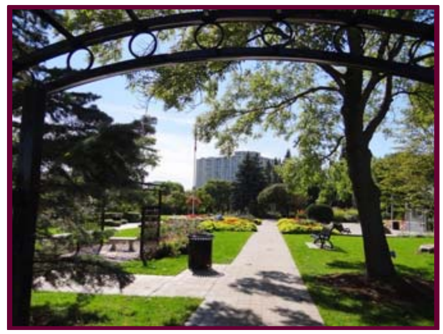
LONG-TERM FINANCIAL MASTER PLAN

City of Brampton


HEMSON Consulting Ltd.

May 17, 2017

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EXECUTIVE SUMMARY

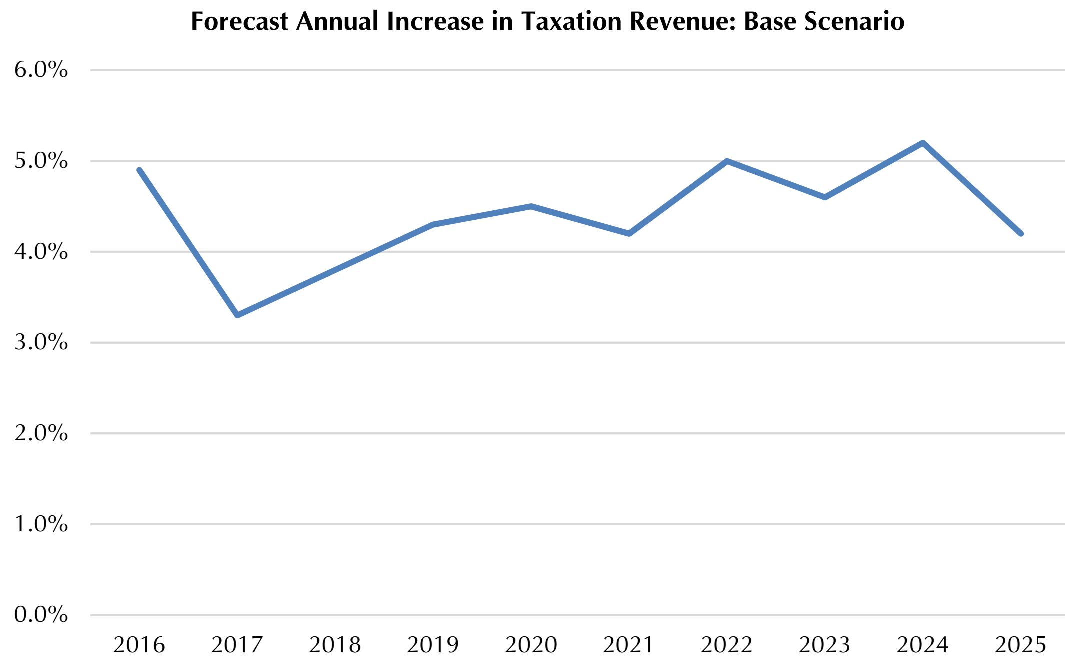
This Long-Term Financial Master Plan (LTFMP) assesses the financial health of the City of Brampton in the context of its demographic and economic environment, municipal financial benchmarks, and current spending and revenues. It includes a 10-year financial forecast for the City as well as financial planning policy recommendations for consideration. This report is accompanied by a dynamic Fiscal Impact Model which is intended for ongoing use by City staff in the annual budget process, assessments of changing capital and operating needs, and sensitivity testing of the impacts of major new initiatives or funding scenarios.

A. THE CITY'S OVERALL FINANCIAL POSITION

The City of Brampton is beginning its detailed long-term financial planning from a relatively advantageous position as one of Canada's fastest growing municipalities. The City benefits from its location within the GTA, high rates of immigration, a strong and diverse economy, and low levels of municipal debt. Strong population, household, and employment growth rates are expected to continue into the coming decade, although at a more modest pace.

Like most municipalities, the majority of the City's revenue is derived through taxation (70 per cent in 2016). User fee and service charge revenue accounted for 25 per cent of total revenues within the City's 2016 budget.

The City of Brampton is in a position to fund its current identified operating and capital obligations with manageable tax revenue increases. Over the next 10 years, the City's total required tax revenues are anticipated to increase at a rate fluctuating from approximately 3 to 5 per cent per year under a status quo "base case" scenario.



The City faces a number of significant current and potential future pressures on taxation rates. These include:

- A potential City share of the capital costs associated with higher-order transit projects along the Hurontario corridor and Queen Street;
- Long-term asset repair and replacement needs, beyond the 2 per cent levy;
- Any City funding for a university or other strategic projects;
- A potential slowing of development charges (DC) revenues as the City's supply of greenfield land diminishes over time;
- Capital costs for new development-related facilities may exceed permissible funding from DCs;
- Potentially lower levels of non-residential growth as compared to residential development; and
- Operating cost increases (e.g. salaries and utilities) exceeding CPI increases.

After taxes, user fees are the second most important operating revenue source for the City. However, user fee revenues per capita for certain services, such as Parks and

Recreation, are relatively low as compared with other large GTA municipalities. As transfers from other levels of government may remain flat or decline in addition to other pressures on the property tax rate, it is important that the City examine opportunities to increase user fees as a revenue source.

Like many Ontario municipalities, the majority of the City's growth-related capital funding comes from development charges. The City's current development charge rates are generally in line with other large neighbouring GTA municipalities, and the City is generally using development charges to the maximum extent under Provincial legislation. Recent amendments to the *Development Charges Act* have implications for the City's next development charges review, particularly with respect to the treatment of transit services.

The City is actively working toward addressing its infrastructure gap with the introduction of an infrastructure levy equal to 2 per cent of the tax levy, as well as the recent completion of its first comprehensive Corporate Asset Management Plan (CAMP). Despite the presence of a large infrastructure gap – particularly for transportation services, stormwater, and transit services – the initial CAMP findings indicate that the City's annual asset management contributions have the potential to fully cover annual expenditures within ten years. As such, the City is in a better position to address deficiencies than most other GTA municipalities. At this time, the asset management requirements identified in the CAMP are largely age-based. Over time, the City will update the funding requirements as more condition and risk based data becomes available.

The City has in place conservative debt management policies and practices, and its current and forecast debt levels are very low as compared with other large GTA municipalities. In 2016, the City's debt charges were equal to only 5.6 per cent of the total allowable annual repayment limit as mandated by the Ministry of Municipal Affairs. The City therefore has substantial debt capacity available to address unforeseen emergency shocks, as well as to consider debt financing for additional future capital projects.

B. KEY DIRECTIONS TO ACHIEVE FINANCIAL SUSTAINABILITY

The LTFMP process has resulted in a set of policy recommendations to improve the City's financial sustainability. These policy recommendations have been grouped under the following 10 key directions to guide the City's financial decisions making:

A. **Make decisions on capital investments based on strategic priorities and financial impacts:** Development of a 10-year capital forecast, improved capital reporting capabilities, and capital project prioritization metrics could contribute to more informed decision-making and long-range planning.

B. **Promote economic growth:** The City should work toward increasing its non-residential assessment share to expand the assessment base. High value employment activity can be targeted through strong employment land conversion policies, strategic partnerships and ongoing collaboration with local businesses, and financial incentives targeting key employment sectors**.**

C. **Review the City's approach to user fees:** The City would benefit from the development of a comprehensive, up-to-date user fee policy to grow revenues and support the provision of a range of high quality services. In particular, there is potential to improve the City's user fee structure for recreation services.

D. **Work to maintain grant revenues:** The City should take full advantage of senior government support by continuously working with AMO, the Region of Peel, Metrolinx, and the Province.

E. **Continue to use development charges to the full extent permitted:** With recent amendments to the Development Charges Act, the City's next development charges review should include a comprehensive review of the treatment of transit services, backed by high quality data and analyses. The City can look to other Ontario municipalities for best practices in this regard.

F. **Maintain the City's infrastructure assets:** A long-term funding strategy is needed to address current and future asset expenditure requirements. The City should consider the recommendations of the recent CAMP.

G. **Continue the use of reserves and reserve funds:** The City's use of a variety of discretionary reserves and reserve fund provides a sound basis for financial planning. Looking to other municipalities for best practices, some adjustments to reserve policies may be appropriate, particularly regarding the General Rate Stabilization Reserve.

H. **Explore opportunities for alternative revenue tools:** As the Municipal Act is currently being reviewed, there may be opportunities to work with AMO and other municipalities to secure permissions for additional revenue tools, similar to those granted to Toronto under the City of Toronto Act.

I. **Continue to explore alternative options to streamline service delivery:** The City should continue to review the operating costs associated with providing its services so that opportunities to reduce costs, such as inter-municipal partnerships, are not overlooked.

J. **Consider issuing debt for major long-term assets:** Given the City's low debt level, there may be opportunities to expand on the use of debt in a financially sustainable manner. For example, some municipalities have used expiring tax levies and multi-year funding commitments to issue new debt. In this regard, dedicated tax funding for the Peel Memorial Hospital expires in 2018, presenting an opportunity for the City to take on new debt for strategic capital projects.

I INTRODUCTION

Hemson Consulting Ltd. was engaged in 2015 to assist the City of Brampton in developing a Long-Term Financial Master Plan. This report assesses the financial health of the City in the context of its demographic and economic environment, municipal financial benchmarks, and current spending and revenues. The results of a 10-year financial forecast for the City are presented and discussed. Finally, long-term financial planning principles and policies are recommended for the City's consideration.

A. STUDY BACKGROUND AND CONTEXT

The City of Brampton has long been one of the fastest growing cities in Canada, with a population that is estimated to have more than tripled since 1986. At approximately 600,000, Brampton is now considered to be Canada's ninth largest city. Looking forward, Brampton's population is expected to continue to grow to nearly 900,000 by 2041.

Brampton benefits from its location within the GTA and close proximity to Pearson Airport. It has a stable and diverse economy with strong employment growth anticipated to continue into the future. Its main economic sectors include manufacturing, food and beverage, life sciences, and information technology.

Brampton is a lower-tier municipality within the Region of Peel. Within this two-tier government structure, the City of Brampton is responsible for the delivery of certain local services. These include arts and culture, by-law enforcement, economic development, fire services, parks and recreation, provincial offences administration, local planning, public transit, snow removal, tax collection, and local roads. To plan for these services, the City undertakes a detailed annual budgeting process.

The City launched the Long-Term Financial Master Plan (LTFMP) study to assess its long-term financial health and sustainability, assess the financial impact of growth and development, help to prioritize program and infrastructure needs, assess the impact of service level changes, address funding requirements for infrastructure replacement needs, demonstrate the need for financial policy changes, and guide Council on fiscal best practices and strategic decision making. The LTFMP was undertaken concurrently with a new comprehensive, City-wide Corporate Asset Management Plan, which will help to improve service delivery while minimizing risk and cost to taxpayers.

The objective of the LTFMP is the development of a long-term plan that is a living document, made up of two key deliverables:

1. Long-Term Financial Master Plan (this report)

- Focus on financial viability, management, flexibility and sustainability;
- Identification of measurable goals, targets, and objectives;
- Overview of financial history and current status;
- Overview of key model findings (10-year forecast);
- Identification of risks, challenges and opportunities; and
- Key directions and policy recommendations to guide the City toward financial sustainability.

2. Fiscal Impact Model

Tool for staff to:

- Assess the current financial position of the municipality;
- Forecast the future financial position of the municipality over the next 10 years or more;
- Identify overall capital and operating needs;
- Assist in the annual budget process;
- Undertake sensitivity testing to understand the impact of major new initiatives, changes, or scenarios; and
- Provide information and data for annual updates to the LTFMP.

Both deliverables are living documents which build upon the past and future long-term planning of the City's various departments. The model may be updated annually by City staff to account for actual outcomes and Brampton's changing economic and fiscal environment. This report may be updated every three to five years to reflect changes as a result of various economic impacts on the long-term plan.

The LTFMP will be a valuable tool for staff to use in preparing multi-year budgets and property tax rates for Council's consideration, as well as guidance on the impact of annual financial decisions on Brampton's longer-term fiscal position. It will assist in:

- Addressing the needs of the growing municipality;
- Ensuring that mandatory services are maintained at appropriate levels;
- Evaluating the cost effectiveness of programs and services across the municipality;
- Determining and evaluating funding options for major strategic initiatives;
- Mitigating the need for a significant increase to budgets and tax rates in any given year, allowing for tax rate smoothing as required; and
- Providing greater transparency for City tax payers.

B. KEY GUIDING DOCUMENTS, STUDIES AND POLICIES

The LTFMP is based on a detailed review of municipal financial documents, including but not limited to the following:

- Capital and operating budgets;
- Financial information returns;
- Facilities Asset Management Plan (draft);
- Parks and Recreation Master Plan (in progress);
- Transit Five-Year Business Plan;
- Development Charges Background Study;
- Corporate Asset Management Plan; and
- Relevant staff reports.

C. REPORT STRUCTURE AND CONTENT

Following this introductory section, the report is divided into the following sections:

Section II discusses the City's overall financial position including a demographic profile and development forecast as well as an overview of revenue sources, operating and capital expenditures, and the City's Municipal Price Index (MPI). An overarching strengths, weaknesses, opportunities, and threats (SWOT) analysis is also provided.

Section III provides an overview of model findings along with descriptions of current practices employed by the City as well as comparable municipalities.

Section IV provides a set of key directions and policy recommendations which arose as an outcome of the long term financial planning process.

Section V concludes the report and discusses suggested next steps.

This Plan is informed by an assessment of policies, practices, and financial indicators found in comparable municipalities, as summarized within Appendix A.

II THE CITY'S OVERALL FINANCIAL POSITION

Brampton's economy is sound and strong. With 9,000 business establishments and 200,000 local jobs, Brampton is one of the largest employment centres in the GTA, well known for its many large-scale manufacturing businesses. The economy is well diversified representing a wide range of industry sectors and regional clusters, including the main economic sectors of manufacturing, food and beverage, life sciences, and information and communication technology. Further, the local real estate market has sustained a top six position in Canada with respect to total construction activity.

Located in the heart of Canada's largest urban region, directly north of Toronto Pearson International Airport, the City of Brampton is well positioned to continue to attract global business investment and educated, skilled residents from across Canada and around the world. Economic and employment growth is expected to continue beyond 2016, but at a more modest rate than in recent decades.

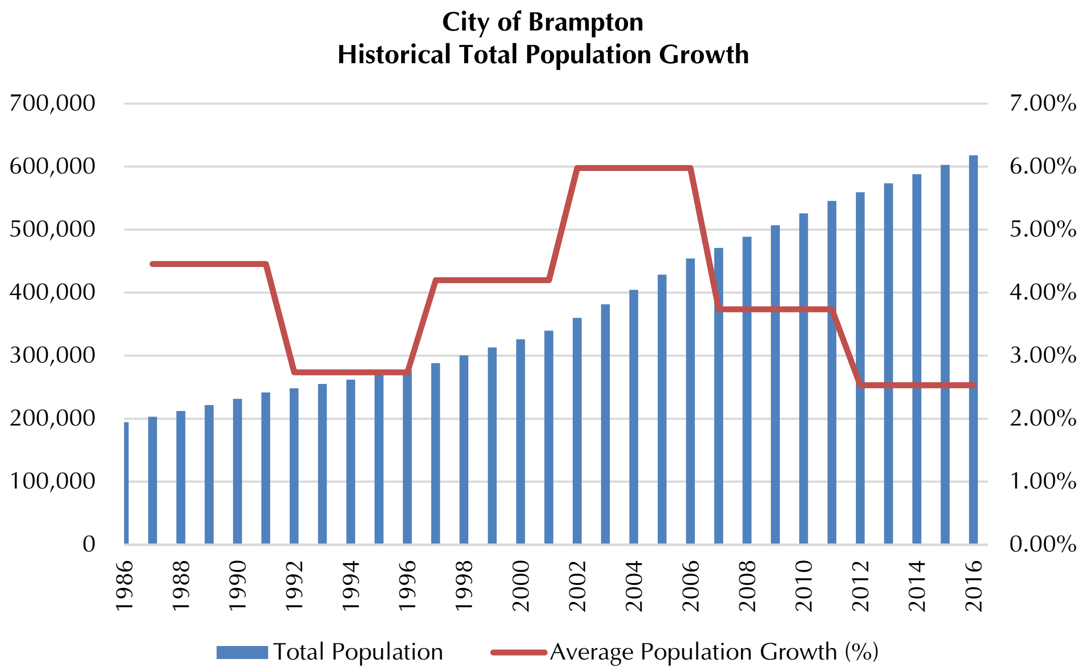
A. RESIDENTIAL AND NON-RESIDENTIAL GROWTH FORECAST

The City of Brampton has historically experienced some of the highest growth rates in Canada. As shown in Figure 1, between 1986 and 2011, Brampton's total population (with undercoverage) grew by roughly 280 per cent from 194,300 to 545,400. This represents an average annual population growth rate of approximately 4.2 per cent.

Information from the 2016 Census reveals that population growth has remained relatively strong, although the rate of growth has been declining in recent years. The average annual rate of population growth during the 2011 to 2016 period is calculated at roughly 2.5 per cent, with total population reaching approximately 618,000 in 2016. This includes the 2016 Census population of approximately 594,000, plus undercoverage estimated at roughly 4 per cent.

