Municipal Report

NOVA SCOTIA

Municipality of the District of Lunenburg

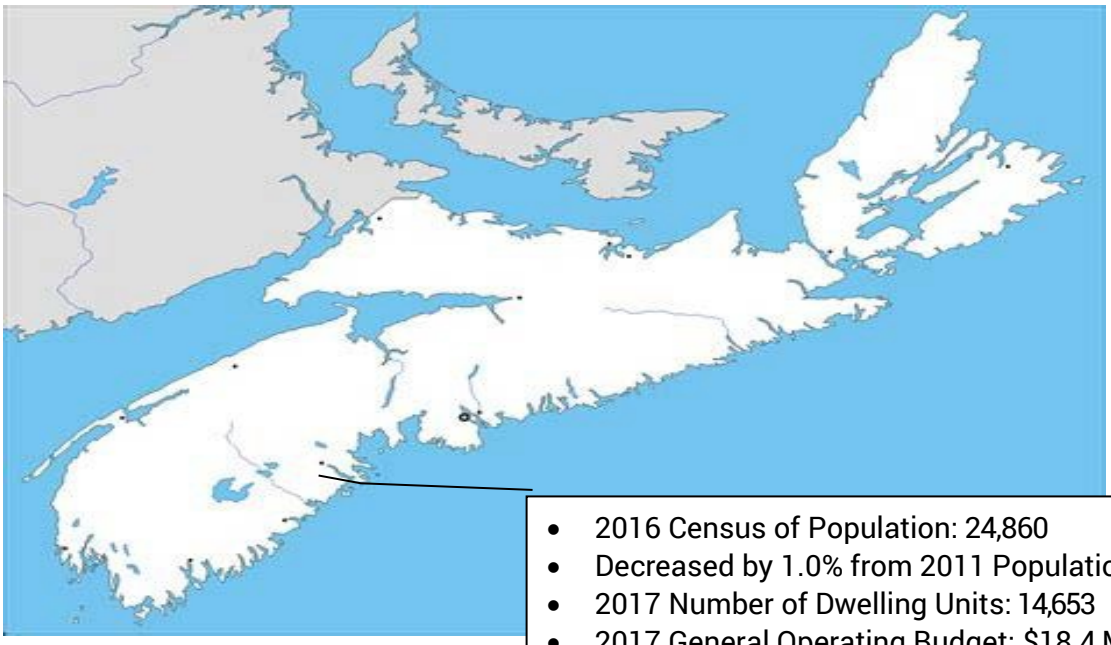
Department of Municipal Affairs

Municipal Profile and
Financial Condition Indicators Results

2017

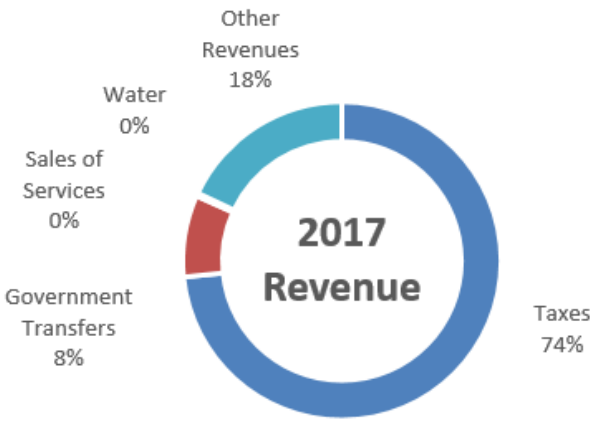
At a Glance

The Municipality of Lunenburg, officially named the Municipality of the District of Lunenburg, is a district municipality in Lunenburg County, Nova Scotia. Some specifics about the Municipality of Lunenburg are shown below and other general information can be found on page 8.

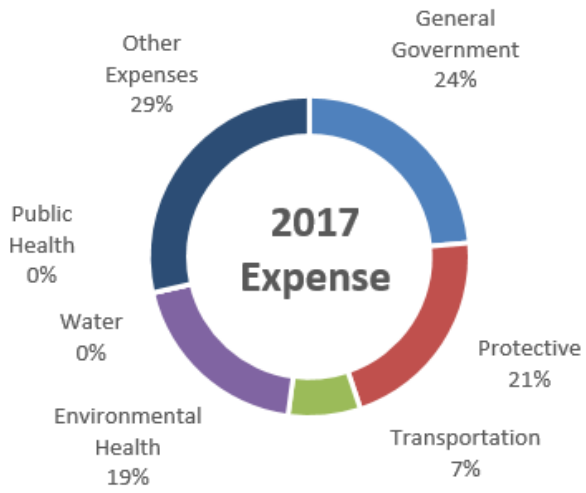


- 2016 Census of Population: 24,860
- Decreased by 1.0% from 2011 Population
- 2017 Number of Dwelling Units: 14,653
- 2017 General Operating Budget: $18.4 M
- 2017 Consolidated Revenue: $23.3 M

Financial Highlights



Source: Consolidated Schedule of Revenues (FIR_CR) for the year ended March 31, 2017



Source: Consolidated Schedule of Expenses (FIR_CE) for the year ended March 31, 2017

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Introduction

The Department of Municipal Affairs, on behalf of the Nova Scotia Government and Association of Municipal Administrators of Nova Scotia (AMANS), compiles municipal indicators that focus on financial matters, administration of the municipality and characteristics of the community.

