2016	% change
Age 0-19	10,185	9,640	↓ -5.4%	3,167,813	3,096,780	↓ -2.2%
Age 20-44	12,805	12,900	→ 0.7%	4,410,879	4,458,936	→ 1.1%
Age 45-64	14,035	13,175	↓ -6.1%	3,836,128	3,927,160	→ 2.4%
Age 65+	9,315	10,875	↑ 16.7%	1,951,480	2,309,176	↑ 18.3%
Total	46,340	46,589		13,366,300	13,792,052	

Source: Stats Canada

- As shown in figure 5, although the City of Cornwall has had a lower increase of residents aged 65+ than the Ontario average, as shown in figure 6, the City has a much higher proportion of residents aged 65+ than the Ontario average and a lower proportion of working age population.
- The City has a stable population base of residents ages 20-44 with a good future forecast for this age cohort.

Figure 6—Age Profile Comparison

Age Profile	Cornwall	Ontario
	2016	2016
Age 0-19	20.7%	22.5%
Age 20-44	27.7%	32.3%
Age 45-64	28.3%	28.5%
Age 65+	23.3%	16.7%
Total	100.0%	100.0%

Source: Stats Canada

- These demographic changes may put pressure on the City to provide services that reflect the changing demographic needs while still keeping taxes affordable.

Excerpts—Economic Development Strategic Plan 2016

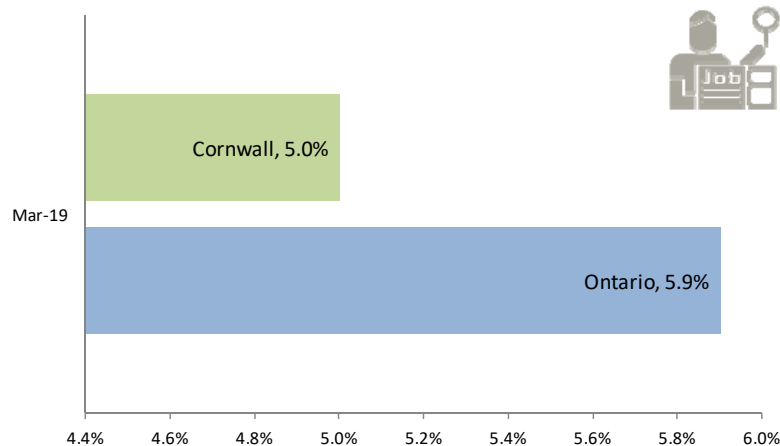
“Threats: It is important to be aware of the issues around stagnation of population growth combined with an aging population.”

Employment and Labour Force Indicators

Labour force statistics are an important measure of the economy’s potential.

- Higher than average rates of unemployment can be a warning signal that overall economic activity may be declining.

Figure 7—Unemployment Rates—March 2019



Source: Stats Canada

- The unemployment rate in Cornwall is estimated to be approximately 5% (March 2019). This is based upon rates for the larger region of Eastern Ontario, which includes Ottawa and Kingston. Unfortunately accurate estimates are not available for Cornwall alone due to the sample size/methodology used by Statistics Canada.

- As stated by the Economic Development, the current unemployment situation is considered to be lowest in the City in decades. Several of the area’s major employers have been constantly recruiting to fill open positions for over a year.
- The larger the percentage of the population that enters the labour force; the larger the potential output and standard of living. Growth in the labour force implies expanding potential.

Excerpts—City of Cornwall 2018 Databook

“Cornwall’s total employment is forecasted to climb from an approximate 24,200 in 2011, to 27,500 by 2036; an increase of 3,300. The annual employment growth rate for this period is approximately 0.5%.”

Excerpts—Economic Development Strategic Plan 2016

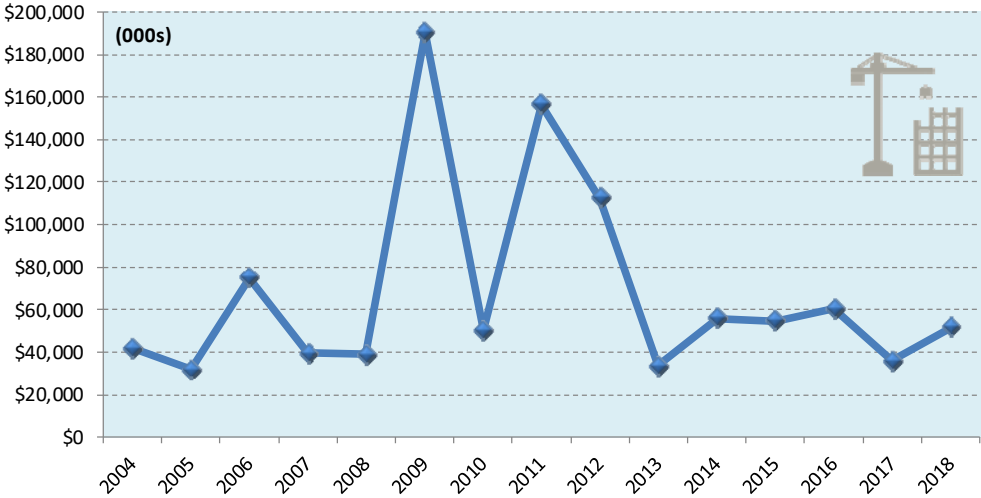
“Cornwall has a strong, active and successful economic development program. Team Cornwall is a proven community and economic development strength and this ambassador program has truly brought the community together. The rejuvenated downtown is recognized as an asset and an opportunity. The city is seen as a regional focal point and the heart of SDG – both for employment, commerce, the provision of services and tourism amenities (the hotels and accommodations for the region are located in Cornwall). There are already very good festivals, special events and sporting events to support Cornwall’s tourism sector.”

Construction Activity

- Another growth related indicator is the construction activity within a municipality which provides information on both residential and non-residential development. Changes in building activity impact other factors such as the employment base, income and property values.
- It is important to look at building cycles over a relatively long period of time to identify trends in construction activity.
- Figure 8 provides the trends in building permit activity experienced in the City of Cornwall for the past 15 years. As shown below, building construction activity is very cyclical and is impacted by large projects such as in 2009, 2011 and 2012 (Distribution Centres, Hospital Construction).



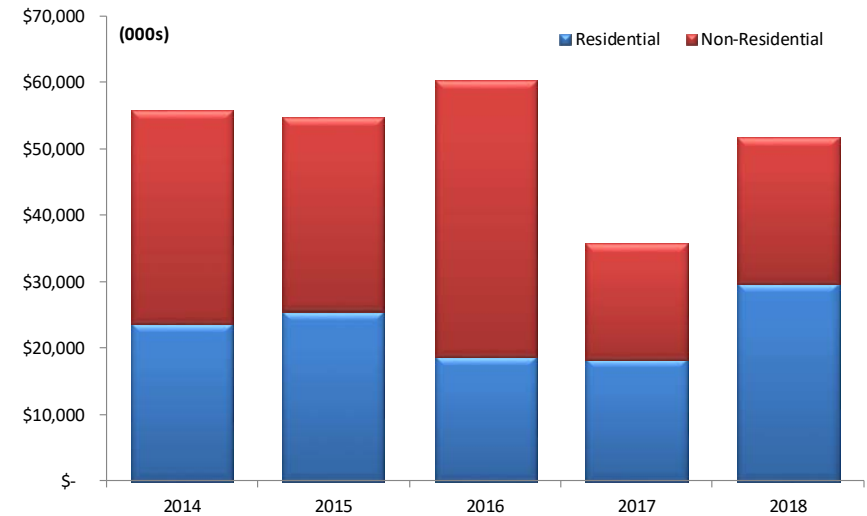
Figure 8—Total Construction Activity—City of Cornwall (000's)



Source: Year End Building Reports and FIR

- It is also important to look at the type of construction being undertaken.
- Generally, a municipality’s net operating costs (expenditure increase net of the associated growth in assessment) to service residential development is higher than the net operating cost of servicing commercial or industrial development because many services such as recreation, libraries and parks are provided mainly for use by residents.
- The ideal condition is to have sufficient commercial and industrial development to offset the net increase in operating costs associated with residential development. Non-residential development is desirable in terms of developing a strong assessment base upon which to raise taxes and in providing employment opportunities.
- Over the past 5 years, residential/non-residential construction activity (on a \$ of construction) is a 46/54 split in the City of Cornwall, representing a good balance between residential and non-residential development.

Figure 9—Residential and Non-Residential Construction Activity

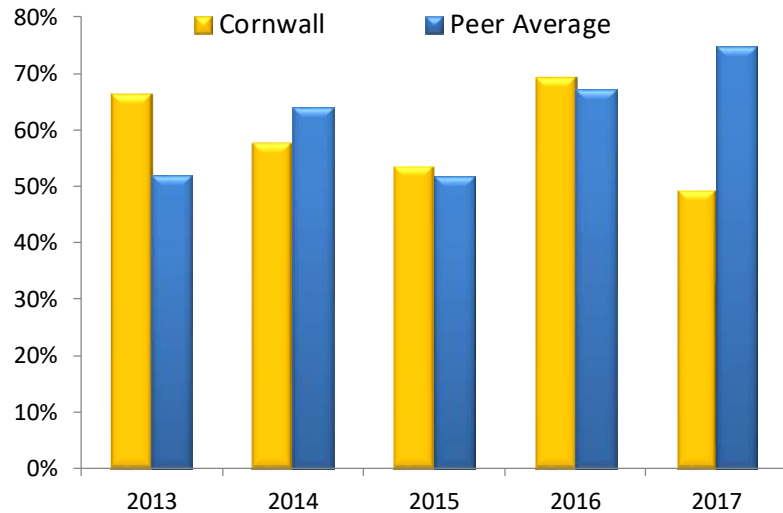


Source: Building year end reports

Excerpts—ChooseCornwall.ca—Cornwall Building Activity Soars-Jan 2019

“We continue to see activity across all sectors, and it bodes well for the future,” said Chris Rogers, Chief Building Official. “There are several commercial and residential projects on the horizon and we anticipate construction activity to continue at a steady pace into 2019.”