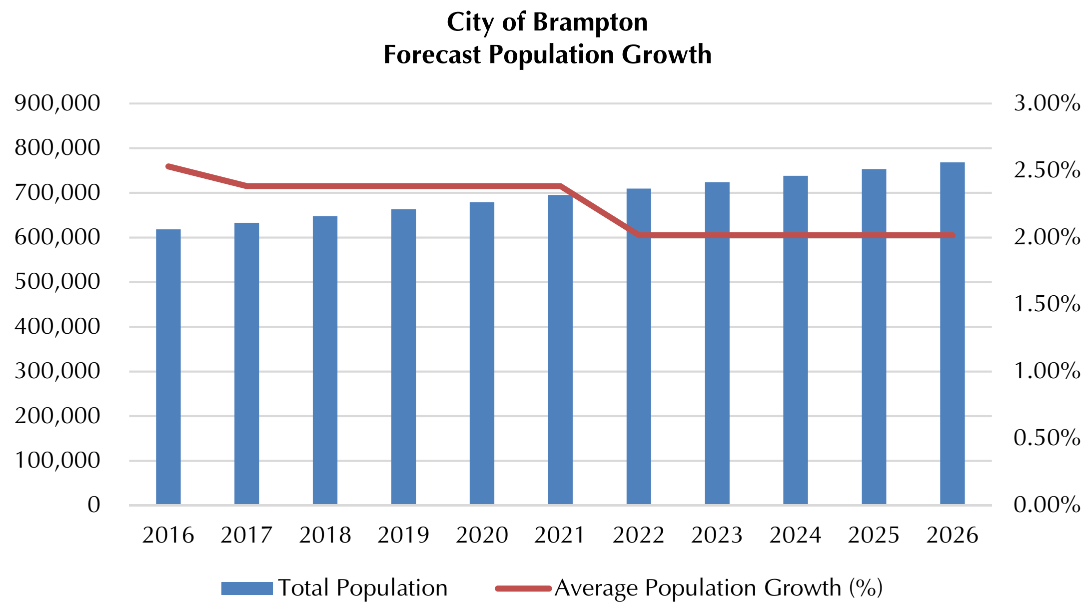
The annual employment growth rate is estimated to have averaged 3.7 per cent over the 2011 to 2016 period, from approximately 172,100 jobs in 2011 to 206,800 jobs in 2016.

Figure 1



As shown in the following Figure 2, growth is expected to continue to slow gradually over the next 10 years. Population growth is anticipated to average 2.4 per cent annually between 2016 and 2021 and 2.0 per cent between 2021 and 2026, reaching approximately 768,200 at the end of the 10-year period.

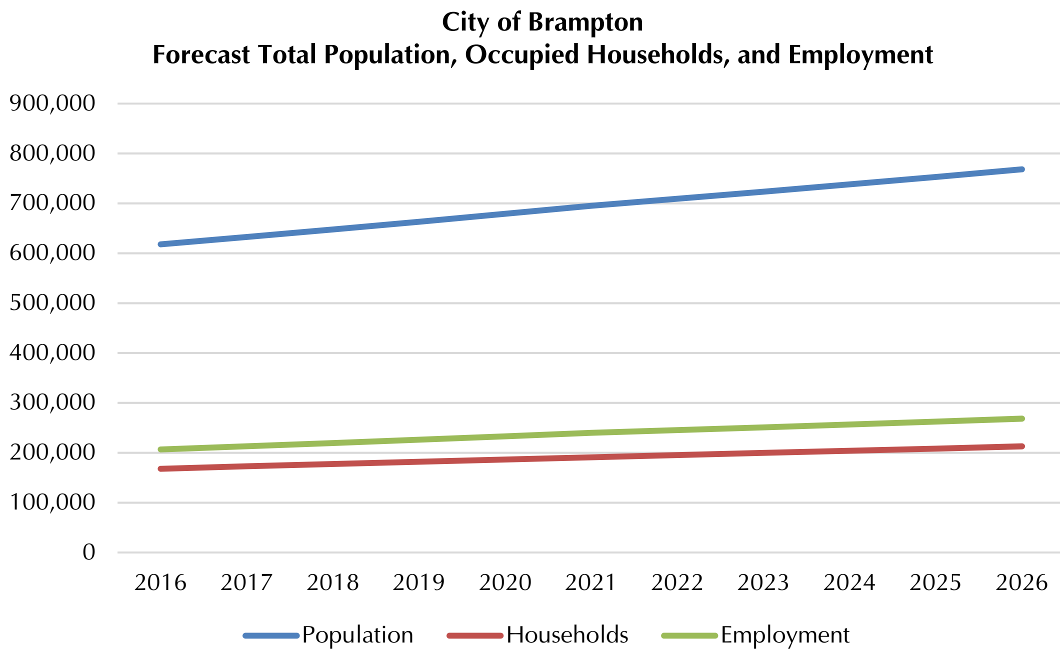
Figure 2



Similarly, employment growth rates are anticipated to decrease slightly to an annual average of 3.0 per cent between 2016 and 2021 and 2.3 per cent between 2021 and 2026, reaching a total of 268,600 jobs in 2026. Over this 10-year timeframe, the share of office employment is anticipated to increase slightly from 8.1 per cent of all place of work employment in the City in 2016 to 10.4 per cent in 2026. The shares represented by other employment categories, including population related employment, employment land employment, and rural employment, are expected to decrease slightly over this time period.

Household growth rates are anticipated to average 2.6 per cent between 2016 and 2021 and 2.2 per cent between 2021 and 2026. No major changes to the composition of dwelling units are anticipated. The share of single and semi detached units is anticipated to decline slightly (from an estimated 67.5 per cent in 2016 to 66.6 per cent in 2026), along with the share of apartment units (from 20.2 per cent to 19.6 per cent). The share of row units is anticipated to increase slightly, from 12.3 per cent in 2016 to 13.8 per cent in 2026. Forecast population, households, and employment are illustrated by Figure 3.

Figure 3



B. CURRENT FISCAL POSITION

This section provides a general overview of the City of Brampton's current fiscal position, including revenues and expenditures along with key financial indicators and comparisons against other GTA municipalities.

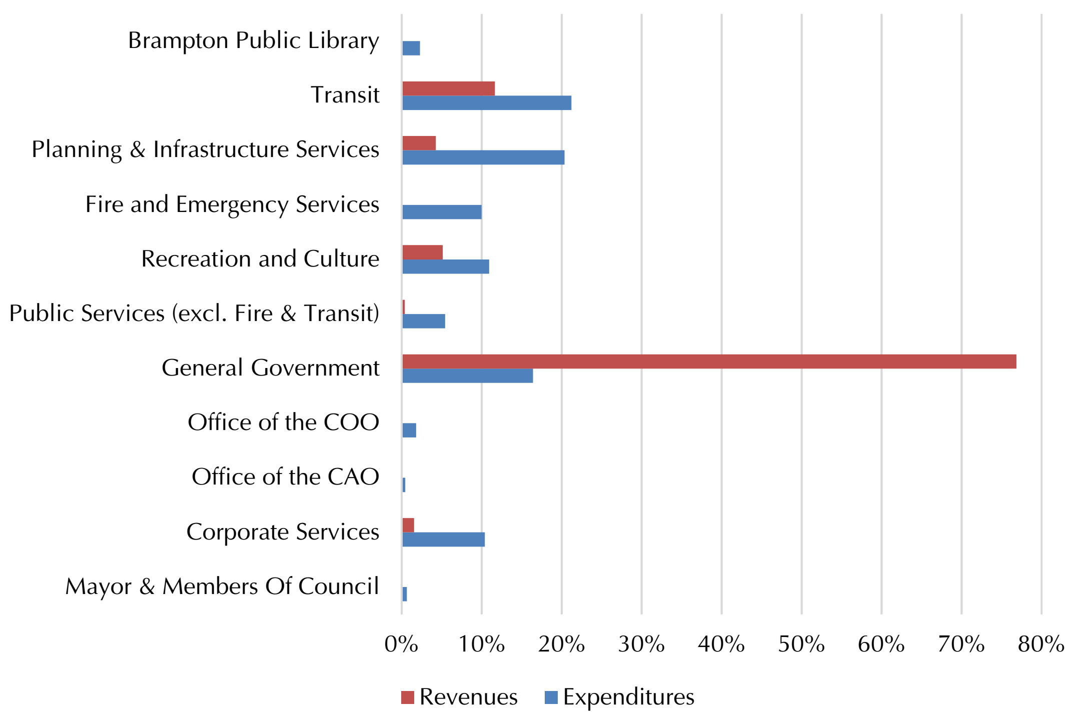
1. 2016 Budget: Revenues and Expenditures

The City's breakdown of 2016 total revenues and expenditures by service is provided in Figure 4. Like most municipalities, the majority of the City's revenue is derived through taxation (within the General Government category), which totaled approximately $423 million or 70 per cent of total revenues. User fee and service charge revenue is distributed across various departments, and totaled approximately $150 million or 25 per cent of total revenues. Grants and subsidies totaled $10.4 million or nearly 2 per cent.

Most of the City's 2016 expenditures fell within the Transit, Planning and Infrastructure Services, and General Government categories, which represented 58 per cent of total expenditures. Salaries and wages represent the City's greatest expenditure, at $359 million or 59 per cent for 2016. This is comparable to other GTA municipalities with similar service obligations. It is noted that as the LTFMP base year is 2016, it uses the City's 2016 departmental structure. Future iterations of the Plan and Fiscal Impact Model will be updated to reflect the City's new structure.

Figure 4

City of Brampton
2016 Budget Revenues and Expenditures



2. Key Financial Indicators

The following provides a brief overview of Brampton's financial position as compared to similar GTA municipalities. More detailed comparisons are included within the Appendices.

a. Tax Affordability

Table 1**Error! Reference source not found.** displays total residential taxes per capita and non-residential taxes per employee across comparable GTA municipalities, based on 2015 Financial Information Return (FIR) data. Both lower-tier and upper-tier taxes are included. The City of Brampton's calculated total residential taxes were in line with the average of roughly $1,000 per capita across the municipalities reviewed. The City's total non-residential taxes estimated at $811 per capita were found to be higher than the estimated average of $673 per capita across the municipalities reviewed. The large number of distribution centres in Brampton – which tend to have more floor space per worker than other uses – is a key reason why the City is at the high end of the sample.

It is noted that as 2016 Census employment information was not yet available at the time of writing, the place-of-work employment numbers used in these calculations represent estimates by Hemson Consulting Ltd. based on historical data.

Table 1

Taxes Per Capita and Employee (2015): Select GTA Municipalities

	Residential Taxes Per Capita			Non-Residential Taxes Per Employee		
	Lower-Tier	Upper-Tier	Total	Lower-Tier	Upper-Tier	Total
Brampton	$513	$471	$985	$436	$374	$811
Mississauga	$374	$471	$845	$274	$374	$649
Markham	$315	$657	$973	$146	$316	$462
Vaughan	$404	$657	$1,062	$235	$316	$551
Oakville	$699	$495	$1,194	$351	$300	$651
Burlington	$606	$495	$1,101	$365	$300	$664
Toronto	$853	$0	$853	$925	$0	$925

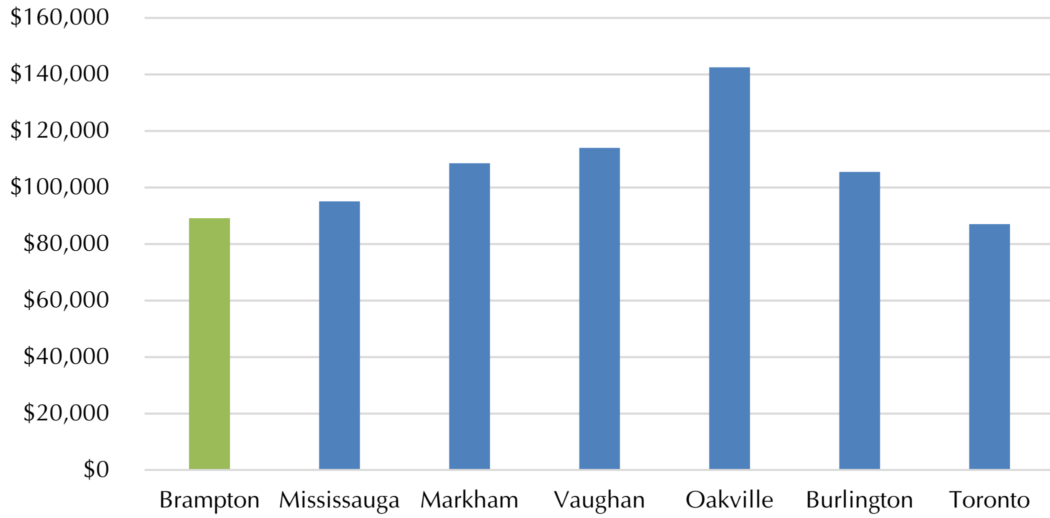
Sources: Financial Information Return (FIR), 2015; Hemson Consulting Ltd. (estimated number of employees)

b. Household Income

Figure 5 presents a comparison of average household income across several GTA municipalities. It is noted that as at the time of writing, 2016 Census income information was not yet available, data from the 2011 National Household Survey (reflecting the 2010 taxation year) was used for comparative purposes. Brampton's average household income of approximately $89,000 was found to be generally in line with that of the other municipalities reviewed, although lower that the average of approximately $106,000.

Figure 5

Average Household Total Income (2010): Select GTA Municipalities



Source: National Household Survey, 2011

c. Tax-Supported Reserves

Table 2 shows a comparison of total tax-supported reserve balances, as a percentage of own source revenues and as a per-capita amount, across GTA municipalities based on 2015 FIR data. Brampton's tax-supported reserves are roughly in line with the average of 46 per cent of own source revenues and $562 per capita across the municipalities reviewed.

Table 2

Tax-Supported Reserves (2015): Select GTA Municipalities

	Total Balance as % of Own Source Revenues	Total Balance Per Capita
Brampton	51%	$498
Mississauga	42%	$384
Markham	42%	$397
Vaughan	34%	$382
Oakville	80%	$1,028
Burlington	56%	$665
Toronto	18%	$577

Source: Financial Information Return (FIR), 2015

d. Debt

The City of Brampton has significant debt capacity available. As shown in Table 3, in 2015 the City used only 6 per cent of the Provincial debt charge limit of 25 per cent of own source revenues. On average, the municipalities reviewed used 16 per cent of the Provincial limit. Brampton's debt charges per capita of approximately $15 in 2015 were also significantly lower than the average of approximately $70 per capita across the municipalities reviewed. Further detail is provided in Appendix A.5.

Table 3
Use of Debt (2015): Select GTA Municipalities

	Total Debt Charges as % of Own Source Revenue	Debt Capacity Used (% of Provincial Limit)	Debt Charges Per Capita
Brampton	2%	6%	$15
Mississauga	2%	7%	$16
Markham	0%	1%	$3
Vaughan	5%	18%	$51
Oakville	5%	18%	$58
Burlington	8%	32%	$96
Toronto	8%	31%	$248

Source: Financial Information Return (FIR), 2015

C. SWOT ANALYSIS

This section provides a summary of some of the key strengths, weaknesses, opportunities, and threats that have been considered in the development of the Long-Term Financial Master Plan.

Strengths

- Central location within the GTA and close to Pearson airport
- Diversified economy
- High rates of immigration; strong population and employment growth

- Well-developed transportation network with major highways, and an improving transit network
- High quality of City and Regional people-focused services
- Competitive taxation levels with other municipalities
- Significant available debt capacity can provide flexibility and resiliency in the event of an unforeseen financial crisis or shock
- Diverse, educated, and relatively young population base

Weaknesses

- Downtown Urban Growth Centre has been slow to develop
- Continued market preference for residential development in key areas

Opportunities

- Relatively high levels of greenfield land availability as compared with other GTA municipalities
- Queen and Main Street corridor have significant redevelopment potential
- Addition of a university may stimulate additional commercial and high density residential development, as well as economic growth

Threats

- Increasing vehicular traffic
- National economic challenges and slow growth in many manufacturing sectors
- Competition from similarly positioned GTA municipalities
- Ageing of the population may require more recreation and transportation investments than have historically been provided
- Emerging technology, such as automated vehicles, may require significant infrastructure investments with minimal lead time
- Increasing asset management obligations

- Large deficits at the Provincial and Federal levels may impact availability of one-time grants beyond current infrastructure programs

- Development charges revenues may slow when greenfield land supply becomes more scarce and intense forms of development are required to meet Official Plan targets

- Climate change and increasing environmental regulations regarding stormwater management and other services

- A number of planned or potential major capital projects are currently unfunded

III KEY MODEL FINDINGS AND CURRENT PRACTICES

This section presents the outputs of the Fiscal Impact Model as well as current practices and policy considerations under each of the following categories:

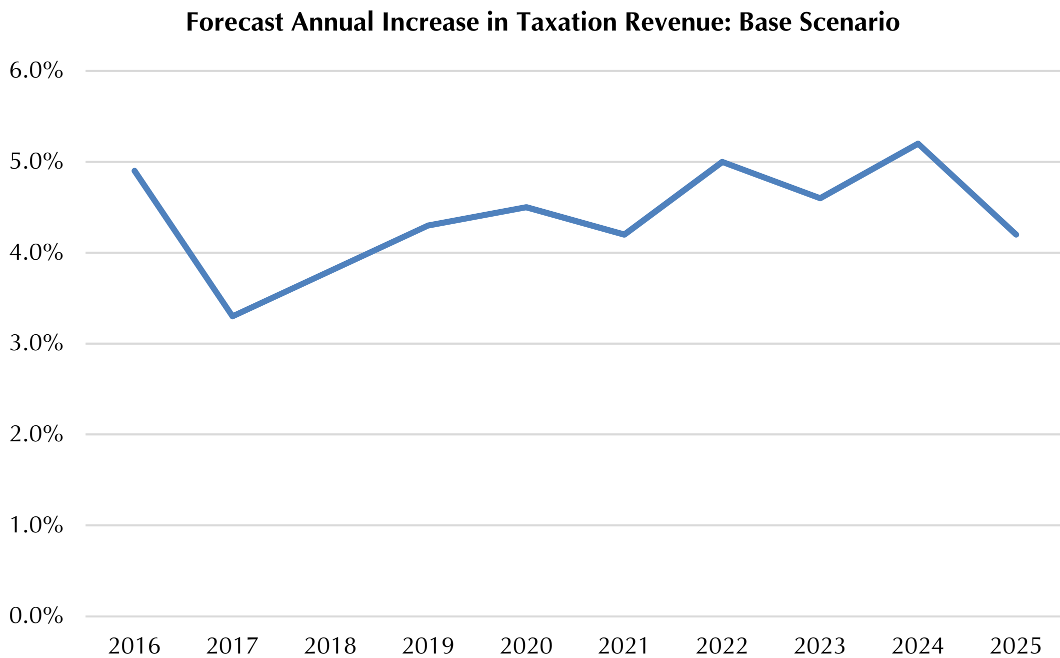
A. Taxation Forecast
B. Operating Expenditure Forecast
C. Assessment Growth
D. User Fees
E. Senior Government Grants
F. Growth Related Capital
G. Asset Management
H. Corporate Reserves
I. Debt Management

As part of this review, practices in comparable municipalities were assessed. Appendix A contains further information regarding financial policies and practices employed by comparable municipalities, as well as financial indicator comparisons.