Prior to 2017, this information was structured into two separate reports – the Financial Condition Index and the Municipal Profile reports. This report brings together both sets of statistics (financial and demographic) to give an overall snapshot for each municipality.

You can use this report to:

- better understand the administrative and operational performance of a municipality;
- better understand key characteristics about the municipality;
- inform the decision-making process; and
- help community members better understand the municipality in which they live.

For example

Community members can use the residential tax burden indicator to compare their property taxes with property taxes in other municipalities.

Municipal councilors can use the change in population indicator to understand whether their community's population is growing or declining.

Financial Condition Indicators

The Financial Condition Indicators were developed in collaboration with both the Union of Nova Scotia Municipalities (UNSM) and AMANS. Thirteen indicators are examined to provide a general picture of municipal financial condition. While the Indicators cannot provide a comprehensive assessment of financial condition, they can provide indication of strengths, trends and risk areas where a municipality should focus.

The municipality's general financial condition is graphically represented on the following page by a 'House' format.

- **Roof** – The key performance indicators are located at the roof or top of the house. Four indicators measure the achievement of the overall objectives for assessing financial health.
- **Structure** – Indicators located in the middle are key elements that impact the overall financial condition objectives (leading measures).
- **Base** – The indicators located on the bottom (base) are indicators that although the municipality may not have a direct control over all elements for the indicator, the indicator can have a significant impact on the financial health of the municipality.

Financial Condition Indicators Graph

Reading the Graph

The House graphic presents Indicators scores and are colour coded to indicate overall risk level. (Low risk is green, moderate risk is yellow and high risk is red.) The graph allows users to graphically pinpoint priority areas for actions as well as areas of success.

To further understand success or focus areas, please refer to page 5 of the report. For detailed results and comparative information (prior year and rural average), please refer to page 11.

Highlight from the House Graph

Top Success Areas

1. Liquidity Position
2. Prudent Debt Level
3. Strong Reserves
4. Effective Tax Collection
5. Asset Management

Top Focus Action Area

1. Budget Accuracy

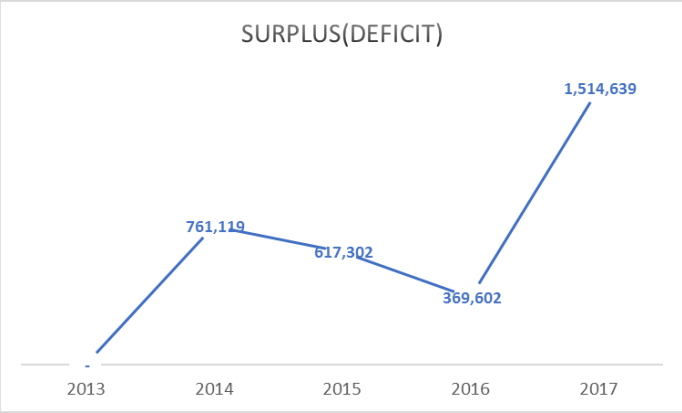
Municipality's Comments: The indicators confirm that the Municipality of the District of Lunenburg is in a strong financial position. The District performs better than the threshold on 12 out of 13 indicators.

The District continues to employ multi-year financial plans to guide financial and strategic decisions. As a result, the District has been able to reduce debt, plan & invest in capital projects and avoid deficits despite challenging economic circumstances.

Low uncollected taxes and excellent scores on the deficits, reserves, undepreciated assets, and liquidity confirm the municipality's prudent approach to managing revenue, budgets and capital assets. The municipality is pursuing an aggressive debt repayment policy, has no borrowing in the 5-year capital plan, and is projected to be debt free by 2021.