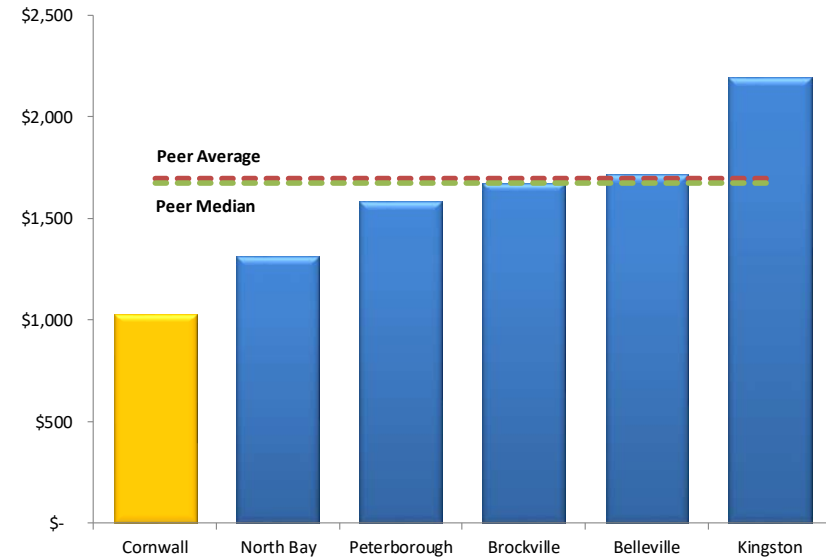
Figure 10—% Non-Residential Construction Activity—Peer Municipal Comparators



Source: BMA Municipal Studies

- A comparison was undertaken of the type of construction across the peer municipalities and over the last five years.
- As shown in figure 10, Cornwall’s proportion of non-residential construction activity was higher in 2013, 2015 and 2016.

Figure 11—Construction Activity Per Capita—Peer Municipal Comparators—5 Year Average



Source: City year end construction reports

Building permit value per capita is used as an indicator of the relative construction activity within each peer municipality.

- As shown in figure 11, the five year average building permit value per capita from 2013 to 2017 in Cornwall was the lowest in the survey of peer municipalities.
- Prior to 2019, residential values were based on declared estimates which were at historical trends. This has a tendency to understate the construction activity and is not a common approach across Ontario. The City is now charging residential new construction on a cost per square foot basis, consistent with the practice across the majority of Ontario municipalities.

Assessment

Monitoring assessment is important because taxation is the largest source of revenues to support City programs, services and the replacement of assets. A strong assessment base provides a stable long-term funding source. There are three aspects that should be monitored when reviewing assessment, which are important indicators of fiscal strength:

1. **Residential/Non-Residential Composition:** As previously mentioned, it is more desirable to have a larger share of non-residential assessment as the municipal cost of service is generally lower than residential. In comparison to the peer municipalities, Cornwall has a higher proportion of non-residential assessment. As shown in figure 12, the weighted combined assessment in the non-residential sector is 38.6% in Cornwall as compared with the peer average of 27.2%.
2. **Growth in Assessment:** Assessment increases include changes in assessment related to growth as well as changes in market value of existing properties (which does not generate additional revenues). As shown in figure 13, from 2013-2018, the assessment increase in Cornwall was higher than the peer average and except for 2016-2017, mainly due to changes in market values. The reduction experienced in 2016-2017 was a result of reassessment of big box stores, distribution centres.

Figure 12—2018 Assessment Composition

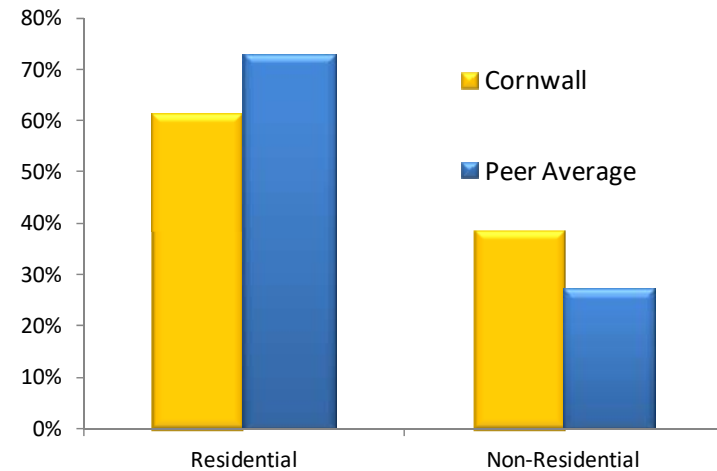
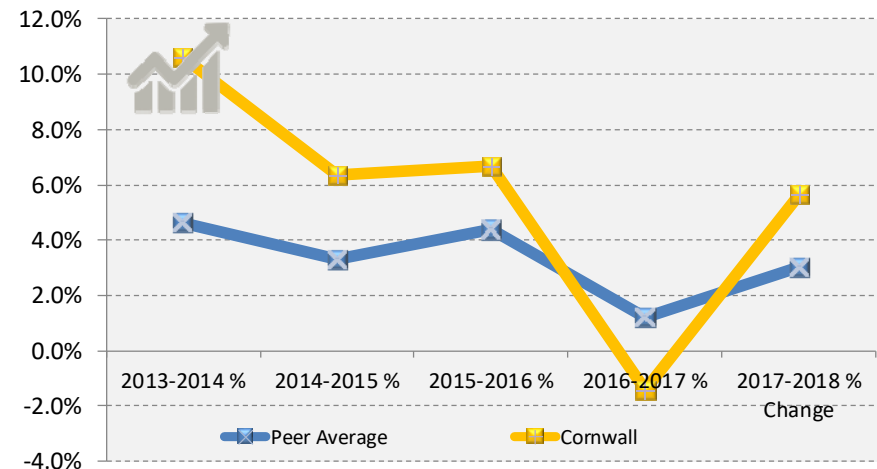


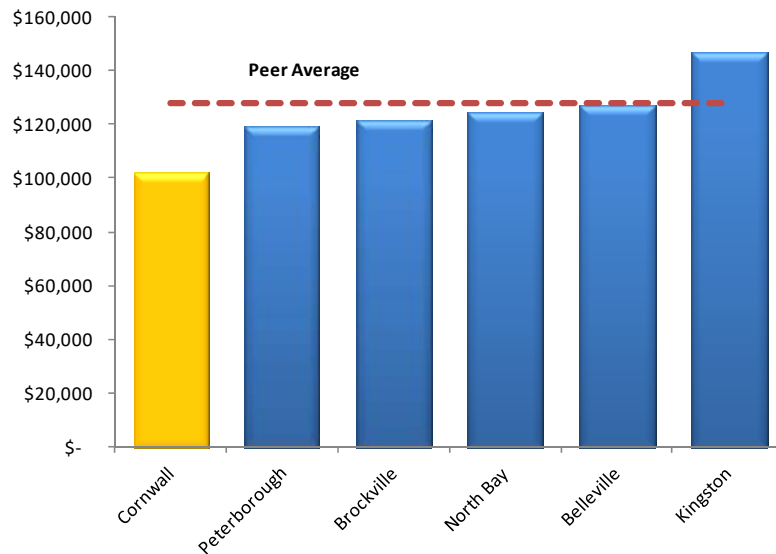
Figure 13—Changes in Unweighted Assessment



Source: for figure 12 and 13 BMA Municipal Studies using Assessment By-laws

3. **Richness of Assessment Base:** Assessment on a per capita has been used to compare the “richness” of the assessment base. A strong assessment base is critical to a municipality’s ability to raise revenues. Weighted assessment reflects the basis upon which property taxes are levied after applying the tax ratios to the unweighted assessment. Cornwall’s weighted assessment per capita is below the average of the peer municipal comparison, reflecting a lower base upon which to raise taxes.

Figure 14—2018 Weighted Assessment Per Capita



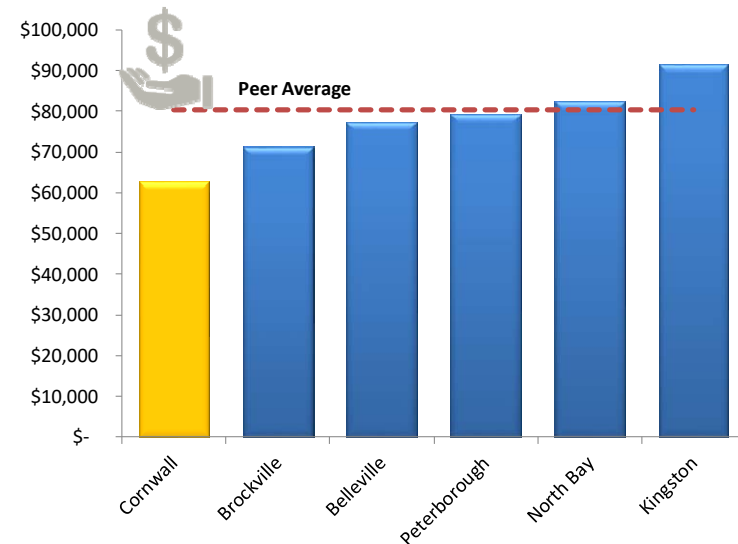
Source: BMA Municipal Studies using CVA

Household Income

Household income is one measure of a community’s ability to pay and is an indicator of the financial well-being of residents. Credit rating agencies use household income as an important measure of a municipality’s ability to repay debt. This indicator is also important to the economic health of businesses operating in Cornwall.

- As shown in figure 15, in 2018, average household income in the City of Cornwall is estimated at \$62,750 which was lower than the peer municipal average (\$80,370).
- A lower household income creates potential affordability challenges.

















