

**Appendix J:**  
**Economic Circumstances Assessment and PFSG**  
**02-03-01 “Economic Circumstances”**

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## J1. APPENDIX C ECONOMIC CIRCUMSTANCES

### J1.1 Introduction

Assessing a municipality's economic circumstances is a core component of the fire protection review process prescribed by the OFM. The 2006 report titled "*Comprehensive Review of Fire Protection Services in the Town of Deep River*" included a comprehensive review of the economic circumstance of the municipality.

This review looks at the costs and revenue of the Town and the fire department and then compares some key indicators with a peer group of municipalities to illustrate the economic circumstances of the Town. It also utilizes the information contained within the 2006 Report as a baseline for information and together with the review process identified within PFSG 02-03-01 "*Economic Circumstances*" as the template for assessing the current economic circumstances of the Town of Deep River. This review is important to understanding the context of any changes proposed for the fire department.

### J2.1 Growth and Assessment

In 1998 the Province of Ontario adopted Current Value Assessment (CVA). Value-based assessment systems, such as CVA, are the assessment standard used by most assessment jurisdictions in North America. The CVA process utilizes three to five years of open market arm's length sales in market areas to determine the current assessed value of a particular property within a community.

The Town of Deep River assessment comparison for the period 2007 to 2011 is provided in **Table J1** below. The increase in assessment during this period has primarily been as a result of the market value increases as opposed to growth in development.

Table J1: Town of Deep River 2007– 2011 Assessment Comparison

Year	2007	2008	2009	2010	2011
<b>Assessed Value</b>	\$267,005,640	\$268,621,540	\$291,381,634	\$316,028,984	\$390,274,739
<b>\$ Increase from Previous Year</b>	-	\$1,615,900	\$22,760,094	\$24,647,350	\$74,245,755
<b>% Increase from Previous Year</b>	-	0.6%	8.5%	8.5%	23.5%

*(Information provided by Town of Deep River finance department)*

The 2006 Report noted a predicted 10% growth rate from 2006 to 2011 in the Town of Deep River. It was assumed at that time that growth would result from retiring AECL employees remaining in Town with the addition of new plant hires coming to Town to fill the vacant positions. There was also some predicted commercial growth to support the shift in population and demographics. This growth did not occur, in fact, the Town experienced a slight decrease (by 23 persons) in population between 2006 and 2011, according to census data.

The Deep River Official Plan, consolidated in March 2012, projects a 6.2% growth from the current 2011 population to the 2016 population, and an additional 1.2% growth from 2016 to 2020. These growth projections are summarized below in **Table J2**.

Table J2 Population Projections (Official Plan Town of Deep River)

Year	Population Projection	% Growth (from previous year listed)
2006	4,226 <sup>1</sup>	-
2011	4,193 <sup>2</sup>	-0.8%
2015	4,455	6.2%
2020	4,528	1.6%

<sup>1</sup> 2006 Census

<sup>2</sup> 2011 Census

### J3.1 Municipal Revenues

Revenues to support the capital and operating requirements of the Town of Deep River are derived from a number of sources including property taxes, user fees, operating grants, licensing, payments in lieu (PIL) and other sources. In addition to following municipal financial best practices the Town utilizes municipal performance measures as part of their commitment to financial management.

**Table J3** below provides a summary of the Town of Deep River revenues for the period 2007 – 2011.

Table J3 Town of Deep River 2007– 2011 Revenue Summary

Revenue	2007	2008	2009	2010	2011
Property Tax	\$2,536,310	\$2,645,753	\$2,731,077	\$3,035,265	\$2,937,277
Payment in Lieu	\$2,276,372	\$2,299,511	\$2,234,707	\$2,488,213	\$2,381,160
OMPF Grant	\$269,349	\$381,300	\$722,500	\$735,000	\$1,048,800
Waste Diversion Grant	\$22,545	\$23,728	\$23,478	\$29,688	\$30,000
Other User Fees	\$1,060,575	\$1,135,647	\$1,380,433	\$1,421,939	\$1,401,772
Prior Year Surplus	\$292,047	\$298,845	\$312,826	\$18,906	\$289,516
Total	\$6,457,198	\$6,784,785	\$7,405,021	\$7,729,011	\$8,088,525

(Information provided by Town of Deep River finance department)

The most significant shift in revenues for this period has been within the Ontario Municipal Partnership Fund (OMPF Grant). During this period the OMPF grant increased \$779,451 or 289%. Other User Fees have had a decline of a similar order.