FCI Key Indicators Trends (The Roof)

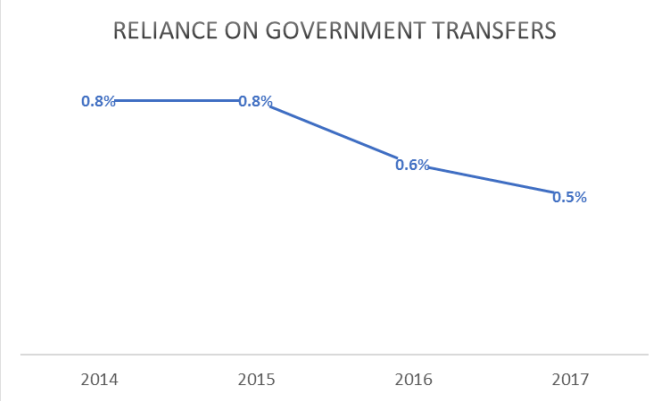
Number of Deficits - A deficit occurs when a municipality's expenditures exceed their revenues. For the fiscal year ended March 31, 2017, the Municipality of Lunenburg incurred a surplus of 1.5 million. In the last five years, Lunenburg has not incurred a deficit. Due to the surpluses, Lunenburg was assessed at a low risk.



Lunenburg's Surplus (deficit) Trend

Source Financial Information Return(FIR) from 2013 to 2017

FCI Key Indicators Trends (The Roof)

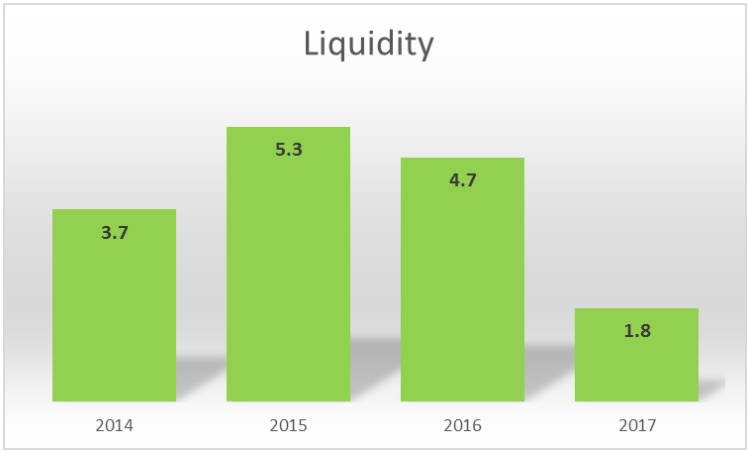


Lunenburg's Reliance on Government Transfers

Source: Financial Information Return (FIR) from 2014 to 2017

Reliance on Government Transfers - This ratio measures the extent of funding received from the other governments. A municipality is vulnerable if a municipality is reliant on revenue sources beyond its direct control or influence. The Municipality of Lunenburg's transfers as a percentage of total revenue by 0.1 percentage points from the previous year to 0.5 percent. A municipality would be considered in a high exposure to funding risk if their percentage was above 20%. Lunenburg is in a low risk zone.

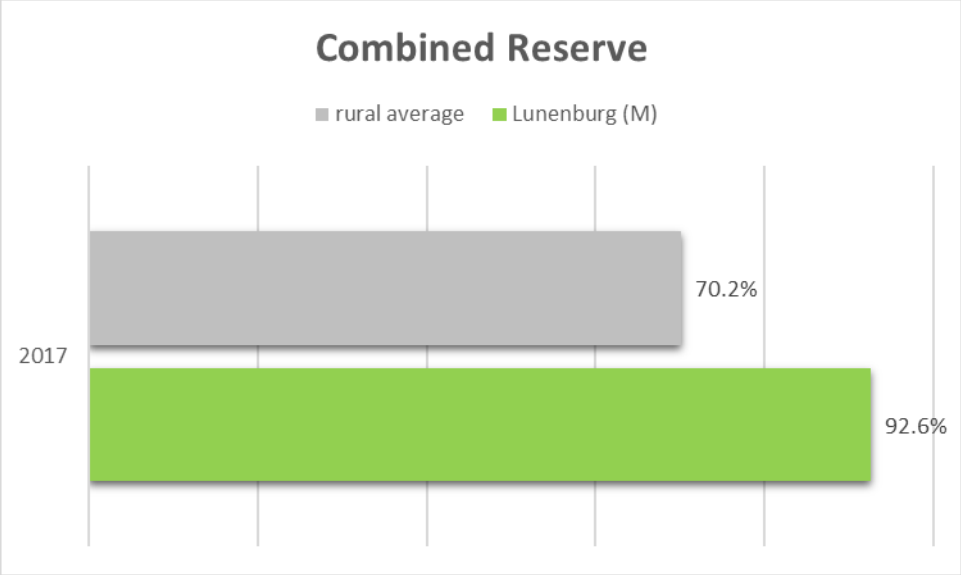
Liquidity - This ratio measures the extent a municipality has enough cash to pay bills as they are due. The Municipality of Lunenburg's liquidity position has been in a strong 1.8 to 5.3 range for the last four years. In 2016-2017, Lunenburg's liquidity ratio decreased by 2.9 from the previous years to 1.8. A municipality would be considered in a high risk if the liquidity ratio was below 1. The preferred range is
1.5 and above.