Figure 15—2018 Gross Household Income



Source: Manifold Data Mining

Summary—Growth and Socio-Economic Indicators

- **Population** from 2001 to 2016 grew by only 2.1%.
- Population is forecasted to exceed 50,900 by 2036.
- The **age profile** of a population has an impact on spending plans, especially around the type and level of service required. The needs of residents shift over the course of their lives.
- The number of residents that are ages 65+ has increased by 17% over the 5-year period. Conversely, the number of residents age 0-19 has declined by 5.4%. These demographic changes may exert pressure on the City to provide different services that reflect the changing demographic needs while still keeping taxes affordable.
- The **unemployment rate** is estimated at 5% which is lower than the Ontario average of 5.9% in March 2019.
- **Construction activity** has been trending up since 2016, however is below the peer average.
- The City’s **property assessment** base is well diversified which helps support the delivery of municipal programs and services. However, the assessment base is lower than the peer average, reflecting a lower base upon which to raise taxes. It is also important to note that Distribution Centres represent 10% of the City’s tax base.
- Average **household incomes** in Cornwall are below the peer average which causes affordability challenges.

	Socio-Economic Indicators	2018 Rating
	Population Growth	
	Age Demographics	
	Unemployment Rate	
	Construction Activity	
	Assessment Composition	
	Assessment Growth	
	Richness of the Assessment Base	
	Household Income	

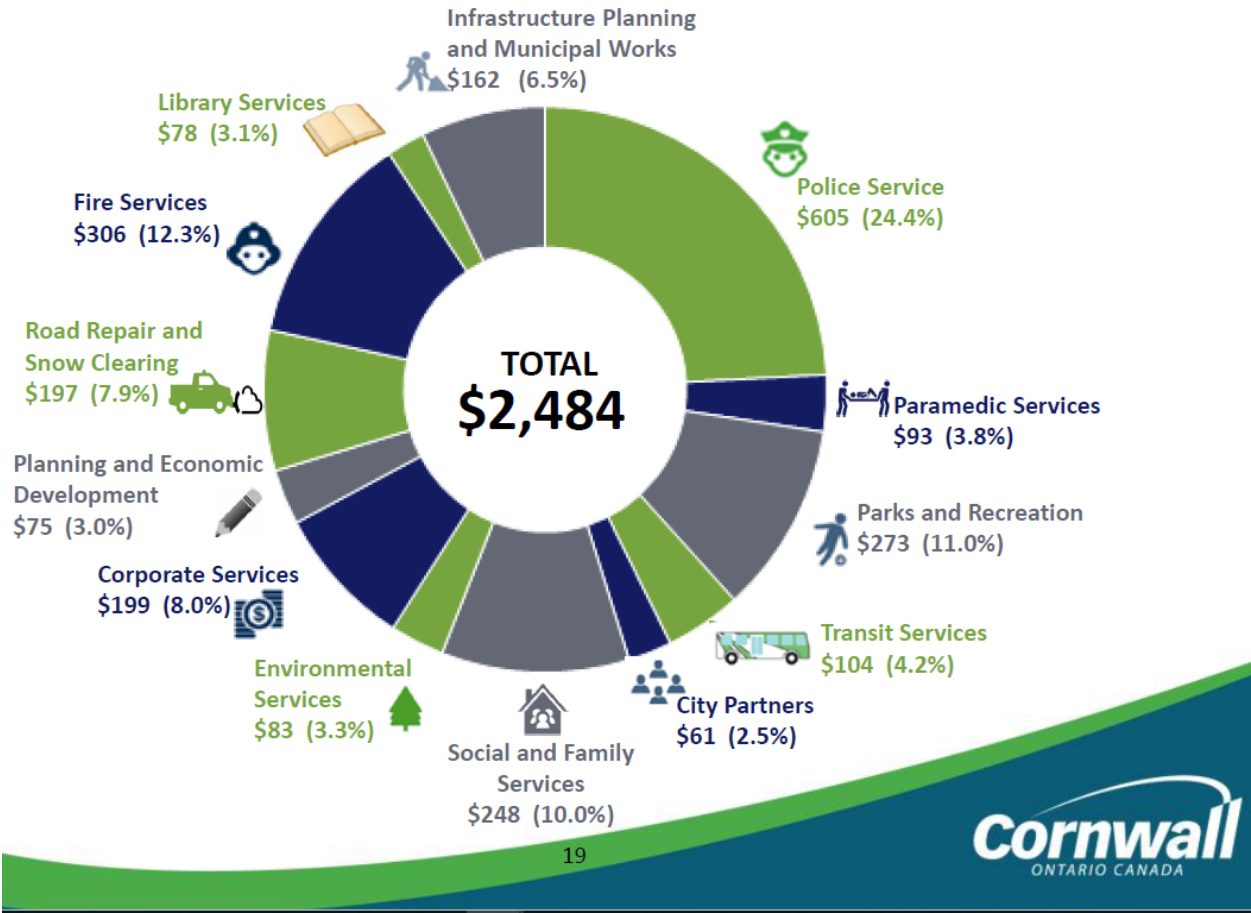


Section 2: Municipal Levy, Property Taxes and Affordability

Municipal Levy, Property Taxes and Affordability

This section of the Financial Condition Assessment provides an overview of the cost of municipal services in the City of Cornwall and in relation to peer municipalities. In addition, property taxes are reviewed in relation to household income to provide an indication of the affordability of services in Cornwall in comparison to other municipalities. Finally, this section of the report compares the competitiveness of non-residential property taxes.

Figure 16—2019 City of Cornwall Budget
 Based on the average residential property with a value of \$169,932.

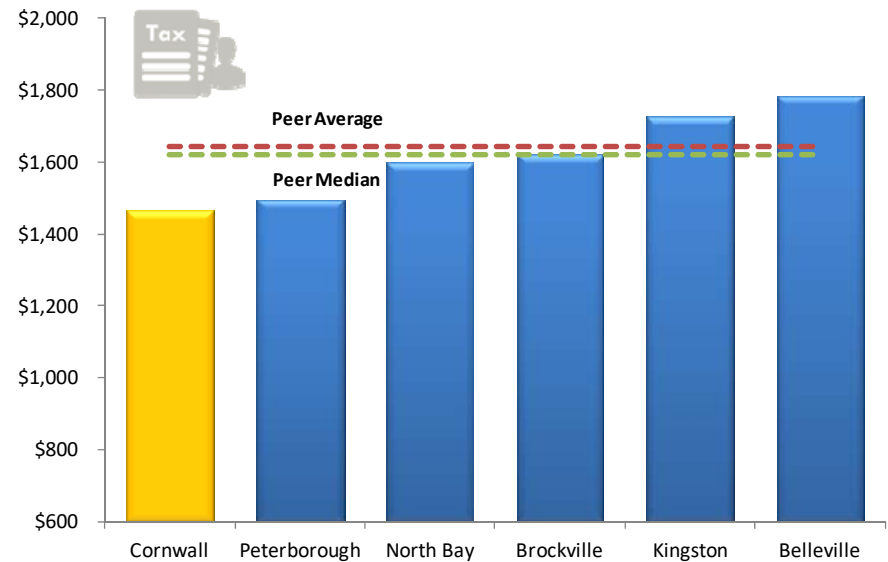


Municipal Levy Per Capita and Per \$100,000 of Assessment Comparison

In order to better understand the relative municipal tax position for the City, a comparison of net municipal levies was calculated based on a per \$100,000 of assessment as well as on a per capita levy basis. This analysis does not indicate value for money or the effectiveness in meeting community objectives as net municipal expenditures 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; and
- Use of reserves.

Figure 17—2018 Levy Per Capita Analysis

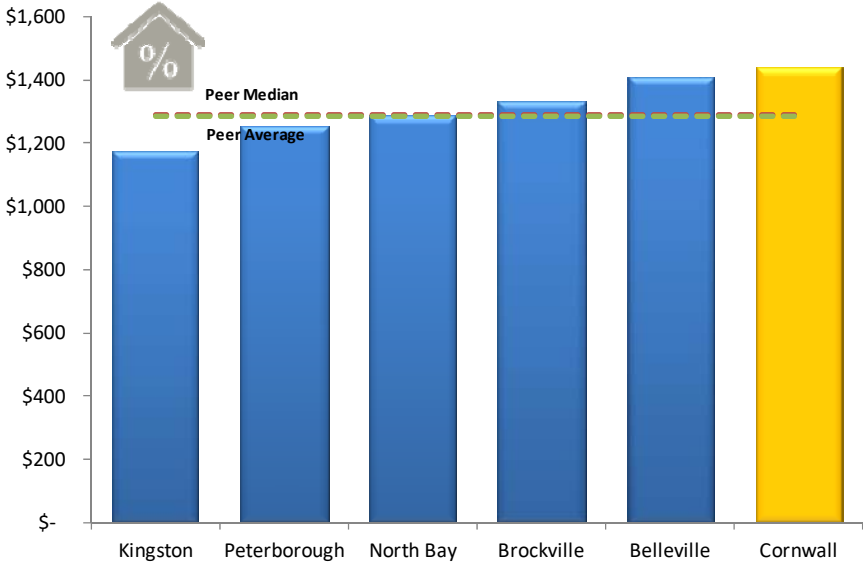


Source: BMA Municipal Study using 2018 Levy By-laws for each municipality

- The City of Cornwall has lower than average municipal spending on a per capita basis. In fact, Cornwall is the lowest in the survey.

The City's expenditures are under control and reflect lower levels of spending than peer municipalities

Figure 18—2018 Levy Per \$100,000 of Weighted Assessment



Source: BMA Municipal Study using 2018 Levy By-laws for each municipality

- A comparison of the 2018 levy per \$100,000 of weighted assessment provides an indication of the levy in relation to the assessment base upon which taxes are raised.
- As shown in figure 18, the City of Cornwall has a lower than average assessment base. This results in a higher tax rate even though net spending per capita is the lowest in the survey.



City Initiates Lean Program

In 2019, the City will begin a Lean training. The program will serve to build on a strategic initiative to build a culture of continuous improvement for the Corporation. The Lean process is built on an inclusive model involving all areas of the City to collaborate on examine processes to gain operational and administrative efficiencies. The City intends to start with a few departments and expand the program as they improve in their learning and understanding of Lean principles.



Affordability

The following table compares total property taxes based on an average valued house in each of the municipalities using the MPAC database as well as the average household income to get an appreciation of the tax burden on a typical home in each municipality.

