

Fiscal Health Condition – Common Language

Financial Principles	Indicator	Formula ¹	Explanation	Best Practice	Trend <i>(on track, action required, declining)</i>	Detail on Action
Sustainability	Total Debt to Operating Revenue	TOTAL DEBT/TOTAL ANNUAL REVENUE	Indicates the municipality's ability to meet debt servicing obligations.	Varies		
	**Total Taxes Receivable less Allowance Uncollectables as a percentage of Total Taxes Levied	TAXES RECEIVABLE LESS ALLOWANCE FOR UNCOLLECTABLES /TOTAL TAXES LEVIED	Taxes Receivable is the amount of outstanding taxes owed to the municipality (also known as tax arrears). This is a lower-tier/single-tier measure only (upper tier-taxes are collected by lower-tiers). High outstanding taxes may reflect the inability of residents to pay their taxes or it could indicate problems with the municipality's tax collection procedures. High outstanding taxes could create cash flow problems for the municipality or result in higher tax rates to fund uncollectable taxes or tax write-offs.	Below 15%		
	**Net Financial Asset or Net Debt as a percentage of Own Purpose Taxation Plus User Fees	NET FINANCIAL ASSET (DEBT)/ OWN PURPOSE TAXATION	A positive number indicates the amount of resources that may be available for future needs. A negative number indicates how much of the future revenue may be needed to pay for past spending decisions.	Varies		
	** Reserves/Discretionary Reserve Funds as a percentage of Operating Expenditures	RESERVES AND DISCRETIONARY RESERVE FUNDS/OPERATING EXPENSES	Indicates the ability to offset unexpected revenue losses or increases in expenses.	20% and up		
Flexibility	**Debt Servicing cost as a percentage of Operating Revenue	DEBT CHARGES FOR THE YEAR/OPERATING REVENUE	Debt servicing is how much of each dollar raised in revenue is spent paying down existing debt (both principal and interest). This indicator shows the extent to which past borrowing decisions may impact the current municipal budget.	below 10%		
	Total Debt Burden per Household	TOTAL DEBT/TOTAL HOUSEHOLDS	Measures a municipality's flexibility to meet future spending needs.	Varies		
	Asset Consumption	NET BOOK VALUE OF ASSET/REPLACEMENT COST	Compares the net book value of assets (original cost less accumulated depreciation) to their replacement costs to measure the rate to which assets that depreciate in value have been consumed.	50% and up		
	Operating Surplus Ratio	(OPERATING REVENUES LESS OPERATING EXPENSES)/OWN SOURCE REVENUE	Indicates the municipality's ability to cover its operational costs and have funds available for other purposes (i.e. reserves, debt repayment etc.).	1-15%		
Vulnerability	Own Source Revenues as a percentage of Total Operating Revenues*	OWN SOURCE REVENUE/TOTAL OPERATING REVENUE	Indicates the extent to which a municipality has a high proportion of revenues from its own sources reducing its impact to a change in transfers from other levels of government.	Varies		
	Taxes Per Household	TAXES LEVIED/TOTAL HOUSEHOLDS	Indicates the level of taxes on residential households for municipal purposes.	Varies		
	Total Residential Taxes per Household as a percentage of Household Income	TOTAL RESIDENTIAL TAXES PER HOUSEHOLD/HOUSEHOLD INCOME	Indicates the portion of a ratepayer's income used to pay municipal property taxes.	Varies		
	Revenue Per Capita	REVENUE/POPULATION	Indicates the demand for resources and the municipality's ability and willingness to provide resources. A high ratio and increasing trend, in relation to expenditures per capita, is generally desirable. A high ratio suggests the municipality has enough annual resources but that it is now at the limits of the revenue it can generate, reducing its flexibility for bringing in more revenue. Similarly, a low ratio may suggest the municipality has greater capacity to get additional revenue.	Varies		

****Refer to Fiscal Indicator Thresholds (FITs)**

¹ See attached samples