

Town of Halton Hills Long Range Financial Plan

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 Planning for growth

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Executive Summary

Watson & Associates Economists Ltd. (Watson) was retained by the Town of Halton Hills (Town) to prepare a long range financial plan (LRFP) and model for the 2018-2027 forecast period.

The objectives of the plan were

- to develop a financial planning model that could be used to update the Town's existing financial policies, optimize funding sources and measure progress towards long-term financial objectives; and
- to provide a model with "what if" scenario sensitivity and financial impact analysis, that could accommodate organizational changes, develop/optimize capital funding strategies as program and project levels, integrate with financial programs, and provide system-based reporting;

This report assesses projected capital and operating net expenditures, measures debt capacity utilization, reserve/reserve fund sustainability and Town's tax rate impacts based on the anticipated development and proposed capital funding plan.

Two scenarios were developed within the LRFP, the first (i.e. Scenario 1), represents the Town's current 10-Year plan and generally reflects the Town's 2018 Capital and Operating Budget's, with revisions for actuals and anticipated changes to the base budgets. The second (i.e. Scenario 2) builds on Scenario 1, addressing the capital and operating budget impacts for changes in services/programs and provisions for additional asset management funding. It is not intended that these be mutually exclusive scenarios, but rather to have Scenario 2 measure the impacts if all additional initiatives were undertaken within the 10-year forecast period.

Over the 10-year forecast period, the Town's population is forecast to increase by approximately 17,100 persons to 78,800 by 2027. The 2.5% average annual population growth will be facilitated by the construction of approximately 8,200 additional residential dwelling units. Moreover, the Town's employment base is forecast to reach approximately 28,300 employees by 2027¹, which represents an increase of 10,725 employees within the Town. This employment growth is expected to add approximately 1.1 million square metres of non-residential gross floor area to the Town's non-residential building inventory. Based on market value assessment samples for

¹ excluding no fixed place of work and work at home employment.

comparable developments and the Town's current property taxation policies, the additional residential and non-residential development is estimated to increase the Town's weighted property assessment for taxation purposes by approximately \$8.8 billion by 2027, an average annual growth rate of 4.2%.

The following table summarizes the capital expenditure forecast, capital funding plan, and net operating expenditures for each scenario over the 2018-2027 forecast period.

Table E-1
Town of Halton Hills
Comparison of Capital Plan and Net Operating Expenditures
for Scenarios 1 and 2

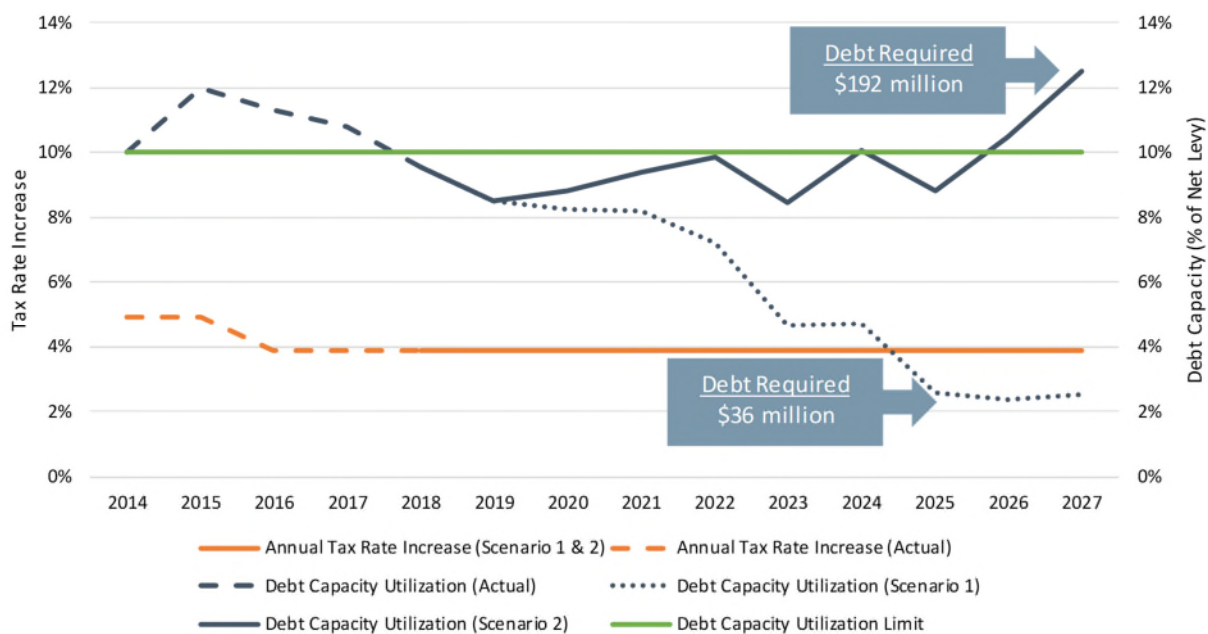
	Scenario 1 (in \$millions)	Scenario 2 (in \$millions)
<u>Capital Expenditures (2018-2027)</u>		
-Growth Related		
-Non-Growth Related	\$172.5 (54%)	\$196.1 (47%)
Total Capital Expenditures	<u>\$135.2 (46%)</u> \$307.8	<u>\$216.9 (53%)</u> \$413.1
<u>Capital Funding Plan (2018-2027)</u>		
-Development Charges Reserve Fund	\$61.2 (20%)	\$61.5 (15%)
-Development Charges Debt	\$24.3 (8%)	\$30.5 (7%)
-Reserves/Reserve Funds	\$199.6 (65%)	\$147.7 (36%)
-Debt	\$11.4 (4%)	\$161.5 (39%)
-Other Sources	<u>\$11.3 (4%)</u>	<u>\$11.8 (3%)</u>
Total Capital Funding	\$307.8	\$413.1
<u>Annual Operating Expenditures (2027)</u>		
-Service/Program Related	\$10.6 (56%)	\$17.2 (59%)
-Facility Related	<u>\$8.4 (44%)</u>	<u>\$11.9 (41%)</u>
Total Annual Operating Expenditures	\$19.0	\$29.0
<u>Annual Operating Revenues (2027)</u>		
-Service/Program Related	\$1.5 (71%)	\$2.7 (69%)
-Facility Related	<u>\$0.6 (29%)</u>	<u>\$1.2 (31%)</u>
Total Annual Operating Revenues	\$2.1	\$3.9
Annual Net Operating Expenditures (2027)	\$16.9	\$25.1

In addition to funding the increases in capital and net operating costs, contributions to reserves and reserve funds were increased to achieve average Greater Toronto Area municipal levels by 2027. Incremental transfers to reserves and reserve funds over the forecast period total \$26.7 million under Scenario 1 and \$8.5 million under Scenario 2. Under both scenarios by 2027, capital reserves/reserve funds balances would approximate \$540 per capita, and operating reserves \$20% of net levy.

Town's property tax rates have increased by approximately 3.9% annually over the past three years (2016-2018), with greater increases in the two years prior of approximately 4.9% annually. To measure the fiscal impacts, the LRF forecast Town property tax rate increase of 3.9% annually for each Scenario. Maintaining average annual property tax rates and end-of-term reserve/reserve fund sustainability balances, provides for the measure of fiscal impacts on the basis of increased debt and its implication on the Town and Province's debt capacity limits. The Town's self imposed debt policy limits annual debt repayment to 10% of the net levy. The Province imposes a debt limit for annual debt repayment at 25% of own source revenues.

As summarized in Figure E-1, planning under Scenario 1 debt servicing as a percentage of net levy decreases from 9.7% in 2018 to 2.5% by 2027. Under Scenario 2, the capital fund mix increases the use of debt financing, as such, annual debt servicing costs reach 12.5% of the net levy at 2027. However, the Town would still be within the Province's annual debt repayment limits, at 2.1% of own source revenues under Scenario 1 and 10.4% under Scenario 2.

Figure E-1
Town of Halton Hills
Comparison of Fiscal Impacts for Scenarios 1 and 2



In conclusion, the Town's financial plan and associated policies are achievable within a 3.9% annual Town property tax rate increases based on the underlying growth assumptions. Depending on the strategic initiatives chosen by Council (i.e. all or some items identified in Scenario 2), this level of property tax support would allow the Town to

fund future service demands, increase sustainability and funding for municipal assets and services, and potentially improve the municipalities level of indebtedness (as measured by the Town's policy of annual debt repayment relative to the net levy).

1. Introduction

1.1 Terms of Reference

Watson & Associates Economists Ltd. (Watson) was retained by the Town of Halton Hills (Town) to prepare a long range financial plan (LRFP) for the 10-year forecast period (2018-2027) and to develop a LRFP model for use by the Town in their ongoing fiscal planning decisions. The objectives of the undertaking was to develop a financial planning model that could be used to update the Town's existing financial policies, optimize funding sources and measure progress towards long-term financial objectives. To this end the model as also developed to provide:

- “What if” scenario sensitivity and financial impact analysis;
- Built-in flexibility to accommodate organizational changes and system-based reporting on the modeled information;
- Ability to:
 - Analyze capital funding/usage at a micro level and on an individual project basis;
 - determine optimal financing mix to support growth;
 - optimize debt; and
 - integrate key financial programs.

This report, which addresses the 10-year LRFP, assesses projected capital and operating net expenditures, measures debt capacity utilization, reserve/reserve fund sustainability and Town's tax rate impacts based on the anticipated development and proposed capital funding plan. The financial plan has been prepared using the LRFP model developed for the Town.

1.2 Study Process

Watson worked extensively with Town staff throughout the organization in assessing background material, building the LRFP model, developing and testing assumptions, and reviewing the financial plan findings. Summarized in Figure 1-1 is the process that was followed in preparing the LRFP.

**Figure 1-1
LRFP Study Process**

1.	Project Initiation	Confirm project scope, workplan and timeline and level of staff resource requirements
2.	Review Model Development	Review functionality of LRFP model with Town staff and address integration of key financial reporting sources (e.g. Capital and Operating Budgets)
3.	10- year Growth Forecast	Confirm the 10-year growth forecast for the Town with staff, as well as the anticipated location and development types for residential and non-residential uses
4.	Review LRFP Strategic Items	LRFP objectives reviewed with Senior Town staff early in study process to ensure conformity with strategic initiatives and policies of the Town
5.	Operating and Capital Impact Discussions	Review anticipated capital needs and service levels with departmental Town staff for the 10-year forecast period. Develop criteria and cost estimates for additional service scenarios
6.	Draft Findings	Review of draft findings for 10-year plan and LRFP model for multiple scenarios
7.	Senior Management Team Presentation	Draft findings of LRFP presented to Senior Management Team for input prior to preparation of the Final Report and presentation to Council
8.	Final Report and Presentation	Preparation of the Final Report and presentation of findings to Town Council

1.3 Overview of the Long Range Financial Plan Model

Figure 1-2 provides a schematic overview of the methodology undertaken herein, which is described as follows:

- Blue Boxes – denote the anticipated development within the Town to the year 2027. The anticipated development is based off of the growth forecast in the Town’s 2017 D.C. Background Study (D.C. Study), with adjustments for the updated land budget for the Vision Georgetown Secondary Plan Area. Within the LRFP model, residential and non-residential development was assessed for the following areas within the Town:

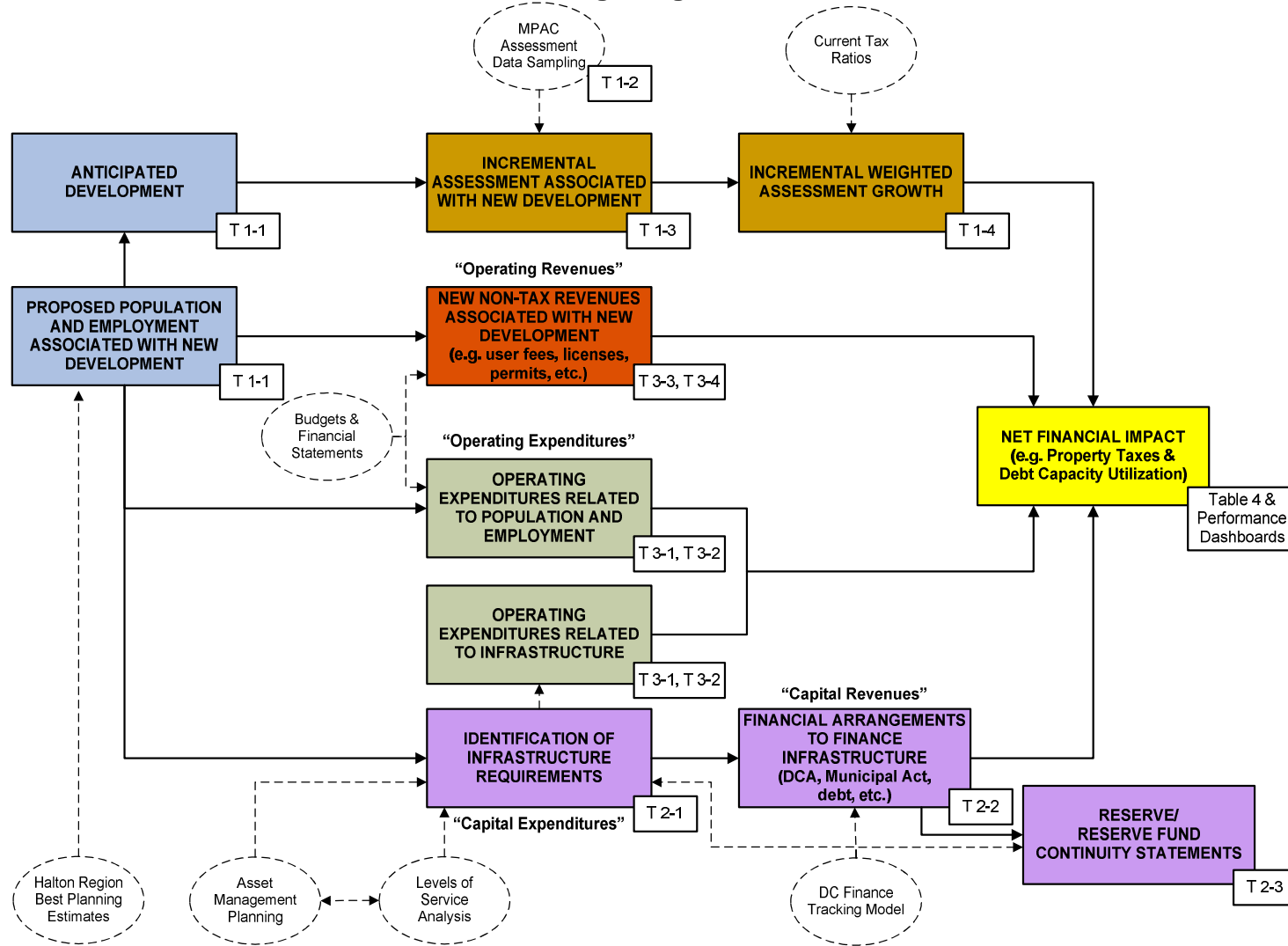
- Vision Georgetown Secondary Plan Area
- Georgetown (Excl. Vision Georgetown)
- Acton
- Hamlets
- Premier Gateway 401 Corridor

Moreover, the types of residential and non-residential development were forecast to include

- Residential – Low density, medium density and high density units
 - Non-Residential – Industrial, commercial and institutional.
- Purple Boxes – denote the incremental capital infrastructure needs to service the anticipated development. The capital requirements to support the increase in servicing needs (roads, fire, recreation and parks, libraries, etc.) were developed and validated with input from various departmental staff. These needs were derived from the Town's D.C. Background Study, 2018 Capital Budget, 10-year forecast and specific adjustments provided by staff. The capital project timing was modified from that contained in the D.C. Background Study and 2018 Capital Budget to reflect the updated timing for anticipated development arising from the updated land budget for Vision Georgetown and the Premier Gateway 401 Corridor. The resultant capital needs and timing are summarized in Section 3.1 of this report. Financing methods for funding the infrastructure are discussed in Section 3.2. The use of debt as a financing source is measured relative to the Town's borrowing capacity and internal debt repayment policy limits to assess the annual repayment limit impacts. Moreover, in light of the Town continuing to develop its asset management plan, the financing plan seeks to provide for reserve/reserve fund sustainability relative to Greater Toronto Area (G.T.A.) municipal comparators.
 - Green Boxes – denote the additional operating expenditures anticipated over the forecast period. These costs have been assessed on two different bases: incremental operating costs related to infrastructure, and incremental operating costs related to the increase service/program demands of population and employment growth. The former identifies the specific operating costs anticipated to be incurred as additional infrastructure (i.e. roads, facilities, etc.) is constructed, purchased or assumed. The latter identifies service/program expenditures which are linked to population and employment growth.
 - Red Box – denotes anticipated non-tax operating revenues commensurate with forecast growth. Similar to the assessment of operating costs, incremental non-tax operating revenues are assessed in relation to additional infrastructure and population and employment service/program demands.