A. TAXATION FORECAST

The City of Brampton is in a position to fund its current identified operating and capital obligations with modest taxation revenue increases. Figure 6 below shows that annual increases are expected to remain within the general range of 3 to 5 per cent. It is noted that the graph is based on a number of assumptions, such as the timing of new capital infrastructure emplacement, which may change over time. This base scenario eliminates the dedicated tax levy for the Peel Memorial Centre hospital after 2018, when funding is anticipated to be complete. The base scenario does not account for a number of potential major projects, such as Riverwalk and the future university, and assumes full senior government grant funding should the City move forward with construction of the Hurontario corridor LRT extension and/or the Queen Street LRT/BRT. The base scenario does include an annual 2 per cent infrastructure levy for asset replacement.

Figure 6



The City should consider several potential risks that could lead to future tax rate pressures. These include:

- A potential City share of the capital costs associated with higher-order transit projects along the Hurontario corridor and Queen Street;
- Long-term asset repair and replacement needs, beyond the 2 per cent levy;
- Any City funding for a university or other strategic projects;
- A potential slowing of development charges (DC) revenues as the City's supply of greenfield land diminishes over time;
- Capital costs for new development-related facilities may exceed permissible funding from DCs;
- Potentially lower levels of non-residential growth as compared to residential development; and
- Operating cost increases (e.g. salaries and utilities) exceeding CPI increases.

Many of the City's currently unfunded potential capital projects are planned to begin construction in 2019 or soon thereafter. Completion of the hospital levy in 2018 presents an opportunity for the City to mitigate the impact of some of these investments on annual tax rate changes.

For illustrative purposes, annual taxation revenue increases under an alternative scenario (Scenario 2) are shown in Figure 7. This scenario considers:

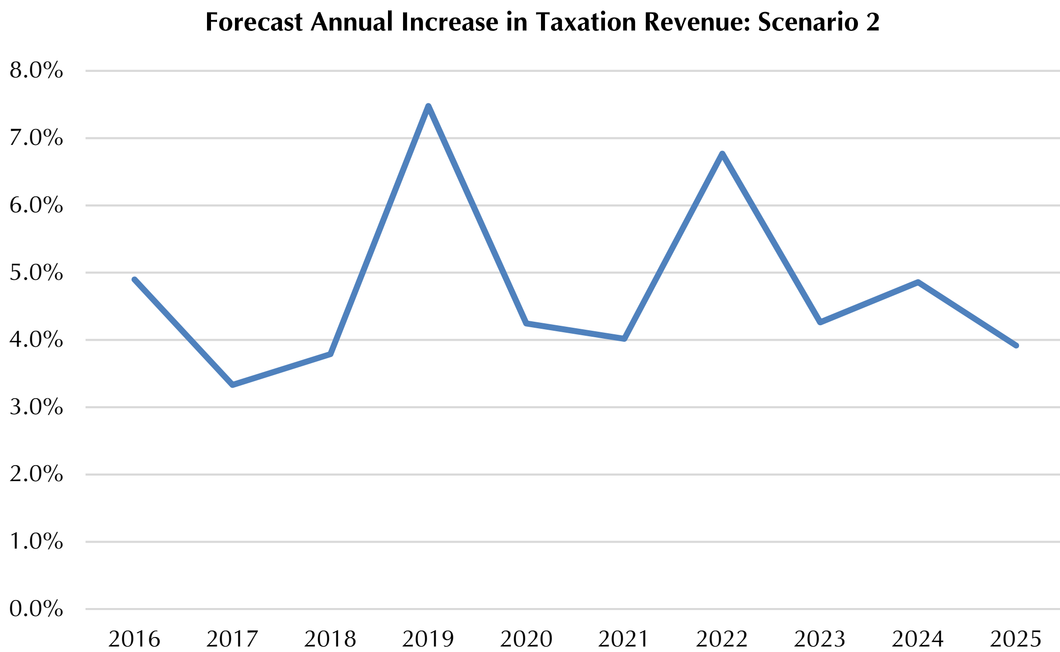
- Issuance of $210 million in debt in 2019 and $210 million in 2022 to fund the estimated City share of the two potential higher order transit projects. Annual debt charge amounts assume a 25-year term and 3.4 per cent interest rate; and

- A complete drawdown of the $100 million Legacy Fund balance, also in 2019, for funding of potential projects such as a university or the Riverwalk project. This drawdown could result in a loss of up to $4.5 million in annual investment income.

Scenario 2 results in an abrupt increase in required taxation revenues in 2019 of 7.5 per cent, as compared with a 4.3 per cent increase in 2019 under the base scenario. A 6.8 per cent increase would be experienced in 2022 with the assumption of additional debt payments. It should be considered that this scenario is based on a number of project timing and cost assumptions which are unknown at this time.

While taxation pressures associated with many of the City's planned or potential capital investments could be significant, these decisions should take into account benefit or value to taxpayers. Many of these projects have the potential to lead to significant service level improvements, such as efficient and reliable transit services or improved fire and emergency response times.

Figure 7



It is noted that the LTFMP Fiscal Impact Model provides the flexibility to allow City staff to test the impacts of a wide range of funding scenarios. For example, should the City choose to move forward with the major capital projects under Scenario 2, staff could explore options to mitigate tax rate impacts by adjusting the timing of the projects.

B. OPERATING EXPENDITURE FORECAST

1. Municipal Price Index (MPI)

In recent years, municipalities have faced significant fiscal pressures as the cost of municipal goods and services have increased at a greater rate than many common inflation measures such as the Consumer Price Index (CPI). The cost increases have in turn resulted in pressure on property taxes – municipalities' primary revenue source. Furthermore, unlike many provincial or federal government revenue sources, property tax rates are adjusted annually and do not automatically grow like income taxes, for example.

In order to better understand the relationship between required goods and services and cost pressures, municipalities across Canada have begun to calculate municipal price indices. As with any index, a municipal price index (MPI) is created by grouping various types of expenditures and applying a weighting and cost factor (inflation) to each grouping. In recent years Brampton has been including MPI estimates as part of its budget book.

a. The CPI is a Commonly Used Measure of Inflation

Inflation is the measure of the change in prices over a period of time. The CPI is the most common measure of inflation and is calculated by Statistics Canada. The Statistics Canada website (www.statcan.gc.ca) describes the CPI as:

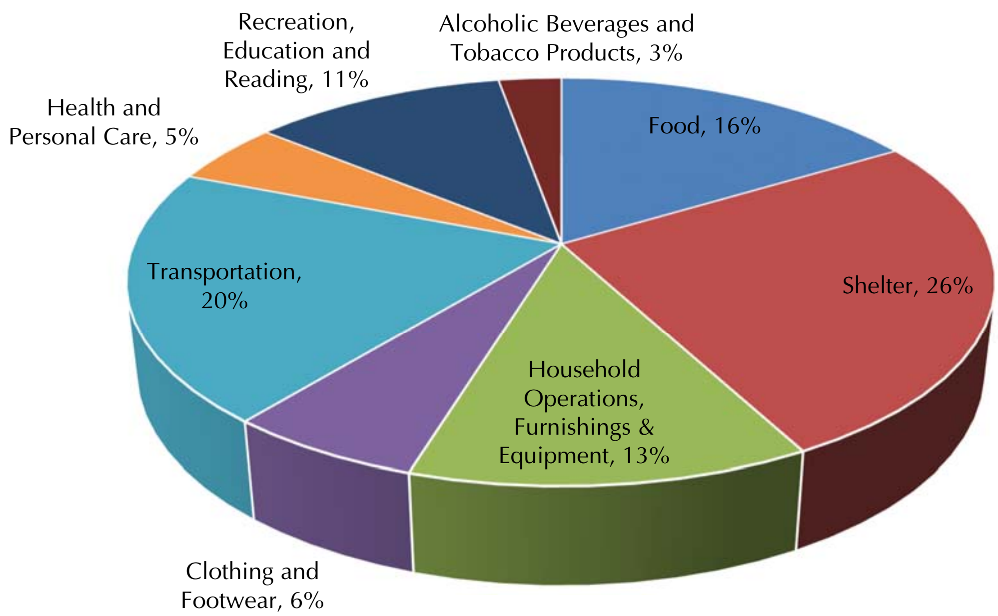
> *"an indicator of changes in consumer prices experienced by Canadians. It is obtained by comparing, over time, the cost of a fixed basket of goods and services purchased by consumers. Since the basket contains goods and services of unchanging or equivalent quantity and quality, the index reflects only pure price change."*

CPI is calculated using a basket of goods that attempts to represent the expenditures of an average citizen. Each category in the basket of goods is given a weight to represent the portion of expenditures that the category represents. For example, as shown in Figure 8, the weighting applied to shelter is approximately 26 per cent, meaning that the average citizen spends 26 per cent of their total expenditures on shelter. Other major components of the index include transportation (20 per cent) and food (16 per cent).

It is noted that costs are measured for a typical "consumer", rather than a business or municipal corporation. Some cost elements within the CPI are commonly purchased by municipalities (e.g. transportation, furnishings and equipment, and the water and energy costs associated with buildings). However, while direct labour costs are a major expense category for organizations, they are excluded from the CPI.

Figure 8

Statistics Canada CPI Basket of Goods Weighting



Source: Statistics Canada 2013

As shown in Table 4, over the past five years the CPI calculated for the Province of Ontario has averaged 1.55 per cent.

Table 4

CPI for Ontario

Category	2012	2013	2014	2015	2016	5-year average
Food	2.26%	1.45%	2.48%	3.67%	1.63%	2.30%
Shelter	1.54%	1.52%	3.62%	2.28%	2.68%	2.33%
Household Operations, Furnishings & Equipment	1.79%	1.32%	2.08%	3.14%	1.48%	1.96%
Clothing and Footwear	(1.97%)	(1.00%)	3.15%	0.55%	(0.22%)	0.10%
Transportation	1.48%	0.77%	0.68%	(4.15%)	1.02%	(0.04%)
Health and Personal Care	0.94%	0.08%	1.01%	1.58%	1.23%	0.97%
Recreation, Education and Reading	1.13%	0.75%	1.48%	2.01%	2.15%	1.50%
Alcoholic Beverages and Tobacco Products	0.51%	1.08%	5.61%	4.03%	3.43%	2.93%
All-Items	1.42%	0.99%	2.36%	1.19%	1.81%	1.55%

Source: Statistics Canada 2016, CANSIM Table 326-0020

Recent CPI growth has been relatively low and in some categories the index is negative. Macroeconomic factors such as the Canadian dollar and the production of certain goods moving to cheaper overseas locales contribute to these trends.

b. The MPI is Calculated in a Similar Manner to the CPI

Partially due to the deficiencies of the CPI in relation to municipal costs, municipalities across Canada have begun to calculate municipal price indices that reflect a municipal government's expenditure categories and weights. The methodology for calculating an MPI is similar to the CPI. The first step is to identify expenditure categories and the weight applied to each.

The City of Brampton LTFMP model calculates an MPI on an annual basis based on the inflationary drivers for the specific goods and services purchased by the City. The 2016 weighting and long-term inflation factors used in the LTFMP model are shown in Table 5. The long-term inflation factors were derived from several sources including the 2017 budget, historical experience and values used by other orders of government. The inflation values shown in Table 5 consider price inflation but not volume (e.g. population related) increases.

Table 5

City of Brampton Municipal Price Index (MPI)

Account Branch	2016 Weighting	10-Year Annual Price Inflation
Salary, Wages and Benefits	65.7%	2.5%
Office and Administrative	2.0%	2.0%
Advertising, Marketing & Promotion	1.1%	2.0%
Staff Development	0.4%	2.0%
Professional Services	0.6%	2.0%
Rent and Lease Charges	1.7%	2.0%
Repairs, Maintenance and Materials	4.4%	2.0%
Contracted Services	9.7%	2.5%
Utilities and Fuel	6.4%	4.0%
Grants, Subsidies and Donations	3.0%	2.0%
Internal Borrowing Repayments	1.8%	0.0%
Financial Services	3.0%	2.0%
Total	100.0%	2.5%

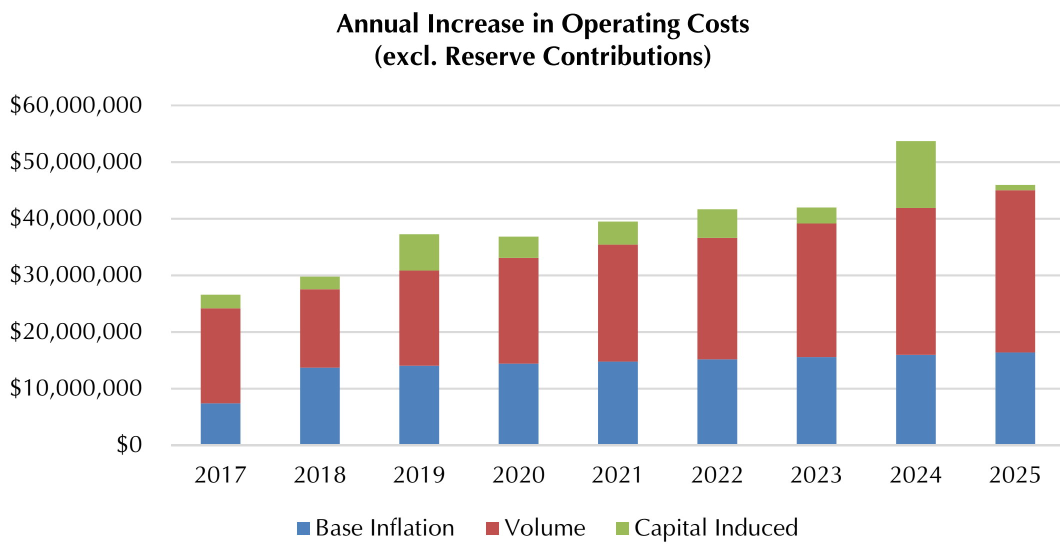
It is noted that the annual price inflation of 2.5 per cent attributed to Salaries, Wages, and Benefits has been lowered to 0.8 per cent for the first year of the Fiscal Impact Model to reflect a one-time adjustment in 2017. However, a longer term (beyond 2017) annual increase of 2.5 per cent is considered reasonable.

Finally, it is important to note that the inflationary values in Table 5 are long-term (10-year) estimates, which contrasts to the MPI inflationary values in the 2017 budget that exclusively compare 2016 and 2017 budgetary estimates.

2. Operating Expenditures Forecast

Figure 9 provides a summary of the annual increase in operating costs for the 2017 – 2025 period, excluding contributions to reserves.

Figure 9



Base inflation represents the increased costs experienced even if the City did not grow e.g. wage settlements. Volume increases consider the incremental cost of providing more services as growth occurs. e.g. new staff hired to maintain more acres of parkland. Capital induced increases are also growth-related but are tied to specific major facilities e.g. staff hired to operate a new recreation centre. Operating costs spike in 2019 and 2024 when new major capital facilities enter service.

Appendix B provides a summary of the major capital projects considered in the financial plan model. Many of the projects are sourced from the Development Charges Study, Corporate Asset Management Plan, Facilities Master Plan and other service-specific forecasts. It is understood that Council has not had an opportunity to formally endorse many of the projects, however the list provides a reasonable basis for the 10-year forecast.

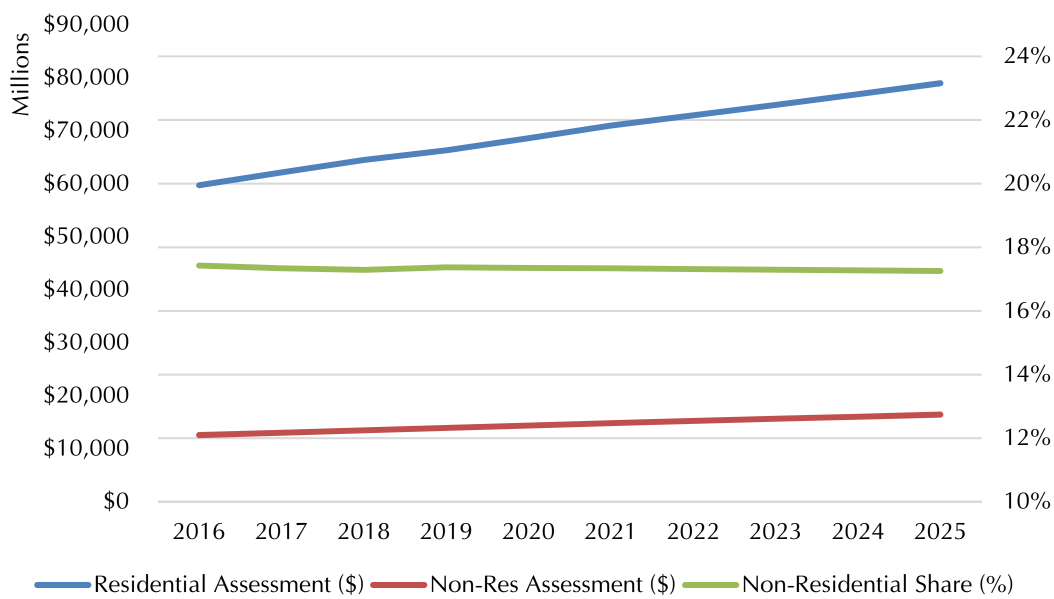
C. ASSESSMENT GROWTH

Property taxes in Ontario are based on the assessed value of real property (land and improvements). The diversity and "richness" of the assessment base are indicators of a municipality's financial strength and flexibility. In particular, a high non-residential assessment share is an indicator of fiscal strength given that non-residential properties tend to place less demand on municipal services than residential properties, and typically pay proportionally higher taxes.