The CPI or inflation rate for the Province of Ontario for the period 2007 to 2011 is presented in **Table J4** below.

Table J4 Province of Ontario CPI 2007 - 2011

Year	2007	2008	2009	2010	2011
CPI Inflation Rate	1.8%	2.3%	0.4%	2.4%	3.1%

(Information provided by Town of Deep River finance department)

For the period 2007 to 2011 the province of Ontario experienced an average CPI increase of 2.0%.

**Table J5** presents a comparison to the Town of Deep River 2007 to 2011 Historical Tax Levy to that of the Province of Ontario CPI (Inflation Rate) for the same period.

Table J5 Comparison Town of Deep River Historical Tax Levy to Province of Ontario CPI

Year	2007	2008	2009	2010	2011
CPI Inflation Rate	1.8%	2.3%	.4%	2.4%	3.1%
Total Combined Property Tax Levy %	1.8%	1.8%	1.7%	1.7%	1.6%
Property Tax Levy (Deep River) %	1.1%	1.1%	1.1%	1%	1%

(Information provided by Town of Deep River finance department)

In comparison to the average annual increase of 2.0% for the CPI inflation rate, the total combined property tax levy increased by an average of 1.7% and the Town of Deep River property tax levy increased an average of 1.1%. This reflects the outcome of Council's strategic financing strategy to control expenses, and where possible increase revenues to control the property tax burden within the community.

#### J4.1 Income

In comparison to the provincial median total household income, the 2006 provincial census data reflects that similar households within the Town of Deep River have a higher total median income. The higher than provincial income levels can, in a large part, be attributed to the high number of AECL employees living within the Town. Many of these employees are well educated research and professional executives. **Table J6** below presents the 2006 census data.

Table J6 Comparison of Town of Deep River and Provincial Total Median Household Income 2006 Census Data

Location	2006 Median Household Income
Town of Deep River Median Total Household Income	\$68,889
Province of Ontario Median Total Household Income	\$60,455

### J5.1 Fire Protection Costs as a Percentage of the Overall Municipal Operating Budget

*Table J7* provides a comparison of the annual operating budget for the Town of Deep River in comparison to the annual operating costs of the fire department to provide fire protection services.

Table J7: Town of Deep River Annual Operating Budget  
 in Comparison to Fire Protection Costs

Year	2007	2008	2009	2010	2011
Annual Municipal Operating Budget	\$7,773,144	\$8,873,397	\$7,908,182	\$7,970,023	\$8,088,525
Annual Fire Department Operating Budget	\$914,054	\$975,368	\$1,019,509	\$1,058,478	\$1,240,064
Fire Department Operating Budget as a Percentage of the Overall Municipal Operating Budget	11.8%	11.0%	12.9%	13.3%	15.3%

In comparison to the other departmental components of the Town’s operating budget the fire department represents the largest cost by service. In comparison to the annual municipal operating budget that increased from, \$7,773,144 to \$8,088,525 or 4.1% from 2007 to 2011 the fire department operating budget increased from \$914,054 to \$1,240,064 or 36.7% during the same period.

The 2006 Report identified that in 2005 the Town of Deep River fire department operating budget was \$824,079 representing 10.26% of the total municipal operating budget. In summary since 2005 the operating costs for fire protection have increased by \$415,985 or 50.5% over this six year period. This represents a significant portion of the municipal operating budget.

### J6.1 Fire Protection Costs Per Capita Basis

Assessing the costs associated with providing fire protection services on a per capita basis (per person) provides one performance measurement tool for comparing fire protection costs of one municipality to those of comparable municipalities. Utilizing comparisons such as this are consistent with PFSG 02-03-01 “*Economic Circumstances.*” Under the section “*Factors to be considered in assessing the local economic circumstances*” the document identifies a wide range of factors including “*per capita basis, assessment basis and per household*” and a further factor that states these are to be considered with regard to the “*relationship of all of the above with similar municipalities.*”

The per capita cost for fire protection services for the period 2007 – 2011 are included within *Table J8* below.

Table J8 Town of Deep River per Capita Costs for  
 Fire Protection Service for the Period 2007-2011

Year	Population		Fire Department Operating Budget	Per Capita Cost
	2006 Census Data	2011 Census Data		
2007	4,216	-	\$914,054	\$216.81
2011	-	4,193	\$1,240,064	\$295.75

The 2006 and 2011 census data provide the most accurate representation of current population. From 2006 to 2011 the population in the Town of Deep River decreased by 0.5%. The per capita cost for fire protection increased from \$216.81 in 2007 to \$295.75 in 2011 an increase of \$78.94 or 36.4% over this period.