Figure 19—Affordability Comparisons

Municipality	2018 Average Value of Dwelling	2018 Total Taxes on an Average Dwelling Value	2018 Average Household Income	Property Taxes as a % of Income
North Bay	\$ 238,602	\$ 3,473	\$ 82,320	4.2%
Belleville	\$ 215,924	\$ 3,471	\$ 77,388	4.5%
Brockville	\$ 211,517	\$ 3,174	\$ 71,084	4.5%
Kingston	\$ 302,868	\$ 4,117	\$ 91,580	4.5%
Peterborough	\$ 262,155	\$ 3,741	\$ 79,479	4.7%
Peer Average	\$ 246,213	\$ 3,595	\$ 80,370	4.5%
Median	\$ 238,602	\$ 3,473	\$ 79,479	4.5%
Cornwall	\$ 168,403	\$ 2,723	\$ 62,750	4.3%

Source: MPAC (dwelling value), BMA Municipal Study (Property Taxes)

- The average dwelling value in the City of Cornwall is below the average of peer municipalities.
- Property taxes in Cornwall are lower than the peer average.
- Average household income is the lowest in comparison.
- Municipal property taxes in Cornwall in relation to average household income are 4.3% in Cornwall, below the peer average.



Municipal Tax Ratios

Tax ratios define each property classes’ rate of taxation in relation to the rate of the residential property class. The tax ratio for the residential class is set by the province at 1.00. The different relative burdens are reflected in the tax ratios. These relative burdens are used to calculate the municipal tax rate of each property class in relation to the residential class.

As shown in figure 20, the tax ratios in the City of Cornwall are above the average for peer municipalities. A low commercial and industrial ratio supports economic development by providing a low property tax environment for non-residential properties.

Figure 20—2018 Tax Ratios



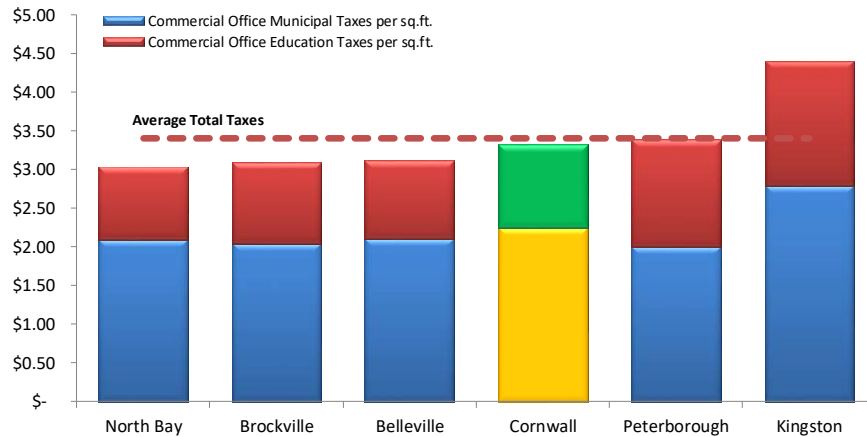
Municipality	Multi-Residential	Commercial	Industrial
Brockville	1.77	1.95	2.61
Kingston	1.90	1.98	2.63
Belleville	2.40	1.92	2.40
North Bay	2.06	1.88	1.40
Peterborough	1.95	1.54	1.71
Peer Average	2.02	1.85	2.15
Median	1.95	1.92	2.40
Cornwall	2.33	1.94	2.63

Source: 2018 BMA Municipal Study using Tax by-laws

**Non-Residential Municipal and Education Taxes
Commercial Office**

A comparison was made of the non-residential municipal property taxes on a per square foot basis for commercial office properties across the peer comparative municipalities to gain perspective on the municipal taxes paid. This takes into consideration the tax ratios, municipal and education taxes and the current value assessments.

Figure 21—2018 Property Taxes per Square Foot



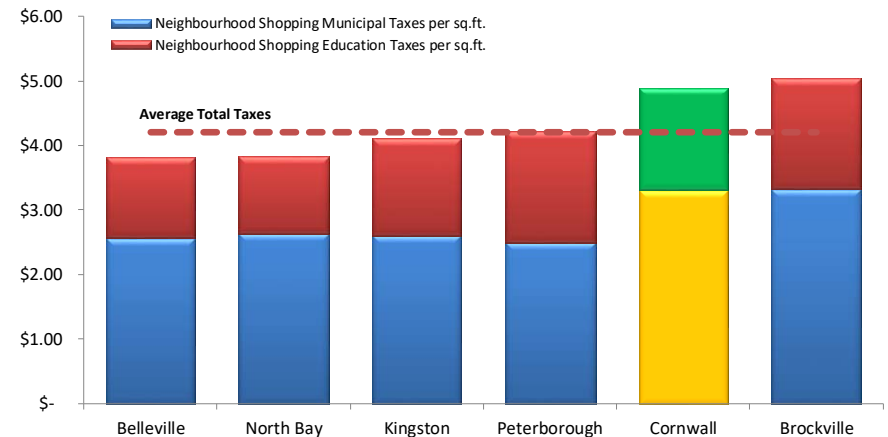
Source: BMA Municipal Study

- The non-residential municipal property taxes per square foot is slightly below the average of the comparator municipalities for office properties.

**Non-Residential Municipal and Education Taxes
Neighbourhood Shopping**

A comparison was made of the non-residential municipal property taxes on a per square foot basis for neighbourhood shopping properties across the peer comparative municipalities to gain perspective on the municipal taxes paid. This takes into consideration the tax ratios, municipal and education taxes and the current value assessments.

Figure 22—2018 Property Taxes per Square Foot



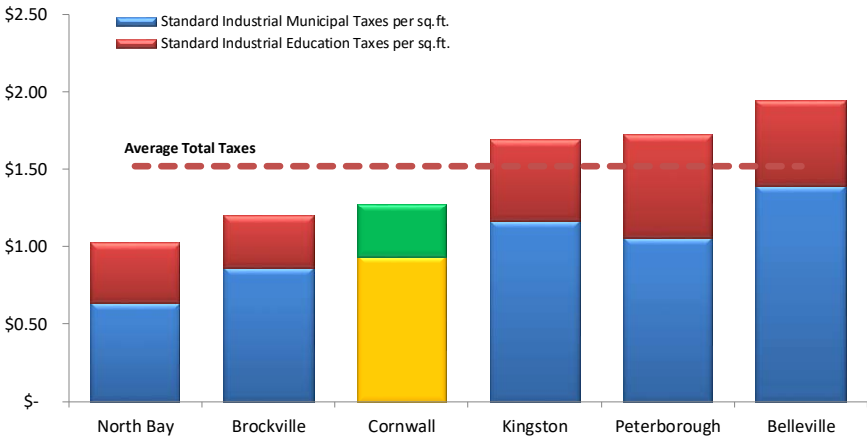
Source: BMA Municipal Study

- The non-residential municipal property taxes per square foot is above the average of the comparator municipalities for neighbourhood shopping properties. This is reflective of higher than average tax ratios.

**Non-Residential Municipal and Education Taxes
Standard Industrial**

A comparison was made of the non-residential municipal property taxes on a per square foot basis for industrial properties across the peer comparative municipalities to gain perspective on the municipal taxes paid. This takes into consideration the tax ratios, municipal and education taxes and the current value assessments.

Figure 23—2018 Property Taxes per Square Foot

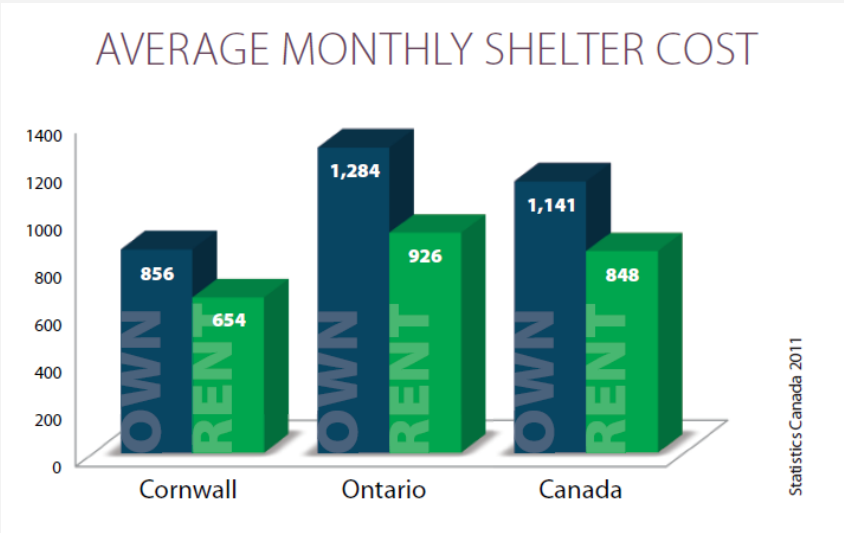


Source: BMA Municipal Study

- The non-residential municipal property taxes per square foot is below the average of the comparator municipalities for industrial properties. This is reflective of lower than average assessment values.













Excerpts—Cost of Living—ChooseCornwall.ca Demographics

- “People in Cornwall spend less on housing, on average, than people in Ontario or Canada.
- Approximately 75% of residents spend less than 30% of their total household income on shelter costs.
- Combined with other factors, low shelter costs contribute to a low cost of living, helping to offset lower income levels.”



Summary—Municipal Levy, Property Taxes and Affordability

- **Municipal levies** in relation to population reflects positively for the City of Cornwall, however is high compared to the assessment base. This reflects that the City has spending under control in relation to the number of residents it serves. However, with a relatively low assessment base upon which to raise taxes, the City faces an ongoing challenge which is largely uncontrollable by the City.
- The average **municipal property taxes** paid in relation to average household income in Cornwall are below the peer average.
- The City’s non-residential **tax ratios** are higher than peer municipalities which increases the relative amount of taxes that are recovered from these classes. This is a cautionary indicator in terms of competitive tax positioning for non-residential properties.
- Non-residential property taxes per square foot in the office **commercial sector** in Cornwall are slightly lower than the peer average but slightly higher than the peer average in the neighbourhood shopping category.
- Non-residential property taxes per square foot in the **industrial sector** in Cornwall is below the peer average.