- Orange Boxes – denote incremental property tax revenues. Additional assessment is anticipated as residential, industrial, commercial and institutional development occurs over the forecast period. This new assessment gives rise to additional property tax revenue, which has been forecast based on current market values for comparable development types. For market value assessment purposes, these development include various types of built form (e.g. low density dwelling units with different lot frontages) as detailed in Section 2.4 herein. The forecast incremental market value assessment was converted to incremental weighted assessment based on the Town's current taxation ratios and policies.
- Yellow Box – denotes the overall financial impact on Town property taxes, and other financial measures such as debt capacity utilization and reserve/reserve fund sustainability.

**Figure 1-2
Overview of the Long Range Financial Plan Model**



1.4 Long Range Financial Plan Scenarios

The LRFP has been prepared to consider two scenarios for the 10-year forecast period.

1.4.1 LRFP Scenario 1

Scenario 1, is representative of the Town's current 10-Year plan and generally reflects the Town's 2018 Capital and Operating Budget's, with revisions for actuals and anticipated changes to the base budgets. In this regard, the following revisions have been made to the Town's base budgets:

Capital Budget Items

- \$4.0 million in additional costs for Vision Georgetown Community Centre Land costs;
- Accessible bus purchase in 2018 of \$61,500; and
- Additional expenditures for Fire Communication Services in 2018 of \$33,000.

Operating Budget Items

- \$75,000 annual operating expenditure increase for youth programs;
- \$108,000 annual operating expenditure increase related to the provision of Activan Services, arising from in-house service operation;
- \$224,000 annual operating expenditure decrease for Fire Communication Services, arising from contractual service agreement with the Town of Milton;
- \$33,000 annual operating expenditure decrease arising from the removal of vacancy rebates currently being provided;
- \$40,000 annual operating revenue decrease from other parties for senior's recreation service needs; and
- A 74% increase in budgeted annual planning application revenues as a result of the Town's recently approved planning applications fees by-law.

1.4.2 LRFP Scenario 2

Scenario 2 builds on Scenario 1, addressing the capital and operating budget impacts for changes in services/programs and provisions for additional asset management funding. It is not intended that these scenarios be mutually exclusive, but rather to have Scenario 2 measure the impacts if all additional initiatives identified below were undertaken within the 10-year forecast period. In addition to the changes identified above, the following additional items have been included under this scenario:

Capital Budget Items

- Construction of the Gellert Community Centre Phase 2 (2023) for \$11.5 million;
- Construction of the Georgetown and Acton Indoor Pool projects (2020) for \$10.5 million;
- \$1.0 million annual capital expenditures between 2019-2027 for potential needs arising from the forthcoming IT Strategy Plan;
- Town Hall expansion in 2023 for \$2.5 million;
- Expansion of the Activan transit service and the additional of universal transit services (vehicles, transfer hubs, facilities, etc.) between 2019-2027 for \$36.0 million;
- Sale of Town owned lands (\$11 million) and facilities (\$1.2 million) between 2018-2019;
- Redemption of the Local Distribution Company (LDC) promissory note for \$16.5 million in 2021; and
- \$33.1 million in funding of asset management needs to achieve recommended annual funding levels.

Operating Budget Items

- Incremental operating and maintenance expenditures resulting from expanded transit services;
- Eight additional full-time equivalent (FTE) staff in 2019 beyond forecast growth-related needs in Scenario 1; and
- \$665,000 reduction in annual dividend revenue related to the redemption of the LDC promissory note.

2. Anticipated Development

2.1 Introduction

This chapter summarizes forecast population, housing, employment and gross floor area (G.F.A.) for the Town over the 2018-2027 forecast period. Additional details regarding population, housing and non-residential growth are provided in the Town's D.C. Background Study. The residential and non-residential forecast herein was prepared by Watson based on the following information:

- The Town's D.C. Background Study;
- Update Land Budget for the Vision Georgetown Secondary Plan Area (June 8, 2018); and
- Discussions with Town staff regarding the anticipated type, location and timing of development.

The following sections summarize the residential and non-residential growth forecast used herein.

2.2 Population and Housing Growth, 2018-2027

Table 2-1 summarizes the Town-wide population and housing growth forecast for the forecast period 2018-2027. Over this forecast period:

- The Town's population is forecast to increase by 17,134 persons from 61,555 in 2017 to 78,789 in 2027 (2.5% annual growth rate);
- The number of total housing units to be developed over the forecast period is 8,216 units Town-wide, or 822 units annually;
- 41% of the new housing development is forecast to occur within the Vision Georgetown Secondary Plan Area, commencing in mid-2021; and
- New housing development density types are forecast to include 38% low density units, 29% medium density units, and 33% high density units.

Table 2-1
2018-2027 Residential Growth Forecast

RESIDENTIAL Type of Units	2018 - 2027	2018-2027										
		2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	
Area 2 - Vision Georgetown Secondary Plan												
Low Density	1,896	-	-	-	146	292	292	292	292	292	292	292
Medium Density	1,531	-	-	-	118	236	236	236	236	236	236	236
High Density	608	-	-	-	47	94	94	94	94	94	94	94
Area 3 - Georgetown (Excluding Vision Georgetown)												
Low Density	643	53	53	53	53	45	96	96	96	96	96	-
Medium Density	669	22	22	22	22	49	104	104	104	104	104	116
High Density	2,038	44	44	44	44	159	334	334	334	334	334	368
Area 4 - Acton												
Low Density	557	40	40	40	40	34	72	72	72	72	72	76
Medium Density	152	5	5	5	5	11	24	24	24	24	24	26
High Density	75	2	2	2	2	6	12	12	12	12	12	14
Area 5 - Hamlets												
Low Density	34	2	2	2	2	2	4	4	4	4	4	5
Medium Density	9	0	0	0	0	1	1	1	1	1	1	2
High Density	5	0	0	0	0	0	1	1	1	1	1	1
Area 6 - Premier Gateway 401 Corridor												
Low Density	-	-	-	-	-	-	-	-	-	-	-	-
Medium Density	-	-	-	-	-	-	-	-	-	-	-	-
High Density	-	-	-	-	-	-	-	-	-	-	-	-
Total												
Low Density	3,129	96	96	96	242	373	464	464	464	464	464	372
Medium Density	2,361	27	27	27	145	297	365	365	365	365	365	379
High Density	2,726	45	45	45	92	258	441	441	441	441	441	476
Total Units	8,216	168	168	168	478	928	1,270	1,270	1,270	1,270	1,270	1,227
Gross Population (Annual)	19,280	467	467	467	890	1,842	2,749	3,128	3,128	3,128	3,128	3,013
Gross Population (Cumulative)	19,280	701	1,168	1,635	2,525	4,367	7,117	10,245	13,373	16,501	19,513	
Population Decline	(2,146)	(215)	(215)	(215)	(215)	(215)	(215)	(215)	(215)	(215)	(215)	(215)
Net Population Increase (Annual)	17,134	253	253	253	675	1,627	2,535	2,914	2,914	2,914	2,914	2,798
Net Population Increase (Cumulative)	17,134	253	505	758	1,433	3,060	5,595	8,509	11,422	14,336	17,134	

2.3 Non-Residential Growth, 2018-2027

Summarized in Table 2-2 is the Town's employment and non-residential G.F.A. growth forecast for the period 2018-2027. Over this forecast period:

- The Town's employment base is forecast to reach 28,278 by 2027 (excluding no fixed place of work and work at home employment), which represents an increase of 10,725 employees within the Town;
- Approximately 67% of the incremental employment is forecast within the industrial sector, with 27% within the commercial sector, and 6% within the institutional sector;
- The majority of industrial employment growth over the forecast period is expected to occur within the Premier Gateway 401 Corridor area (i.e. 7,138 employees or 79% of forecast industrial employment growth).
- The Town's non-residential forecast will add approximately 1.1 million square metres of G.F.A. to its base non-residential building inventory by 2027;
- Approximately 87% of forecast non-residential G.F.A. has been allocated to the industrial sector, followed by 10% to the commercial sector, and 3% to the institutional sector; and
- Forecast non-residential gross floor area has been derived based on the following assumptions regarding incremental floor space per employee. These factors are consistent with the Town's D.C. Background Study:
 - Industrial - 131 sq.mt./employee
 - Commercial - 37 sq.mt./employee
 - Institutional - 47 sq.mt./employee.

Table 2-2
2018-2027 Non-Residential Growth Forecast

NON-RESIDENTIAL											
Type of Development	2018 - 2027	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Area 2 - Vision Georgetown Secondary Plan											
Industrial	-	-	-	-	-	-	-	-	-	-	-
Commercial	28,704	-	-	-	2,208	4,416	4,416	4,416	4,416	4,416	4,416
Institutional	17,052	-	-	-	1,312	2,623	2,623	2,623	2,623	2,623	2,623
Area 3 - Georgetown (Excluding Vision Georgetown)											
Industrial	140,128	7,721	7,721	7,721	7,721	14,299	19,581	19,581	19,581	19,581	16,620
Commercial	25,141	993	993	993	993	2,464	3,768	3,768	3,768	3,768	3,636
Institutional	-	-	-	-	-	-	-	-	-	-	-
Area 4 - Acton											
Industrial	50,337	3,895	3,895	3,895	3,895	4,276	5,877	5,877	5,877	5,877	6,973
Commercial	8,789	501	501	501	501	737	1,131	1,131	1,131	1,131	1,526
Institutional	-	-	-	-	-	-	-	-	-	-	-
Area 5 - Hamlets											
Industrial	3,093	239	239	239	239	263	361	361	361	361	429
Commercial	540	31	31	31	31	45	69	69	69	69	94
Institutional	-	-	-	-	-	-	-	-	-	-	-
Area 6 - Premier Gateway 401 Corridor											
Industrial	744,803	45,618	45,618	45,618	45,618	72,485	99,352	99,352	99,352	99,352	92,434
Commercial	44,701	1,976	1,976	1,976	1,976	4,210	6,443	6,443	6,443	6,443	6,816
Institutional	15,378	741	741	741	741	1,455	2,169	2,169	2,169	2,169	2,280
Total Sq.M. of Development											
Industrial	938,362	57,474	57,474	57,474	57,474	91,323	125,172	125,172	125,172	125,172	116,456
Commercial	107,875	3,500	3,500	3,500	5,708	11,872	15,827	15,827	15,827	15,827	16,487
Institutional	32,430	741	741	741	2,053	4,079	4,793	4,793	4,793	4,793	4,903
Total Sq.m. of Development	1,078,667	61,715	61,715	61,715	65,235	107,273	145,792	145,792	145,792	145,792	137,847
New Employment (Annual)	10,725	547	547	547	634	1,100	1,479	1,479	1,479	1,479	1,433
New Employment (Cumulative)	10,725	547	1,094	1,641	2,275	3,375	4,855	6,334	7,813	9,292	10,725

2.4 Assessment Growth, 2018-2027

The market value assessment assumptions presented in Table 2-3 were applied to the forecast residential and non-residential growth summarized in Sections 2.1 and 2.2 herein.

Table 2-3
Market Value Assessment Assumptions for New Development

RESIDENTIAL

Average Assessment per Unit	Area 2 - Vision Georgetown Secondary Plan	Area 3 - Georgetown (Excluding Vision Georgetown)	Area 4 - Acton	Area 5 - Hamlets	Area 6 - Premier Gateway 401 Corridor
Low Density	655,287	655,287	522,944	659,000	-
Medium Density	377,736	407,600	402,913	402,913	-
High Density	295,774	295,774	300,583	366,850	-

NON-RESIDENTIAL

Average Assessment per sq.m.	Area 2 - Vision Georgetown Secondary Plan	Area 3 - Georgetown (Excluding Vision Georgetown)	Area 4 - Acton	Area 5 - Hamlets	Area 6 - Premier Gateway 401 Corridor
Industrial	2,218	2,218	1,255	1,274	2,764
Commercial	3,514	3,636	2,744	4,390	4,264
Institutional	-	783	1,025	1,269	1,241

These market value assessment assumptions were surveyed from the Town's assessment records of comparable new developments matching the various development types. Recognizing the market differences between the various geographic areas of the Town, the market value assumptions have been prepared with regard for the individual areas being assessed in the LTFP model and the anticipated mix of residential and non-residential development types within the respective areas.

As noted in Section 1.3, in forecasting the market assessed values for the various types of residential and non-residential development, Table 2-4 summarizes the types of built form resulting from the survey. These development types recognize market value and tax policy differences in respect of lot size, ownership structure and land use.

Incremental property tax revenues from new development are calculated based on weighted taxable assessment. As such, the forecast incremental weighted taxable assessment is determined by multiplying the incremental market value assessment, calculated above, by the Town's 2018 tax ratios to determine the incremental weighted assessment for tax purposes.

**Table 2-4
Residential Units and Non-Residential Uses for Assessment Sampling**

Residential Assessment Samples	Non-Residential Assessment Samples
<u>Low Density</u>	<u>Industrial</u>
Single Detached	Manufacturing
Rural Single Detached	Warehousing/Distribution
Urban Single Detached (30' Lot)	Condo Units < 5000 sq.m.
Urban Single Detached (40' Lot)	
Urban Single Detached (50' Lot)	<u>Commercial</u>
Single Detached w/ Accessory Unit	Office
	Big Box
<u>Semi-Detached</u>	Street Oriented
Urban Semi-Detached (<30' Lot)	Hospitality Centres
Urban Semi-Detached (>30' Lot)	
	<u>Institutional</u>
<u>Medium Density</u>	Private
Row Townhouses	Public
Stacked Townhouses	
Back to Back Townhouses	
<u>High Density</u>	
Rental	
Condo	

Applying the Town's 2018 tax ratios by tax class produces incremental weighted assessment of \$8.8 billion by 2027, or 4.2% growth rate in average annual weighted assessment. The details of the weighted assessment forecast for the forecast period are provided in Table 2-5. The forecast of assessment assumes a six-month lag between occupancy and assessment for residential development, and a one-year lag for non-residential development outside of the Premier Gateway 401 Corridor area. For development within the Premier Gateway 401 Corridor area, a 1.5-year lag between occupancy and assessment has been assumed based on recent experience by the Town.

In addition to adding incremental weighted assessment to the Town's current assessment base, new development activity will also decrease certain tax classes as land uses are converted. For example, as non-residential lands develop, the current assessment for vacant land will decrease as a result. Similarly, for residential development, as new building activity occurs within the Vision Georgetown Secondary Plan Area, the existing farmland assessment within that area will be reduced. In

addition, to these assumptions, the following assumptions have also been used in preparing the forecast of weighted taxable assessment growth:

- High density residential development will be assessed in the “New Multi-Residential” tax class;
- Commercial and industrial development will be assessed as occupied or vacant land based on the same distribution of the current tax base:
 - Commercial – 98.4% occupied and 1.6% excess land
 - Industrial – 94.6 occupied and 5.4% excess land;
- As the current assessment base is being phased in over the 2017-2020 period, the assessment base has been increased by 11.2% to reflect the full market value assessment. Forecast existing and new assessment at full market values allows the property taxes to be assessed without the impact of increased taxation revenue from phase-in of assessment; and
- For property tax calculation purposes, the assessment growth in any given year is added to the assessment base in the following year.