Lunenburg's Liquidity
Source Financial Information Return (FIR) from 2014 to 2017

FCI Key Indicators Trends (The Roof)

Combined Reserves - Reserves are monies set aside for planned future needs such as capital infrastructure or unexpected costs. Municipalities are vulnerable if they have limited flexibility to offset unexpected revenue losses, increases in expenses, or have an inadequate capital replacement funds. The combined reserve ratio measures the percentage of the combined reserves to the operating and amortization costs. The Municipality of Lunenburg's combined reserves as a percentage of total operating and amortization costs is 92.6 percent. A municipality would be considered vulnerable and in a high-risk zone if the municipality's combined reserve was below 30.0 per cent.



Lunenburg's Combined Reserve compared to the average for rural municipalities
Source 2017 Financial Information Return (FIR)

Detailed Results

General Information

	2017	2016	+/-	2017 Rural Avg.
Number of Elected Officials	11	13	-2	10
Geographic Area (km^2)	1,759	1,759	0	2,031
Number of Dwelling Units	14,653	14,592	61	8,186

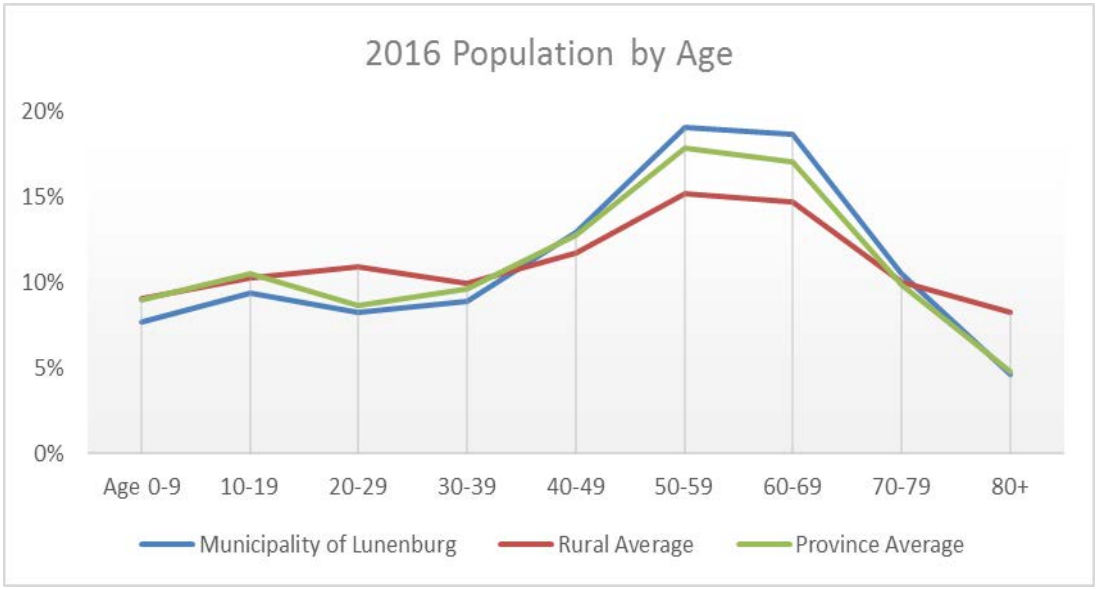
Source: Department of Municipal Affairs

	2016 Census	2011 Census	+/-	2016 Rural Avg.
Median Household Income	$58,624	$51,850	$6,774	$57,751
Employment Rate	52%	54%	-2%	50%
Education Beyond High School	51%	50%	1%	49%
Population	24,860	25,118	-258	14,484