The City of Brampton currently has a total assessment value of approximately $72.3 billion, including a residential assessment value of $59.7 billion and a total non-residential assessment value of $12.6 billion. These assessment values are anticipated to grow at an average rate of 3 per cent annually over the coming years, as shown in Figure 10.

Figure 10

City of Brampton
Forecast Assessment Growth



Brampton's overall unweighted residential to non-residential (commercial/office and industrial) assessment ratio, based on the 2015 Financial Information Return, is approximately 82:18 per cent. Table 6 shows that this ratio is generally in-line with the assessment ratios across comparable municipalities.

Applying a weighted approach, the City's non-residential assessment share grows to approximately 23 per cent. This share is slightly lower than the average weighted non-residential assessment share of 25 per cent among the municipal comparators (Table 7). It is noted that the Region of Peel delegates authority to its area municipalities to set tax ratios for the various property classes according to their budgetary needs, within an established "range of fairness".

The assessment composition tables align with the relationship between population and employment in the City. Brampton has more residents with jobs than local job opportunities, resulting in a low activity rate (the ratio of employment to population) as compared with other GTA municipalities and high rates of out-commuting. The City's ongoing Municipal Comprehensive Review and Employment Land Policy Study have identified a number of challenges faced by the City in attracting, retaining, and supporting non-residential development, including significant competition with neighbouring municipalities (e.g. Mississauga, Vaughan, Toronto) for office development as well as a limited supply of designated employment land. As designated employment land cannot be replaced once re-designated to non-employment uses, it is critical that the City retain as much employment land as possible both within its built boundary and in greenfield lands.

Additional assessment and tax rate information from comparable municipalities is provided in Appendix A.1.

Table 6

Assessment Ratio Comparison - Unweighted

Property Class	Brampton	Mississauga	Caledon	Markham	Vaughan	Oakville	Burlington	Toronto	Average
Residential	82%	75%	86%	84%	77%	86%	82%	80%	82%
Commercial/Office	14%	20%	9%	14%	16%	12%	15%	19%	15%
Industrial	4%	4%	4%	2%	6%	2%	3%	2%	3%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Source: Financial Information Return (FIR), 2015

Table 7

Assessment Ratio Comparison - Weighted

Property Class	Brampton	Mississauga	Caledon	Markham	Vaughan	Oakville	Burlington	Toronto	Average
Residential	77%	69%	82%	82%	75%	80%	75%	58%	75%
Commercial/Office	17%	25%	12%	15%	18%	16%	19%	39%	20%
Industrial	5%	6%	6%	2%	8%	4%	6%	3%	5%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Source: Financial Information Return (FIR), 2015

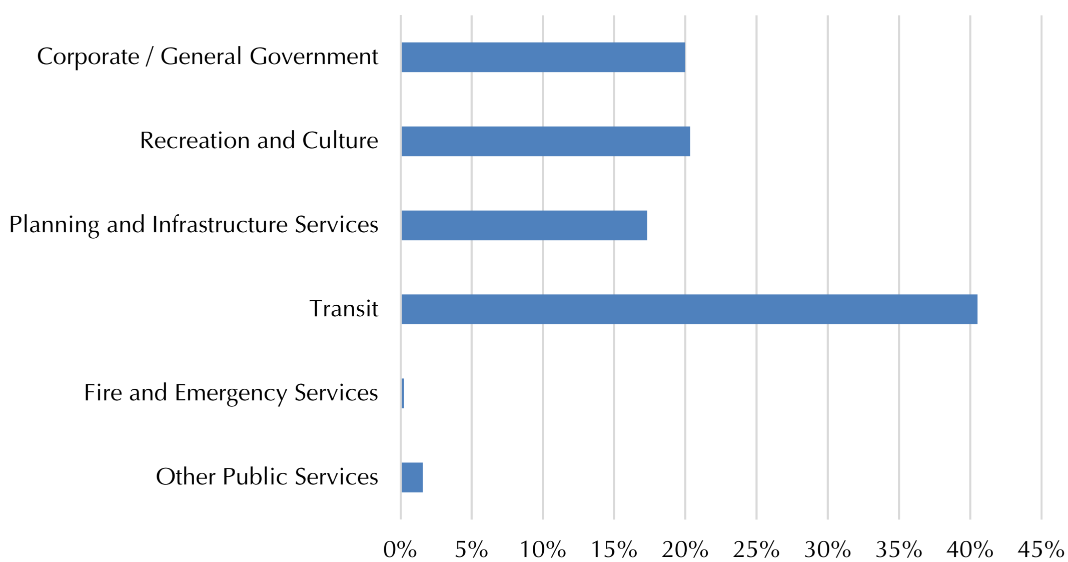
D. USER FEES

Municipalities, including the City of Brampton, have limited revenue raising tools available and after property taxation, user fees are the most significant source of own source revenue. As transfers from other levels of government may remain flat or decline in addition to other pressures on the property tax rate, it is important that the City examine opportunities to increase user fees as a revenue source.

The City of Brampton offers a broad range of services with many hundreds of user fees including recreation fees, admission fees, permit and license fees, transit fares, rents and fees from the sale of publications and other products. User fees are an important revenue source for the City, amounting to $149.5 million and representing 25 percent of the City's total tax supported revenues in 2016. User fees revenues generated from Transit services is the largest component of this total, at 41 per cent or $60.6 million. Figure 11 illustrates the distribution of these revenues by general service area.

Figure 11

City of Brampton 2016 Budget
User Fee Revenue



The following components describe the current use of user fees in the City, as well as how they relate to practices in comparable municipalities. A more detailed comparison of user fee revenue amounts for various services across a number of GTA municipalities is included in Appendix A.2.

1. Recreation User Fees

In general, recreation fees are paid for by users from discretionary income. To that extent, the level of participation in recreation programs (the "demand") is influenced by the price of programs. In the municipal context, Brampton's recreation user fee policy considers some dynamic pricing methodologies to generate additional revenues while balancing affordability and promoting participation. Such example include:

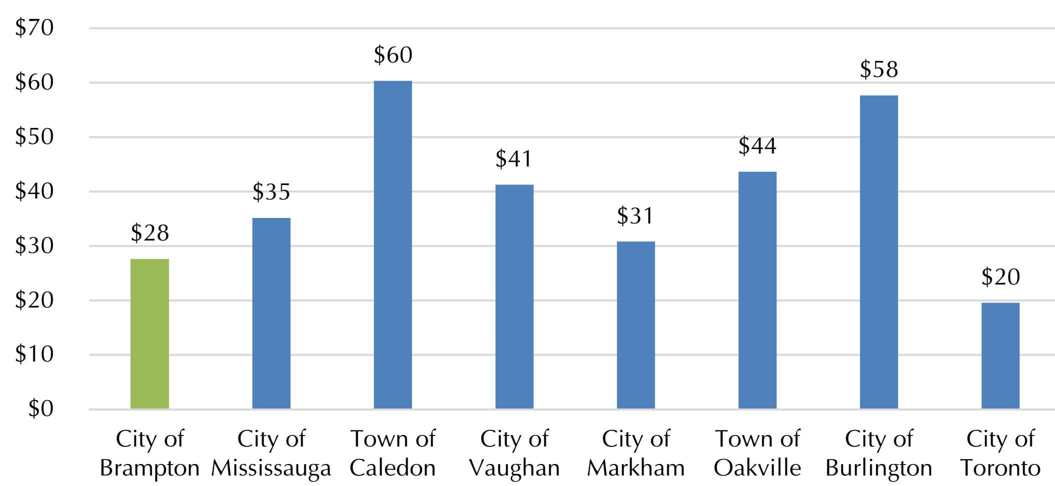
- Tiered pricing for some facility rentals relative to demand (prime vs. non-prime);
- Discounted pricing for specific users (older adults, affiliated community groups, family discounts for multiple child program enrollment, etc.);
- ActiveAssist is a fee subsidy program designed to help low-income families and individuals in Brampton participate in Recreation programs; and
- Non-resident surcharges (25 per cent per person, per program, per session).

Figure 12 below compares user fee revenue per capita for recreation services across a number of GTA municipalities based on 2015 Financial Information Return (FIR) data. It should be noted that each municipality may prepare their FIR submission in a slightly different manner with respect to cost allocations and charge backs. That being said, the results should still be relevant for high level comparisons.

It is demonstrated that the City of Brampton's recreation user fee revenues per capita were among the lowest, at approximately $28, as compared to an average of roughly $39 per capita across these municipalities.

Figure 12

Recreation User Fee Revenue Per Capita



Source: 2015 Municipal Financial Information Returns

When evaluating recreation user fee revenue indicators, it is important to consider ability to pay principles and the qualitative value that these services provide to Brampton's residents.

2. Stormwater User Fees

The Region of Peel is responsible for the operation of the City's water and wastewater infrastructure, which is supported by utility rates. The replacement of stormwater infrastructure in the City of Brampton is currently funded through property taxes.

Many municipalities have recently begun the process of moving stormwater pond and linear infrastructure to a utility based charge to better align the nexus between who benefits and who pays for the service. As such, the City of Brampton is currently undertaking a Stormwater Financing Strategy with the intention of shifting the funding of this service from property taxes to utility rates. Study results are expected in 2018. Currently, the City spends approximately $3.1 million per year on stormwater capital replacements; these funds could be reallocated to tax supported projects if a stormwater charge were to be implemented.

Table 8 below provides a comparison of the stormwater rates currently in force in similar GTA municipalities and the revenue generated from the implementation of these fees. Shifting recovery of stormwater services to a user rate system away from property taxes will allow a traditionally underfunded service to generate sufficient revenues to cover costs, particularly as capital costs are expected to increase significantly in the future.

Table 8
Stormwater User Fees – Residential Rate Comparison of Select GTA Municipalities

Municipality	2017 Fee Rate	Rate Structure Basis	Revenue Generated
Vaughan	$47.41 per year for a typical residential household	Calculated based on the proportion of rainwater runoff	$5.4 Million
Mississauga	$102 per billing unit Typical Residential Unit = $70.44	To be assigned based on roofprint or total impervious area if available to the satisfaction of the Stormwater Charge Program Coordinator	$41.5 Million
Richmond Hill	$57.10 a year for Residential and Farmland Properties $165.89 a year for Industrial, Commercial and Multi-unit and Condominium properties	Rates are applied based on the property tax class of your property, which is determined by MPAC	N.A.
Markham	$47 per residential property and $29 per $100,000 of CVA for non-residential	To achieve an equitable distribution, fees are based on City-wide runoff potential for all residential and non-residential properties (60% residential and 40% non-residential) considering the runoff from these land uses.	N.A.

3. Transit Fees

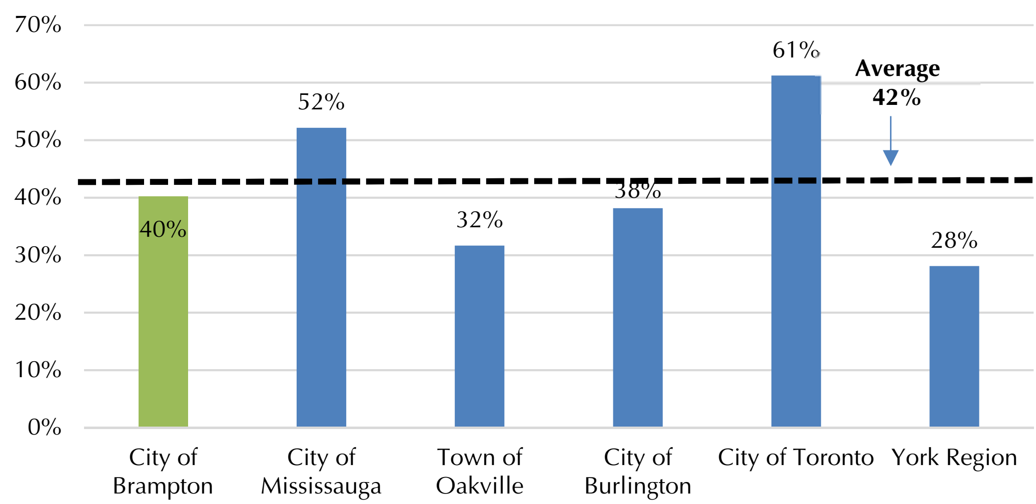
Brampton Transit offers City-wide services by way of a fleet of over 400 buses, which operate on 65 routes. Brampton Transit is one of the fastest growing transit providers in Canada with more than 21 million passengers in 2015. This represents a 15 per cent increase in ridership from 2012 (18.4 million passengers).

According to 2015 FIR data, the City of Brampton collected nearly $50 million in transit user fees, which accounts for about 40 per cent of the total operating expenses associated with providing the service. This cost recovery ratio is relatively close to the cost recovery average compared to a survey of other GTA municipalities with transit services (Figure 13). That being said, Brampton's transit service cost recovery is markedly lower than the likes of the City of Toronto's TTC operation and about 12 per cent lower than the City of Mississauga's MiWay transit service. This is likely reflective of differences in the level of intensification along transit routes, and therefore ridership per transit vehicle, in these municipalities. Additionally, GTA municipalities are often required to provide transit on routes before adjacent subdivisions are fully built-out.

It should be noted that 2016 budget estimates suggest that Brampton's transit revenue would reach about $60 million.

Figure 13

Transit Services Cost Recovery Comparison: Select GTA Municipalities



Source: 2015 Municipal Financial Information Returns

As shown in the Table 9 below, the Brampton Transit rates currently in-force are comparable to other GTA municipalities with transit services.

Table 9 Transit Fare Comparison – Adult Cash Fare per Ride					
Brampton	**Mississauga**	**Oakville**	**Burlington**	**Toronto**	**York Region**
$3.75	$3.50	$3.50	$3.50	$3.25	$4.00*

**Note: Fare shown is applicable to Zone 1. Travel into Zone 2 would require an additional $1.00 charge.*

4. Building Permit Fees

Municipalities are permitted to charge fees to recover all costs associated with the administration and enforcement of the *Building Code Act*, and the City of Brampton currently recovers for all direct and indirect costs of providing building code review services. In addition, a municipality is able to create a reserve fund to manage costs as the City is not required to adjust its fees every year in order to match expenses. Indeed, as the majority of building permit costs are payroll expenditures it would be impractical to even attempt to match revenues and costs on an exact annual basis.

While a steady level of permit volume is anticipated, there will likely be fluctuations in both the number of permit applications and the amount of corresponding revenues from any one year to the next. This could result in an imbalance between costs and revenues. In years of high activity revenues will likely exceed costs. However, in quieter years, costs may well exceed revenues. The City's Building Rate Stabilization Reserve Fund has been in place since 2006 – as of year-end 2015, approximately $37.0 million is available to manage building code related costs.

There are several different approaches to determine what an appropriate Building Rate Stabilization Reserve Fund balance should look like. For example, a reserve fund should be sufficient to offset the revenue shortfall resulting from two consecutive low years of permit volume (similar to two straight years of revenue generated in 2009 after the recent recession). According to the Ontario's Large Municipalities Chief Building Officials (LMCBO), a building permit reserve could represent 1.5 to 3.0 times the gross operating budget of the building department. It is noted that Brampton's Building Rate Stabilization Reserve Fund currently represents about 2.9 times the City's cost of providing building code service.

5. Planning and Development Fees

The *Planning Act* stipulates that planning (or development application) fees must "meet only the anticipated cost to the municipality" of each type of application provided in its tariff of fees. Section 69 (1) of the *Planning Act* contains the following provision:

> *69. (1) The council of a municipality, by by-law, and a planning board, by resolution, may establish a tariff of fees for the processing of applications made in respect of planning matters, which tariff shall be designed to meet only the anticipated cost to the municipality or to a committee of adjustment or land division committee constituted by the council of the municipality or to the planning board in respect of the processing of each type of application provided for in the tariff. R.S.O. 1990, c. P.13, s.69 (1); 1996, c. 4, s. 35 (1).*

The *Planning Act* also allows for these fees to be waived for any application (s.69 (2)). Moreover, it provides a mechanism for fees to be appealed to the Ontario Municipal Board.

The City of Brampton commissioned a report in 2006 to determine the total cost of providing services under the *Planning Act* with the intention of calculating full cost recovery development application review fees. It is common for many municipalities to implement full cost recovery fees for the processing of planning and development applications. As the review was undertaken just over a decade ago, an update may be necessary in the near term.

6. Provincial Offences

The City collects significant revenue from *Provincial Offences Act* (*POA*) fines and penalties, at approximately $11.4 million in 2015 according to FIR data. The City may choose to work with Peel Region, the City of Mississauga, the Town of Caledon, and Provincial partners to look at areas where *POA* rules and regulations may be more strictly enforced, as this may present an opportunity to increase revenue.

7. Other *Municipal Act* Fees

Other licenses and permits constitute permission granted by the municipality allowing property owners to use their property in a specified manner. These types of services are typically funded fully from application fees and charges.