**Table 2-5
2018-2027 Weighted Assessment Forecast**

Property Class			Assessment Increment 2018 - 2027	Annual Weighted Assessment (\$)										
				2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	
Residential	Residential	2018 Base	10,320,654,392	10,320,654,392	10,320,654,392	10,320,654,392	10,320,654,392	10,320,654,392	10,320,654,392	10,320,654,392	10,320,654,392	10,320,654,392	10,320,654,392	
		Annual Growth	2,722,118,156	68,384,929	68,384,929	68,384,929	137,803,060	279,237,272	392,483,956	433,714,558	433,714,558	433,714,558	406,295,406	
		Sub-total (Cumulative)	13,042,772,548	10,389,039,321	10,457,424,251	10,525,809,180	10,663,612,240	10,942,849,512	11,335,333,468	11,769,048,026	12,202,762,584	12,636,477,142	13,042,772,548	
		Weighted	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
			13,042,772,548	10,389,039,321	10,457,424,251	10,525,809,180	10,663,612,240	10,942,849,512	11,335,333,468	11,769,048,026	12,202,762,584	12,636,477,142	13,042,772,548	
Multi-Residential	Multi-Residential	2018 Base	106,499,650 0.0%	106,499,650	106,499,650	106,499,650	106,499,650	106,499,650	106,499,650	106,499,650	106,499,650	106,499,650	106,499,650	
		Annual Growth	-	-	-	-	-	-	-	-	-	-	-	
		Sub-total (Cumulative)	106,499,650	106,499,650	106,499,650	106,499,650	106,499,650	106,499,650	106,499,650	106,499,650	106,499,650	106,499,650	106,499,650	
		Weighted	2.2619	2.2619	2.2619	2.2619	2.2619	2.2619	2.2619	2.2619	2.2619	2.2619	2.2619	
			240,891,558	240,891,558	240,891,558	240,891,558	240,891,558	240,891,558	240,891,558	240,891,558	240,891,558	240,891,558	240,891,558	
Multi-Residential	New Multi-Residential	2018 Base	3,734,350 100.0%	3,734,350	3,734,350	3,734,350	3,734,350	3,734,350	3,734,350	3,734,350	3,734,350	3,734,350	3,734,350	
		Annual Growth	743,110,601	13,445,315	13,445,315	13,445,315	20,360,783	51,879,542	103,468,361	130,453,889	130,453,889	130,453,889	135,704,303	
		Sub-total (Cumulative)	746,844,951	17,179,665	30,624,980	44,070,296	64,431,078	116,310,620	219,778,981	350,232,870	480,686,759	611,140,648	746,844,951	
		Weighted	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	
			746,844,951	17,179,665	30,624,980	44,070,296	64,431,078	116,310,620	219,778,981	350,232,870	480,686,759	611,140,648	746,844,951	
Total Weighted Assessment			14,030,509,058	10,647,110,545	10,728,940,789	10,810,717,034	10,968,934,877	11,300,051,690	11,796,004,007	12,360,172,454	12,924,340,901	13,488,509,348	14,030,509,058	
Commercial	Commercial - Occupied	2018 Base	1,077,659,950 98.4%	1,077,659,950	1,077,659,950	1,077,659,950	1,077,659,950	1,077,659,950	1,077,659,950	1,077,659,950	1,077,659,950	1,077,659,950	1,077,659,950	
		Annual Growth	351,870,403	7,114,455	11,930,211	14,228,911	14,228,911	21,860,779	40,574,252	56,643,748	61,763,045	61,763,045	61,763,045	
		Sub-total (Cumulative)	1,429,530,353	1,084,774,405	1,096,704,616	1,110,933,527	1,125,162,438	1,147,023,217	1,187,597,469	1,244,241,217	1,306,004,262	1,367,767,307	1,429,530,353	
		Weighted	1.4565	1.4565	1.4565	1.4565	1.4565	1.4565	1.4565	1.4565	1.4565	1.4565	1.4565	
			2,082,110,959	1,579,973,922	1,597,350,273	1,618,074,682	1,638,799,091	1,670,639,315	1,729,735,713	1,812,237,333	1,902,195,208	1,992,153,083	2,082,110,959	
	Commercial - Excess Land	2018 Base	17,874,192 1.6%	17,874,192	17,874,192	17,874,192	17,874,192	17,874,192	17,874,192	17,874,192	17,874,192	17,874,192	17,874,192	
		Annual Growth	5,836,163	118,001	197,876	236,002	236,002	362,585	672,969	939,500	1,024,409	1,024,409	1,024,409	
		Sub-total (Cumulative)	23,710,355	17,992,193	18,190,069	18,426,071	18,662,074	19,024,659	19,697,628	20,637,128	21,661,537	22,685,946	23,710,355	
		Weighted	1.0196	1.0196	1.0196	1.0196	1.0196	1.0196	1.0196	1.0196	1.0196	1.0196	1.0196	
		24,175,078	18,344,840	18,546,594	18,787,222	19,027,850	19,397,542	20,083,702	21,041,616	22,086,103	23,130,591	24,175,078		
	Commercial - Vacant Land	2018 Base	22,998,312	22,998,312	22,998,312	22,998,312	22,998,312	22,998,312	22,998,312	22,998,312	22,998,312	22,998,312	22,998,312	
		Annual Growth	(6,421,327)	(194,123)	(194,123)	(194,123)	(355,209)	(729,993)	(943,691)	(943,691)	(943,691)	(943,691)	(978,991)	
		Sub-total (Cumulative)	16,576,985	22,804,189	22,610,065	22,415,942	22,060,732	21,330,740	20,387,049	19,443,358	18,499,667	17,555,976	16,576,985	
Weighted		1.0196	1.0196	1.0196	1.0196	1.0196	1.0196	1.0196	1.0196	1.0196	1.0196	1.0196		
	16,901,894	23,251,151	23,053,222	22,855,294	22,493,123	21,748,822	20,786,635	19,824,448	18,862,260	17,900,073	16,901,894			
Total Weighted Assessment			2,123,187,930	1,621,569,912	1,638,950,090	1,659,717,199	1,680,320,064	1,711,785,680	1,770,606,050	1,853,103,396	1,943,143,571	2,033,183,747	2,123,187,930	

Table 2-5 (Cont'd)
2018-2027 Weighted Assessment Forecast

Property Class		Assessment Increment 2018 - 2027	Annual Weighted Assessment (\$)												
			2018	2019	2020	2021	2022	2023	2024	2025	2026	2027			
Industrial	Industrial - Occupied	2018 Base	246,772,285	94.6%	246,772,285	246,772,285	246,772,285	246,772,285	246,772,285	246,772,285	246,772,285	246,772,285	246,772,285	246,772,285	246,772,285
		Annual Growth	1,989,009,916		70,170,540	110,532,996	140,341,081	140,341,081	140,341,081	189,731,316	273,054,605	308,165,739	308,165,739	308,165,739	308,165,739
		Sub-total (Cumulative)	2,235,782,201		316,942,825	427,475,821	567,816,902	708,157,983	848,499,064	1,038,230,380	1,311,284,985	1,619,450,724	1,927,616,462	2,235,782,201	2,235,782,201
		Weighted	2.3599		2,3599	2,3599	2,3599	2,3599	2,3599	2,3599	2,3599	2,3599	2,3599	2,3599	2,3599
				5,276,222,416	747,953,374	1,008,800,190	1,339,991,107	1,671,182,024	2,002,372,941	2,450,119,874	3,094,501,436	3,821,741,763	4,548,982,089	5,276,222,416	
	Industrial - Excess Land	2018 Base	14,177,264	5.4%	14,177,264	14,177,264	14,177,264	14,177,264	14,177,264	14,177,264	14,177,264	14,177,264	14,177,264	14,177,264	14,177,264
		Annual Growth	114,270,201		4,031,353	6,350,208	8,062,707	8,062,707	8,062,707	10,900,215	15,687,204	17,704,367	17,704,367	17,704,367	17,704,367
		Sub-total (Cumulative)	128,447,465		18,208,617	24,558,826	32,621,533	40,684,239	48,746,946	59,647,161	75,334,365	93,038,732	110,743,099	128,447,465	128,447,465
		Weighted	1.5339		1,5339	1,5339	1,5339	1,5339	1,5339	1,5339	1,5339	1,5339	1,5339	1,5339	1,5339
				197,025,567	27,930,198	37,670,783	50,038,169	62,405,555	74,772,940	91,492,780	115,555,383	142,712,111	169,868,839	197,025,567	
	Industrial - Vacant Land	2018 Base	103,746,177		103,746,177	103,746,177	103,746,177	103,746,177	103,746,177	103,746,177	103,746,177	103,746,177	103,746,177	103,746,177	103,746,177
		Annual Growth	(22,617,679)		(1,385,307)	(1,385,307)	(1,385,307)	(1,385,307)	(2,201,189)	(3,017,070)	(3,017,070)	(3,017,070)	(3,017,070)	(2,806,981)	
Sub-total (Cumulative)		81,128,498		102,360,870	100,975,562	99,590,255	98,204,947	96,003,759	92,986,689	89,969,619	86,952,549	83,935,479	81,128,498	81,128,498	
Weighted		1.5339		1,5339	1,5339	1,5339	1,5339	1,5339	1,5339	1,5339	1,5339	1,5339	1,5339	1,5339	
			124,443,003	157,011,338	154,886,415	152,761,492	150,636,569	147,260,165	142,632,282	138,004,398	133,376,515	128,748,631	124,443,003		
Total Weighted Assessment		5,597,690,986		932,894,910	1,201,357,388	1,542,790,767	1,884,224,147	2,224,406,046	2,684,244,936	3,348,061,217	4,097,830,388	4,847,599,559	5,597,690,986		
Other	Farmland Awaiting Development	2018 Base	2,653,500		2,653,500	2,653,500	2,653,500	2,653,500	2,653,500	2,653,500	2,653,500	2,653,500	2,653,500	2,653,500	
		Annual Growth	(2,653,500)		-	-	-	(2,653,500)	-	-	-	-	-	-	
		Sub-total (Cumulative)	-		2,653,500	2,653,500	2,653,500	-	-	-	-	-	-	-	-
		Weighted	0.7500		0,7500	0,7500	0,7500	0,7500	0,7500	0,7500	0,7500	0,7500	0,7500	0,7500	
				1,990,125	1,990,125	1,990,125	1,990,125	1,990,125	1,990,125	1,990,125	1,990,125	1,990,125	1,990,125		
	Farmland	2018 Base	374,989,592		374,989,592	374,989,592	374,989,592	374,989,592	374,989,592	374,989,592	374,989,592	374,989,592	374,989,592	374,989,592	374,989,592
		Annual Growth	(40,040,606)		(1,495,963)	(2,123,698)	(2,527,751)	(2,619,965)	(2,861,572)	(4,123,704)	(5,734,896)	(6,233,349)	(6,233,349)	(6,086,357)	
		Sub-total (Cumulative)	334,948,986		373,493,629	371,369,930	368,842,179	366,222,214	363,360,642	359,236,937	353,502,041	347,268,692	341,035,343	334,948,986	334,948,986
		Weighted	0.2000		0,2000	0,2000	0,2000	0,2000	0,2000	0,2000	0,2000	0,2000	0,2000	0,2000	0,2000
				66,989,797	74,698,726	74,273,986	73,768,436	73,244,443	72,672,128	71,847,387	70,700,408	69,453,738	68,207,069	66,989,797	
	Managed Forest	2018 Base	10,996,805		10,996,805	10,996,805	10,996,805	10,996,805	10,996,805	10,996,805	10,996,805	10,996,805	10,996,805	10,996,805	10,996,805
		Annual Growth	-		-	-	-	-	-	-	-	-	-	-	
Sub-total (Cumulative)		10,996,805		10,996,805	10,996,805	10,996,805	10,996,805	10,996,805	10,996,805	10,996,805	10,996,805	10,996,805	10,996,805		
Weighted		0.2500		0,2500	0,2500	0,2500	0,2500	0,2500	0,2500	0,2500	0,2500	0,2500	0,2500		
			2,749,201	2,749,201	2,749,201	2,749,201	2,749,201	2,749,201	2,749,201	2,749,201	2,749,201	2,749,201			
Pipeline	2018 Base	18,356,500		18,356,500	18,356,500	18,356,500	18,356,500	18,356,500	18,356,500	18,356,500	18,356,500	18,356,500	18,356,500	18,356,500	
	Annual Growth	-		-	-	-	-	-	-	-	-	-	-		
	Sub-total (Cumulative)	18,356,500		18,356,500	18,356,500	18,356,500	18,356,500	18,356,500	18,356,500	18,356,500	18,356,500	18,356,500	18,356,500		
	Weighted	1.0617		1,0617	1,0617	1,0617	1,0617	1,0617	1,0617	1,0617	1,0617	1,0617	1,0617		
			19,489,096	19,489,096	19,489,096	19,489,096	19,489,096	19,489,096	19,489,096	19,489,096	19,489,096	19,489,096			
Total Weighted Assessment		89,228,094		98,927,148	98,502,408	97,996,858	95,482,740	94,910,426	94,085,685	92,938,706	91,692,036	90,445,366	89,228,094		

Table 2-5 (Cont'd)
2018-2027 Weighted Assessment Forecast

Property Class	Assessment Increment 2018 - 2027	Annual Weighted Assessment (\$)									
		2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Total Weighted Assessment	21,840,616,069	13,300,502,515	13,667,750,676	14,111,275,858	14,628,961,828	15,331,153,842	16,344,940,678	17,654,275,773	19,057,006,896	20,459,738,020	21,840,616,069
% Growth over Year over Year			102.8%	103.2%	103.7%	104.8%	106.6%	108.0%	107.9%	107.4%	106.7%
Annual Weighted Assessment Growth	8,801,583,424	261,469,870	367,248,161	443,525,182	517,685,970	702,192,014	1,013,786,836	1,309,335,095	1,402,731,124	1,402,731,124	1,380,878,048
Total Phase-In Weighted Assessment (For Tax Rate Calculation)											
Phase-In Year		2									
2018 Base Weighted Assessment		13,039,032,645	13,039,032,645	13,039,032,645	13,039,032,645	13,039,032,645	13,039,032,645	13,039,032,645	13,039,032,645	13,039,032,645	13,039,032,645
Phase-In Percentage		111.2%	111.2%	111.2%	111.2%	111.2%	111.2%	111.2%	111.2%	111.2%	111.2%
Adjusted 2018 Base Weighted Assessment (Fully Phased-In Assessment)		14,498,107,346	14,498,107,346	14,498,107,346	14,498,107,346	14,498,107,346	14,498,107,346	14,498,107,346	14,498,107,346	14,498,107,346	14,498,107,346
Phase-In Percentage		100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Annual Weighted Assessment Growth			261,469,870	367,248,161	443,525,182	517,685,970	702,192,014	1,013,786,836	1,309,335,095	1,402,731,124	1,402,731,124
Total Fully Phased-In Taxable Assessment		14,498,107,346	14,759,577,216	15,126,825,377	15,570,350,559	16,088,036,529	16,790,228,543	17,804,015,379	19,113,350,473	20,516,081,597	21,918,812,721
% Growth over Year over Year			101.8%	102.5%	102.9%	103.3%	104.4%	106.0%	107.4%	107.3%	106.8%

3. Capital Costs and Capital Funding Plan

3.1 Capital Costs, 2018-2027

As part of the process for this financial evaluation, detailed discussions were undertaken with Town staff and the Town's D.C. Background Study and 10-year Capital Budget and Forecast were consulted to identify future capital needs. The capital program includes growth-related capital needs, i.e. capital projects identified in the Town's D.C. Background Study to support the increase in needs arising from new development, and non-growth capital needs, i.e. capital projects required to sustain or improve services to the existing community.

The growth-related capital program was reviewed with Town staff in regards to the benefitting service areas, timing, and amount of growth triggering the need for service. The latter is provided to allow the timing of growth-related capital projects to adjust with the pace of development. All capital expenditures have been forecast assuming 2% annual capital cost inflation.

A summary of the growth-related and non-growth related capital expenditure forecasts for Scenarios 1 and 2 are presented in Table 3-1 and 3-2 respectively. As noted earlier, the Town is currently undertaking a comprehensive Asset Management Plan to identify the long-term lifecycle capital needs of the Town. Preliminary findings indicate the annual spending for capital replacement should be increased to \$20 million per year for long-term sustainability. As such, Scenario 2 includes a provision for the inclusion of an incremental \$33 million in capital spending to achieve the \$20 million annual capital replacement spending level by 2027.