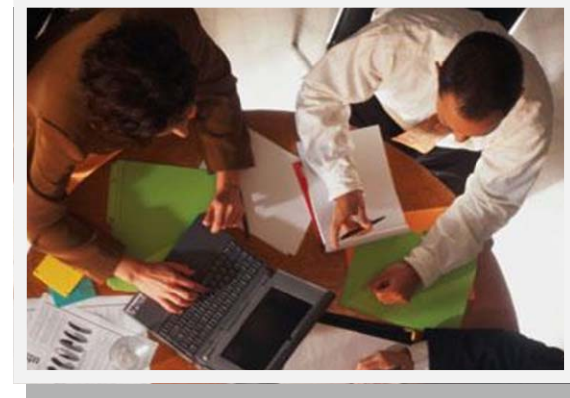
	Municipal Levy, Property Taxes and Affordability Indicators	2018 Rating
	Municipal Levy Per Capita	
	Municipal Levy Per \$100,000 of Weighted Assessment	
	Residential Affordability	
	Non-Residential Tax Ratios	
	Non-Residential Property Taxes Per Square Foot - Commercial	
	Non-Residential Property Taxes Per Square Foot - Standard Industrial	



Section 3: Financial Position

Cornwall's Financial Position

Industry recognized indicators that are used by credit rating agencies and/or recommended by Government Finance Officer's Association (GFOA) and the Ministry of Municipal Affairs and Housing Canadian Institute of Chartered Accountants (CICA) defined financial condition of a municipality's financial health as:



Sustainability

- **Financial Position per capita** of a municipality is important to consider as this takes into consideration the municipality's total financial assets and liabilities.
- **Asset Consumption Ratio** highlights the relative age of the assets and the potential timing of asset replacements.

Vulnerability

- **Taxes Receivable as a percentage of Taxes Levied** is an indicator of the economic health of the community.

Flexibility

- **Reserves/Reserve Funds** are established by Council to assist with long term financial stability and financial planning. Credit rating agencies consider municipalities with higher reserves more advanced in their financial planning.
- **Debt** is an important indicator of the municipality's financial health. Debt is an appropriate way of financing longer life items, especially new assets or new corporate initiatives that are not fully recovered through DCs since future taxpayers, that receive the benefit, will also pay through future debt charges. However, when debt levels get too high, it compromises the municipality's flexibility to fund programs and services.

Introduction to Reserves and Reserve Funds

Maintaining sufficient reserves and reserve funds are a critical component of the City’s long-term financial plan. The purposes for maintaining reserves are:

- To provide **stabilization** in the face of variable and uncontrollable factors (growth, interest rates, changes in subsidies) and to ensure adequate and **sustainable cash flows**;
- To provide financing for **one-time** or short term requirements without permanently impacting the tax rates thereby reducing reliance on long-term debt;
- To make provisions for **replacement of capital assets** to sustain infrastructure;
- To provide **flexibility** to manage debt levels and protect the City’s financial position; and
- To provide for **future liabilities** incurred in the current year, but paid for in the future.

In accordance with leading practice, each year the City provides an update to the balances of reserves and how they compare to the targeted funding balances and a recommended plan to achieve **target balances**.

Reserves are established, based on Council direction, to finance future expenditures for which the City has the authority to spend money or to provide for a specific contingent liability. These reserves are also used to offset major fluctuations in operating costs/revenues. Examples of reserves include Operating Reserves (Working Reserve, Winter Control) and Capital Reserves (Road Infrastructure Reserve, Building, Vehicles and Equipment Reserves).

Reserve Funds include obligatory and discretionary reserve funds. Obligatory Reserve Funds are created whenever a statute requires revenue received for special purposes to be segregated from the general revenues of the municipality. Obligatory reserve funds can only be used for their prescribed purpose. Examples include Development Charges Reserve Funds, Federal and Provincial Gas Tax Reserves, Parkland Reserves and Building Surplus (Permits) Reserve. These are segregated and restricted to meet specific defined purposes for the municipality. Discretionary Reserve Funds are established, based on Council direction, to finance future expenditures for which the City has the authority to spend money or provide for contingent liabilities such as the Landfill Reserve Fund and Employee Benefits.

Reserves/Reserve Funds as a % of Taxation

- The discretionary reserves/reserve funds as a percentage of taxation was evaluated, both the trends, as well as in relation to other peer municipalities. Note that this analysis excludes obligatory reserve funds (e.g. Development Charges).
- As shown in figure 24, the City of Cornwall’s discretionary reserves as a percentage of taxation are above the group survey average and have remained stable over the 5 year period.

Figure 24—Reserves/Reserve Funds as a % of Taxation

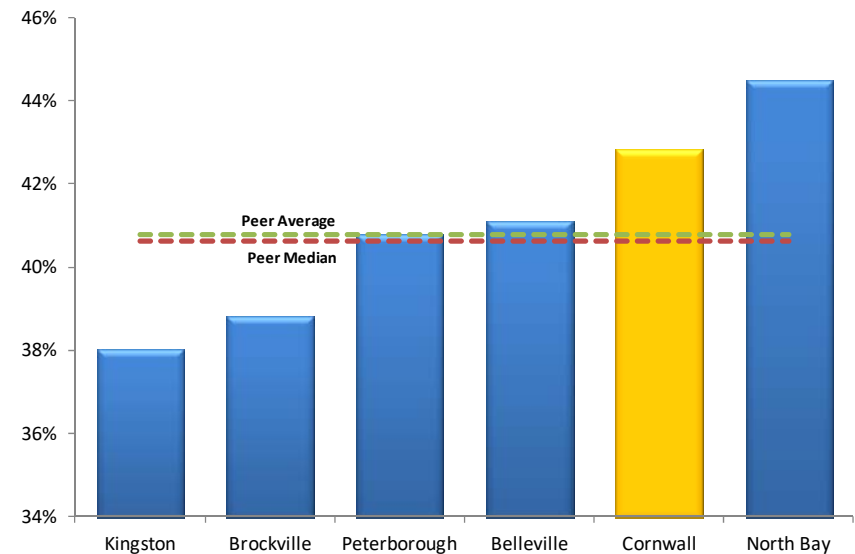
Municipality	2013	2014	2015	2016	2017	Trend
Brockville	12%	14%	13%	15%	17%	Stable
Kingston	76%	73%	80%	80%	86%	Increasing
Belleville	23%	24%	28%	33%	38%	Increasing
North Bay	29%	29%	29%	38%	42%	Increasing
Peterborough	65%	63%	61%	64%	63%	Stable
Average	41%	41%	42%	46%	49%	
Median	29%	29%	29%	38%	42%	
Cornwall	64%	66%	66%	62%	63%	Stable

Source: FIRs

Asset Consumption Ratio

- The asset consumption ratio shows the written down value of the tangible capital assets relative to their historical costs. This ratio highlights the relative age of the assets and the potential timing of asset replacements.
- As shown in figure 25, this indicates that the City has older infrastructure than the peer municipalities. An older infrastructure reflects a need for Capital Reserves for the timely replacement of assets.

Figure 25—2017 Asset Consumption Ratio



Source: FIRs

Summary of Reserves and Reserve Funds 2013-2018
Figure 26—Reserves/Reserve Funds 2013-2018 Balances—Major Classifications

TOTAL Reserves and Reserve Funds							
TOTAL Reserves and Reserve Funds (000s)	2013	2014	2015	2016	2017	2018	6 Year % Change
Operating Reserves	\$ 4,264	\$ 4,821	\$ 6,656	\$ 6,311	\$ 6,556	\$ 8,596	102%
Capital Reserves	\$ (3,548)	\$ (577)	\$ (105)	\$ (1,464)	\$ (1,021)	\$ (832)	77%
Restricted Reserve (Municipal Funding)	\$ 40,195	\$ 40,749	\$ 41,515	\$ 40,910	\$ 40,898	\$ 42,228	5%
Restricted Reserves (Funded Externally)	\$ 7,982	\$ 4,469	\$ 5,635	\$ 4,930	\$ 5,485	\$ 6,750	-15%
TOTAL Reserves and Reserve Funds	\$ 48,893	\$ 49,461	\$ 53,701	\$ 50,688	\$ 51,919	\$ 56,742	16%

Source: City’s year end reserve report.

As shown in figure 26, the City’s total reserves/reserve funds increased 16% since 2013.


- **Operating Reserves** have increased 102% since 2013. This includes but is not limited to Working Reserve, Tax Stabilization Reserve, Winter Control Reserve and Medical Recruitment. Since 2014, the City has been contributing funds to the Tax Stabilization Reserve as a contingency for assessment appeals.
- **Capital Reserves** have a negative balance due to a purchase of land in the City’s Business Park in 2016.
- **Restricted Reserve—Municipal Funding Reserve Funds** have increased 5% since 2013.
- **Restricted Reserves—Externally Funded Reserves/Reserve Funds** have decreased 15% since 2013. This includes Provincial and Federal Gas Tax, Social Housing, Child Care, ELCD and other Development Reserve Funds. The decrease is a result of timing in terms of when the money is provided by the Provincial and Federal Governments and the funds are spent.

Figure 27—Summary of Operating Reserves

Operating Reserves							
Operating Reserve (000s)	2013	2014	2015	2016	2017	2018	6 Year % Change
Working Reserve	\$ 3,309	\$ 3,614	\$ 4,491	\$ 4,243	\$ 4,237	\$ 4,611	39%
Tax Stabilization Reserve	\$ 500	\$ 1,000	\$ 1,600	\$ 1,413	\$ 1,307	\$ 2,794	459%
Winter Control Reserve	\$ 71	\$ -	\$ 300	\$ 300	\$ 300	\$ 600	742%
Health & Safety Reserve	\$ 76	\$ 76	\$ 76	\$ 76	\$ 76	\$ 76	0%
Municipal Elections Reserve	\$ 108	\$ -	\$ 40	\$ 80	\$ 120	\$ -	-100%
Renaissance Reserve	\$ 100	\$ 85	\$ 89	\$ 40	\$ 89	\$ 89	-11%
Medical Recruitment Reserve	\$ 82	\$ 27	\$ 41	\$ 142	\$ 409	\$ 408	400%
Waste Management Reserve	\$ 18	\$ 18	\$ 18	\$ 18	\$ 18	\$ 18	0%
Operating Reserve	\$ 4,264	\$ 4,821	\$ 6,656	\$ 6,311	\$ 6,556	\$ 8,596	102%

Purpose

Operating Reserves consist of discretionary reserves that have been established to provide flexibility and liquidity to protect against the consequences of unexpected events, losses of income, and large unbudgeted expenditures.