E. SENIOR GOVERNMENT GRANTS

Being a lower-tier government, Brampton does not rely on grants to the same extent of a regional government that provides social services such as long-term care, housing, employment, medical, child care and para transit, which often have a provincial funding component. However, Brampton does provide conventional transit services which has become an increasingly important service for senior levels of government.

The City does not receive any significant grants for operating expenditures, with Transit being the major exception. The estimated $10.18 million grant for transit is from the Provincial Gas Tax program which can only be spent on Transit services. Municipalities have the ability to use this funding for operations, as the City has done, or for capital expenditures. The amount of funding is determined through a formula which is 70 per cent based on ridership and 30 per cent based on population.

Capital funding from other levels of government consists of the annual Federal Gas Tax grant and any one-time special purpose grants that are received for specific capital projects. The Federal Gas Tax is distributed based on population and can be used on a variety of capital infrastructure, including:

- Public transit;
- Water and wastewater infrastructure;
- Solid waste management;
- Community energy systems;
- Local roads and bridges;
- Disaster mitigation;
- Broadband and connectivity;
- Brownfield redevelopment; and
- Culture, tourism, sport and recreation.

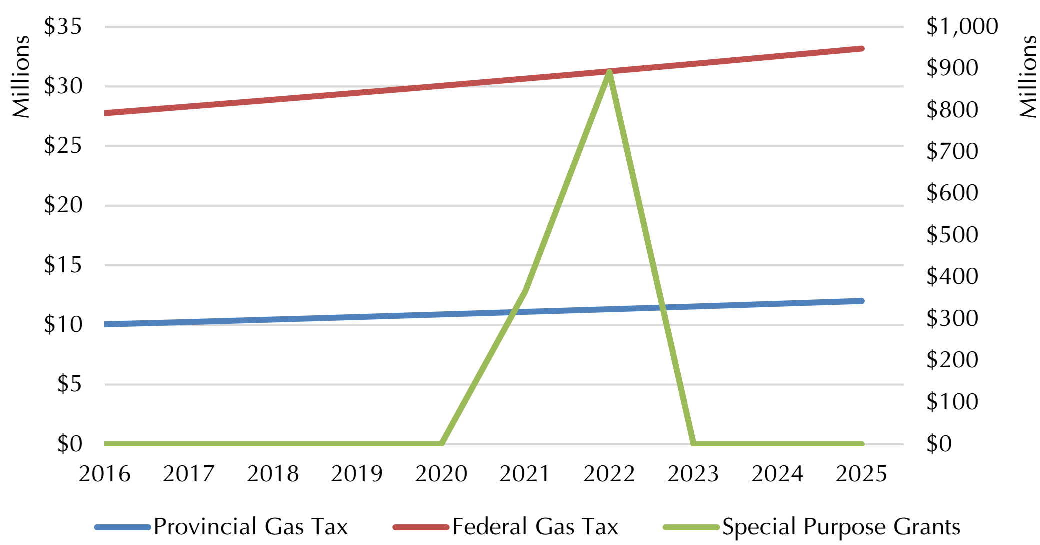
The City's 2016 budget included $27.8 million in Federal Gas Tax revenues. Of this amount, $14.6 million is provided directly to Brampton and $13.2 million is transferred through the Region of Peel. Through Regional By-Law 20-2015, Peel area municipalities will continue to receive a share of the Region's Gas Tax funding until the end of 2018. The LTFMP model assumes the Region will continue to allocate funds to the City over the forecast period. A 2 per cent annual increase has been assumed for Federal Gas Tax contributions.

As part of its 2016 budget, the Federal Government announced Phase 1 of its municipal infrastructure program. The program includes the Public Transit Infrastructure Fund, which will provide $32.5 million to the City of Brampton. Phase 2 of the program will likely provide additional funding for transit and other municipal infrastructure. Additionally, $9.8 million in one-time funding has been provided for expansion of the City's Züm transit service.

Under the base scenario (Figure 14), special purpose provincial or federal grants in the order of $366 million and $892 million have been assumed in 2021 and 2022, respectively, to account for full senior government funding of the Hurontario corridor LRT extension and the Queen Street LRT/BRT.

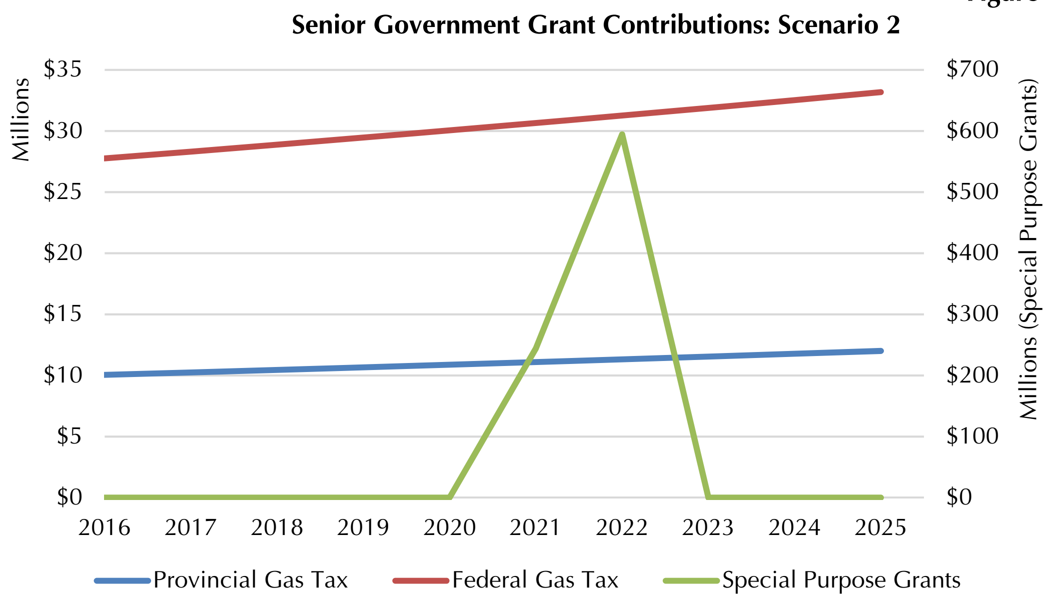
Figure 14

Senior Government Grant Contributions: Base Scenario



Under Scenario 2 (Figure 15), a 66.7 per cent senior government grant share is assumed for construction of the Hurontario corridor LRT extension and the Queen Street LRT/BRT. This translates to special purpose grant amounts in the order of $244 million and $595 million in 2021 and 2022, respectively.

Figure 15



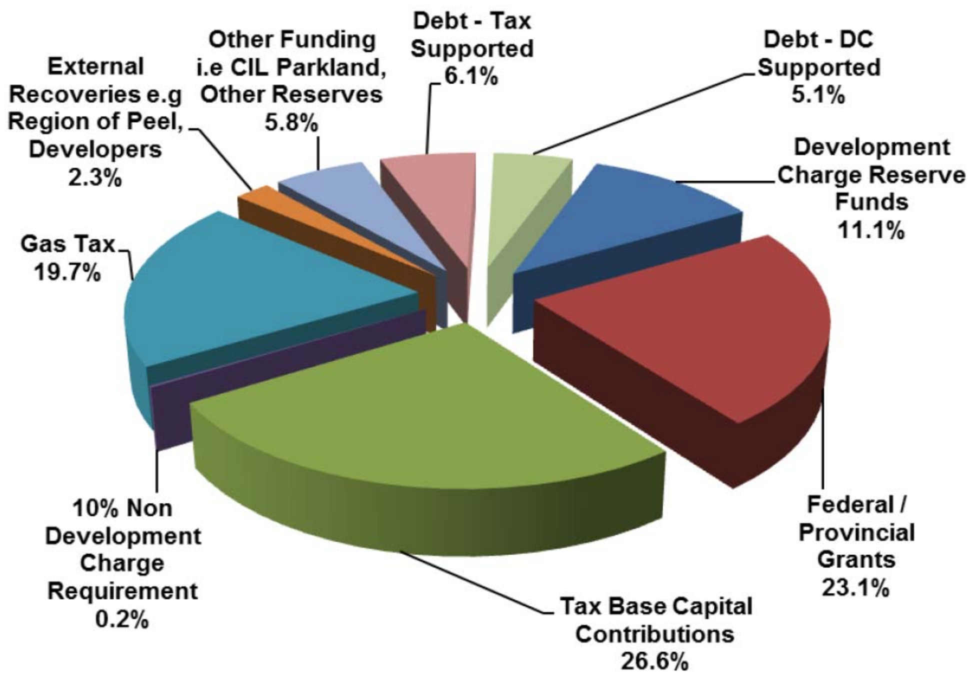
It is noted that Figure 14 and Figure 15 do not reflect a potential future increase in the municipal share of Provincial Gas Tax funds, as has recently been announced by the Province. Should implementation occur, a doubling of these funds would be phased in over a four-year period from 2019 to 2022. The City may adjust the Fiscal Impact Model as further information becomes available.

F. GROWTH RELATED CAPITAL

Most municipalities in Ontario impose development charges to pay for off-site, development-related infrastructure. The *Development Charges Act* provides the authority to impose these charges, and provides strict limitations on their calculation. In addition to development charges, other key funding sources for growth-related capital include grants, cash-in-lieu of parkland reserves, tax sources for non-development charges eligible shares of projects and developer contributions. Figure 16 provides a summary of the City's overall (includes growth and non-growth) capital funding sources for the 2017 Capital Budget of $183.3 million.

Figure 16

2017 Funding Breakdown



Source: 2017-2019 Proposed Business Plan and Budget

The 10-year forecast of growth-related capital contributions to reserves (revenue received) are shown in Figure 17 and Figure 18. As indicated by these graphs, development charges are by far the most important growth-related funding source. Among the development charge reserves, Roads and Recreation have the greatest funding requirements, followed by Transit. Under the Growth Tax Supported reserve category (Figure 18), a large spike in 2020 is attributed to the non-DC eligible shares of the Gore Meadows Community Park and the Mississauga/Embleton Community Park.

Figure 17

Growth-Related Capital Contributions: Development Charges

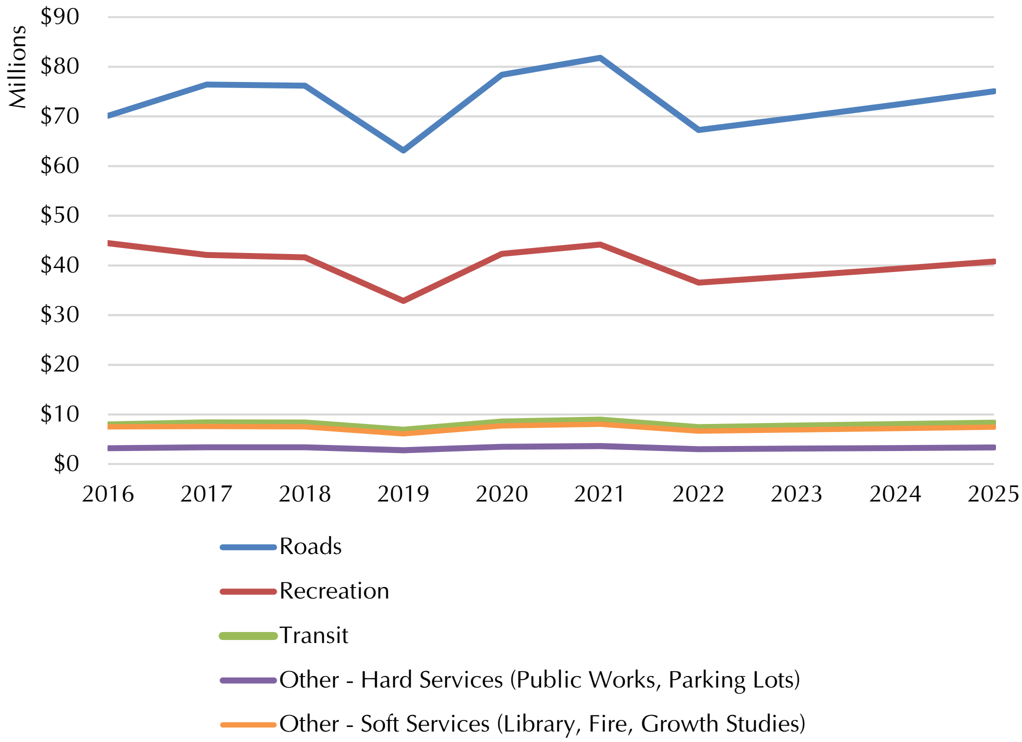
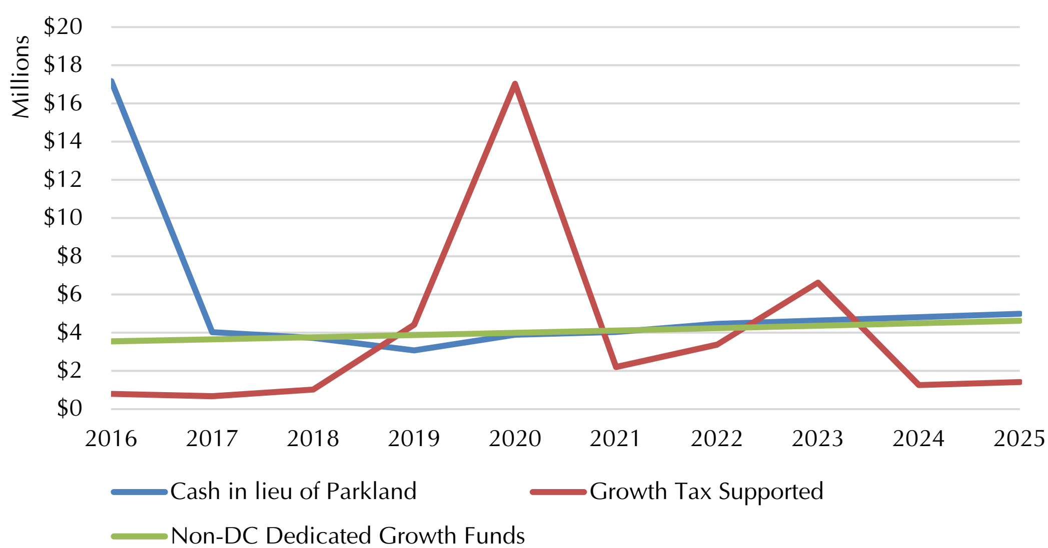


Figure 18

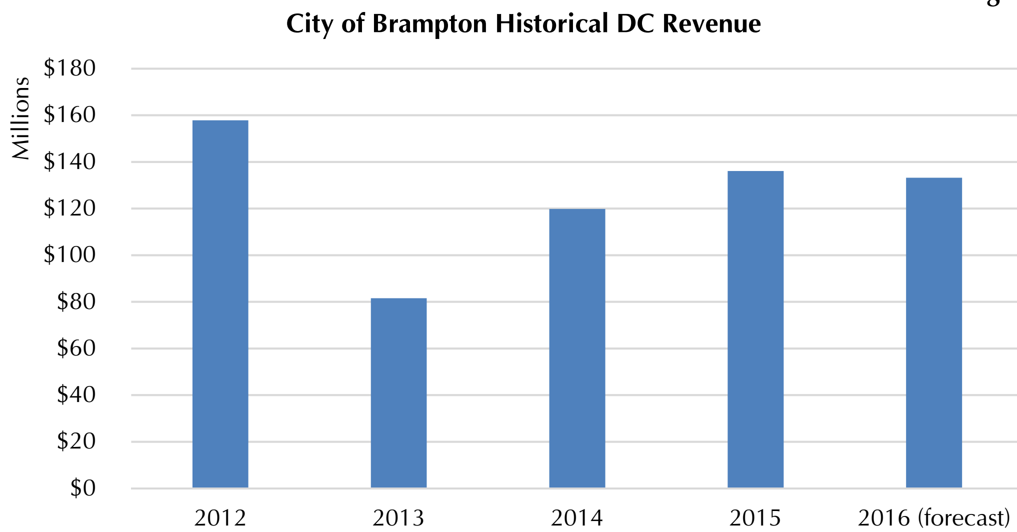
Growth-Related Capital Contributions: Non-DC



1. Development Charges

The City of Brampton currently collects development charges on a City-wide basis to cover growth-related costs associated with general government, parks and recreation, fire, library, transit, and road and related services and the Bramwest Transportation corridor. The City collects in the order of $133 million per year from development charges. The City's historical development charges revenues are shown in Figure 19.

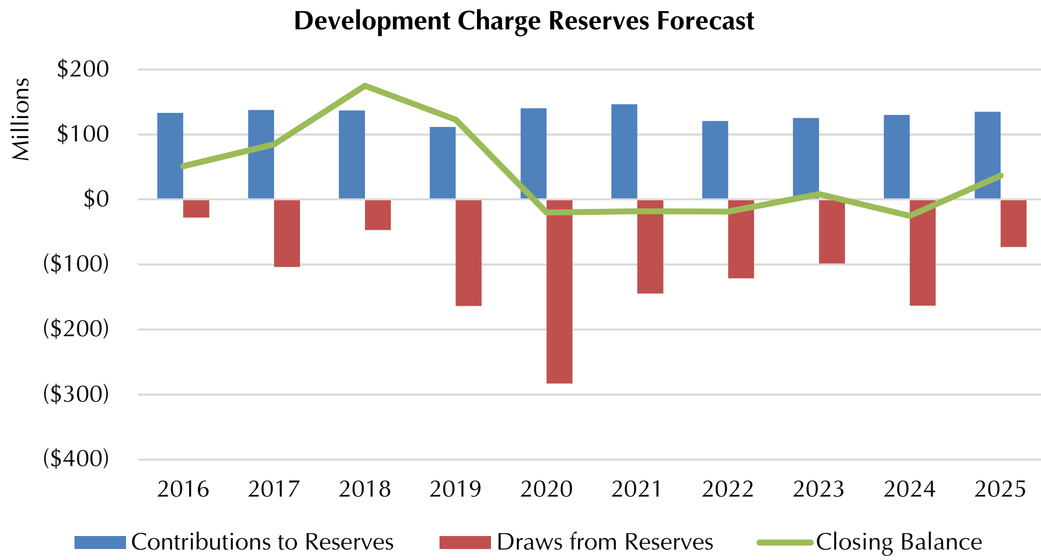
Figure 19



Source: Financial Information Returns

Figure 20 provides an overall forecast for development charges reserves including annual contributions, draws, and balance. Significant draws are expected in 2020, including approximately $122 million for indoor recreation facilities and $75 million for a planned transit maintenance and storage facility garage. The overall development charges reserve balance is expected to remain close to zero for the latter half of the forecast period, however, the reserve balances will vary by service category. For example, significant funding pressures exist for Transit and Fire services and negative development charges reserve balances are forecast over the 10-year period. Interim financing mechanisms such as internal borrowing or debt may be required. By contrast, Roads and Recreation reserve fund balances are forecast to be positive.