The capital expenditure forecast for the 2018-2027 forecast period under Scenario 1 totals \$307.8 million. Based on the anticipated development and capital timing identified within the D.C. Background Study, approximately \$172.5 million (or 54% of total capital expenditures) are for growth-related capital projects. The non-growth related capital expenditures total \$135.2 million (46% of total capital expenditures).

Under Scenario 2 the total capital expenditure forecast is \$105.3 million greater (or 34% higher) than in the capital forecast under Scenario 1, and totals approximately \$413.1 million. The growth-related capital projects represents \$196.1 million or 47% of the total capital needs. The increase in growth-related capital project costs is due to the inclusion, in the forecast period, of the Gellert Community Centre Phase 2, Acton Indoor Pool, and Georgetown Indoor Pool projects. Non-growth-related capital projects total

Table 3-1
Scenario 1
Capital Expenditure Forecast, 2018-2027

Category	Capital Cost 2018 - 2027	Annual Expenditures (Inflated)									
		2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Capital Expenditures											
Capital Budget - Non-Growth	135,159,932	11,169,900	16,734,936	16,004,265	13,683,269	17,723,744	15,093,999	13,033,078	13,472,992	10,023,663	8,220,086
Capital Budget - Growth	172,511,771	5,293,000	6,242,400	8,986,975	10,907,096	9,022,072	34,050,183	18,526,498	36,736,116	31,362,978	11,384,452
Additional Capital Needs	94,500	94,500	-	-	-	-	-	-	-	-	-
AMP/Lifecycle Expenditures	-	-	-	-	-	-	-	-	-	-	-
Total	307,766,202	16,557,400	22,977,336	24,991,240	24,590,365	26,745,816	49,144,182	31,559,576	50,209,108	41,386,641	19,604,538

Table 3-2
Scenario 2
Capital Expenditure Forecast, 2018-2027

Category	Capital Cost 2018 - 2027	Annual Expenditures (Inflated)									
		2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Capital Expenditures											
Capital Budget - Non-Growth	135,159,932	11,169,900	16,734,936	16,004,265	13,683,269	17,723,744	15,093,999	13,033,078	13,472,992	10,023,663	8,220,086
Capital Budget - Growth	196,120,415	5,293,000	6,242,400	19,898,690	10,907,096	9,022,072	46,747,112	18,526,498	36,736,116	31,362,978	11,384,452
Additional Capital Needs	48,629,758	94,500	4,160,070	3,886,838	13,046,208	12,947,582	5,214,766	2,372,602	1,436,326	1,315,479	4,155,388
AMP/Lifecycle Expenditures	33,156,183	-	-	-	-	-	2,906,001	4,966,922	4,527,008	8,976,337	11,779,914
Total	413,066,288	16,557,400	27,137,406	39,789,793	37,636,573	39,693,398	69,961,878	38,899,100	56,172,442	51,678,458	35,539,839

\$216.9 million or 53% of the total capital program needs. In addition to the \$135.2 million in non-growth related costs under Scenario 1, additional capital projects of \$48.6 million and asset management plan provision of \$33.2 million have been included in the forecast.

Section 3.3 of this report presents the capital funding plan for the capital expenditure forecasts under each scenario. In addition, this section presents the impacts of the growth-related and non-growth related capital needs on the Town's reserves and reserve fund balances, and debt financing capacity.

3.2 Summary of Capital Funding Alternatives

The methods of capital cost recovery available to municipalities are provided as follows:

<u>RECOVERY METHODS</u>	<u>SECTION REFERENCE</u>
• Development Charges Act, 1997	3.2.1
• Municipal Act	3.2.2
○ Fees and Charges	
○ Connection Fees	
○ Local Improvements	
• Grant Funding Availability	3.2.3
• Debenture Financing	3.2.4
• Reserves/Reserve Funds	3.2.5

3.2.1 *Development Charges Act, 1997*

The *Development Charges Act* received royal assent on December 8, 1997. The Province's stated intentions were to "create new construction jobs and make home ownership more affordable" by reducing the charges and to "make municipal Council decisions more accountable and more cost effective." The basis for this Act is to allow municipalities to recover the growth-related capital cost of infrastructure necessary to accommodate new growth within the municipality. The Act provides for limitations and ceilings on services that can be included in the charges (e.g. historic level of service caps and ineligible services, such as general administration facilities).

In December 2015, Bill 73 was passed amending the Act. The changes that came into force in January 2016 are more restrictive in some areas (e.g. limited contributions from

developers to those permitted by legislation) while allowing for greater levels of cost recovery in others area (e.g. removed the 10% statutory deduction for Transit Services).

The development charges (D.C.) contained in the Town's 2017 D.C. Background Study were calculated using a cashflow approach, to include the additional financing costs due to the anticipated timing of capital expenditures and pace of development. As such financing of D.C. eligible costs (either through internal interim financing or through the issuance of external debt) were considered in Section 3.3 of this report.

Moreover, the Act allows municipalities to enter into agreements with developers to emplace D.C. projects on behalf of the municipality in exchange for D.C. credits. Similarly, the Act provides mechanisms for front-ending of D.C.s through prepayments or more elaborate developer cost sharing arrangements. Under these types of arrangements, the developer is largely assuming the cashflow implications of capital funding in place of the Town. Town staff will be exploring the use of front-end financing arrangements with developers, however these arrangements have not been included in the LRFP modeling at this time.

3.2.2 *Municipal Act, 2001*

Part XII of the Municipal Act, 2001 provides municipalities with broad powers to impose fees and charges via passage of a by-law. These powers, as presented in s.391(1), include imposing fees or charges:

- “for services or activities provided or done by or on behalf of it;
- for costs payable by it for services or activities provided or done by or on behalf of any other municipality or local board; and
- for the use of its property including property under its control.”

Restrictions are provided to ensure that the form of the charge is not akin to a poll tax. Any charges not paid under this authority may be added to the tax roll and collected in a like manner. The fees and charges imposed under this part are not appealable to the Local Planning Appeal Tribunal (L.P.A.T.).

Under Local Improvement Regulations:

- A variety of different types of works can be undertaken, such as watermain, storm and sanitary sewer projects, supply of electrical light or power, bridge construction, sidewalks, road widening and paving.
- Council can pass a by-law for undertaking such work on petition of a majority of benefiting taxpayers, on a 2/3 vote of Council and on sanitary grounds, based on

the recommendation of the Minister of Health. The by-law was required to go to the OMB, which might hold hearings and alter the by-law, particularly if there were objections

- The entire cost of a work can be assessed only upon the lots abutting directly on the work, according to the extent of their respective frontages, using an equal special rate per metre of frontage.
- The Local Improvement Act was repealed as of April 1, 2003; and O.Reg. 119/03, made under the Municipal Act, 2001, was enacted on April 19, 2003 which restored many of the previous Local Improvement Act provisions,

The fiscal impact analysis does not assume any additional capital charges or local improvement charges being imposed over the forecast period.

3.2.3 Grant Funding Availability

Federal and provincial funding programs have been made available under the Build Canada Fund, Stimulus Fund and Municipal Infrastructure Investment Initiative Programs. Under the specific requirements of these recent programs, the projects must be “shovel ready” and are allocated on a case by case basis. The one reoccurring source of capital grant funding is Gas Tax funding for municipalities. As such, with respect to the LTFP, Gas Tax funding has been maintained at 2018 levels for the duration of the forecast period to 2027.

3.2.4 Debenture Financing

Although it is not a direct method of minimizing the overall cost to the taxpayer, debentures are used by municipalities to assist with cash flow for implementing large capital projects.

The Ministry of Municipal Affairs regulates the level of debt incurred by Ontario municipalities, through its powers established under the Municipal Act. Ontario Regulations 403/02 provides the current rules respecting municipal debt and financial obligations. Through the rules established under these regulations, a municipality’s debt capacity is capped at a level where no more than 25% of the municipality’s own purpose revenue may be allotted for servicing the debt (i.e. debt charges). Hence, proper management of capital spending and the level of debt issued annually must be monitored and evaluated over the longer-term period. Presently, the Town’s annual outstanding debt payments account for 7.3% of own source revenues. By comparison a survey of Financial Information Returns (F.I.R) for G.T.A. municipalities indicate an average of 3.7%

Through development of the Town's previous LRFP, a debt policy framework was established setting the upper limit for annual principal and interest payments to 10% of the annual net levy. Presently the Town's annual outstanding debt payments account for 9.5% of the net levy.

For debt financing within the LRFP, a 20-year debt term has been assumed at an annual interest rate of 3.7%. In discussions with Town staff, a 20-year debt term was assumed reflecting the size of the capital program in the near term of the forecast, particularly for growth-related capital projects, and the underlying useful life of capital assets being emplaced. The longer debt term has the product of increasing the amount of interest paid. By comparison at an assumed annual interest rate of 3.7% total debt payments would be approximately 18% greater utilizing 20-year debt as compared to 10-year debt.

3.2.5 Reserves and Reserve Funds

Reserves and reserve funds can be established by municipalities to set aside funds to meet a future funding requirement. These funds can be established by Council on a discretionary basis, by by-law of the municipality and/or through legislation. Council has the discretion to set up a reserve or reserve fund for any purpose for which they have the authority to spend money. The distinction between reserves and reserve funds is as follows:

- Reserves are established by Council at their own discretion to be available to meet future needs. The "future needs" does not have to be specific projects/assets and a reserve can serve multiple purposes. These reserves do not have to be segregated from the general revenues of a municipality and reserves do not accumulate interest earned on annual balances (unless deemed by policy).
- Reserve funds can either be obligatory or discretionary. Obligatory reserve funds are created whenever a statute requires that funds received be segregated from the general revenues of the municipality (e.g. D.C. Reserve Funds, Building Code Act Reserve Funds, etc.). Discretionary reserve funds are established at the discretion of Council but normally established by by-law, with funds earmarked for a specific purpose. In both cases, the funds accumulate (accrue) interest earned on balances which is used to reduce the amount of future funding.

For capital and operating funding purposes the Town's reserves have been segregated between capital reserves, D.C. reserve funds, obligatory reserve funds, stabilization

reserves, operating reserves, and trust funds. Detail of the individual reserves within each category is provided in Table 3-3.

The Town is currently undertaking a comprehensive Asset Management Plan, which will determine the long-term lifecycle funding requirements to sustain assets and services. Prior to the identification of those needs, the sufficiency of the Town's capital reserves to fund future capital needs over the long term and operating/sustainability reserves to continue to provide services at an acceptable level of service was assessed. To measure the sustainability of forecast capital and operating reserve/reserve fund balances, a survey of reserve/reserve funds was conducted for all municipalities in the Greater Toronto Area based on F.I.R. reporting. The survey measured capital reserves/reserve funds on a per capita basis, and operating reserves as a percentage of net levy.

Table 3-3
Town of Halton Hills Reserves and Reserve Funds

Reserve/Reserve Fund	Fund No.	Reserve/Reserve Fund	Fund No.
<u>Capital Reserves</u>		<u>Operating Reserves</u>	
Technology Replacement	31	WSIB	32
Capital Replacement	39	Georgetown Hospital Exp & Reno	38
New Capital Reserve	40	Sick Leave/Presumptive Legislation	33
Equipment Reserve	52	Strategic Planning Reserve	41
Transportation Infrastructure Reserve	55	Fire Services	70
Cemetery Development	66	Community Sustainability Reserve	77
Library Capital	74	Public Art Reserve	79
John Elliott Award	60	<u>Stabilization Reserves</u>	
<u>Development Charges Reserve Funds</u>		Tax Rate Stabilization	36
Transportation	11	Severe Weather Event	51
Stormwater Management	12	<u>Trust Funds</u>	
Parking Services	13	Fairview Cemetery	80
Fire Services	14	Greenwood Cemetery	82
Recreation & Parks	15	Hornby Presbyterian Cemetery	84
Library Services	16	Limehouse Presbyterian Cemetery	85
Administration	17	Union Presbyterian Cemetery	87
Transit Services	18	Hillcrest Cemetery	89
<u>Obligatory Reserves</u>		Municipal Election Candidate	90
Building Permit	21	Wm. Osler Health Cntr.-Geo. Hosp. Campus	91
Canada Gas Tax Funding	22	Transportation Maintenance	95
Deferred Federal Grants	23	Gateway Feature	96
Parkland: Cash-in-Lieu	25	Private Traffic Signal Maintenance Fund	97
		Hillcrest Cemetery Cap & Op Reserve	98

Based on the average reserve/reserve fund balances for the surveyed G.T.A. municipalities, the following capital and operating reserve/reserve fund targets have been established for the end of the forecast (i.e. 2027):

- Capital Reserves/Reserve Funds - \$540 per capita
- Operating Reserves - \$20% of net levy

Regarding the use of D.C. reserve funds within the LRFP, in years when D.C. reserve funds balances are not sufficient to fund eligible D.C. draws the Town has interim financed these needs from non-D.C. sources. It is the Town's practice to repay these interim financed amounts with interest calculated over a 10-year period. The capital funding plans under the LRFP do not anticipate any additional interim financing requirements, beyond those that are currently budgeted for by the Town (i.e. approximately \$1.1 million per year between 2018-2024 from the New Capital Reserve to the interim finance the Recreation and Parks D.C. Reserve Fund). Based on the 10-year repayment period, the outstanding interfund loans obligations from D.C. reserve funds to non-D.C. reserves are anticipated to decrease from \$10.6 million in 2018 to \$3.4 million in 2027.

3.3 Capital Funding Plan, 2018-2027

Tables 3-4 and 3-5 summarize the capital funding plan for Scenarios 1 and 2 respectively. Under each scenario, the following approach to the capital funding plan has been used:

- The D.C. eligible share of growth-related capital needs will be funded from D.C. reserve fund draws where there are sufficient funds to do so. With the exception of \$2.0 million in D.C. eligible capital needs identified to be interim financed from non-D.C. reserves in 2018, where D.C. reserve fund balances are insufficient to fund the D.C. eligible obligations, external debentures are the assumed funding source. External debt payments are forecast assuming 3.7% interest over a 20-year term.
- As discussed in Section 3.2.5, the financial plan intends to achieve a sustainable reserve/reserve fund positions by the end of the forecast period. As such, external debt is the assumed funding source for non-growth related capital needs when capital reserves/reserve fund balances fall below target levels.
- Gas tax funding is contributed into a separate obligatory reserve and has been forecast to be maintained at current levels. However, based on the budgeted draws within the Town's detailed 10-year capital budget, the Gas Tax reserve would have a surplus balance of \$7.9 million at 2027. Gas Tax reserves cannot be in a surplus position, as such this balance may reflect timing differences or may potentially be available to help offset the non-growth related capital external debt requirements. If available to reduce anticipated debt financing, this will have a positive impact on the Town's debt capacity utilization as presented in Section 4.3

- Funding of \$11.3-\$11.8 million in grants, donations, and other contributions, including contributions from other municipalities for their cost share joint infrastructure, has been assumed consistent with the Town's 10-year capital budget.

Section 4.3 of this report summarizes the impacts of additional debt issuance under each scenario on the Town's debt capacity utilization limits.

3.3.1 Capital Funding Plan, Scenario 1

The capital funding plan for Scenario 1 (Table 3-4), provides approximately \$61.2 million in growth-related capital funding from D.C. reserve funds. D.C. related debt financing for capital needs over the forecast period total \$24.3 million. In total, D.C.s account for 27% of total capital funding over the forecast period. The non-growth related capital projects and the non-D.C. eligible share of growth-related capital projects will be funded from the following sources:

- General capital reserves – \$186.9 million (61% of the total capital funding);
- Obligatory reserves – \$12.5 million (4% of the total funding). The majority of this funding is from Gas Tax Reserve, with a small amount (approximately \$50,000) being contributed from the parkland cash-in-lieu reserve;
- Non-growth related debt – \$11.4 million in additional external debt financing (4% of the total funding);
- Contributions, recoveries, and other subsidies – \$11.3 million (4% of the total funding); and
- Operating reserves – \$167,000 (<1% of the total funding), in capital funding from operating reserves is forecast to occur from the Community Sustainability Reserve.