	Target Balance	2018 Year End Balance	2018 Target	Target Evaluation
Operating Reserve	10% of the previous year’s tax levy	\$ 8.596 million	\$ 6.616 million	


- Total **Operating Reserves** have increased by 102% over the past 6 years and is above the target range of 10% by approximately \$2 million. The City has been setting aside funds in the Tax Stabilization Reserve as a contingency to address future tax refunds.

Figure 28—Summary of Capital Reserves

Capital Reserves (000s)	2013	2014	2015	2016	2017	2018	6 Year % Change
Equipment and Vehicles Reserve	\$ (624)	\$ (505)	\$ (379)	\$ (248)	\$ (132)	\$ 160	126%
Recreation Facilities Reserve	\$ 25	\$ 65	\$ 115	\$ 159	\$ 145	\$ 203	711%
Municipal Buildings Reserve	\$ (1,660)	\$ (1,094)	\$ (664)	\$ (165)	\$ 161	\$ 218	113%
Fire Equipment Reserve	\$ 142	\$ 142	\$ 122	\$ 99	\$ 50	\$ 58	-59%
Land Ambulance Reserve	\$ 703	\$ 689	\$ 552	\$ 596	\$ 646	\$ 615	-12%
Land Reserve	\$ (2,172)	\$ (68)	\$ 3	\$ (2,228)	\$ (2,106)	\$ (2,138)	2%
Road Infrastructure Reserve	\$ 40	\$ 194	\$ 145	\$ 322	\$ 214	\$ 52	31%
Capital Reserves	\$ (3,548)	\$ (577)	\$ (105)	\$ (1,464)	\$ (1,021)	\$ (832)	77%

Purpose

Capital Reserves are monies set aside for the replacement and refurbishment of capital assets. The asset management plan in 2016 identified an infrastructure gap of \$44 million related to tax supported assets.

	Target	2018 Year End Balance	2018 Target	Target Evaluation
Capital	50% of the previous year’s amortization of tangible capital assets.	\$-832,000	\$4.677 million	

Strategies to Fund Capital Reserves

- **Life-cycling** costing is be used to plan the replacement of the City’s assets; such as, fleet and equipment replacement, facility capital maintenance, ITT infrastructure, traffic signal upgrades, and road resurfacing. By charging itself for the use of the asset, the City will build its reserve and fund capital from the reserve, significantly reducing the long term cost of capital asset replacement.
 - Following a recommendation in the LTFP, the City has implemented a flat contribution to the Recreation Facilities Reserve (2018 \$150,000; 2019 \$200,000 with annual contributions growing consistently to \$1 million in 2025 and remaining flat thereafter); and
 - A capital levy as a percentage of net operating expenditures was instituted in 2018 at 0.25% and increases every year to 2.0% in the year 2026. Capital levy is contributed to the Roads Infrastructure Reserve (2018 \$155,331; 2019 \$159,820).








Figure 29—Restricted Reserves (Municipal Funding)

<i>Restricted Reserve (Municipal Funding)</i>							
Restricted Reserve (Municipal Funding) (000s)	2013	2014	2015	2016	2017	2018	6 Year % Change
Water Works Reserve	\$ 3,358	\$ 3,731	\$ 3,945	\$ 4,082	\$ 4,217	\$ 4,154	24%
Wastewater Works Reserve	\$ 3,740	\$ 3,930	\$ 4,470	\$ 3,968	\$ 3,572	\$ 3,724	0%
Building Surplus Reserve (permits)	\$ -	\$ -	\$ 125	\$ 126	\$ 127	\$ 112	> 100%
CAHC Operating Reserve Fund	\$ 2,028	\$ 2,114	\$ 1,825	\$ 1,793	\$ 1,907	\$ 2,464	22%
Brownfields Reserve	\$ 155	\$ 233	\$ 176	\$ 169	\$ 101	\$ 190	23%
Landfill Reserve Fund	\$ 377	\$ 264	\$ 386	\$ 389	\$ 393	\$ 460	22%
Waterfront Development Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 240	> 100%
WSIB - Estimated Future Benefit Costs Reserve	\$ 1,322	\$ 1,363	\$ 1,551	\$ 1,419	\$ 1,613	\$ 1,837	39%
Downtown Investment Reserve Fund	\$ 3,519	\$ 3,514	\$ 3,511	\$ 3,512	\$ 3,514	\$ 3,516	0%
ODRP / Heart of City Reserve	\$ (29)	\$ (85)	\$ (127)	\$ (194)	\$ (233)	\$ (207)	-611%
Parking Reserve Fund	\$ 196	\$ 155	\$ 125	\$ 116	\$ 156	\$ 208	6%
Progress Fund	\$ 25,529	\$ 25,529	\$ 25,529	\$ 25,529	\$ 25,529	\$ 25,529	0%
Restricted Reserve (Municipal Funding)	\$ 40,195	\$ 40,749	\$ 41,515	\$ 40,910	\$ 40,898	\$ 42,228	5%






Purpose

Restricted Reserve (Municipal Funding) are set aside for specific purposes. These reserves and reserve funds are restricted funds only to be used for their identified purpose. These types of reserves and reserve funds may also include special one time purchases or activities approved by Council. The Waterworks and Wastewater Works Reserves includes monies set aside for the replacement and refurbishment of capital assets. The asset management plan in 2016 identified an infrastructure gap of \$48.2 million related to water/wastewater assets.

Restricted Reserve (Municipal Funding) Target

	Target	2018 Year End Balance	2018 Target	Target Evaluation
Water Works Reserve	Based upon accumulating the following: <ul style="list-style-type: none"> • 10% Operating • \$ 2.0 million Capital • \$ 1.0 million Rate Stabilization 	\$4.154 Million	\$3.508 Million	
Wastewater Works Reserve	Based upon accumulating the following: <ul style="list-style-type: none"> • 10% Operating • \$ 2.0 million Capital • \$ 1.0 million Rate Stabilization 	\$3.724 Million	\$3.709 Million	
Building Surplus Reserve (permits)	Balance equal to the previous year’s operating expenses. Fees were updated in 2019	\$112,000	\$1.247 Million	
CAHC Operating Reserve Fund	CAHC is undertaking an analysis to identify target balances.	\$ 2.464 Million	Not Defined	
Brownfields	Through Report 2018-18-PDR-PL, Council approved that \$2,000,000 be set as the target for the Brownfields Reserve balance as one (1) full year of operations in reserve.	\$190,000	\$2.000 Million	
Landfill Reserve Fund	To set aside the necessary funds over the remaining life of the landfill site that will meet the post closure liability. The variance is expected to be funded through budget allocation.	\$460,000	\$1.869 Million	
WSIB-Est. Future Benefit Costs	To meet the estimated value of future benefit as calculated and reported to the municipality annually by WSIB. Contributions are made annually.	\$1.837 Million	\$3.336 Million	

Restricted Reserve (Municipal Funding) Target (continued)

	<i>Target</i>	<i>2018 Year End Balance</i>	<i>2018 Target</i>	<i>Target Evaluation</i>
<i>Downtown Investment Reserve Fund</i>	The balance is to be maintained at \$3.5 million.	\$3.516 Million	\$3.5 Million	
<i>ODRP/Heart of the City</i>	Through Report 2017-09-PDR-PL, Council approved that \$200,000 be set as the target for the HOTC Reserve balance as one (1) full year of operations in reserve.	\$ -207,000	\$200,000	
<i>Parking Reserve Fund</i>	Not Defined.	\$208,000	Not Defined	
<i>Progress Fund</i>	The \$25 million principal cannot be spent. The investment income of the progress fund shall be used to provide for quality of life items for the community.	\$25.529 Million	\$25.000 Million	
<i>Waterfront Development Fund</i>	Not Defined.	\$240,000	Not Defined	

- Unless otherwise noted, target balances were set through the City’s Reserve and Reserve Fund Policy.

Figure 30—Summary of Restricted Reserves (Funded Externally)

Restricted Reserves (Funded Externally)							
Restricted Reserves (Funded Externally) (000s)	2013	2014	2015	2016	2017	2018	6 Year % Change
Provincial Gas Tax Reserve (Transit)	\$ 49	\$ 43	\$ 205	\$ 58	\$ 88	\$ 134	173%
Federal Gas Tax Reserve (Infrastructure)	\$ 1,658	\$ 706	\$ 1,755	\$ 1,087	\$ 1,562	\$ 1,698	2%
Secondary Wastewater Treatment Plant (Provincial Funding)	\$ 2,862	\$ -	\$ -	\$ -	\$ -	\$ -	-100%
Social Housing Providers Reserve	\$ 1,072	\$ 1,381	\$ 1,563	\$ 1,676	\$ 1,749	\$ 2,055	92%
Social Housing Capital Reserve Fund	\$ 1,073	\$ 1,090	\$ 1,103	\$ 1,115	\$ 1,074	\$ 1,089	1%
Employment Assistance Retained Surplus Reserve	\$ 767	\$ 767	\$ 652	\$ 652	\$ 652	\$ 652	-15%
Child Care ELCD Reserve	\$ 319	\$ 239	\$ 154	\$ 106	\$ 99	\$ 95	-70%
Consolidated Homelessness CHPI Reserve	\$ 85	\$ 40	\$ 40	\$ 40	\$ 40	\$ 40	-53%
Parkland Reserve Fund	\$ 16	\$ 124	\$ 84	\$ 120	\$ 145	\$ 183	> 100%
Heritage Murals Trust Fund	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10	\$ -	-100%
Winter Games/Legacy Trust Fund	\$ 71	\$ 68	\$ 65	\$ 64	\$ 62	\$ 61	-14%
Arts & Culture Trust Fund	\$ 0	\$ 0	\$ 3	\$ 3	\$ 3	\$ 52	> 100%
Development Charges Reserve	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 691	> 100%
Restricted Reserves (Funded Externally)	\$ 7,982	\$ 4,469	\$ 5,635	\$ 4,930	\$ 5,485	\$ 6,750	-15%

Purpose

The City receives funding from both the provincial and the federal governments. There are specific guidelines and parameters that the City must adhere to when utilizing these funds. Anticipated activity in these reserve funds is summarized in the table above. The Federal Gas Tax Reserve Fund is used primarily for roads, bridges and facilities. The Provincial Gas Tax Reserve Fund is used primarily for Transit operating expenditures which includes financing for capital purposes. These government funds do not have a targeted funding level. Reserves will vary depending on programs that are funded by other levels of government.