The 2006 Report identified the 2005 per capita cost for fire protection in the Town of Deep River as \$199.29. Comparing the 2005 per capita cost of \$199.29 to the 2011 cost of \$295.75 equates to an increase of \$98.46 per capita or a 48.4% increase in fire protection costs per capita over this six year period.

#### J7.1 Fire Protection Costs Assessment Basis

Evaluating the costs for fire protection, based on an assessment basis, provides another consistent performance measurement tool for comparing the costs of fire protection services in relation to similar municipalities.

Table J9 provides an evaluation of the assessment cost for fire protection services for 2011.

Table J9 Town of Deep River Assessment Costs for Fire Protection Service  
 for 2011

Year	Total Assessed Value	Fire Department Operating Budget	Operating Cost Per \$1,000 Assessed Value
2011	\$390,274,739	\$1,240,064	\$3.18

*(Information provided by Town of Deep River finance department)*

#### J8.1 Fire Protection Costs Private Dwellings

Analyzing the costs of fire protection based on a cost per private dwelling (household) provides the third performance measurement to be utilized within this report to evaluate the costs of fire protection services within the Town of Deep River with those of similar municipalities. Fire Protection Service costs per household are summarized below in Table J10 from 2007 to 2011.

Table J10 Town of Deep River Costs per Household Fire Protection Service  
 for the Period 2007-2011

Year	Number of Private Dwellings		Fire Department Operating Budget	Cost Per Household
	Based on 2006 Census	Based on 2011 Census		
2007	1,894		\$914,054	\$482.60
2011		1,933	\$1,240,064	\$641.52

The number of private dwellings (households) is shown based on the 2006 and 2011 Statistics Canada Census information. For this period there was an increase in private dwellings of 39 or 2.06% (about 0.5%/year). Costs for fire protection for the same period increase by \$478,667 or 46.75%.

### J9.1 Comparable Communities

To conduct the analysis of comparable communities, consideration was first given to developing a list of indicators that would reflect an accurate representation for comparison analysis. The indicators identified included the following:

- ✓ Population
- ✓ Number of Residential Dwellings
- ✓ Geographic Area of the Municipality
- ✓ Density Per Square Kilometre
- ✓ Simplified Risk Assessment

The OFM “*Summary of Key Facts and Fire Loss*” was the initial data source used to research these indicators in order to identify the list of comparable communities utilized within this report. Following this initial process contact was then made with each fire department to confirm the OFM information and seek further financial information, and where possible a copy of the most recent Simplified Risk Assessment for each municipality.

In developing the list of comparable communities, priority was given to ensuring, where possible, that the comparator communities chosen reflected either an equal or higher representation in relation to all of the indicators chosen. For example, in terms of population all of the comparable communities chosen have a higher population. They also have a higher number of residential dwellings and a higher density per square kilometre.

Where available, the most recent Simplified Risk Assessment of each of the chosen municipalities was also reviewed to confirm a comparable risk profile to that of the Town of Deep River.

**Table J11** provides a summary of the comparable indicators, and the representative comparable communities that were identified.



Table J11: Summary of Similar Communities Analyses

Community	Population	Private Dwellings	Land Area Sq. km	Density per sq.km.
<b>Town of Deep River</b>	<b>4,193</b>	<b>1,933</b>	<b>50.9</b>	<b>82.4</b>
Town of Aylmer	7,151	2,813	6.22	1148.9
Town of Espanola	5,364	2,267	82.44	65.1
Town of Goderich	7,521	3,375	7.91	950.8
Town of Gananoque	5,194	2,346	7.01	740.8
Town of Hanover	7,490	3,163	9.81	763.8
Town of Hearst	5,090	2,251	98.73	51.6
Town of Parry Sound	6,191	2,840	13.36	463.3
Town of Perth	5,840	2,946	12.25	476.7
Town of Petrolia	5,528	2,152	12.68	435.8
Town of Renfrew	8,218	3,779	12.77	643.5
Town of Smith Falls	8,978	4,070	9.61	934.6
Town of St. Mary's	6,655	2,731	12.48	533.3

(Sources: OFM Keyfacts & Census 2011, Statistics Canada)

The twelve communities selected represent a wide geographic picture of Ontario communities similar to the Town of Deep River, based on the comparable indicators selected.