Scenario 1 assumes an additional \$11.4 million in external debt to fund non-D.C. eligible capital costs. D.C. recoverable external debt incurred over the forecast period totals \$24.3 million. As illustrated in Figure 3-1, the Town's current outstanding debt principal for D.C. and non-D.C debt is \$22.7 million (i.e. \$6.8 million in tax supported debt and \$15.9 million D.C. funded debt), based on the forecast the Town's outstanding debt principal would increase to \$32.8 million by 2027. This will commit future financial resources to the repayment of this debt until it is retired. Again, Figure 3-1 demonstrates the reduction in outstanding debt principal beyond the forecast period, with project debt principal declining to current levels by 2033

Figure 3-2 illustrates the annual principal and interest debt payments over the forecast period, and annual funding commitments for existing debt and additional debt issued over the period. Annual debt repayment obligations for D.C. funded expenditures are funded from the D.C. reserve funds. Debt repayment obligations for tax supported debt (i.e. non-D.C. funded debt) are funded through the Town's annual operating budget. As such these commitments present obligations on future property revenues. As presented in Figure 3-2, annual tax supported debt repayment is currently \$1.6 million and expected to decline to \$0.1 million by 2027. With the additional \$11.4 million in tax supported debt occurring at the end of the forecast period, this increasing the annual debt repayment cost by \$0.8 million in 2028 to be maintained at that level until the end of the debt term (i.e. 2047).

As noted earlier, capital reserves/reserve funds and operating/sustainability reserves have been forecast to meet sustainability targets by 2027, as set out in Section 3.2.5 (i.e. capital reserves/reserve funds of \$540 per capita, and operating reserves of 20% of net levy). A summary of the reserve/reserve fund balances for the major types of reserves at year-end 2017 and 2027 is presented in Table 3-5. General capital reserves are forecast to increase by from \$27.5 million in 2017 to \$42.6 million by 2027. Operating and sustainability reserves will increase more significantly from \$6.6 million in 2017 to \$20.2 million by 2027. It should be noted however, that outstanding debt payments (principal and interest) at 2027 total \$15.9 million and these balances should be considered in the context of these funding commitments.

Figure 3-1
Town of Halton Hills Projected Outstanding Debt Principal
for Tax Supported and D.C. Funded Capital Expenditures (Scenario 1)

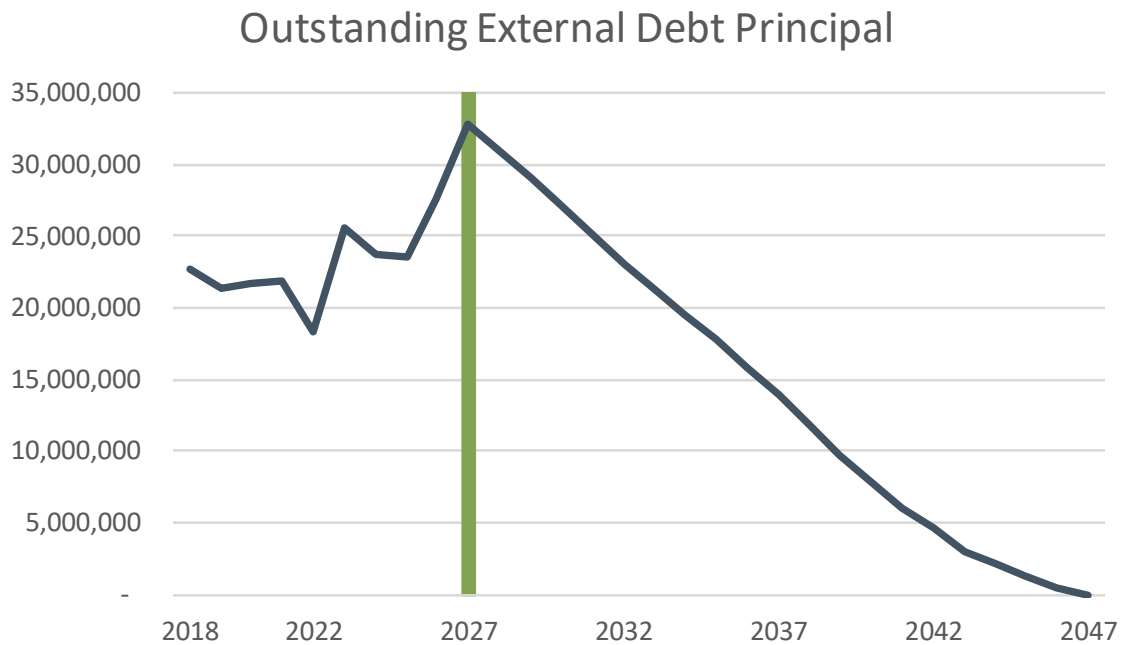


Figure 3-2
Town of Halton Hills Projected Annual Debt Repayment Expenditures (Scenario 2)

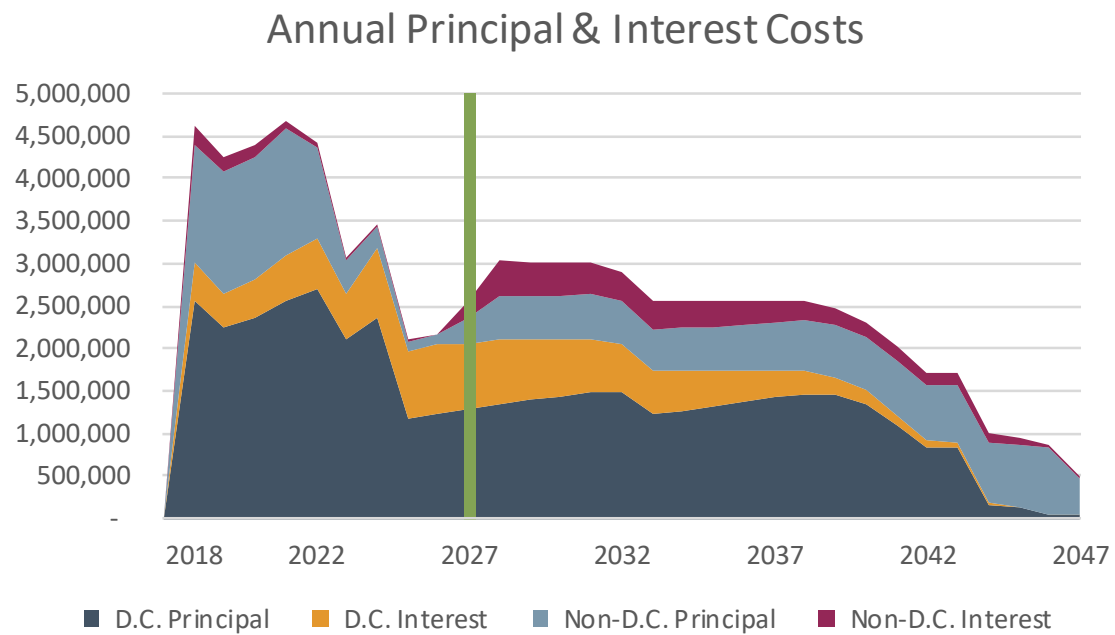


Table 3-4
Scenario 1, 2018-2027 Capital Funding Plan

Category	Capital Cost 2018 - 2027	Annual Expenditures (Inflated)									
		2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Capital Financing											
Contr/ Recovery/ Subsidy	(11,347,037)	(1,347,067)	(1,456,560)	(124,848)	(309,773)	(40,591)	(927,428)	(1,647,013)	(5,473,487)	(2,343)	(17,926)
Reserves/Reserve Funds											
General Capital Reserves	(186,918,432)	(9,066,675)	(14,895,884)	(14,966,258)	(13,590,168)	(18,078,842)	(21,952,273)	(19,734,326)	(35,596,646)	(34,587,792)	(4,449,569)
Obligatory Reserves (Excl. D.C.)	(12,486,257)	(1,390,000)	(1,870,068)	(1,664,640)	(2,566,532)	(1,748,128)	(2,318,570)	(225,232)	(229,737)	(234,332)	(239,019)
Operating Reserves	(167,114)	(40,000)	(45,900)	(15,606)	(15,918)	(16,236)	(16,561)	(16,892)	-	-	-
D.C. Eligible Capital											
D.C. Reserve Funds	(59,079,479)	(1,617,132)	(2,392,155)	(4,031,956)	(4,008,386)	(6,586,648)	(14,109,893)	(9,199,842)	(7,836,697)	(1,160,410)	(8,136,360)
Interim Funding	(2,036,700)	(2,036,700)	-	-	-	-	-	-	-	-	-
<i>Net Amount to be Debentured (non-growth)</i>	(11,395,154)	-	-	-	-	-	-	-	-	(5,401,765)	(5,993,389)
<i>Net Amount to be Debentured (growth)</i>	(24,336,029)	(1,059,826)	(2,316,769)	(4,187,932)	(4,099,587)	(275,371)	(9,819,457)	(736,270)	(1,072,541)	-	(768,275)
Total Capital Financing	(307,766,202)	(16,557,400)	(22,977,336)	(24,991,240)	(24,590,365)	(26,745,816)	(49,144,182)	(31,559,576)	(50,209,108)	(41,386,641)	(19,604,538)

Table 3-5
Reserve/Reserve Fund Balances

Reserve Type	Closing Balance	
	2017	2027
General Capital Reserves	27,531,499	42,568,662
D.C. Reserve Funds	3,609,192	43,452,527
Obligatory Reserves (Excl. D.C.s)	10,576,326	15,944,982
Stabilization Reserves	3,659,439	9,781,299
Operating Reserves	2,941,222	10,448,861
Trust Funds	5,084,115	3,831,635

3.3.2 Capital Funding Plan, Scenario 2

The capital funding plan for Scenario 2 (Table 3-6) has been prepared within the limitations of the same net levy forecast as Scenario 1, while targeting the same capital and operating reserve/reserve fund balances for sustainability. Therefore, the \$105.3 million in additional capital costs over the forecast require a greater reliance on external debt financing for both D.C. and non-D.C. funding obligations.

Similar to Scenario 1, for growth-related capital funding from D.C.s will be provided approximately \$61.5 million, representing 14% of the total capital funding. D.C. eligible under this Scenario totals \$30.5 million, 7% of the total funding and \$6.2 million more than Scenario 1.

The remaining \$321.0 of non-growth related capital expenditures and the non-D.C. eligible share of growth-related capital projects will be funded from the following sources:

- Non-growth-related debt – \$161.5 million (39% of the total funding)
- General capital reserves – \$135.0 million (33% of the total funding);
- Obligatory reserves – \$12.5 million (3% of the total funding) same as Scenario 1;
- Contributions, recoveries, and other subsidies – \$11.8 million (3% of the total funding); and
- Operating reserves – \$167,000 (<1% of the total funding) same as Scenario 1.

Scenario 2 forecasts additional tax supported debt of \$161.5 million. D.C. recoverable debt incurred over the forecast period totals \$30.5 million. The additional debt forecast under this scenario would increase current outstanding debt principal from \$22.7 million to \$172.8 million by 2027. By comparison to Scenario 1, this will further commit future financial resources to repayment of this debt until it is retired, with projected debt principal declining to current levels by 2043.

Figure 3-4 illustrates the annual principal and interest debt payments over the forecast period, and annual funding commitments for existing debt and additional debt issued over the period. As noted above, tax supported debt payments present obligations on future property revenues. As presented in Figure 3-4, tax supported annual debt payments would increase from \$1.6 million currently to \$14.2 million in 2028 with the additional \$161.5 million in debt issuance under this scenario

A summary of the reserve fund balances to achieve the sustainability targets at 2027 is presented in Table 3-7. General capital and operating/sustainability reserves are

forecast to increase at the same rate as in Scenario 1 (i.e. 55% and 206% respectively over the forecast period). It should be noted however, that outstanding debt payments (principal and interest) at 2027 total \$200.9 million and these balances should be considered in the context of these funding commitments.

Figure 3-3
Town of Halton Hills Projected Outstanding Debt Principal
For Non-D.C. and D.C. Funded Capital Expenditures (Scenario 2)

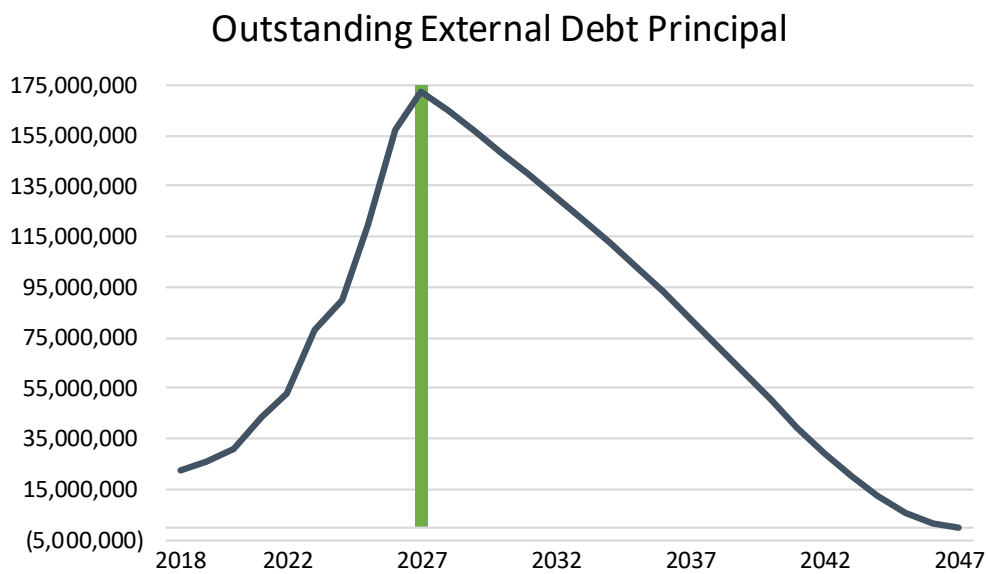


Figure 3-4
Town of Halton Hills Projected Annual Debt Repayment Expenditures (Scenario 2)

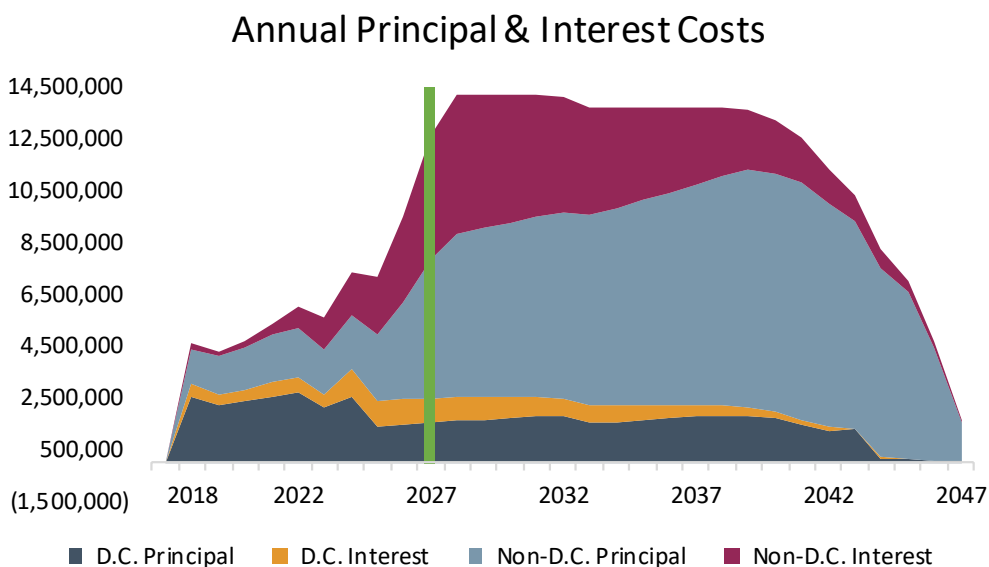


Table 3-6
Scenario 2, 2018-2027 Capital Funding Plan

Category	Capital Cost 2018 - 2027	Annual Expenditures (Inflated)									
		2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Capital Financing											
Contr/ Recovery/ Subsidy	(11,847,037)	(1,347,067)	(1,456,560)	(124,848)	(309,773)	(40,591)	(1,427,428)	(1,647,013)	(5,473,487)	(2,343)	(17,926)
Reserves/Reserve Funds											
General Capital Reserves	(134,979,097)	(9,066,675)	(14,895,884)	(24,389,242)	(13,590,168)	(18,078,842)	(22,731,935)	(10,681,483)	(9,879,167)	(7,216,133)	(4,449,569)
Obligatory Reserves (Excl. D.C.)	(12,486,257)	(1,390,000)	(1,870,068)	(1,664,640)	(2,566,532)	(1,748,128)	(2,318,570)	(225,232)	(229,737)	(234,332)	(239,019)
Operating Reserves	(167,114)	(40,000)	(45,900)	(15,606)	(15,918)	(16,236)	(16,561)	(16,892)	-	-	-
D.C. Eligible Capital											
D.C. Reserve Funds	(59,496,819)	(1,617,132)	(2,392,155)	(4,031,956)	(4,008,386)	(6,586,648)	(14,527,233)	(9,199,842)	(7,836,697)	(1,160,410)	(8,136,360)
Interim Funding	(2,036,700)	(2,036,700)	-	-	-	-	-	-	-	-	-
<i>Net Amount to be Debentured (non-growth)</i>	(161,507,466)	-	(4,160,070)	(5,375,569)	(13,046,208)	(12,947,582)	(12,910,925)	(16,392,368)	(31,680,813)	(43,065,240)	(21,928,691)
<i>Net Amount to be Debentured (growth)</i>	(30,545,797)	(1,059,826)	(2,316,769)	(4,187,932)	(4,099,587)	(275,371)	(16,029,226)	(736,270)	(1,072,541)	-	(768,275)
Total Capital Financing	(413,066,288)	(16,557,400)	(27,137,406)	(39,789,793)	(37,636,573)	(39,693,398)	(69,961,878)	(38,899,100)	(56,172,442)	(51,678,458)	(35,539,839)

Table 3-7
Reserve/Reserve Fund Balances

Reserve Type	Closing Balance	
	2017	2027
General Capital Reserves	27,531,499	42,551,856
D.C. Reserve Funds	3,609,192	41,127,495
Obligatory Reserves (Excl. D.C.s)	10,576,326	15,944,982
Stabilization Reserves	3,659,439	9,781,299
Operating Reserves	2,941,222	10,448,861
Trust Funds	5,084,115	3,831,635

4. Net Operating Expenditures and Property Tax Impacts

4.1 Introduction

The analysis to follow provides a detailed review of the operating expenditures and revenues arising with growth over the forecast period. The product of the analysis is to assess the property tax rate and debt capacity utilization impacts associated with the overall growth forecast to 2027 as presented in Chapter 2.