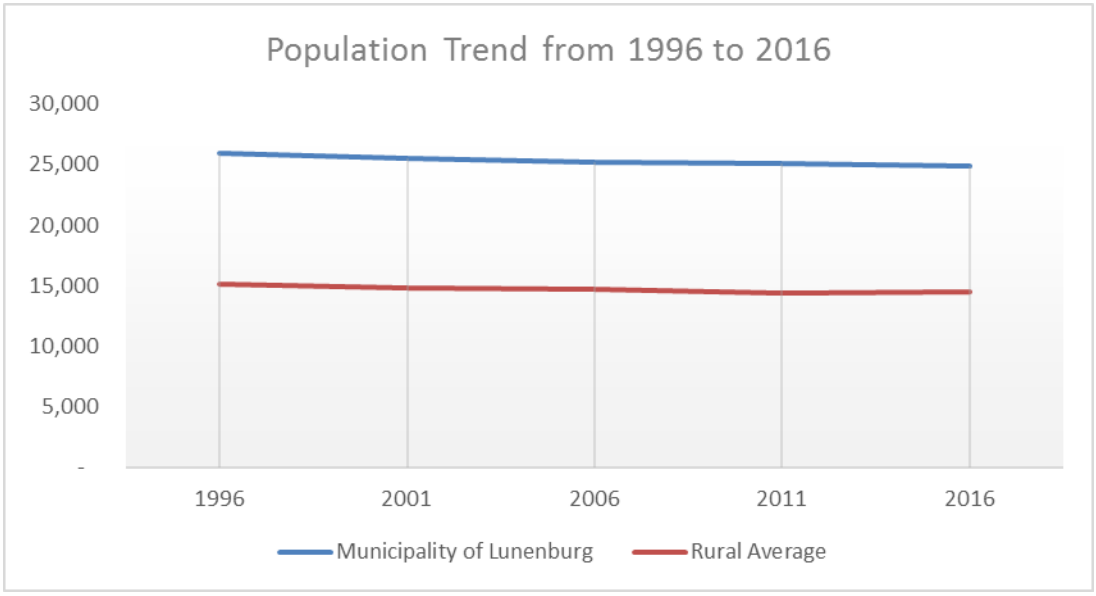
Source: 2011 and 2016 Statistics Canada Census