### J10.1 Comparable Communities Fire Protection Model

The next step of analyses included an evaluation of the fire protection model (staffing) and operating costs based on three primary factors including; the per capita cost; cost per \$1,000 of assessed value; and cost per dwelling (household) in comparison to the Town of Deep River for the year 2011. This analysis is summarized in **Table J12**.

In comparison to the three primary factors assessed, the Town of Deep River fire protection costs are substantial higher in each category summarized. The closest comparator within all of the factor categories is the Town of Renfrew that has a similar number of full-time staff (11), but also has 14 volunteer firefighters and yet the costs in each of the primary factors are still substantially higher for Deep River.

The cost per capita for the Town of Deep River has increased since 2007 and in comparison to the average costs for the twelve municipalities compared is \$210.22 or 71.08% higher.

The cost per \$1,000 of assessed value for the Town of Deep River in comparison to the average costs for the twelve municipalities compared is \$2.13 or 66.98% higher.

The cost per household for the Town of Deep River in comparison to the average costs for the twelve municipalities compared is \$448.07 or 69.85% higher.

Table J12 Summary of Comparable Communities Analyses

Community	Full-time Staff	Volunteer Staff	Part-Time Staff	Cost Per Capita	Cost Per \$1,000 Assessment	Cost Per Household
<b>Town of Deep River</b>	<b>10</b>	---	---	<b>\$295.75</b>	<b>\$3.18</b>	<b>\$641.52</b>
Town of Aylmer	1	21	---	\$72.16	\$0.99	\$183.45
Town of Espanola	1	28	---	\$63.94	\$1.31	\$151.43
Town of Gananoque	6	18	9	\$134.77	\$1.37	\$298.38
Town of Goderich	0	27	2	\$60.44	\$0.64	\$134.68
Town of Hanover	1	21	---	\$52.71	\$0.61	\$124.82
Town of Hearst	---	32	1	\$51.71	\$0.72	\$109.62
Town of Parry Sound	2	21	1	\$124.98	\$1.03	\$272.45
Town of Perth	2	31	1	\$121.70	\$1.10	\$241.26
Town of Petrolia	0	32	---	\$41.90	\$0.61	\$107.63
Town of Renfrew	11	14	---	\$171.07	\$2.29	\$372.01
Town of Smith Falls	7	24	---	\$98.31	\$1.57	\$216.87
Town of St. Mary's	1	25	---	\$44.63	\$0.42	\$108.75
<b>Average in comparison to Deep River</b>				<b>\$85.53</b>	<b>\$1.05</b>	<b>\$193.45</b>

### J11.1 Summary of Economic Circumstances

The Town of Deep River's Council has taken proactive steps to introduce financial strategies targeted at managing property tax increases, while sustaining appropriate service levels in all areas to meet the community's needs. The ongoing operating costs for fire protection, as presented within these analyses, are creating a significant burden on the municipal property tax base.

In our view this analysis confirms that the current economic circumstances of the Town of Deep River, with regard to the costs for fire protection, reflect significantly higher costs than those of a representative group of comparable municipalities. The economic viability of providing fire protection services in considering the recommendations within the OFM 2011 Report review must be a primary consideration.

The 2006 Report indicates that at that time the Town of Deep River was the smallest community in the Province of Ontario with a solely full-time fire department model. Our research was not able to confirm if Deep River remains the smallest community in the province with a solely full time fire department. However, based on our experience in working with other municipalities across the province the Town of Deep River is an exception to the typical model of fire department we would typically find in a community of its geographic size and population.

Considering options for increasing the depth of staff resources for the provision of fire suppression, as recommended by the OFM, reflects an even greater burden on the municipal property tax base.

The Town has experienced little or no growth over the past five years and anticipates some modest growth into the future. The result has been an increase in assessment, primarily driven by the market value increase implemented by MPAC and phased in over a period of years.

As referenced in the 2006 Report, the Town of Deep River Fire Department operating budget was \$824,079 in 2005. This represented 10.26% of the 2005 municipal operating budget. In comparison to the 2011 municipal operating budget, the costs for fire protection have increased by \$415,985 or 50.5% over this six year period. Similarly the per capita costs for fire protection have risen by \$98.46 or a 48.4% during this same period.

These analyses developed a list of 12 comparable municipalities, based on a number of indicators (e.g. population, residential dwellings and community risk). Each of these municipalities was then compared in terms of the three primary assessment factors identified within PFSG 02-03-01 "*Economic Circumstances*" including the fire department operating cost per capita; cost per \$1,000 of assessed value; and cost per household. In comparison to each of these factors the Town of Deep River costs were in excess of 65% higher in each category than the average of 12 municipalities compared.