It should be noted that the fiscal impacts presented herein are contingent on the timing and cost assumptions as available and understood at the time of preparing the report. The report has been prepared through the development of a LRFP model, which has been constructed to allow Town staff to create alternative scenarios, update assumptions and measure impacts. While the LRFP reflects the Town's current strategic plans, development plans and cost assumptions there are specific assumptions that could impact the report findings. These include:

- The amount, type and pace of development. As identified in Chapter 2, the anticipated development within the Town's Official Plan and Region's Best Planning Estimates and current assessment samples, produce a 4.2% annual growth rate in weighted assessment. At forecast Town property tax rates, a reduction in growth would produce less revenue to address the costs of service.
- The Town has the ability to monitor the amount, type and pace of development and adjust capital spending accordingly. Particularly related to the emplacement of capital projects where debt financing is being utilized, financing for these projects will commit future revenues and therefore spending should be carefully correlated with development. Moreover, as indicated in Chapter 3, the Town will be exploring front-end financing arrangements with developers to assist the municipality with cashflow of growth-related capital projects.
- Incremental net operating expenditures are forecast based on the resultant population and employment growth and emplacement of capital to facilitate increased service demands, careful monitoring of development will assist in predicting net operating costs.

4.2 Forecast Operating Expenditures and Revenues

Operating expenditures have been assessed on two different bases: (1) operating costs related to the incremental capital assets identified in the previous chapter, and (2) service/program operating costs required to service the incremental population and employment-related demands. The former identifies the specific operating costs anticipated to be incurred as additional capital assets (i.e. roads, facilities, etc.) are constructed or assumed, based on current maintenance cost of assets (e.g. \$/facility square foot, \$/lane km of road, etc.). The latter identifies service/program expenditures which are linked to population and employment growth at anticipated service levels. In addition to these projections of operating costs, additional capital-related operating expenditures for non-growth capital expenditures and infrastructure constructed developers as a condition of development agreements are also identified.

Operating revenues are assessed for property tax and non-property tax sources. Incremental weighted property assessment, anticipated as a result of residential and non-residential building activity over the forecast period, gives rise to additional property tax revenues. Non-property tax revenues, such as user fees, permits, licences, etc., are generally anticipated to grow in concert with population and employment growth to offset some of the incremental program costs.

In undertaking the analysis of operating expenditures and revenues discussed above, operating expenditures and revenues such as transfers to/from reserves and debt repayment have been excluded as these are addressed separately in the analysis.

It is noted, that for the purposes of the net operating expenditure forecast, operating expenditures and revenues have been forecast assuming 2% annual inflation.

The operating cost analysis was undertaken using the Town's 2018 Operating Budget, and detailed discussions with Town staff. Annual operating expenditures forecasts for Scenarios 1 and 2 are provided in Tables 4-2 and 4-3 respectively. Forecast annual non-tax revenues are provided in Table 4-5 for Scenario 1 and Table 4-6 for Scenario 2. These tables are based upon service categories identified by the Town to align with asset management reporting categories, and include operational expenditures net of debt charges and transfers to other funds (i.e. capital fund and reserve fund), as well as non-tax revenues net of contributions from reserves.

4.2.1 Service/Program Related Operating Expenditures

Table 4-1 summarizes the operating expenditures for each service category, based on population and employment-related benefits. The cost per capita and per employee have been adjusted based on anticipated economies of scale and changes in service levels over the forecast period. Based on this assessment, annual service/program operating expenditures total approximately \$354 per capita and \$268 per employee. In addition to forecast service/program operating expenditures based on the 2018 Operating Budget, additional operating costs have been identified for each Scenario, these are summarized as follows.

**Table 4-1
Program Related Operating Expenditure Assumptions**

Category	Program Related Expenditures			
	Per Capita		Per Employee	
	%	\$	%	\$
Administration	78%	128.37	22%	128.37
Corporate Revenues	78%	0.10	22%	0.10
Long Term Planning	78%	-	22%	-
Recreation & Culture	95%	86.01	5%	15.90
Library Services	95%	0.36	5%	0.07
Fire Services	78%	9.43	22%	9.43
Transportation & Transit	78%	65.85	22%	65.85
Planning & Development	78%	31.46	22%	31.46
Parks & Open Space	95%	18.49	5%	3.42
Environmental Services	78%	13.85	22%	13.85
Total		353.92		268.45

Scenario 1 (2018\$)

- \$75,000 annual expenditure increase in youth program spending;
- \$110,000 annual expenditure increase in providing Activan Services in house;
- \$224,000 annual expenditure decrease in the provision of Fire Communication Services; and
- \$33,000 annual expenditure decrease related to the removal of vacancy rebates provided by the Town.

Scenario 2 (2018\$)

- In addition to those identified in Scenario 1;
- \$5.5 million annual expenditure increase in operating and maintenance costs of providing an expanded transit service by 2027; and

- \$780,000 annual expenditure increase associated with adding eight additional full time equivalent (FTE) Town staff positions in 2019.

By 2027 incremental service/program related operating expenditures, and other noted changes in operating expenditures, will total \$10.6 million under Scenario 1. Under Scenario 2 incremental service/program expenditures over the forecast period total \$17.1 million. The increase in service/program related operating costs are largely a product of increased staff requirements to provide services. Based on the current average staff costs per FTE position within the Town, it is anticipated that an additional 133 FTE positions would be required under Scenario 1, with 141 additional FTEs required under Scenario 2. Relative to current staffing levels, this represents an increase of approximately 36-38% by the end of the forecast period.

4.2.2 Facility-Related Operating Costs

Provided below are the five components that facilities have been categorized into for calculating facility-related operating costs, and the 2018 budgeted operating costs per item:

- Expenditures per sq.ft. – for buildings
 - Administration - \$11.77 per sq.ft.
 - Recreation & Culture - \$11.90 per sq.ft.
 - Library Services - \$91.87 per sq.ft.
 - Fire Services - \$4.68 per sq.ft.
 - Transportation and Transit - \$2.64 per sq.ft.
- Expenditures per lane km – for new lane kilometres of roads (arterial, collector and local)
 - Transportation and Transit - \$10,000 per lane km
- Expenditures per acre – for parkland
 - Parks & Open Space - \$10,000 per hectare
- Expenditures per km – for trails development
 - Parks & Open Space - \$2,000 per km
- Expenditures per vehicle – for various vehicles
 - Fire Services - \$3,875 per vehicle
 - Transportation and Transit - \$24,426 per vehicle
- Expenditures per storm pond
 - Environmental Services - \$3,000 per pond

It is noted that the facility costs per sq.ft. differ somewhat between categories of service. This is primarily due to the attribution of salary, wage and benefit costs to assets and

services/programs. The unit costs are based on current service levels, or in some cases, have been provided by staff where budgeted operating costs for new infrastructure is greater than the current average. This occurs where the physical form of the new infrastructure requires a greater maintenance service level that currently provided on average (e.g. roads, trails, parks).

By 2027 the incremental increase in facility-related operating costs will total \$8.4 million under Scenario 1, and \$11.9 million under Scenario 2.

Table 4-2
Scenario 1, Forecast Operating Expenditures

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Per Capita/Employee Expenditures										
Administration	102,646	209,399	320,380	505,195	894,297	1,481,111	2,145,785	2,836,453	3,553,889	4,274,077
Corporate Revenues	82	166	254	401	710	1,176	1,704	2,253	2,822	3,394
Long Term Planning	-	-	-	-	-	-	-	-	-	-
Recreation & Culture	30,419	62,056	94,945	169,193	343,003	616,530	937,539	1,271,141	1,617,712	1,964,885
Library Services	128	261	400	712	1,444	2,596	3,947	5,352	6,811	8,272
Fire Services	7,538	15,378	23,528	37,101	65,676	108,771	157,584	208,306	260,994	313,884
Transportation & Transit	52,653	107,413	164,342	259,145	458,738	759,750	1,100,700	1,454,985	1,823,001	2,192,428
Planning & Development	25,154	51,314	78,511	123,801	219,152	362,954	525,835	695,087	870,898	1,047,384
Parks & Open Space	6,539	13,340	20,410	36,372	73,736	132,537	201,544	273,259	347,762	422,395
Environmental Services	11,076	22,595	34,570	54,512	96,497	159,815	231,535	306,060	383,473	461,183
Subtotal	236,236	481,922	737,341	1,186,431	2,153,254	3,625,240	5,306,174	7,052,895	8,867,363	10,687,902
Facility Related Expenditures										
Administration	-	-	-	-	-	-	-	-	-	-
Corporate Revenues	-	-	-	-	-	-	-	-	-	-
Long Term Planning	-	-	-	-	-	-	-	-	-	-
Recreation & Culture	2,956	43,212	44,077	44,958	45,857	46,774	47,710	275,009	280,509	286,119
Library Services	-	-	-	-	-	-	-	1,583,013	1,614,673	1,646,966
Fire Services	738,756	1,130,296	1,537,203	1,959,934	2,398,959	2,854,761	3,327,836	3,818,691	4,327,850	4,743,748
Transportation & Transit	47,871	74,644	154,501	282,069	431,716	844,447	1,014,231	1,135,508	1,200,294	1,320,049
Planning & Development	-	-	-	-	-	-	-	-	-	-
Parks & Open Space	36,003	60,384	115,246	119,081	130,397	165,934	214,701	253,419	368,926	397,095
Environmental Services	6,000	6,120	6,242	8,452	12,873	17,468	22,241	27,199	32,345	37,687
Subtotal	831,585	1,314,657	1,857,269	2,414,493	3,019,801	3,929,385	4,626,719	7,092,839	7,824,598	8,431,665
Other Changes in Operating Expenditures										
80-8124 RP - YOUTH PROGRAMS	-	76,500	78,030	79,591	81,182	82,806	84,462	86,151	87,874	89,632
Activan Increase (additional in-house costs)	54,000	112,200	114,444	116,733	119,068	121,449	123,878	126,355	128,883	131,460
Remove Fire Communications (5400, 5410, 5420)	-	(606,696)	(618,830)	(631,207)	(643,831)	(656,707)	(669,841)	(683,238)	(696,903)	(710,841)
Contractual Fire Communications Agreement	-	382,500	390,150	397,953	405,912	414,030	422,311	430,757	439,372	448,160
Removal of Vacancy Rebates	-	(33,150)	(33,813)	(34,489)	(35,179)	(35,883)	(36,600)	(37,332)	(38,079)	(38,841)
Subtotal	54,000	(68,646)	(70,019)	(71,419)	(72,848)	(74,305)	(75,791)	(77,307)	(78,853)	(80,430)
Total Expenditures	1,121,822	1,727,933	2,524,591	3,529,505	5,100,207	7,480,321	9,857,103	14,068,427	16,613,108	19,039,137

Table 4-3
Scenario 2, Forecast Operating Expenditures

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Per Capita/Employee Expenditures										
Administration	102,646	209,399	320,380	505,195	894,297	1,481,111	2,145,785	2,836,453	3,553,889	4,274,077
Corporate Revenues	82	166	254	401	710	1,176	1,704	2,253	2,822	3,394
Long Term Planning	-	-	-	-	-	-	-	-	-	-
Recreation & Culture	30,419	62,056	94,945	169,193	343,003	616,530	937,539	1,271,141	1,617,712	1,964,885
Library Services	128	261	400	712	1,444	2,596	3,947	5,352	6,811	8,272
Fire Services	7,538	15,378	23,528	37,101	65,676	108,771	157,584	208,306	260,994	313,884
Transportation & Transit	52,653	107,413	164,342	259,145	458,738	759,750	1,100,700	1,454,985	1,823,001	2,192,428
Planning & Development	25,154	51,314	78,511	123,801	219,152	362,954	525,835	695,087	870,898	1,047,384
Parks & Open Space	6,539	13,340	20,410	36,372	73,736	132,537	201,544	273,259	347,762	422,395
Environmental Services	11,076	22,595	34,570	54,512	96,497	159,815	231,535	306,060	383,473	461,183
Subtotal	236,236	481,922	737,341	1,186,431	2,153,254	3,625,240	5,306,174	7,052,895	8,867,363	10,687,902
Facility Related Expenditures										
Administration	-	-	-	-	-	94,185	94,185	94,185	94,185	94,185
Corporate Revenues										
Long Term Planning										
Recreation & Culture	2,956	43,212	315,014	321,315	327,741	995,665	1,015,578	1,262,234	1,287,479	1,313,229
Library Services	-	-	-	-	-	-	-	1,583,013	1,614,673	1,646,966
Fire Services	738,756	1,403,253	1,944,951	2,659,821	3,247,401	4,015,630	4,651,915	5,476,646	6,164,613	7,102,599
Transportation & Transit	47,871	74,644	154,501	282,069	431,716	844,447	1,014,231	1,135,508	1,200,294	1,320,049
Planning & Development										
Parks & Open Space	36,003	60,384	115,246	119,081	130,397	165,934	214,701	253,419	368,926	397,095
Environmental Services	6,000	6,120	6,242	8,452	12,873	17,468	22,241	27,199	32,345	37,687
Subtotal	831,585	1,587,614	2,535,955	3,390,737	4,150,128	6,133,329	7,012,852	9,832,204	10,762,516	11,911,811
Other Changes in Operating Expenditures										
80-8124 RP - YOUTH PROGRAMS		76,500	78,030	79,591	81,182	82,806	84,462	86,151	87,874	89,632
Activan Increase (additional in-house costs)	54,000	112,200	114,444	116,733	119,068	121,449	123,878	126,355	128,883	131,460
Expanded Transit Servie		1,847,331	3,049,535	3,035,215	2,996,879	3,268,271	4,975,490	5,080,828	5,299,972	5,537,762
Remove Fire Communications (5400, 5410, 5420)		(606,696)	(618,830)	(631,207)	(643,831)	(656,707)	(669,841)	(683,238)	(696,903)	(710,841)
Contractual Fire Communications Agreement		382,500	390,150	397,953	405,912	414,030	422,311	430,757	439,372	448,160
Removal of Vacancy Rebates		(33,150)	(33,813)	(34,489)	(35,179)	(35,883)	(36,600)	(37,332)	(38,079)	(38,841)
Incremental Staff (8 FTE in 2019)		781,732	813,314	829,581	846,172	863,096	880,358	897,965	915,924	934,243
Subtotal	54,000	2,560,418	3,792,830	3,793,376	3,770,203	4,057,062	5,780,057	5,901,486	6,137,044	6,391,575
Total Expenditures	1,121,822	4,629,953	7,066,127	8,370,545	10,073,585	13,815,632	18,099,083	22,786,586	25,766,923	28,991,287

4.2.3 Service/Program Related Non-Tax Revenues

Non-tax service/program revenues (e.g. user fees, licenses, etc.) are presented in the same format as service/program related operating expenditures in Section 4.2.1. Table 4-4 details the service/program related operating revenues per capita and per employee.