Figure 20



The City's development charges rates are in line with other large neighbouring GTA municipalities such as Mississauga, Markham, Vaughan and Oakville (see Appendix A.3 for detailed municipal comparison). The City is generally using development charges to the maximum extent under legislation and there are limited ways to increase revenues.

Since the passage of the City's last development charges by-laws, the *Development Charges Act* has been amended as follows:

- Transit is no longer subject to 10 per cent statutory discount;
- Funding envelope can be calculated using planned level of service for Transit as opposed to a historic 10-year average service level;
- Waste collection is now an eligible service;
- The use of area-specific development charges must be evaluated;
- Requirement to prepare asset management plans for all projects under consideration, including a more detailed analysis for transit; and
- Administrative changes including an elongation of the background study review period and increased disclosure requirements for reserve fund reporting.

The most notable change the City must consider is the forward-looking service level for transit.

The province has also recently committed to update the *Development Charges Act* to exempt secondary suites constructed at the time of building permit issuance. As Brampton, like most GTA municipalities, has found it difficult to identify and charge these types of units, no significant revenue loss is anticipated to result from any legislative changes.

In undertaking the City and Region's last development charges update, a key issue which arose within the development community was the establishment of floor space per worker assumptions for industrial development. This will likely continue to be a key issue during the City's next update.

2. Cash in Lieu-of Parkland

Under Bill 73, the Smart Growth for Our Communities Act, changes were made to the parkland sections of the Planning Act.

1) **Change from One Hectare for Each 300 Dwelling Units to 500 Dwelling Units:** For municipalities that use the "alternative" land area per unit provision allowed under the legislation, a 40 per cent reduction in the amount of land that can be conveyed is proposed. At a maximum, a municipality would be able to recover one hectare of land for every 500 units, as opposed to every 300 units. This proposed change would affect cash-in-lieu amounts calculated on this basis as well.

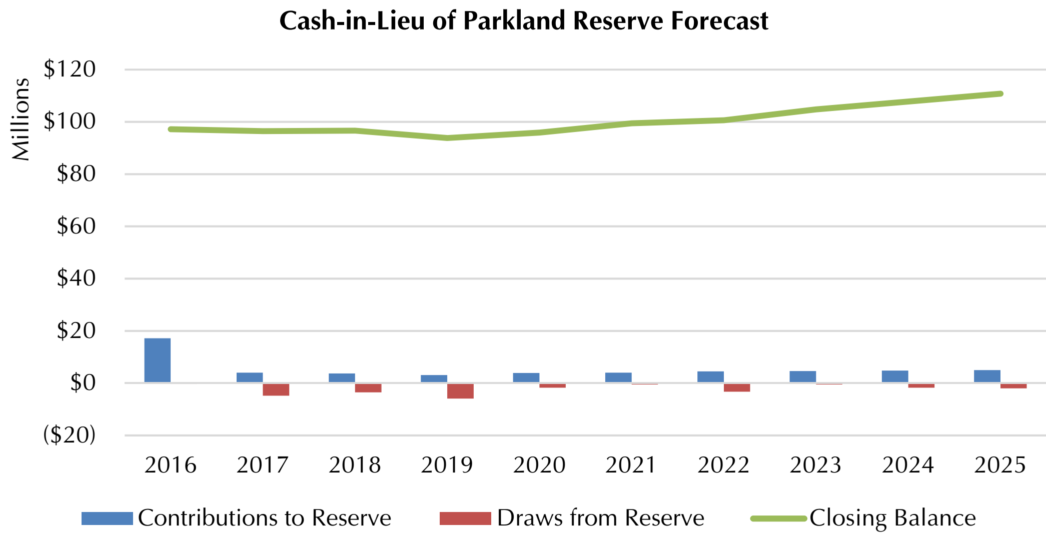
2) **Requirement for a "Parks Plan":** Also for municipalities that use the "alternative" land area per unit approach, before adopting the official plan policies, the local municipality must prepare and make available to the public a parks plan that examines the need for parkland. This requirement would not apply to official plan policies adopted before the effective date. The municipality:

    i. Shall consult with every school board that has jurisdiction in the municipality; and

    ii. May consult with any other persons or public bodies that the municipality considers appropriate.

Figure 21 provides a forecast of the City's cash-in-lieu of parkland reserve contributions, draws, and balance. The City is expected to maintain a relatively consistent reserve balance over the coming decade. Presently, the City of Brampton charges a cash-in-lieu of parkland rate of $3,650.50 per unit for high-density developments. The City's rate is much lower than that of the City of Vaughan ($8,500 per unit) and the City of Mississauga ($8,200 per unit). However, land acquisition values are typically lower in Brampton and the lower rates may provide a minor intensification incentive.

Figure 21



As shown in Table 10, the *Development Charges Act* is more prescriptive on what parks development charges can be used for compared to the cash-in-lieu provisions of the *Planning Act*.

Table 10

Cash-in-Lieu and Development Charges Eligible Expenditures

Expenditure	Cash-in-Lieu of Parkland	Parks Development Charges	Indoor Recreation Development Charges
Parkland Acquisition	Yes	No	No
Recreation Land Acquisition	Yes	No	Yes
Parkland Development	Yes	Yes	No
Park Buildings	Yes	Yes	No
Park Equipment	Yes	Yes	No
Parks DC 10% Discount	Yes	No	No

Source: Hemson Consulting Ltd.

Accordingly, it is recommended that the City utilize cash-in-lieu funds foremost for parkland acquisition given that it is the major expenditure where development charges cannot be used. Given the forecasted positive balances, there may be an opportunity to use cash-in-lieu funds for some strategic parks projects such as Riverwalk that are currently not included in the 10-year capital forecast.

Although the City currently has a fairly large cash-in-lieu reserve balance, recent rapid increases in the value of land are resulting in municipalities expending significant funds to acquire relatively small parcels of land. As land in the City's Urban Growth Centre becomes more expensive with intensification, it is recommended that the City identify any additional sites suitable for park purposes as land values may continue to increase.

G. ASSET MANAGEMENT

The City of Brampton recently completed its first comprehensive Corporate Asset Management Plan (CAMP). Like most municipalities across Canada, the results of the CAMP indicate that the current levels of financial contributions for capital repair and replacement are inadequate to fully fund the anticipated capital requirements over the next ten years. The infrastructure deficits are not uniform across all service areas; for some services, such as Facilities, existing funding levels are likely sufficient to maintain the City's assets in good condition. Conversely, services such as Stormwater, Transportation and Transit may require significant increases in funding.

The City maintains asset replacement reserves to plan for long-term asset management needs, stabilize annual fluctuations in funding requirements, and prevent sudden spikes in property taxes, rates and debt levels. Current reserve balances and 2016 budget contributions for these reserves are illustrated in Table 11.

Table 11

City of Brampton Key Asset Replacement Reserve Funds

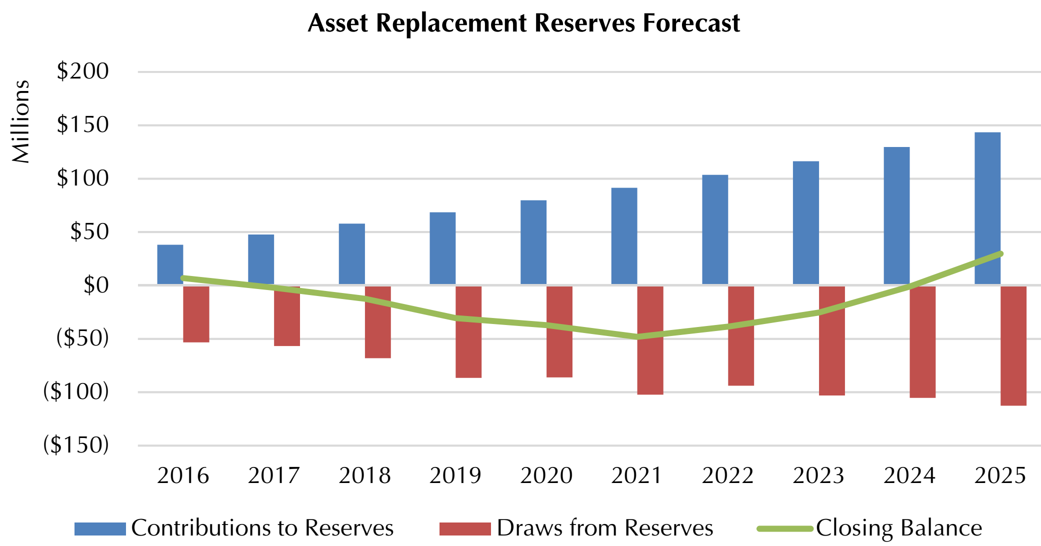
Reserve #	Reserve Description	Sept. 30, 2016 Balance	2016 Budget Contribution
4	Replacement of Asset	$3,634,000	$37,168,000
10	Civic Centre Renovations	$800,000	$218,000
12	Land Proceeds Reserve	$769,000	$0
58	Theatre Capital Improvements	$157,000	$75,000
	Total	**$5,360,000**	**$37,461,000**

The Asset Repair and Replacement Reserve (Reserve 4) represents the City's most utilized asset replacement reserve. The 2016 operating budget included a $37.2 million contribution to this reserve, including a 2 per cent infrastructure levy increase of $7.9 million.

Funds in Reserve 4 tend to be spent quickly; as a result, only small balances are carried forward from one year to the next. Reserves 10 and 58 are smaller dedicated capital reserves intended for facilities and theatre capital improvements, respectively.

Figure 22 provides an overall forecast for asset replacement reserves including annual contributions, draws, and balance. With potential draws exceeding contributions in the near term, a growing negative balance is anticipated. The negative balance then begins to shrink in 2023 as contributions exceed draws. Council may mitigate the negative balances shown in the 2018-2023 period by deferring projects, borrowing internally or issuing debt.

Figure 22



Council has been proactive by increasing the annual tax supported contribution to Reserve 4 by 2 per cent of the tax levy each year. This 2 per cent infrastructure levy is spent on an annual basis. The Fiscal Impact Model assumes that the City will continue the practice of an annual 2 per cent infrastructure levy increase, resulting in steady annual reserve contribution increases of approximately $8 to $9 million per year. Similar infrastructure levies are imposed in a number of municipalities across the GTA, including the City of Mississauga, the Region of Peel, the City of Markham, and the Town of Richmond Hill. Similar to Brampton, these infrastructure levies generally range from an additional 0.5 to 2 per cent of the tax levy per year. Further detail on these levies is provided in Appendix A.4.

Infrastructure Gap

The following paragraphs summarize Section 6 of the CAMP that was prepared by Hemson and City Staff in concert with the LTFMP model.

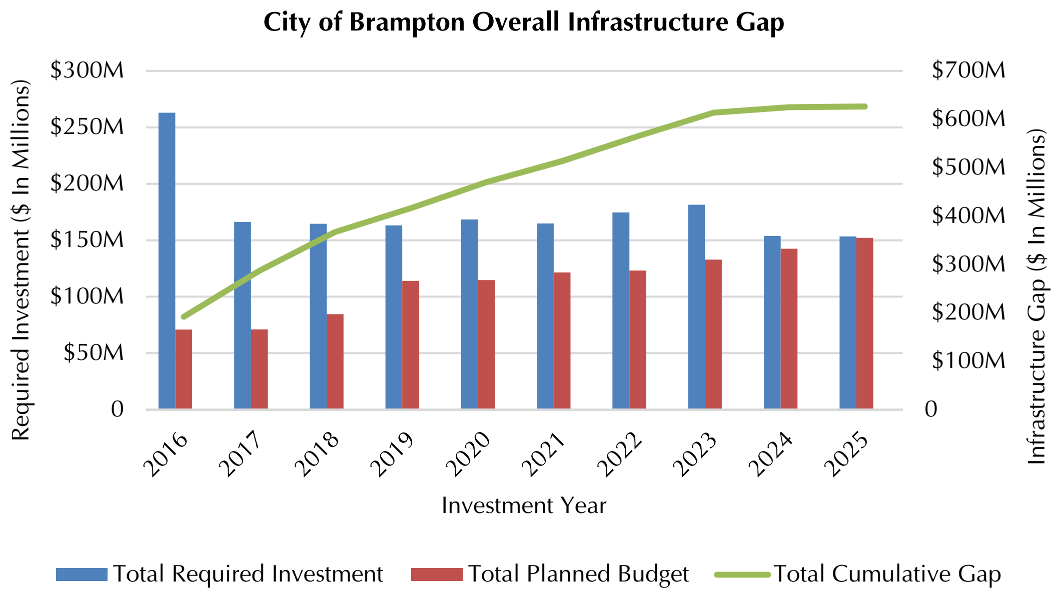
The infrastructure gap is the difference between the investment needs of infrastructure (based on age and condition) and the forecasted capital current funding available for asset renewal. The increase in available capital funding identified in each year is a result of annual increase to the infrastructure levy, which is based on 2 per cent of the tax levy.

The infrastructure gap estimate is derived from 2016 data and projected for the next ten years. Over the coming decade, the City of Brampton forecasts expenditures of about $1.13 billion to address the life cycle needs of its assets. This is comprised of $786.5 million in infrastructure levy funding, $317.1 million in Federal Gas Tax funding, and $18.8 million in existing reserve fund balances.

This level of investment will result in the infrastructure gap reaching approximately $650 million by 2025, up from its current level of $200 million (Figure 23). The analysis does not consider expenditures required to address growth, service improvements, or inflation.

It is important to note that Figure 23 differs slightly from Figure 22, shown earlier. Figure 23 includes Federal Gas Tax funding but does not include replacement shares associated with Animal Services, growth-related studies, or the City's currently unfunded capital projects. Further, this information reflects the first phase of the City's CAMP process. Ongoing work through 2017 will result in further detail regarding anticipated service levels and planned spending.

Figure 23



The Figure above displays the following information:

- **Need:** The blue bars represent total required investment to maintain existing assets, according to various asset useful life and replacement cost assumptions.

- **Budget Average:** The red bars represent the total planned budget for capital asset life-cycle funding, based on existing funding commitments.

- **Cumulative Gap:** The green line represents the sum total of the differences between the total required investment and the total planned budget. The current infrastructure gap represents the amount of investment today that would be required to address the risk represented by assets nearing the end of their estimated useful lives. These needs do not include allowances for growth, inflation or service improvements. Based on current funding plans, the infrastructure gap is projected to grow steadily over most of the next decade, levelling off toward the latter part of the 10-year period.

The growing infrastructure gap can mainly be attributed to the insufficient investments planned for transportation services, stormwater, and transit services. It is important to recognize that much of the accumulated infrastructure gap is related to the existing backlog of "overdue" infrastructure requirements in 2016 and 2017. By the end of the 10-year planning period (in 2025), the City's projected expenditures nearly equal the investment needed. Table 12 below provides a detailed breakdown of the contributors to both the current and projected infrastructure gaps by City service area. Funding for years 2016-2019 has been based on the budget requests for each service area and funding for years 2020-2025 has been distributed to the service areas based on the proportional share of the identified need.

Table 12

Replacement Value and Infrastructure Gap by Service Area

Service	Replacement Value	Infrastructure Gap			
		2016	% of Total Gap	2025	% of Total Gap
IT	$56,945,000	$5,477,000	2.9%	$16,540,000	2.6%
Facilities	$979,910,000	$5,547,000	2.9%	$41,632,000	6.6%
Transit	$352,277,000	$25,491,000	13.3%	$127,718,000	20.4%
Fire	$27,730,000	$7,599,000	4.0%	$11,406,000	1.8%
Fleet	$49,685,000	$15,257,000	7.9%	$34,400,000	5.5%
Transportation Services	$2,100,751,000	$100,892,000	52.6%	$231,513,000	37.0%
Stormwater	$1,077,349,000	$21,691,000	11.3%	$106,307,000	17.0%
Parks & Recreation	$430,708,000	$10,005,000	5.2%	$56,770,000	9.1%
Total	**$5,075,355,000**	**$191,959,000**	**100%**	**$626,287,000**	**100%**

The concern over an infrastructure gap is not so much that it exists, but how this gap changes over the long-term. In fact, maintaining a controlled “gap” is likely indicative of prudent financial management. There is no standard to evaluate what is an acceptable municipal infrastructure gap. As Brampton’s existing infrastructure gap of approximately $200 million represents less than 4 per cent of the $5.1 billion asset base (land exclusive), the City’s gap could be considered well managed.

While Brampton’s infrastructure levy is among the highest of the municipalities reviewed, it still does not address fully address the cumulative asset management deficit. The CAMP indicates that in order fully fund all of the City’s asset replacements, an increase in the infrastructure levy to 4.7 per cent of the tax levy would be needed.

At this time, the asset management requirements identified in the CAMP are largely age-based. Over time, the City will update the funding requirements as more condition and risk based data becomes available.