Detailed Results

Population



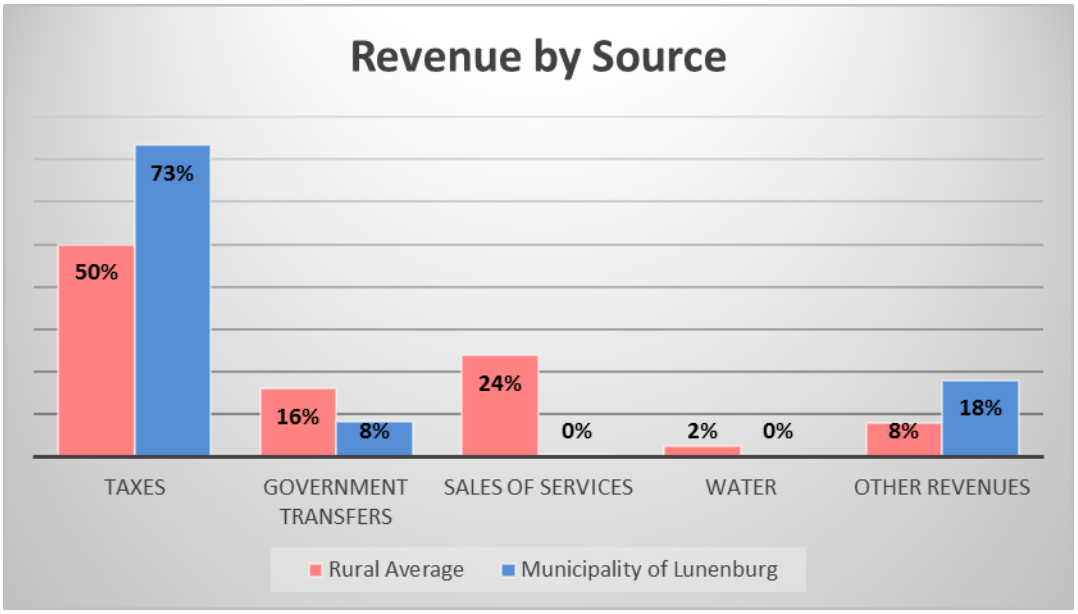
Source: 2016 Statistics Canada Census



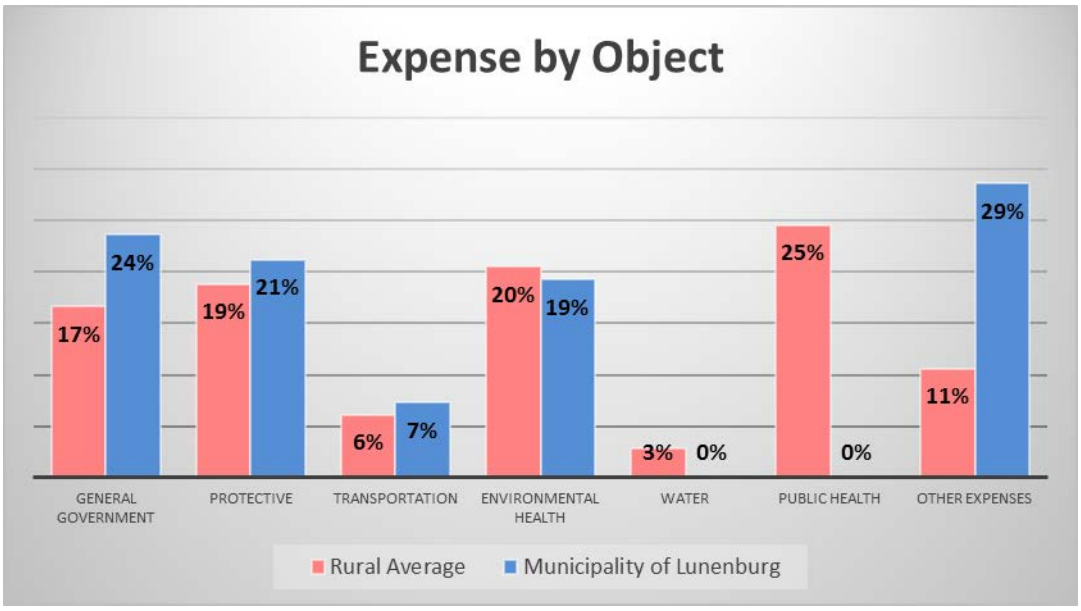
Source: 1996, 2001, 2006, 2011 & 2016 Statistics Canada Census

Detailed Results

Revenue and Expense Comparisons



Source: Consolidated Schedule of Revenue (FIR_CR) for the year ended March 31, 2017



Source: Consolidated Schedule of Revenue (FIR_CE) for the year ended March 31, 2017

Detailed Results

FCI – Base Indicators

Indicator	2017	2016	+/-	2017 Rural Avg.
3-year Change in Tax Base: This indicator measures how a municipality's tax base keeps pace with inflation.	8.9%	11.0%	-2.1%	7.7%
Reliance on a Single Business or Institution: This indicator speaks to the municipality's reliance on one employer for a significant portion of their tax base. Over reliance on any source of revenue can represent a vulnerability.	0.4%	0.4%	0.0%	3.3%
Residential Tax Effort: Residential tax effort is the average property tax burden per household in the municipality. This indicator speaks to the municipality's flexibility to increase taxes if additional revenue is required.	2.3%	2.7%	-0.4%	2.0%

Source: Financial Information Return (FIR) for the year ended March 31, 2017

Low Risk Moderate Risk High Risk

Detailed Results

FCI – Structure Indicators

Indicator	2017	2016	+/-	2017 Rural Avg.
Uncollected Taxes: This indicator speaks to a municipality's success in collecting revenues owed. Failure to collect taxes can significantly impact actual revenue, cash flow, and thereby could hinder their ability to provide services.	6.8%	6.7%	0.1%	9.0%
Budget Accuracy: This indicator speaks to the municipality's success at projecting the revenue required to maintain a balanced operating budget.	4/5	5/5	N/A	3.7/5
Operating Reserves: this indicator speaks to if the municipality is setting aside funds to address unforeseen circumstances.	64.9%	48.7%	16.2%	42.0%
Debt Services: This indicator speaks to how much of municipal revenue is going towards paying off debt.	6.7%	20.6%	-13.9%	4.5%
Outstanding Operating Debt: This measure calculates the municipality's borrowing limit per the MGA Section 84.	0.0%	N/A	N/A	2.8%
Undepreciated Assets: This indicator speaks to the age of the municipality's existing capital assets (in relation to useful life).	80.4%	76.3%	4.1%	62.5%

Source: Financial Information Return (FIR) for the year ended March 31, 2017

Low Risk Moderate Risk High Risk

Detailed Results

FCI – Roof (Key) Indicators

Indicator	2017	2016	+/-	2017 Rural Avg.
Deficits in the Last 5 Years ** : This indicator speaks to the number of deficits a municipality experienced in the last 5 years. A high number of deficits may indicate a municipality is struggling to meet services. If there is a deficit, further investigation would be required to determine the size and cause of the deficit.	0/5	0/5	N/A	0.5/5
Liquidity: This indicator speaks to whether the municipality has enough cash to pay bills as they come due. This indicator can highlight any cash flow problems or signal concerns in other areas such as potential revenue collection.	1.8	4.7	-2.9	3.4
Reliance on Government Transfers: This indicator speaks to municipality's reliance on transfers from other government(s).	0.5%	0.6%	-0.1%	3.3%
Combined Reserve ** : This indicator speaks to whether the municipality is investing enough to keep pace with the aging of existing assets, and unforeseen circumstances.	92.6%	N/A	N/A	69.2%

Source: Financial Information Return (FIR) for the year ended March 31, 2017

Note: * Moderate Risk (Yellow) if one or more deficits in the last 5 years/ High Risk (Red) if one or more deficits in the last 2 years with one material deficit (0.5% of Total Operating Expense) .