**Table 4-4
Program Related Operating Non-Tax Revenue Assumptions**

Category	Program Related Revenues			
	Per Capita		Per Employee	
	%	\$	%	\$
Administration	78%	(14.30)	22%	(14.30)
Corporate Revenues	78%	(12.50)	22%	(12.50)
Long Term Planning	78%	-	22%	-
Recreation & Culture	95%	(36.36)	5%	(6.72)
Library Services	95%	(0.04)	5%	(0.01)
Fire Services	78%	(0.19)	22%	(0.19)
Transportation & Transit	78%	(16.99)	22%	(16.99)
Planning & Development	78%	(32.75)	22%	(32.75)
Parks & Open Space	95%	(9.00)	5%	(1.66)
Environmental Services	78%	(4.07)	22%	(4.07)
Total		(126.21)		(89.20)

Some revenues are less sensitive to growth and will not change significantly with the growth of the Town, whereas other are related to activity within the Town and will change with growth. The assumptions regarding sources of non-tax revenue are based on 2018 Budget levels and have been allocated between residential and non-residential, based upon employment and population levels. Annual service/program operating revenues total approximately \$126 per capita and \$89 per employee. In addition to forecasting operating revenues for program and service growth, discussions with Town staff revealed additional non-tax revenue impacts for inclusion:

Scenario 1

- 1% annual increase in Payments-in-Lieu taxation revenue, consistent with recent trends witnessed within the Town;
- \$19,400 annual decrease in contributions from other sources for seniors recreation services; and
- 75% increase in annual planning application revenues resulting of the approval of planning application fees.

Scenario 2

- In addition to those identified in Scenario 1;
- \$665,000 annual revenue decrease arising from the redemption of the LDC promissory note; and
- \$1.1 million annual revenue increase in transit service revenues, based on the current relationship of revenue to operating costs of universal transit services.

In aggregate, incremental non-tax service/program related revenues total \$1.5 million by 2027 under Scenario 1. Under Scenario 2, incremental non-tax service/program revenues would total \$2.7 million by 2027.

4.2.4 Facility-Related Non-Tax Revenues

While the majority of non-tax revenues are anticipated to occur as a result of population and employment growth and the increase in demands for services, some non-tax revenues are more attributable to the availability of assets (e.g. facility space or parkland) for rentals and bookings. As such, the following annual operating revenues per unit per unit have been assumed:

- Library facility space – \$1.58/sq.ft.
- Recreation facility space - \$7.93/sq.ft.
- Roads and related – \$10,000/lane km
- Parks – \$2,070/ha

As summarized in Tables 4-5 and 4-6 for Scenarios 1 and 2 respectively, the capital-related revenues that will be produced as a result of increases in incremental assets and their use will total approximately \$0.6 million under Scenario 1, and \$1.2 million under Scenario 2.

Table 4-5
Scenario 1, Forecast Non-Tax Operating Revenues

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Per Capita/Employee Revenues										
Administration	(7,628)	(15,562)	(23,809)	(33,354)	(49,685)	(71,861)	(94,573)	(118,165)	(142,662)	(167,410)
Corporate Revenues	(6,641)	(13,547)	(20,727)	(28,995)	(43,089)	(62,185)	(81,696)	(101,962)	(123,007)	(144,270)
Long Term Planning	197	401	614	1,184	2,579	4,809	7,459	10,213	13,074	15,939
Recreation & Culture	(3,437)	(7,012)	(10,728)	(14,785)	(21,413)	(30,161)	(38,845)	(47,864)	(57,229)	(66,709)
Library Services	236	481	736	1,427	3,120	5,829	9,050	12,398	15,876	19,358
Fire Services	92	189	289	724	1,883	3,789	6,101	8,505	11,002	13,499
Transportation & Transit	(9,097)	(18,558)	(28,394)	(39,837)	(59,496)	(86,255)	(113,727)	(142,265)	(171,898)	(201,829)
Planning & Development	(17,720)	(36,149)	(55,308)	(77,897)	(117,090)	(170,744)	(226,165)	(283,735)	(343,518)	(403,877)
Parks & Open Space	(671)	(1,368)	(2,093)	(2,575)	(2,935)	(3,054)	(2,771)	(2,476)	(2,168)	(1,886)
Environmental Services	(2,032)	(4,146)	(6,343)	(8,653)	(12,308)	(17,029)	(21,603)	(26,353)	(31,284)	(36,284)
Subtotal	(46,702)	(95,271)	(145,765)	(202,762)	(298,434)	(426,863)	(556,771)	(691,704)	(831,811)	(973,469)
Facility Related Revenues										
Administration	-	-	-	-	-	-	-	-	-	-
Corporate Revenues										
Long Term Planning										
Recreation & Culture	(1,969)	(28,219)	(28,219)	(28,219)	(28,219)	(28,219)	(28,219)	(159,472)	(159,472)	(159,472)
Library Services	-	-	-	-	-	-	-	(23,676)	(23,676)	(23,676)
Fire Services	-	-	-	-	-	-	-	-	-	-
Transportation & Transit	(39,861)	(39,861)	(39,861)	(79,722)	(159,443)	(200,182)	(240,042)	(279,903)	(319,764)	(359,625)
Planning & Development										
Parks & Open Space	(6,222)	(9,793)	(19,728)	(19,728)	(19,728)	(24,074)	(30,482)	(34,621)	(53,841)	(57,153)
Environmental Services	-	-	-	-	-	-	-	-	-	-
Subtotal	(48,051)	(77,873)	(87,808)	(127,668)	(207,390)	(252,475)	(298,744)	(497,672)	(556,753)	(599,925)
Other Changes in Operating Revenues										
Increase in PIL Revenue		(14,648)	(29,442)	(44,385)	(59,477)	(74,720)	(90,115)	(105,664)	(121,369)	(137,230)
8916 Recovery - Seniors		19,416	39,608	40,400	41,208	42,032	42,873	43,730	44,605	45,497
Incremental Planning Fees Revenue		(348,261)	(355,226)	(362,330)	(369,577)	(376,968)	(384,508)	(392,198)	(400,042)	(408,043)
Subtotal	-	(343,493)	(345,060)	(366,315)	(387,845)	(409,656)	(431,750)	(454,131)	(476,805)	(499,776)
Total Revenues	(94,753)	(516,637)	(578,633)	(696,745)	(893,669)	(1,088,993)	(1,287,264)	(1,643,507)	(1,865,370)	(2,073,170)

Table 4-6
Scenario 2, Forecast Non-Tax Operating Revenues

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Per Capita/Employee Revenues										
Administration	(7,628)	(15,562)	(23,809)	(33,354)	(49,685)	(71,861)	(94,573)	(118,165)	(142,662)	(167,410)
Corporate Revenues	(6,641)	(13,547)	(20,727)	(28,995)	(43,089)	(62,185)	(81,696)	(101,962)	(123,007)	(144,270)
Long Term Planning	197	401	614	1,184	2,579	4,809	7,459	10,213	13,074	15,939
Recreation & Culture	(3,437)	(7,012)	(10,728)	(14,785)	(21,413)	(30,161)	(38,845)	(47,864)	(57,229)	(66,709)
Library Services	236	481	736	1,427	3,120	5,829	9,050	12,398	15,876	19,358
Fire Services	92	189	289	724	1,883	3,789	6,101	8,505	11,002	13,499
Transportation & Transit	(9,097)	(18,558)	(28,394)	(39,837)	(59,496)	(86,255)	(113,727)	(142,265)	(171,898)	(201,829)
Planning & Development	(17,720)	(36,149)	(55,308)	(77,897)	(117,090)	(170,744)	(226,165)	(283,735)	(343,518)	(403,877)
Parks & Open Space	(671)	(1,368)	(2,093)	(2,575)	(2,935)	(3,054)	(2,771)	(2,476)	(2,168)	(1,886)
Environmental Services	(2,032)	(4,146)	(6,343)	(8,653)	(12,308)	(17,029)	(21,603)	(26,353)	(31,284)	(36,284)
Subtotal	(46,702)	(95,271)	(145,765)	(202,762)	(298,434)	(426,863)	(556,771)	(691,704)	(831,811)	(973,469)
Facility Related Revenues										
Administration	-	-	-	-	-	-	-	-	-	-
Corporate Revenues	-	-	-	-	-	-	-	-	-	-
Long Term Planning	-	-	-	-	-	-	-	-	-	-
Recreation & Culture	(1,969)	(28,219)	(201,683)	(201,683)	(201,683)	(600,690)	(600,690)	(731,943)	(731,943)	(731,943)
Library Services	-	-	-	-	-	-	-	(23,676)	(23,676)	(23,676)
Fire Services	-	-	-	-	-	-	-	-	-	-
Transportation & Transit	(39,861)	(39,861)	(39,861)	(79,722)	(159,443)	(200,182)	(240,042)	(279,903)	(319,764)	(359,625)
Planning & Development	-	-	-	-	-	-	-	-	-	-
Parks & Open Space	(6,222)	(9,793)	(19,728)	(19,728)	(19,728)	(24,074)	(30,482)	(34,621)	(53,841)	(57,153)
Environmental Services	-	-	-	-	-	-	-	-	-	-
Subtotal	(48,051)	(77,873)	(261,271)	(301,132)	(380,853)	(824,946)	(871,215)	(1,070,143)	(1,129,224)	(1,172,396)
Other Changes in Operating Revenues										
Increase in PIL Revenue	-	(14,648)	(29,442)	(44,385)	(59,477)	(74,720)	(90,115)	(105,664)	(121,369)	(137,230)
8916 Recovery - Seniors	-	19,416	39,608	40,400	41,208	42,032	42,873	43,730	44,605	45,497
9807 Interest - Promissory Note	-	-	-	665,000	665,000	665,000	665,000	665,000	665,000	665,000
Expanded Transit Service Revenue	-	-	(1,081,002)	(1,075,926)	(1,062,336)	(1,158,540)	(1,763,716)	(1,801,057)	(1,878,739)	(1,963,031)
Incremental Planning Fees Revenue	-	(348,261)	(355,226)	(362,330)	(369,577)	(376,968)	(384,508)	(392,198)	(400,042)	(408,043)
Subtotal	-	(343,493)	(1,426,062)	(777,241)	(785,182)	(903,195)	(1,530,466)	(1,590,188)	(1,690,545)	(1,797,807)
Total Revenues	(94,753)	(516,637)	(1,833,098)	(1,281,134)	(1,464,469)	(2,155,004)	(2,958,451)	(3,352,035)	(3,651,580)	(3,943,672)

4.3 Fiscal Impacts

The following subsections summarize the fiscal impacts over the forecast period in terms of net operating expenditures, capital-related operating requirements, property tax rates, and debt capacity utilization levels. The information summarized in the following sections is detailed in Table 4-7 for Scenario 1, and Table 4-8 for Scenario 2.

4.3.1 Net Operating Expenditures

Scenario 1

- Gross operating expenditures are forecast to increase by 4.0% annually over the forecast period, from \$60.9 million in 2018 to \$90.3 million in 2027.
- The incremental increase in operating expenditures of \$29.4 million, comprise \$19.0 million in increase costs of service, as identified in Table 4-2, and \$10.3 million in inflationary cost increases to the base budget.
- Non-Tax revenues are anticipated to increase by 1.4% annually over the forecast period, from \$29.3 million in 2018 to \$33.7 million by 2027.
- The incremental increase in non-tax revenues of \$4.4 million, comprise \$2.1 million in cost recovery for incremental service demand, as identified in Table 4-5 and a \$2.3 million assumed price inflation to the base budget.

In aggregate, excluding of capital-related operating expenditures, net operating expenditures are forecast to increase by 6.0% annually, adding \$24.9 million to the net levy by 2027.

Scenario 2

- Gross operating expenditures are forecast to increase at a greater rate (5.1% annually) than in Scenario 1, due to the greater amount of incremental operating costs of service (i.e. \$29.0 million in Table 4-3 compared to \$19.0 million in Table 4-2).
- Non-Tax revenues are forecast to increase by 2.0% annually, primary due to the inclusion of additional transit revenues resulting from the provision of an expanded transit service and cost recovery from increase service demands (i.e. \$3.9 million in Table 4-3 compared to \$2.1 million in Table 4-2).

In aggregate, excluding of capital-related operating expenditures, net operating expenditures are forecast to increase by 7.4% annually, adding \$33.0 million to the net levy by 2027.

4.3.2 Transfers to Reserves and Annual Debt Payments

In addition to changes in net operating expenditures, the increase in the net levy is impacted by changes to the annual transfers to and from reserves/reserve funds and changes to carrying costs of outstanding debt.

Scenario 1

- The 2018 Operating Budget includes \$11.1 million for transfers to general capital and operating/sustainability reserves. To achieve sustainability targets and fund capital needs, by 2027 this amount is forecast to increase by \$26.7 million.
- Annual costs of principal and interest for the repayment of outstanding debt total \$4.6 million in 2018. By 2027, most of the Town's existing debt will be repaid, with approximately \$0.5 million in annually debt payments remaining. However, \$35.7 million in additional debt requirements (D.C. and non-growth capital related) will add \$2.1 million in annual principal and interest payments by 2027. In aggregate, total debt payments would decrease by approximately \$2.0 million by the end of the forecast period.

Scenario 2

- Incremental transfers to reserves/reserve funds by 2027 for long term sustainability are less in Scenario 2 (\$8.5 million vs. \$26.7 million in Scenario 1). This is explained by the decrease in transfers to general capital reserves being offset by lower capital draws over the period and a greater reliance on external debt financing (i.e. shifting the capital funding mix from reserves/reserve funds to debt).
- In addition to the \$0.5 million existing annual debt payments remaining by 2027, incremental principal and interest costs associated with \$192 million in debt requirements will add \$12.1 million in annual debt servicing costs. In aggregate, total debt payments under Scenario 2 would increase by approximately \$8.0 million by 2027, as compared to a \$2.0 million decrease under Scenario 1.

4.3.3 Property Tax Impacts and Debt Capacity Utilization

Town of Halton Hills property tax rates have increased by approximately 3.9% annually over the past three years (2016-2018), with greater increases in the two years prior of approximately 4.9% annually. To measure the fiscal impacts, the LRFP forecast Town property tax rate increase of 3.9% annually for each Scenario. Moreover, as each scenario also maintains the same sustainable reserve/reserve fund target balances for 2027 (i.e. capital reserves/reserve funds of \$540 per capita, and operating reserves of \$20% of net levy). As such, the difference in the fiscal impacts of the two scenarios is

measured on the basis of external debt requirements and debt capacity utilization levels.

As noted in Section 3.2.4, a maximum of 25% of a municipality's own source revenues may be used for the servicing of debt. The Town has also established an internal debt policy framework limiting annual debt servicing costs to 10% of the net levy. Currently the Town's annual debt servicing costs represent 7.3% of own source revenues or 9.5% of net levy, indicating that while the Town may issue more debt within the provincial policy limit, they are approaching their internal borrowing limit.

The impact on the Town's debt capacity utilization measures under each Scenario at the end of the forecast period (2027) are as follows:

Scenario 1¹

- % of Own Source Revenues – 2.1%
- % of Net Levy – 2.5%

Scenario 2

- % of Own Source Revenues – 10.4%
- % of Net Levy – 12.5%

Due to the increased use of external debt as a capital funding source under Scenario 2, the Town would be expected to exceed their internal borrowing limit of 10% of net levy, while remaining well below the provincial limit set at 25% of own source revenues. However, by comparison to current surveyed G.T.A. municipal practice, where debt repayment relative to own source revenues averages 3.7%, Scenario 2 would exceed this current average.