Guiding Principles—Restricted Reserves (Funded Externally)

- Reserve Funds are only to be used for the specified purpose of the reserve.
- Reserve Funds will be invested and will earn interest that will be contributed back to the Reserve Fund.

Debt Management

Municipalities have limited options with respect to raising funds to support municipal programs and services. Debt used strategically is a useful way to pay for capital expenditures. The City of Cornwall is not unique, as virtually all municipalities across Ontario are facing increasing infrastructure backlogs, funding gaps, and increasing financial pressures in infrastructure management.

Debt is frequently issued and considered a standard practice in municipalities for new capital projects that are long term in nature that benefit future taxpayers, thereby spreading the costs across future years. Under the most favourable circumstances, the City’s debt should be proportionate in size and growth to the City’s tax base; should not extend past the useful life of the facilities which it finances; should not be used to balance the operating budget; should not require repayment schedules that put excessive burdens on operating expenditures and should not be so high as to jeopardize credit ratings. A debt policy is an important element in the establishment of a sustainable long term program.

Policy

The City’s LTFP recommended that the City adopt a comprehensive Debt Management Policy. The purpose of the Debt Management Policy would be to formally set out the parameters and provide guidance by establishing guidelines and appropriate controls for the use and issuance of debt and by integrating debt management with other long-term planning.

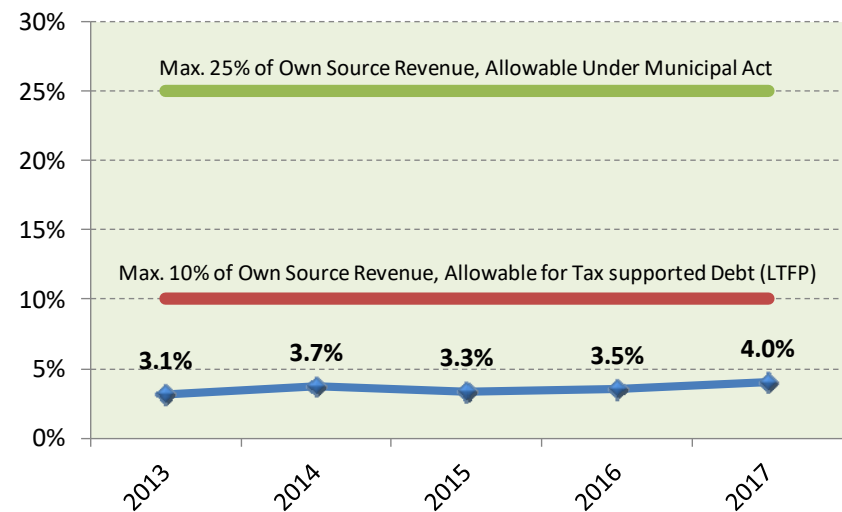
In support of its financial planning, the City will be undertaking a review of its financial policies over the next two years.

Debt Indicators Trend Analysis

In order to evaluate debt, a number of debt indicators have been used based on leading practice research. These measures can reveal:

- Increasing reliance on debt
- Decreasing financial flexibility
- The amount of debt a community can absorb

Figure 31—Tax Debt Charges as a % of Own Source Revenues



Source: FIRs

- As shown in figure 31, the City’s debt levels have been relatively stable from 2013-2017.

Figure 32—Debt to Reserve Ratio

Debt to Reserve Ratio	
2013	0.53
2014	0.48
2015	0.50
2016	0.84
2017	0.87

Source: 2017 FIRs

- Figure 32 provides a comparison of the amount of debt in relation to discretionary reserves (excludes obligatory reserve funds).
- A ratio of 1:1 or lower reflects that the City has more reserves in relation to debt which is a positive indicator.
- The City’s ratio is below the suggested target of 1.0 which is a positive indicator. For every dollar of reserves, the City has only \$0.87 of debt, however, this ratio has been trending up over the last 5 years.

Prudent financial policies with respect to Capital Reserve contributions and debt levels play an important role in the City’s ongoing financial sustainability. As shown previously, with a higher asset consumption ratio, reflective of an older infrastructure, the City’s financial sustainability is supported by its existing financial policies which gradually increases contributions to the Capital Reserves for the future replacement of infrastructure.

Figure 33—2017 Debt Indicators

Municipality	Tax Debt Charges as % of Own Source Revenue		Tax Debt Outstanding per Capita	Debt to Reserve Ratio
	Revenue			
Brockville	7.3%	\$	818	2.43
Kingston	0.0%	\$	1,913	1.35
Belleville	5.6%	\$	1,377	1.54
North Bay	6.9%	\$	787	1.26
Peterborough	5.6%	\$	1,175	1.07
Average	5.1%	\$	1,214	1.53
Median	5.6%	\$	1,175	1.35
Cornwall	4.0%	\$	684	0.87

Source: 2017 FIRs

- As shown above, the City’s debt levels are well below the peer average for every indicator.
- At the 2018 year end, Cornwall’s tax supported debt outstanding was \$26.6 million, with an additional \$9.3 million of debt approved borrowing from prior years.

Financial Position

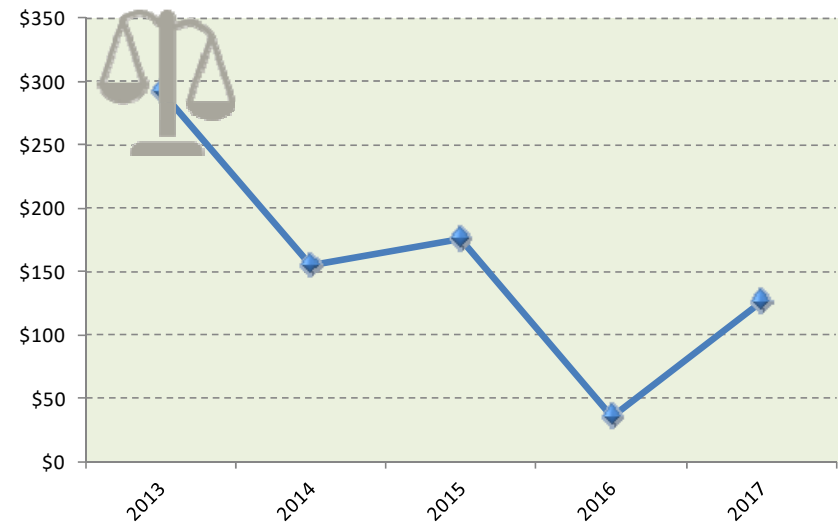
A municipality’s financial position is defined as the total fund balances including equity in business government enterprises less the amount to be recovered in future years associated with long term liabilities. A comparison was made of the City’s overall financial position (financial assets less liabilities) from 2013 to 2017.

- Cornwall’s financial position has trended downward from 2013-2016, with an increase experienced in 2017. The decline in 2016 was a result of the issuance of debt.
- From 2016 to 2017, the City’s reserves, investments and receivable revenues increased, resulting in an improvement in the overall financial position, as shown in figure 35.
- Figure 34 helps to explain the City’s change in financial position from 2013-2017.
- The City’s financial assets increased by \$13 million from 2013-2017 however debt including water and wastewater increased by \$18.7 million and post employment benefits increased by approximately \$2 million.
- It is important that a municipality understands what is driving this indicator and monitor its trend.

Figure 34– City of Cornwall—Financial Position

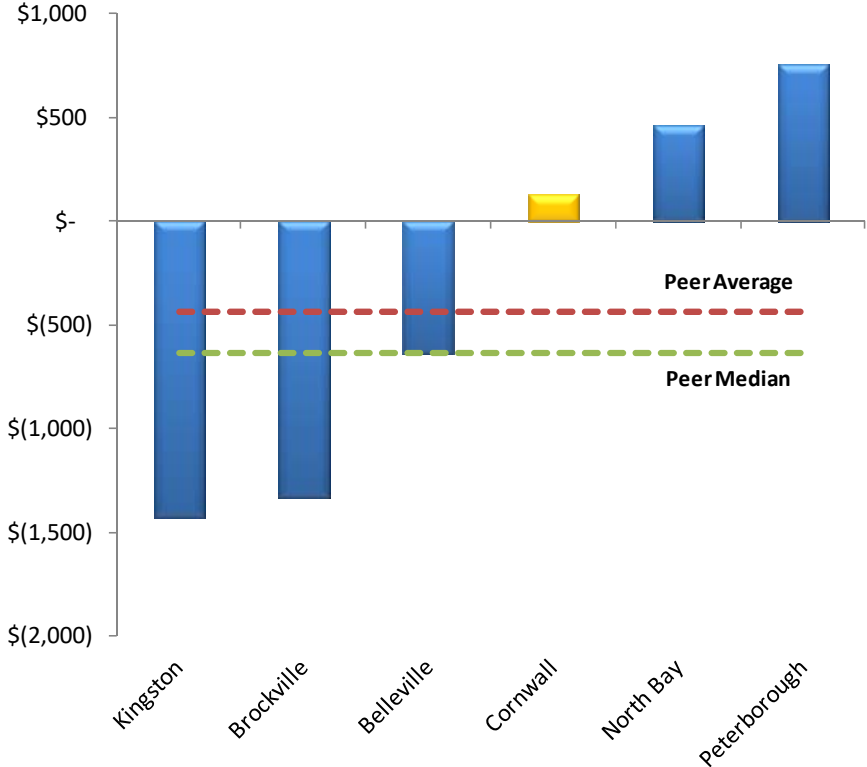
	2013	2017	% change
Assets			
Cash & Investments	\$ 56,117,807	\$ 64,611,711	15.1%
Receivables	\$ 13,272,199	\$ 15,959,593	20.2%
Other	\$ 3,312,432	\$ 5,181,346	56.4%
Total Assets	\$ 72,702,438	\$ 85,752,650	18.0%
Liabilities			
Accounts payable	\$ 22,782,869	\$ 22,942,055	0.7%
Deferred Revenue	\$ 3,693,865	\$ 4,134,797	11.9%
Long Term Liabilities	\$ 25,406,542	\$ 44,184,885	73.9%
Post Employment Benefits	\$ 4,467,319	\$ 6,486,030	45.2%
Solid Waste Management Facility	\$ 2,424,368	\$ 1,868,662	-22.9%
Total Liabilities	\$ 58,774,963	\$ 79,616,429	35.5%
Net Financial Position	\$ 13,927,475	\$ 6,136,221	-55.9%