** The result may not reflect an impact of PSAB related liabilities (e.g. Pension Liabilities, Landfill Closure and Post Closure Liabilities, or Deferred Gas Tax Revenue) that are recorded only in the consolidated financial statements.

Low Risk Moderate Risk High Risk

Appendix I – FCI Thresholds

FCI – Base Indicators

Low Risk Moderate Risk High Risk

Indicator Name / Rationale	Thresholds	Interpretations
3-year Change in Tax Base This indicator illustrates the growth in property assessment. Municipalities rely heavily on the property tax to fund services; therefore, healthy growth in property tax is important to a municipality's financial position. If growth in assessments does not keep pace with inflation, it is a sign that the municipality may have trouble maintaining the current service levels without raising the tax rate.	Equal or Greater than Consumer Price Index (CPI) rate - **3% for 2017 year.**	◆ A percentage lower than the CPI rate indicates property assessments are growing slower than the inflation.
	Less than CPI	◆ A percentage higher than the CPI rate indicates property assessments are growing faster than the inflation.
	Negative Growth	◆ A negative percentage indicates a decrease in assessment value, which usually indicates serious economic concerns in the region, either because of the loss of a major employer or persistent economic and demographic decline.
Reliance on a Single Business or Institution This indicator shows how much a municipality's tax base depends on a single commercial or institutional account. Government Finance Officers Association (GFOA) recommends that municipalities are aware of any reliance on a single industry or employer when making financial plans including budgeting and establishing reserves.	Less than 10%	◆ A low percentage indicates that the municipality may not rely on a single business or institution for a large part of its tax revenue.
	10% to 15%	◆ A high percentage indicates that the municipality may have a greater reliance on a single business or institution for its tax revenue. Often a large tax account will be a key part of the local economy, so a major operational change or business closure can have a significant impact on the municipality and the community's economic health.
	Greater than 15%	
Residential Tax Effort This indicator shows how much of a household's income is required to pay the average tax bill. This indicator combines two other indicators: residential tax burden and median household income to provide a comparison for relative tax burden rather than simply comparing property tax rates. Measures of tax burden and effort are important so that council can assess the affordability of taxes in relation to service levels when setting a municipality's budget.	Less than 4%	◆ A lower result suggests the municipality may have more flexibility to increase the tax rate.
	4% to 6%	◆ A higher result suggests that the municipality may have less flexibility to increase the tax rate, if additional revenue is required.
	Greater than 6%	

Appendix I – FCI Thresholds

FCI – Structure Indicators

Low Risk Moderate Risk High Risk

Indicator Name / Rationale	Thresholds	Interpretations
Uncollected Taxes This indicator measures how much of current and previous years' taxes were not collected at year end, compared to the current taxes billed. Failure to collect taxes can significantly impact actual revenue, cash flow, and thereby could hinder their ability to provide services. The potential lost or delayed tax revenue could threaten the financial health of the municipality.	Less than 10% 10% to 15% Greater than 15%	◆ A low percentage indicates the municipality is managing tax revenue collection. ◆ A high percentage may indicate the municipality is having trouble monitoring and collecting overdue tax accounts.
Budget Accuracy It is important that municipalities can accurately project revenues and expenditures. Difficulty projecting revenues and expenditures may lead to future deficits, and can make longer term budgeting decisions and strategic planning challenging.	All budgets within +/-5% of actuals in the last 5 years One budget not within the +/-5% of actuals in the last 5 years Two or more budgets not within the +/-5% of actuals in the last 5 years	◆ The larger the number (either positive or negative), the bigger the discrepancy between budgeted and actual expenditures. ◆ A negative number means that actual expenditures were greater than budgeted. ◆ A positive number means that actual expenditures were less than budgeted.
Operating Reserves This indicator shows the total value of funds held in operating reserves compared to a single year's operating budget. Reserves can play an important role in prudent budget planning.	Greater than 20% 10% to 20% Less than 10%	◆ A high percentage indicates more funds are held in operating reserves, which indicates higher flexibility to address unexpected events in the future. ◆ A low percentage indicates less flexibility to address unexpected events in the future, which could put the municipality in a deficit position.