¹ By comparison, if the Town issued 10-year term debt, the impacts would be 4.4% of own source revenues and 5.3% of net levy.

Table 4-7
Scenario 1, Long Range Financial Plan Summary

Source	2018	Incremental									
	Budget	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Operating Expenditures											
Gross Operating Expenditures (Base Budget)	60,914,114	-	1,057,330	2,135,808	3,235,854	4,357,902	5,502,390	6,669,768	7,860,494	9,075,035	10,313,866
Gross Operating Expenditures (Incremental)		1,121,822	1,727,933	2,524,591	3,529,505	5,100,207	7,480,321	9,857,103	14,068,427	16,613,108	19,039,137
% Increase		1%	2%	2%	3%	3%	4%	4%	6%	4%	4%
Less: Non-Tax Revenues (Base Budget)	(29,266,159)	-	(243,112)	(491,087)	(744,021)	(1,002,013)	(1,265,166)	(1,533,581)	(1,807,365)	(2,086,624)	(2,371,469)
Less: Non-Tax Revenues (Incremental)		(94,753)	(516,637)	(578,633)	(696,745)	(893,669)	(1,088,993)	(1,287,264)	(1,643,507)	(1,865,370)	(2,073,170)
% Increase		0%	2%	1%	1%	1%	1%	1%	2%	2%	1%
Change in Transfers to Operating for Existing Debt		-	430,003	445,735	466,705	1,031,627	2,382,191	2,708,573	4,123,617	4,123,617	4,123,617
Net Operating Expenditures (Incremental)		1,027,069	2,455,517	4,036,414	5,791,299	8,594,053	13,010,742	16,414,600	22,601,666	25,859,766	29,031,981
% Increase		2%	2%	3%	3%	4%	6%	5%	8%	5%	5%
Reserves/Reserve Funds											
General Capital Reserves	10,212,642	-	531,881	2,077,475	3,746,218	5,407,167	7,482,779	10,453,543	14,083,095	20,146,551	26,595,332
Obligatory Reserves	(213,700)	-	-	-	-	-	-	-	-	-	-
Stabilization Reserves	145,448	-	518,598	518,598	518,598	518,598	518,598	518,598	518,598	518,598	518,598
Operating Reserves	1,048,845	28,982	(419,500)	(449,794)	(449,482)	(449,164)	(448,839)	(448,508)	(465,400)	(465,400)	(465,400)
Trust Funds	(125,248)	-	-	-	-	-	-	-	-	-	-
Total Transfers to/from Reserves	11,067,987	28,982	630,979	2,146,279	3,815,334	5,476,602	7,552,538	10,523,634	14,136,293	20,199,749	26,648,530
Annual Debt Payments											
Existing Annual Debt Payments	4,606,058	-	(430,003)	(445,735)	(466,705)	(1,031,627)	(2,382,191)	(2,708,573)	(4,123,617)	(4,123,617)	(4,123,617)
Additional Annual Debt Payments		-	75,790	241,467	540,954	834,123	853,816	1,556,024	1,608,676	1,685,375	2,071,666
Total - Annual Debt Payments	4,606,058	-	(354,213)	(204,268)	74,248	(197,503)	(1,528,375)	(1,152,550)	(2,514,941)	(2,438,242)	(2,051,951)
Incremental Tax Levy Requirement		1,056,051	2,732,283	5,978,425	9,680,882	13,873,151	19,034,906	25,785,684	34,223,019	43,621,273	53,628,560
Tax Levy Requirement											
2018 Tax Levy Requirement	47,322,000	47,322,000	47,322,000	47,322,000	47,322,000	47,322,000	47,322,000	47,322,000	47,322,000	47,322,000	47,322,000
Incremental Tax Levy Requirement		1,056,051	2,732,283	5,978,425	9,680,882	13,873,151	19,034,906	25,785,684	34,223,019	43,621,273	53,628,560
Total Tax Levy Requirement	47,322,000	48,378,051	50,054,283	53,300,425	57,002,882	61,195,151	66,356,906	73,107,684	81,545,019	90,943,273	100,950,560
Tax Levy Requirement (Annual % Increase)			5.8%	6.5%	6.9%	7.4%	8.4%	10.2%	11.5%	11.5%	11.0%
Weighted Assessment (Annual % Increase)			1.8%	2.5%	2.9%	3.3%	4.4%	6.0%	7.4%	7.3%	6.8%
Annual Tax Rate (Annual % Increase)			3.9%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%
Tax Rates											
Residential Full Occupied (RT/RH)	0.361129%	0.369188%	0.375213%	0.389846%	0.405050%	0.420847%	0.437260%	0.454314%	0.472032%	0.490441%	0.509568%
Debt Capacity Calculation											
Net Revenue Fund Revenues (Inflated)	63,095,204	64,246,008	66,587,236	70,143,348	74,216,851	78,864,038	84,484,269	91,701,733	100,769,095	110,668,471	121,168,403
Plus Incremental Net Revenue		-	(343,493)	(345,060)	(366,315)	(387,845)	(409,656)	(431,750)	(454,131)	(476,805)	(499,776)
Total Operating Expenditures	63,095,204	64,246,008	66,243,743	69,798,288	73,850,536	78,476,193	84,074,613	91,269,983	100,314,964	110,191,666	120,668,627
Annual Debt Payments											
Existing Debt Payments	4,606,058	4,606,058	4,176,054	4,160,323	4,139,352	3,574,431	2,223,867	1,897,484	482,441	482,441	482,441
Additional Tax Base Debt Payments		-	-	-	-	-	-	-	-	-	386,291
Additional D.C. Debt Payments		-	75,790	241,467	540,954	834,123	853,816	1,556,024	1,608,676	1,685,375	1,685,375
Total Annual Debt Payments	4,606,058	4,606,058	4,251,845	4,401,790	4,680,306	4,408,554	3,077,683	3,453,508	2,091,117	2,167,816	2,554,107
Debt Capacity Used (% of Own Source Revenue)	7.3%	7.2%	6.4%	6.3%	6.3%	5.6%	3.7%	3.8%	2.1%	2.0%	2.1%
Debt Capacity Used (% of Net Levey)	9.7%	9.5%	8.5%	8.3%	8.2%	7.2%	4.6%	4.7%	2.6%	2.4%	2.5%

Table 4-8
Scenario 2, Long Range Financial Plan Summary

Source	2018	Incremental									
	Budget	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Operating Expenditures											
Gross Operating Expenditures (Base Budget)	60,914,114	-	1,057,330	2,135,808	3,235,854	4,357,902	5,502,390	6,669,768	7,860,494	9,075,035	10,313,866
Gross Operating Expenditures (Incremental)		1,121,822	4,629,953	7,066,127	8,370,545	10,073,585	13,815,632	18,099,083	22,786,586	25,766,923	28,991,287
% Increase		1%	6%	4%	3%	3%	5%	6%	6%	4%	4%
Less: Non-Tax Revenues (Base Budget)	(29,266,159)	-	(243,112)	(491,087)	(744,021)	(1,002,013)	(1,265,166)	(1,533,581)	(1,807,365)	(2,086,624)	(2,371,469)
Less: Non-Tax Revenues (Incremental)		(94,753)	(516,637)	(1,833,098)	(1,281,134)	(1,464,469)	(2,155,004)	(2,958,451)	(3,352,035)	(3,651,580)	(3,943,672)
% Increase		0%	2%	5%	-1%	1%	3%	3%	2%	2%	2%
Change in Transfers to Operating for Existing Debt		-	430,003	445,735	466,705	1,031,627	2,382,191	2,708,573	4,123,617	4,123,617	4,123,617
Net Operating Expenditures (Incremental)	31,647,955	1,027,069	5,357,538	7,323,484	10,047,950	12,996,630	18,280,043	22,985,393	29,611,297	33,227,370	37,113,629
% Increase		2%	8%	4%	5%	4%	7%	7%	8%	5%	5%
Reserves/Reserve Funds											
General Capital Reserves	10,212,642	-	(2,370,139)	(1,507,090)	(1,192,344)	(610,281)	(327,299)	(25,385)	1,993,080	5,433,005	8,474,355
Obligatory Reserves	(213,700)	-	-	-	-	-	-	-	-	-	-
Stabilization Reserves	145,448	-	518,598	518,598	518,598	518,598	518,598	518,598	518,598	518,598	518,598
Operating Reserves	1,048,845	-	-	-	-	-	-	-	-	-	-
Trust Funds	(125,248)	-	-	-	-	-	-	-	-	-	-
Total Transfers to/from Reserves	11,067,987	28,982	(2,271,042)	(1,438,286)	(1,123,228)	(540,847)	(257,540)	44,705	2,046,278	5,486,203	8,527,553
Annual Debt Payments											
Existing Annual Debt Payments	4,606,058	-	(430,003)	(445,735)	(466,705)	(1,031,627)	(2,382,191)	(2,708,573)	(4,123,617)	(4,123,617)	(4,123,617)
Additional Annual Debt Payments		-	75,790	538,961	1,222,866	2,448,995	3,394,593	5,464,159	6,689,061	9,031,317	12,110,995
Total - Annual Debt Payments	4,606,058	-	(354,213)	93,227	756,160	1,417,368	1,012,403	2,755,586	2,565,445	4,907,700	7,987,378
Incremental Tax Levy Requirement		1,056,051	2,732,283	5,978,425	9,680,882	13,873,151	19,034,906	25,785,684	34,223,019	43,621,273	53,628,560
Tax Levy Requirement											
2018 Tax Levy Requirement	47,322,000	47,322,000	47,322,000	47,322,000	47,322,000	47,322,000	47,322,000	47,322,000	47,322,000	47,322,000	47,322,000
Incremental Tax Levy Requirement		1,056,051	2,732,283	5,978,425	9,680,882	13,873,151	19,034,906	25,785,684	34,223,019	43,621,273	53,628,560
Total Tax Levy Requirement	47,322,000	48,378,051	50,054,283	53,300,425	57,002,882	61,195,151	66,356,906	73,107,684	81,545,019	90,943,273	100,950,560
Tax Levy Requirement (Annual % Increase)			5.8%	6.5%	6.9%	7.4%	8.4%	10.2%	11.5%	11.5%	11.0%
Weighted Assessment (Annual % Increase)			1.8%	2.5%	2.9%	3.3%	4.4%	6.0%	7.4%	7.3%	6.8%
Annual Tax Rate (Annual % Increase)			3.9%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%
Tax Rates											
Residential Full Occupied (RT/RH)	0.361129%	0.369188%	0.375213%	0.389846%	0.405050%	0.420847%	0.437260%	0.454314%	0.472032%	0.490441%	0.509568%
Debt Capacity Calculation											
Net Revenue Fund Revenues (Inflated)	63,095,204	64,246,008	66,587,236	71,397,814	74,801,241	79,434,838	85,550,279	93,372,920	102,477,623	112,454,681	123,038,905
Plus Incremental Net Revenue		-	(343,493)	(1,426,062)	(777,241)	(785,182)	(903,195)	(1,530,466)	(1,590,188)	(1,690,545)	(1,797,807)
Total Operating Expenditures	63,095,204	64,246,008	66,243,743	69,971,751	74,024,000	78,649,656	84,647,084	91,842,454	100,887,435	110,764,136	121,241,098
Annual Debt Payments											
Existing Debt Payments	4,606,058	4,606,058	4,176,054	4,160,323	4,139,352	3,574,431	2,223,867	1,897,484	482,441	482,441	482,441
Additional Tax Base Debt Payments		-	-	297,495	681,912	1,614,871	2,540,778	3,464,063	4,636,313	6,901,869	9,981,547
Additional D.C. Debt Payments		-	75,790	241,467	540,954	834,123	853,816	2,000,096	2,052,748	2,129,448	2,129,448
Total Annual Debt Payments	4,606,058	4,606,058	4,251,845	4,699,284	5,362,218	6,023,426	5,618,461	7,361,644	7,171,502	9,513,757	12,593,436
Debt Capacity Used (% of Own Source Revenue)	7.3%	7.2%	6.4%	6.7%	7.2%	7.7%	6.6%	8.0%	7.1%	8.6%	10.4%
Debt Capacity Used (% of Net Levey)	9.7%	9.5%	8.5%	8.8%	9.4%	9.8%	8.5%	10.1%	8.8%	10.5%	12.5%

5. Observations and Conclusions

The analysis provided herein contains the Town's 2018-2027 long range financial plan, which addressing the capital and operating needs of the community over time with development, as well as provisions for asset management lifecycle costs of Town assets. The basis for the forecast capital needs of service arise from the Town's D.C. Background Study, 2018 Capital Budget and forecast, and detailed discussion with Town staff. Moreover, discussion with Town staff identified additional items to be considered within the ten-year plan regarding additional anticipated capital needs, operating expenditures, and levels of service.

In this regard, the analysis considered two scenarios:

- **Scenario 1**, which largely reflects the Town's current plan, with some minor additions for actual and anticipated near-term projects; and
- **Scenario 2**, which includes \$105.3 million additional capital projects and \$8.1 million in additional net operating expenditures by 2027.

The LRFP for each scenario was prepared within the construct of maintaining a 3.9% annual Town property tax rate increases, consistent with recent trends, and achieving sustainable capital and operating/sustainability reserve balances by 2027 (i.e. capital reserves/reserve funds of \$540 per capita, and operating reserves of \$20% of net levy).

Maintaining average annual property tax rates and end-of-term reserve/reserve fund sustainability balances, provides for the measure of fiscal impacts on the basis of increased debt and it's implication on the Town and Province's debt capacity limits.

Planning under Scenario 1 allows the Town to construct infrastructure and provide services to the growing community while maintaining historical tax rate increases, improving reserve/reserve fund sustainability and lowering the indebtedness. Under this scenario, debt servicing as a percentage of net levy to decrease from 9.7% in 2018 to 2.5% by 2027.

Planning under Scenario 2, while again maintaining historical tax rate increases and improving reserve/reserve fund sustainability, the capital fund mix would be altered from Scenario 1 such that there would be a greater use of debt financing. Under this scenario, the Town would incur \$192 million in additional debt, as compared to \$36 million under Scenario 1. As a result, the Town would exceed their internal debt policy limit of 10% of net levy, with annual debt servicing costs reaching 12.5% of the net levy at 2027. However, the Town would still be within the Province's annual debt repayment

limits, at 10.4% of own source revenues (Provincial requirements limit debt repayment to 25% of own source revenues).

While the level of debt required under Scenario 2 is significantly larger than under Scenario 1 and outstanding debt obligations at 2027 may produce capital funding limitations beyond the forecast period, this scenario provides funding for many strategic initiatives that Council may wish to consider, in whole or in part, including:

- Construction of the Gellert Community Centre Phase 2 (2023) for \$11.5 million;
- Construction of the Georgetown and Acton Indoor Pool projects (2020) for \$10.5 million;
- \$1.0 million annual capital expenditures between 2019-2027 for potential needs arising from the forthcoming IT Strategy Plan;
- Town Hall expansion in 2023 for \$2.5 million;
- Expansion of the Activan transit service and the additional of universal transit services (vehicles, transfer hubs, facilities, etc.) between 2019-2027 for \$36.0 million;
- Sale of Town owned lands (\$11 million) and facilities (\$1.2 million) between 2018-2019;
- Redemption of the LDC promissory note for \$16.5 million in 2021;
- \$33.1 million in funding of asset management needs to achieve recommended annual funding levels; and
- Eight additional full-time equivalent (FTE) staff in 2019 beyond forecast growth-related needs in Scenario 1.

In conclusion, the Town's financial plan and associated policies are achievable within a 3.9% annual Town property tax rate increases based on the underlying growth assumptions. Depending on the strategic initiatives chosen by Council (i.e. all or some items identified in Scenario 2), this level of property tax support would allow the Town to fund future service demands, increase sustainability and funding for municipal assets and services, and potentially improve the municipalities level of indebtedness (as measured by the Town's policy of annual debt repayment relative to the net levy).