Figure 35– City of Cornwall—Financial Position Per Capita



Source: 2017 FIRs for figures 35 and 36

Figure 36-Financial Position Per Capita



Source: 2017 FIRs

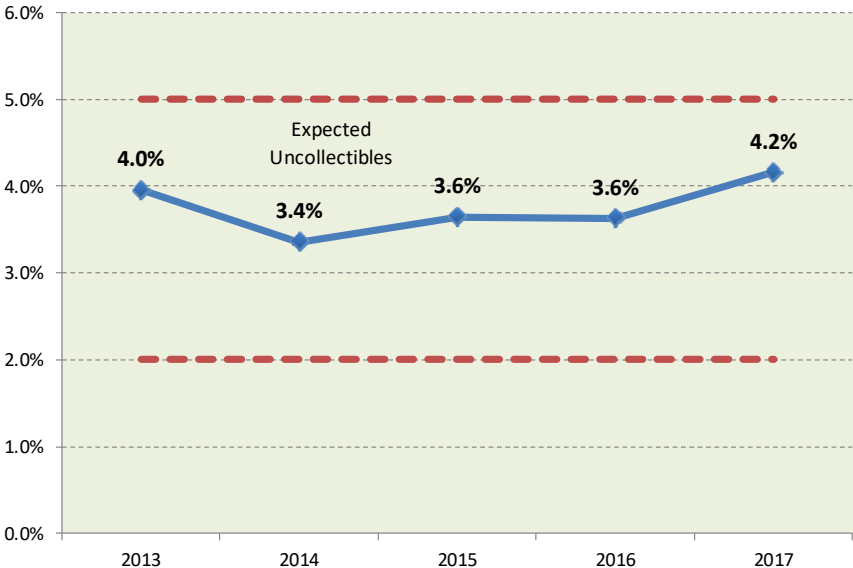
- To provide a comparison with other municipality’s financial position, a per capita analysis was undertaken. As shown in figure 36, the City of Cornwall’s financial position per capita exceeds the peer average.

Taxes Receivable

Every year, a percentage of property owners are unable to pay property taxes. If this percentage increases over time, it may indicate an overall decline in the municipality’s economic health. Credit rating agencies assume that municipalities normally will be unable to collect 2 - 5% of its property taxes within the year that taxes are due. If uncollected property taxes rise to more than 8%, credit rating firms consider this a negative factor because it may signal potential instability in the property tax base. The City of Cornwall is within the range considered to be acceptable.

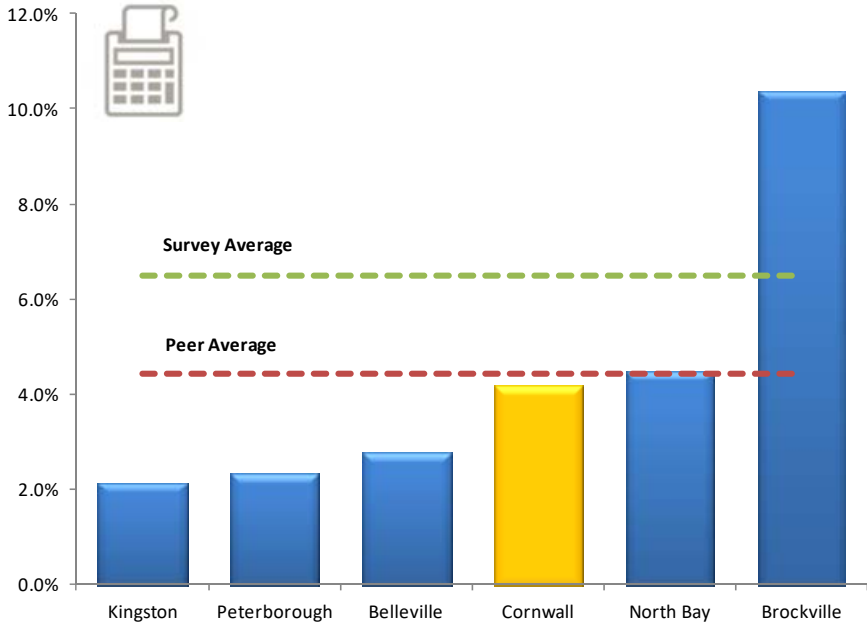
- Cornwall’s ratio has remained within the credit rating limit in every year.

Figure 37—Taxes Receivable as a % of Taxes Levied



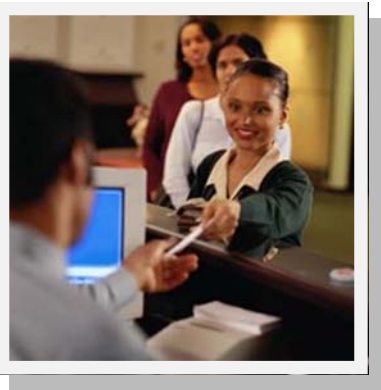
Source: FIRs

Figure 38—2017 Taxes Receivable as a % of Taxes Levied



Source: 2017 FIRs





















- In comparison to other municipalities surveyed, taxes receivable in Cornwall was below the survey average.



















Summary—Financial Position

- **Reserves/Reserve Funds** assist with long term financial stability and financial planning. By maintaining reserves, the City can accumulate funds for future or contingent liabilities; a key link to long-term financial planning practices. They also provide a cushion to absorb unexpected shifts in revenues and expenditures.
 - The City of Cornwall’s discretionary reserves as a percentage of taxation are above the peer survey average.
 - Cornwall has established a number of targets and policies for their reserves, the majority of which have been met and where they have not been met, strategies have been established to move to target balances.
 - In order to address this infrastructure funding shortfall, the City has developed enhanced infrastructure funding strategies and mechanisms.
- The City’s **asset consumption** ratio reflects slightly older infrastructure in relation to the peer average.
- **Debt** is an important indicator of the City’s financial health and is an appropriate way of financing longer life capital infrastructure. The debt levels are below peer averages and within industry leading practice standards.













- **Financial Position** of the City is important to consider as this takes into consideration the City’s total assets and liabilities. Cornwall’s financial position has been trending down since 2013 however moved up in 2017. The City’s financial position is higher than the peer average.
- **Taxes Receivable** are below the peer average and within the range of acceptability.


	<i>Financial Position Indicators</i>	<i>2018 Rating</i>
	<i>Discretionary Reserves as a % of Taxation</i>	
	<i>Asset Consumption Ratio</i>	
	<i>Operating Reserves</i>	
	<i>Capital Reserves</i>	
	<i>Restricted Reserves (Funded Externally)</i>	
	<i>Restricted Reserves (Municipal Funding)</i>	
	<i>Debt Management</i>	
	<i>Debt to Reserve Ratio</i>	
	<i>Financial Position</i>	
	<i>Taxes Receivable</i>	

Overview of the Financial Condition Assessment—Key Indicators

	Socio-Economic Indicators	2018 Rating
	Population Growth	
	Age Demographics	
	Unemployment Rate	
	Construction Activity	
	Assessment Composition	
	Assessment Growth	
	Richness of the Assessment Base	
	Household Income	

	Financial Position Indicators	2018 Rating
	Discretionary Reserves as a % of Taxation	
	Asset Consumption Ratio	
	Operating Reserves	
	Capital Reserves	
	Restricted Reserves (Funded Externally)	
	Restricted Reserves (Municipal Funding)	
	Debt Management	
	Debt to Reserve Ratio	
	Financial Position	
	Taxes Receivable	

	Municipal Levy, Property Taxes and Affordability Indicators	2018 Rating
	Municipal Levy Per Capita	
	Municipal Levy Per \$100,000 of Weighted Assessment	
	Residential Affordability	
	Non-Residential Tax Ratios	
	Non-Residential Property Taxes Per Square Foot - Commercial	
	Non-Residential Property Taxes Per Square Foot - Standard Industrial	

Despite its socio-economic challenges, Cornwall's financial condition is healthy. 

Conclusion

Risks and Challenges

There are a number of challenges identified in the City's Business Plan that impact the City's levy including:

- Legislative requirements
- Property assessment adjustments
- OMPF Grant
- Court Security funding
- Capital Infrastructure funding to address the infrastructure gap
- Capital funding from senior levels of government
- General price increases, in some cases exceeding inflation
- The absence of significant growth in the City's population
- Ability to maintain target balances for reserves and reserve funds.

New Initiatives

- *In support of its financial planning, through its LTFP, the City has identified the need for enhanced/updated financial policies relating to Capital, Debt Management, Reserves, and Investments. Policy reviews will take place over the next two years.*
- *Purchasing services is reviewing its framework for purchase of goods and services, including procurement policies, statutes, regulations, trade agreements, current procedures.*
- *The City implemented Development Charges and the Municipal Accommodation Tax in 2018.*
- *The City continues to review its user fees including an update to its Building Permit Fees in 2019.*
- *Financial Services is upgrading the City's Accounting System/Billing System in 2019.*
- *In 2019, the City is initiating a Lean Program.*