Table 13 Funding Gap Metrics			
Metric	2016 Value	Infrastructure Gap	
		2016	2025
Total Gap		$191,959,000	$626,287,000
Population	627,900	$306	$997
Population and Employment	834,700	$230	$750

Table 13 above presents the funding gap by population and population and employment. The gap at 2025 corresponds to about $1,000 per person.

To provide a point of comparison, the City's annual amortization of capital assets has been in the order of $120 million each year. By the year 2021, the City's budgeted contributions for asset replacement are expected to equal this amount.

As other municipalities address their asset management deficiencies, Brampton should not be at a competitive disadvantage by continuing to increase its asset management contributions over the next 10 years.

The City of Brampton is widely regarded for its recreation facilities, its inter-connected network of parks, its transit system, and its general quality of life. Additionally, the City of Brampton's 'AAA' credit rating has been reaffirmed, which is reflective of S&P's opinion of Brampton's very strong economy, budgetary performances, low debt burden and exceptional liquidity. The concern with the analysis presented in this report is that the current infrastructure gap is projected to significantly increase over the next ten years, indicating that planned investment in asset life cycle initiatives does not sufficiently address the needs of the City's infrastructure. As a result, asset failures can be expected to increase along with a corresponding drop in service levels. The CAMP is intended to ensure actions are in place to manage the infrastructure to provide acceptable levels of service. Collectively, the actions of the City are expected to address the growing gap.

One important consideration in the City's preparation of the capital forecast is the City's capacity for planning and project management related to the necessary work. In this regard, an asset management plan may indicate that $100 million in capital expenditures are required, while the City may not have the ability to plan, tender, and manage that volume of projects. Additional staffing and consulting resources and/or alternative capital delivery methods may also be required to help the City address funding gaps. Forward thinking capital delivery planning will be necessary.

H. CORPORATE RESERVES

For the purposes of the LTFMP, the City's corporate, non-capital, reserves have been grouped into four general categories. An overview of these reserve categories is provided below, including notable existing reserve policies as well as 10-year reserve balance forecasts.

1. Financial Strategy Reserves

This category includes the following reserves:

- **Legacy Fund:** A balance of $100 million is maintained within this reserve fund, resulting from the sale of Brampton Hydro Corporation in 2001. Interest earned on the balance, targeted at $4.5 million annually, is used to offset tax levy needs. Additional interest revenue earned beyond this target is transferred to the Interest Rate Stabilization reserve fund.

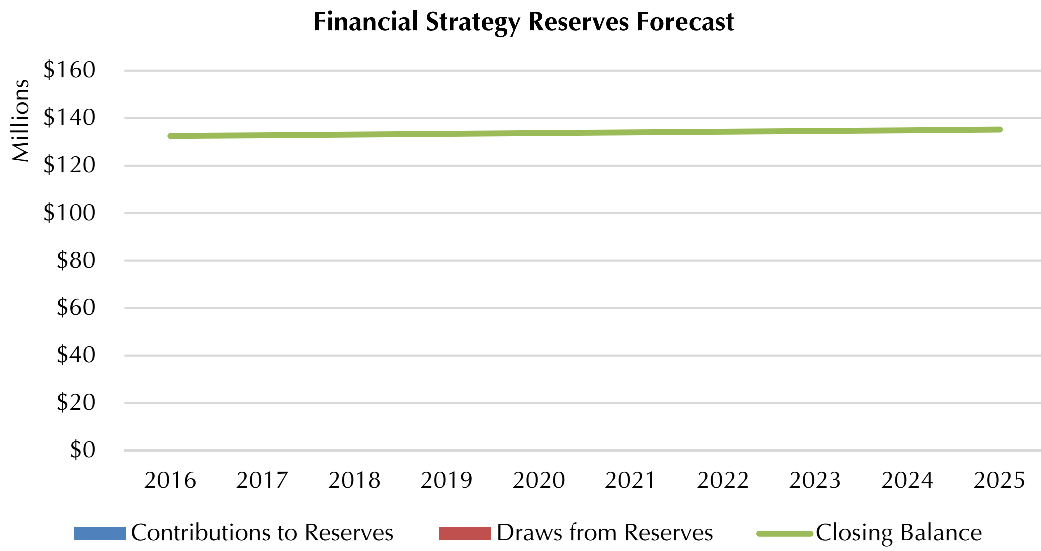
- **Community Investment Fund:** This reserve fund was originally established with a $100 million balance, also from the sale of Brampton Hydro Corporation. The principal amount is available for direct spending on community oriented initiatives and other non-recurring expenditures after consideration has been given to all alternative funding sources. Similar to the Legacy Fund, interest earned on the balance on an annual basis may be used to offset tax levy needs. Interest income is targeted at $4.5 million and additional interest revenue earned beyond this target is transferred to the Interest Rate Stabilization reserve fund.

- **Interest Rate Stabilization:** The balance of this reserve fund, which was approximately $12.6 million at the beginning of 2016, is protected for use in mitigating any shortfalls in investment income associated with the Legacy Fund and Community Investment Fund.

As shown in Figure 24, should current use of the Financial Strategy Reserves continue, a relatively consistent balance is expected to be maintained over the coming 10-year period. A continuation of annual budgeted contributions to the Interest Rate Stabilization reserve of $300,000 are assumed to continue throughout this period.

Should the City choose to draw down the Legacy Fund, a loss of up to $4.5 million in annual investment income can be expected until the reserve balance is replenished.

Figure 24



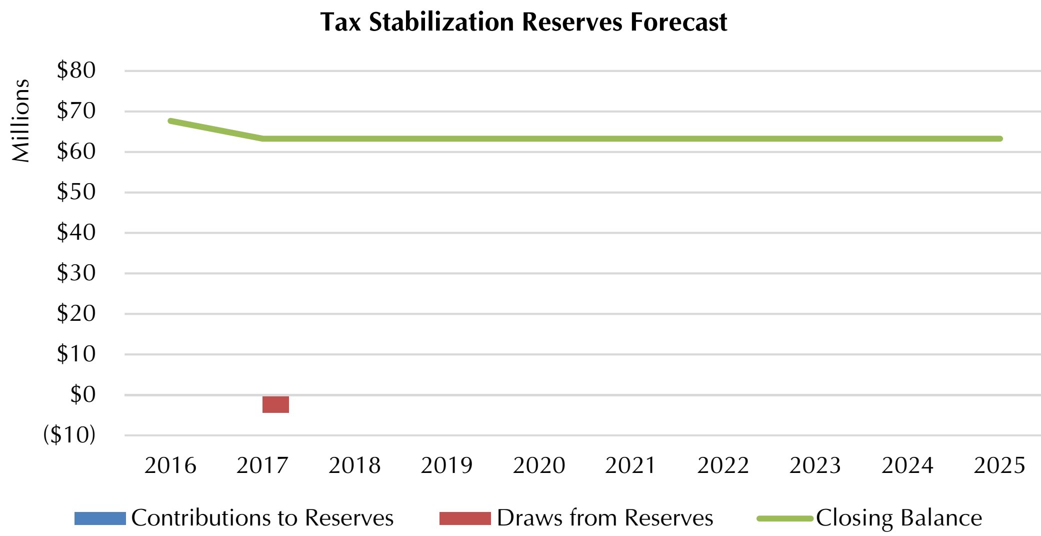
2. Tax Stabilization Reserves

This category includes the **General Rate Stabilization Reserve**, which is used on an annual basis to mitigate tax pressures associated with major unforeseen events. The City maintains a target balance equivalent to 10 per cent of budgeted gross annual operating and capital expenditures, estimated at $80.8 million for 2017. The 2017 opening balance of $66.8 million represents a shortfall of approximately $14 million from the target balance. A shortfall in this reserve balance has implications on the City's ability to fund itself during an economic downturn.

Brampton's practice of maintaining a target balance that takes into account both operating and capital expenditures is unique. It is more common for municipalities to use a target balance which is based on a percentage of the operating budget or own source revenues; some examples include the Cities of Mississauga, Vaughan, and Barrie as described in Section IV.

A reserve forecast is shown in Figure 25. The $4.4 million draw in 2017 accounts for the Environmental Assessment Study for the potential Hurontario corridor LRT extension, as per Council's February 15, 2017 decision.

Figure 25



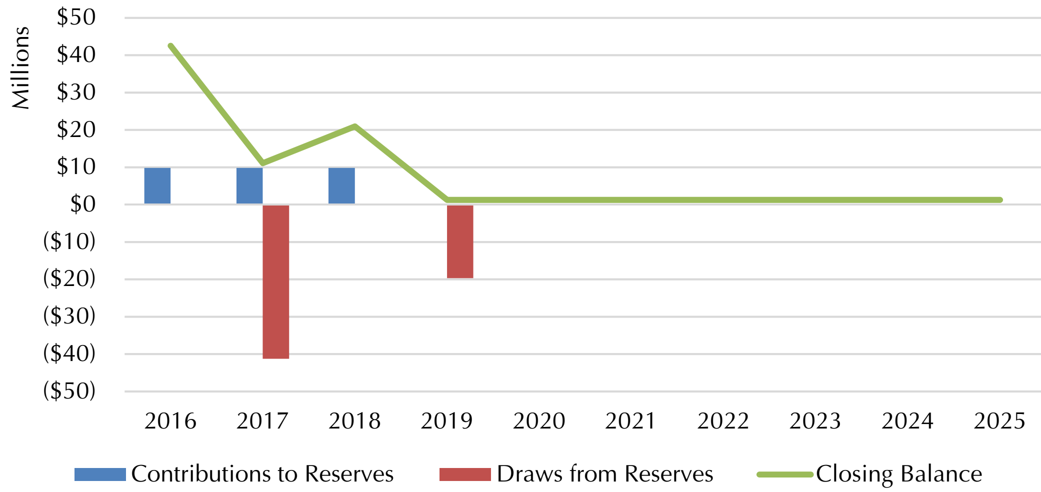
3. Strategic and Economic Development Reserves

This category includes a range of reserves targeted toward community and economic development initiatives. For example, the **Peel Memorial Hospital** reserve is intended to support the new Peel Memorial Centre for Integrated Health and Wellness; an annual tax contribution of approximately $9.8 million is being made to this reserve which began in 2013 and ends in 2018.

Figure 26 provides a 10-year forecast of Strategic and Economic Development annual reserve contributions, draws, and closing balance. Draws in 2017 ($41 million) and 2019 ($20 million) are expected for funding of the hospital.

Figure 26

Strategic & Economic Development Reserves Forecast

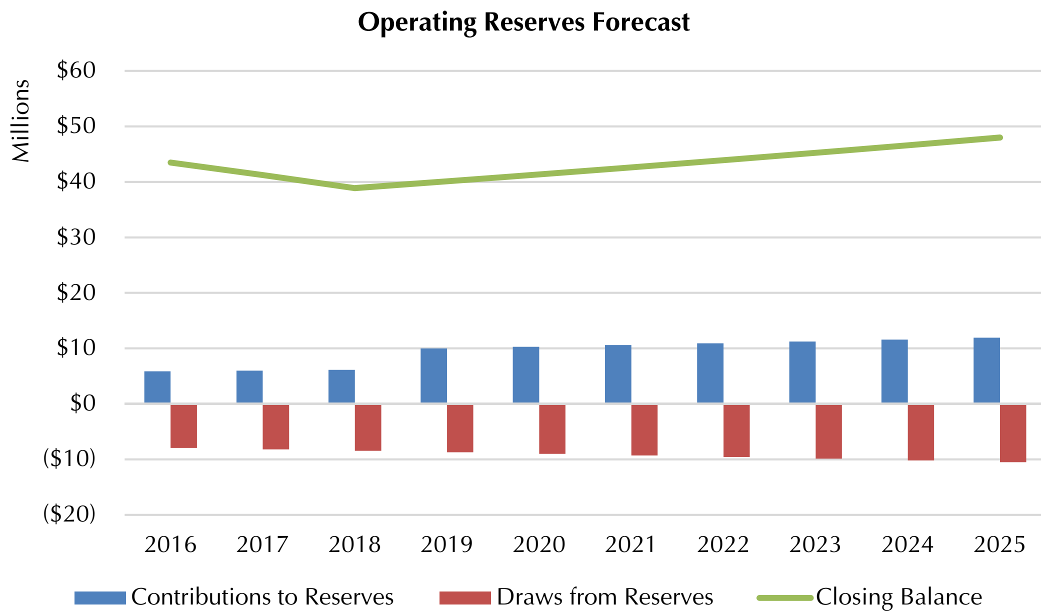


4. Operating Reserves

A wide range of reserves is included within the Operating Reserve category, including the **Municipal Elections** reserve intended to spread costs between elections, the **Self Insurance of Deductibles** reserve intended to address growing insurance costs associated with the City's growing infrastructure base, and a number of reserves associated with employee wages, salaries and benefits (e.g. Periodic 27th Bi-weekly Pay Dates, Conversion of Employee Sick Leave), among others.

Figure 27 provides a 10-year forecast of Operating Reserves annual contributions, draws, and closing balance.

Figure 27



I. DEBT MANAGEMENT

Tax supported external debt can be used to fund growth, replacement, and enhancement projects. For equity purposes, debt is best used for projects that provide benefits over a longer timeframe so that the burden of capital cost is distributed between the current taxpayer and future rate payers.

The amount of debt a City can carry is set by provincial regulations to ensure municipalities continue to operate in a fiscally sound manner. The *Municipal Act* restricts debt terms to the lesser of 40 years or the useful life of the asset. The *Act* further mandates that a municipality's annual debt repayment must not exceed 25 per cent of annual own-source revenues. For 2016, the City's total debt charges are estimated at $7.0 million; a very small number given the City's size. This equates to 5.6 per cent of the total allowable annual repayment limit of $124.7 million as identified by the Ministry.

Overall, the City is considered to be in good fiscal standing with very strong budgetary performance and low debt. As a result, Standard & Poor's has recently reaffirmed a 'AAA' credit rating and stable outlook for the City of Brampton. Brampton is one of only six municipalities in Canada to have this rating. An excerpt from S&P Global

Ratings Report, October 24 2016 is provided below:

> *The rating reflects S&P Global Ratings' assessment of the City's very strong and well diversified economy, exceptional liquidity, very strong budgetary performance, and strong revenue-side budgetary flexibility. The rating also reflects our view of the very predictable and well-balanced local government framework, our opinion of the positive impact of Brampton's strong financial management on its credit profile, and the city's very low debt and contingent liabilities. We believe that restricted expenditure flexibility mitigates these strengths somewhat.*

Appendix A.5 provides a comparison of debt charges in Brampton against a number of GTA municipalities. A review of debt limit and debt term policies is also provided, which may be used to assess Brampton's current practices of limiting annual debt repayment to 12.5 per cent of own source revenues and limiting the debt term to the lesser of 30 years or the estimated useful life of the asset.

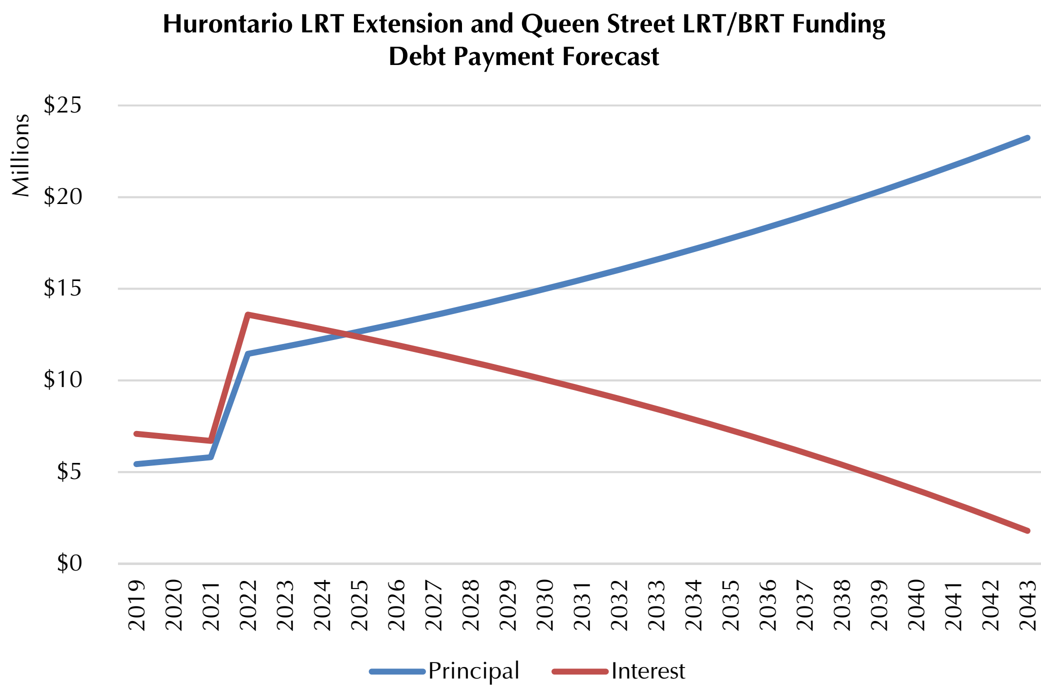
The City's current practice is to avoid tax supported debt for replacement projects. This allows the City to use its debt capacity for strategic projects that increase service levels or growth-related projects that are ineligible for development charges funding. Strategic projects typically provide a return on investment such as reduction in operating costs. Capacity is also available for unforeseen critical asset failures, should the need arise. This practice may be revisited if the infrastructure gap persists after other measures have been taken.

It should also be noted that the City does make use of internal borrowing (4 per cent of 2016 capital funding), which can be an effective way of addressing short-term cash flow shortfalls. Internal borrowing must be repaid through the operating budget.