Appendix I – FCI Thresholds

FCI – Structure Indicators (continued)

Low Risk Moderate Risk High Risk

Indicator Name / Rationale	Thresholds	Interpretations
Debt Service Municipalities are not allowed to incur debt because of operating deficits, but they can borrow funds to purchase/construct capital assets. The debt service result provides an indication of how much of a municipality's revenue is devoted to debt repayment. Own source revenue is used instead of total revenue to allow analysis of only the revenue within council's control.	Less than 10% 10% to 15% Greater than 15%	◆ A low number may indicate that the municipality has deferred capital projects to keep the debt load low. This may also indicate that the municipality has prudent financial debt management. ◆ A high number may indicate the municipality has borrowed a large amount of debt. This could limit its ability to borrow in the future, and paying the debt expense will tie up operating revenue. However, it is important to note that a municipality with an aggressive debt repayment schedule will have a higher debt service indicator due to the larger principal payments.
Outstanding Operating Debt This measure calculates the municipality's borrowing limit per the MGA Section 84. A municipality may borrow to cover the annual current expenditures of the municipality that has been authorized by the council, but their borrowing can not exceed 50% of the combined total of the taxes levied and government transfers.	Less than 25% 25% to 50% Greater than 50%	◆ A low percentage may indicate that a municipality is covering the annual current expenditures without a high reliance on borrowing. ◆ A high percentage may indicate that a municipality has a high debt load relative to their revenue base.
Undepreciated Assets This indicator provides an estimate of the useful life left in the municipality's capital assets. Municipalities across Canada are facing significant infrastructure challenges. Therefore, it is important to keep informed of the age and condition of its capital assets to ensure they are making timely and appropriate investments.	More than 50% 35% to 50% Less than 35%	◆ A lower percentage indicates older infrastructure. It does not necessarily indicate the condition of the assets. Some older assets still could be in a good working condition. ◆ A higher percentage indicates newer infrastructure.

Appendix I – FCI Thresholds

FCI – Roof (Key) Indicators

Low Risk Moderate Risk High Risk

Indicator Name / Rationale	Thresholds	Interpretations
Deficits in the Last 5 Years Deficits are an important indication of financial health for municipalities. All municipalities are required to prepare balanced operating budgets. Any operatng deficits incurred are required to be repaid in the following budget year.	None in the last 5 years One or more in the last 5 years One or more in the last 2 years with one material (0.5% of total operating expenses)	◆ Several deficits in a 5-year period may indicate financial difficulty. However, results should be interpreted in context; unpredictable events beyond the control of a municipality can significantly affect its budgeted revenues or expenditures. Further investigation is required to determine the size and cause of any deficit.
Liquidity Liquidity is a key short-term financial performance indicator. Low liquidity can indicate a cash flow problem, and may indicate concern in other areas such as revenue collection.	Greater than 1.5 1 to 1.5 Less than 1	◆ A liquidity below 1.0 indicates that the municipality has less cash and assets that are easily converted to cash on hand than the amount required to pay current obligations. ◆ A municipality with an exceptionally high liquidity may be better served by investing in instruments that will earn interest revenue.
Reliance on Government Transfers This indicator measures how much of total revenues come from government transfers. This assesses a municipality's level of independence in making decisions.	Less than 15% 15% to 20% Greater than 20%	◆ A low indicator may indicate higher self-sufficiency; therefore, might provide council increased autonomy in making decisions. ◆ A high score may indicate a higher dependency on government transfers which could limit councils' autonomy in making decisions.
Combinded Reserves This indicator provides the total value of funds aside for planned future needs (e.g. capital projects), to smooth expenses (e.g. winter road maintenance reserve) or for the unexpected expenses.	More than 40% 30% to 40% Less than 30%	◆ A low percentage may indicate the municipality has limit flexibility to offset unexpected losses or increases in expenses. ◆ A high percentage indicates would indicate that a municipality is setting aside money for future needs.

Appendix II – Additional Resources

Nova Scotia Government's Open Data Portal

Nova Scotia Government's Open Data Portal officially launched February 5, 2016. This portal provides access to various government data in a free, accessible, machine-readable format. The financial datasets currently published through the Nova Scotia Government's Open Data Portal are:

- Financial Condition Indicators by Municipality;
- Municipal Fiscal Statistics- Consolidated Revenues and Expenses by Municipality;
- Municipal Fiscal Statistics- Operating Fund Summary of Revenue and Expenses by Municipality;
- Municipal Fiscal Statistics- Operating Fund Expenses -10 Year Summary;
- Municipal Fiscal Statistics- Operating Fund Revenue -10 Year Summary;
- Municipal Property Tax Rates;
- Nova Scotia Equalization Program;
- Nova Scotia Power Grant In Lieu; and
- Uniform Assessment.

Open Data Portal Link: **data.novascotia.ca**

Municipal Website

A municipality's website can be a helpful resource to access various financial information. Currently, most municipal websites provide:

- audited Financial Statements; and
- approved Operating Budget.

Municipality of Lunenburg Website: **modl.ca**

About Us

For more information, support in action plan development or to obtain a guide on action plan development, please contact:

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