The Fiscal Impact Model that has been developed as part of this LTFMP study is designed to analyze alternative expenditure and revenue scenarios, based on an extensive set of assumptions and inputs. One of the key outputs of the model is a forecast of annual debt payments. It is noted that under the base scenario assumed for the purposes of this report, no additional debt is anticipated over the coming 10-year period. However, City staff may use the model to test the impacts that could be associated with an expanded use of long-term debt.

Should the City choose to move forward with strategic capital projects, such as the Hurontario corridor LRT extension and Queen Street LRT/BRT projects, debt financing may be necessary. The example shown in Figure 28 illustrates potential annual debt payments for City costs of $419 million, or a 33.3 per cent share of the total estimated project costs. This amount has been split evenly into two debt terms: the first would begin in 2019 to account for any initial costs, and the second would begin in 2022 to account for the remainder of the construction costs. An interest rate of 3.4 per cent and debt term of 25 years are assumed.

Figure 28



Under this scenario, annual debt payments would total approximately $12.5 million from 2019 to 2021, then increase to $25.0 million from 2022 to 2043. Following completion of the first debt term, debt payments would again be reduced to $12.5 million from 2044 to 2046.

Debt charges of $25.0 million would represent roughly 14 per cent of the City's forecast 2022 Provincial debt limit, or roughly $35 in debt charges per capita. As indicated by the comparator information in Appendix A.5, this would still represent a relatively conservative amount as compared with other large GTA municipalities. However, consideration should be given to the impact of significant annual debt charge increases on the City's flexibility and resiliency, particularly related to its preparedness in responding to an unforeseen financial crisis or shock. If interest rates were to increase to 5 per cent, which is closer to historical averages, the City's annual debt service costs would be $29.5 million.

It is noted that the Fiscal Impact Model allows City staff to test the impacts of various additional debt scenarios as needed.

IV KEY DIRECTIONS AND POLICY RECOMMENDATIONS

Key issues that arose through the long-term financial planning process are related to growing asset repair and replacement needs and the feasibility of undertaking a number of major potential capital projects over the coming decade. The Fiscal Impact Model analysis, in conjunction with a review of the City of Brampton's current financial practices and policies and key financial indicators among comparable municipalities, has resulted in a set of policy recommendations to improve the City's financial sustainability. These policy recommendations have been grouped under the following 10 *key directions*, or general rules to guide the City's financial decisions making:

A. Make decisions on capital investments based on strategic priorities and financial impacts

B. Promote economic growth

C. Review the City's approach to user fees

D. Work to maintain grant revenues

E. Continue to use development charges to the full extent permitted

F. Maintain the City's infrastructure assets

G. Continue the use of reserves and reserve funds

H. Explore opportunities for alternative revenue tools

I. Continue to explore alternative options to streamline service delivery

J. Consider issuing debt for major long-term assets

A. MAKE DECISIONS ON CAPITAL INVESTMENTS BASED ON STRATEGIC PRIORITIES AND FINANCIAL IMPACTS

The City of Brampton benefits from a position where many of its anticipated financial challenges are related to significant planned or potential service level increases, rather than challenges associated with maintaining its existing service levels. As a result, while this study has identified a number of potential tax rate pressures over the coming years, taxpayers will benefit from improved services such as efficient and reliable transit services and improved fire and emergency response times.

That being said, there are limitations to the City's available funding sources which should be considered. Decisions on capital investment should be made based on an understanding of overall financial impacts and the City's strategic priorities. Decisions can be assisted by the following recommendations:

1. Prepare and approve a 10-year capital forecast along with the annual budget submission. A 10-year capital forecast will improve the ongoing use and accuracy of the LTFMP Fiscal Impact Model, and help staff to better understand the potential financial impacts of planned capital projects.

2. Improve capital reporting capabilities by categorizing projects as growth, service level enhancement, repair and replacement, and also identifying asset hierarchy categories in capital project submissions.

3. Include the operating cost and long-term repair and replacement implications of each major capital project submission.

4. Develop and implement capital project prioritization metrics to rank capital projects. This is a practice that is employed by many municipalities across Canada. Some examples of prioritization metrics and other methods are included in Appendix A.6 and may be considered for application in the City of Brampton.

B. PROMOTE ECONOMIC GROWTH

The City of Brampton has experienced rapid growth over recent years, and growth is expected to remain relatively strong over the coming decade. The City's future economic prosperity is directly linked to its ability to provide and maintain the infrastructure and services necessary to support the existing community as a whole as well as attract new businesses and economic growth.

In order to finance and maintain the necessary infrastructure and services, the City will need to continue to attract new development to provide for an expanded assessment base, and in particular strive to expand the non-residential share of the total assessment base. The following recommendations are geared toward retaining and supporting the growth of existing local businesses and employment sectors, while attracting more high value employment activity to Brampton:

1. Consider the findings, objectives and recommendations of the City's 2016 Employment Lands Policy Study, Phase I and 2015-2018 Economic Development Plan. Key recommendations include the following:

    a. To better protect Brampton's existing supply of employment land, consider strengthening and clarifying existing employment land conversion policies.

    b. Seek opportunities for partnerships with local educational institutions to provide local businesses with a pipeline to emerging high skilled workers, with a particular focus on emerging sectors such as advanced manufacturing. As an example, Sheridan College's Centre for Advanced Manufacturing and Design Technology partners with local firms for design competitions, and tailors its educational programs to meet industry needs.

    c. Integrate land use policy decisions with economic development issues, particularly those raised through previous consultations with the local business community.

    d. Consider the development of a Community Improvement Plan (CIP) geared toward identifying and attracting key employment sectors in strategic locations. Both planning incentives (e.g. reduced parking requirements, expedited development approvals) and financial incentives can be effective economic development tools. Appropriate financial incentive programs may include tax increment equivalent grants, wherein a grant equal to a percentage of the municipal tax increment is provided, typically on a declining rate basis over a specified period of time (e.g. 10 years). Such incentive programs have been implemented by the City of Toronto (Imagination, Manufacturing, Innovation and Technology program) and the City of Vaughan (CIP for office development in the Vaughan Metropolitan Centre and the Weston Road & Highway 7 Primary Centre).

2. Continue to explore opportunities for land use policy changes to support employment growth through Phase II of the Employment Lands Policy Study.

3. Continue to work with existing businesses and related associations to identify any barriers to business activity and to support and encourage their expansion.

4. Consider reviewing tax ratios for the various property classes, in consideration of the potential impacts of a tax ratio shift on the City's competitiveness for businesses.

5. Set a reasonable residential to non-residential assessment ratio target (e.g. 80:20 per cent unweighted) and incorporate this objective into all planning studies.

Should the City choose to move forward with development of a CIP to incentivize non-residential development, anticipated annual costs associated with these financial incentives may be in the order of $3.25 million. This amount has been calculated based on the per capita revenue loss associated with the City of Vaughan's recent CIP.

In addition to promoting non-residential growth, residential intensification in key locations can contribute to efficiencies in the provision of infrastructure as well as supporting economic development objectives. The City's current Official Plan designates several "intensification corridors", primarily based around existing or planned higher order transit routes, which are intended to accommodate high residential and employment densities. The City should continue to encourage intensification of these areas and identify new areas where the greatest opportunities for both residential and employment intensification might exist.

C. REVIEW THE CITY'S APPROACH TO USER FEES

The following principles should be considered when determining the applicability and scope of setting user fees:

- **Benefits Received Principle:** Those individuals/households who receive the benefit of a good or service should pay the fee necessary to supply that good or service according to the level or extent they use or benefit from the service.

- **Cost Recovery Principle:** The full cost of providing a good or service including operating expenses, administrative costs, overhead, capital expenses (including depreciation), should be the starting point when calculating the appropriate user fee. It is recognized that factors such as being competitively priced within the local market, should be considered when establishing user fees and charges.

- **Capital Assets – Full Life Cycle Costing:** The City has a valuable base of infrastructure and assets. However, over time as these assets depreciate they will require long-term repair and replacement. It is incumbent upon the City to properly manage the assets and ensure they are maintained in a "state of good repair". Full life cycle costs should be considered when determining user fees to ensure adequate asset management/replacement monies are available in the future.

- **General Tax Supported Principle:** Services and goods that are provided by a municipality and benefit society as a whole, property tax payers should pay for those benefits.

Among the best practices established by the Government Finance Officers Association (GFOA) are that the full cost of providing a service should be calculated when determining the basis for setting user fees. The full cost of providing service is described below:

- **Direct Costs:** Generally include costs directly associated with providing the good or service, including staff wages and benefits and administration costs;

- **Indirect Costs:** Include costs of operations and maintenance. This can also include for the use of capital facilities; and

- **Indirect Costs (Corporate Overhead):** Include costs incurred by corporate and administration departments to support the services provided. The allocation of these costs across municipal departments/programs can be done on the basis of different factors such as shares of corporate total employment, gross/net expenditures, etc.

Certain services provided should be fully funded by user fees without property tax support. Typically, full cost recovery user fees are applicable on goods and services where the full benefits received principle applies and where there is ability to levy the charge without comprising the City's overall corporate goals or competitiveness with similar jurisdictions. For example, in recreation services, there is a clear nexus between the fee charged and the service provided, however, this is often an area where the fee charged is largely subsidized to encourage participation and promote healthy living.

The City of Brampton would benefit from a detailed, comprehensive review of its user fees. The purpose of the following recommendations and policy examples for consideration is to establish a consistent and transparent approach to considering and establishing user fees in the City of Brampton:

1. While user fees are predominantly used to fund operating costs, some municipalities have small contributions to capital costs embedded within their user fees. For example, the Town of Newmarket includes a small capital

surcharge within recreation rates to help fund capital replacements and enhancements. The City of Brampton may consider allocating a portion of user fee revenues toward capital improvements similar to the Town of Newmarket. However, any change to recreation user fee policy should consider impacts on participation rates, particularly with regard to Brampton's vulnerable communities.

2. Establish service categories that direct recreation fees be set to give priority to specific programs and user groups, and ensure that low-income participants can access financial support. For example, basic services can be set at subsidized rates while enhanced or premium services are charged to ensure cost recovery targets are met.

3. The City's existing fee structure employs dynamic pricing for arena rentals, and it may be worthwhile to consider adopting a similar approach for other rentals and recreation services in the City for demand management purposes. For example, the fees associated with baseball diamonds can be differentiated based on several qualifying factors, such as lit vs unlit, junior vs. premium fields and prime vs. non-prime hours. The prime and non-prime rate approach is used in a number of municipalities (Markham, Toronto, Barrie) to encourage a more efficient use of resources. This approach can help to encourage physical activity and health benefits for many members of the community, including seniors.

4. Currently, discounted recreation user fees are available for adults aged 55 and over. The City may consider increasing its minimum age requirement for seniors' rates to 65+ to more accurately reflect the typical age of retirement. At the same time, further recreation discounts for Brampton's youth may be considered.

5. Explore opportunities for partnerships with local schools for after hours use of recreational facilities and/or libraries to help reduce capital costs while providing more options for residents.

6. Through the Stormwater Financing Strategy, continue to explore the option to shift the funding of this service from property taxes to utility rates.

7. Although Brampton Transit rates currently in-force are generally comparable to other GTA municipalities, the City could look to alternative pricing methods to boost ridership and revenues.

8. As the City's last review of development application review fees was undertaken over 10 years ago, the City should re-examine if a clear nexus between fees charged and services provided still exist.

9. Consider establishing a rate stabilization reserve fund, similar to the one established for building code services, for planning and development services to better provide for revenue fluctuations.

10. Strive to ensure that license and permit rates are at full cost recovery.

D. WORK TO MAINTAIN GRANT REVENUES

With significant planned transit investments and growing asset management needs, grants from the provincial and federal levels of government will become an increasingly important revenue source for the City of Brampton. The City should work to take full advantage of senior government support through the following tactics:

1. Continue to work with AMO to ensure federal and provincial gas funding continues indefinitely.

2. Work with Peel area municipalities to continue regional transfer of Federal Gas Tax funding to Brampton, Mississauga and Caledon.

3. Maintain a list of priority projects that could be eligible for Phase 2 of the Federal Infrastructure program.

4. Continue to work with Metrolinx and the Province to secure funding for a Hurontario corridor LRT extension and a Queen Street LRT/BRT.

5. Where possible, use grants for non-development charges eligible projects such as replacement shares, and ineligible services such as culture and tourism. Since Transit is a capped development charges service, it is also reasonable to continue to use grants for the development charges post-period shares of growth-related projects.

E. CONTINUE TO USE DEVELOPMENT CHARGES TO THE FULL EXTENT PERMITTED

Development charges are a critical component of the LTFMP. The City of Brampton generally uses development charges to the maximum extent, and there are limited ways to increase revenues. However, at the time of its next development charges by-law update, the City will need to comply with significant recent amendments to the *Development Charges Act.* Of these amendments, the most notable change the City must consider is the forward-looking service level for transit. It should be noted that the City has already changed its capital budgeting process to remove the 10 per cent discount for transit capital projects.

To continue to maximize its use of development charges and therefore minimize the impact of growth on existing taxpayers, the City should consider the following recommendations:

1. Ensure supporting transit background studies accompany the City's next development charges update. Based on Hemson's recent experience preparing transit development charges updates in other municipalities, it is beneficial to have an up-to-date transportation master plan (TMP) that can underpin the analysis. Specifically, the TMP should include:

    a. Ridership projections for each capital forecast scenario;

    b. Forecast modal splits including any behavioural differences between new residents and employees and the existing base; and

    c. A detailed asset management plan for transit that considers non-infrastructure solutions, maintenance activities, renewal and rehabilitation activities, replacement activities, disposal activities and expansion activities.

2. The City of Ottawa, City of London, Region of Waterloo and Region of York are in the process of undertaking development charges by-law updates under the framework of the new legislation. The City should monitor these studies and integrate best practices into its subsequent development charges update. However, it is noted that the additional development charges revenue potential under the amended legislation may not be as significant as the municipal sector had hoped during the legislative consultation period.

3. Continue to track employment trends in industrial areas using the employment survey and other means.

F. MAINTAIN THE CITY'S INFRASTRUCTURE ASSETS

In the current fiscal context, it is likely unrealistic to expect the City to address the infrastructure deficit in the short-term. Accordingly, a long-term funding strategy that identifies options for addressing current and future asset expenditure requirements is needed. The City should consider the recommendations of the Corporate Asset Management Plan, Section 6: Financing Strategy. Key recommendations are highlighted as follows:

1. At a minimum, Council should maintain the scheduled annual Reserve 4 contribution increases equal to 2 per cent of the tax levy per year.

2. Undertake Department Asset Management Plans to improve the reliability of City-wide Asset Management Plan documentation.

3. Define service levels under each service area to be approved by Council, similar to those approved for Fire services, for use in prioritizing projects.

4. Continue to fully draw down the Replacement of Asset Reserve Fund as needed on an annual basis to apply to repair and replacement projects.

5. Identify and take advantage of opportunities to partner with other private or public organizations to deliver infrastructure services.

6. Explore opportunities to apply for other eligible Federal, Provincial, or third party funding.

7. Consider judicious use of debt financing if and when any risk levels are becoming critical.

8. Indicate the long-term asset replacement contribution when new growth-related assets are approved by Council.

G. CONTINUE THE USE OF RESERVES AND RESERVE FUNDS

The City of Brampton's use of a variety of discretionary reserves and reserve funds provide a sound basis for financial planning. These practices will continue to be critical in ensuring the City's financial stability and sustainability.

General Rate Stabilization Reserve

As capital expenditures can vary from year to year and in some cases can be deferred, it is recommended that the City of Brampton consider adjusting its target General Rate Stabilization Reserve balance to align with common practices. For example:

- The City of Mississauga's Long Range Financial Plan recommends that a balance equivalent to 10 to 15 per cent of own source revenues (or 6 to 8 weeks of own source revenues) is maintained within its General Contingencies Reserve. If applied to the City of Brampton, a target balance of 12.5 per cent of 2017 own source revenues would translate to approximately $78 million.

- The City of Barrie's Tax Rate Stabilization Reserve maintains a minimum balance of 5 per cent of gross operating revenues, excluding transfers to capital, specific reserves, and debt principal repayments. Annual contributions to this reserve consist of 50 per cent of the tax rate supported operating surpluses. If applied to Brampton, this would result in a target balance of approximately $63 million.

- The City of Vaughan's Tax Stabilization Reserve maintains a target balance equal to 10 per cent of own source revenues. If applied to Brampton, this would result in a target balance of approximately $62 million.

Any excess balance may then be redirected to asset repair and replacement or major unfunded growth-related projects.

Legacy Fund

It is recommended that the City consider using the $100 million Legacy Fund reserve balance for a variety of economic development or special projects, such as the potential university or the Riverwalk projects, as necessary. As noted previously, a drawdown of this reserve could result in a loss of up to $4.5 million in annual investment income, and some of the City's financial flexibility, until the reserve balance is replenished.

H. EXPLORE OPPORTUNITIES FOR ALTERNATIVE REVENUE TOOLS

The *Municipal Act* is currently being reviewed and considerations are being made to provide other municipalities with certain tools granted to Toronto under the *City of Toronto Act.* These tools include vehicle registration fees, cigarette and alcohol taxes, entertainment taxes and road pricing. While these tools are unlikely to be available in the short to mid term, the City of Brampton should work with AMO and other municipalities to help move the process forward. Any provincial requests for new revenue tools should be carefully assessed for their potential to raise revenues, and for any potential negative impacts, in the City of Brampton's context.

I. CONTINUE TO EXPLORE ALTERNATIVE OPTIONS TO STREAMLINE SERVICE DELIVERY

Over the coming decade, growing operating and capital cost are expected to rise arising from the need to provide services to a growing community as well as upward pressure on the City's Municipal Price Index. The City of Brampton's performance in terms of operational efficiency is generally in line with other municipalities, and the City has been seeking to further streamline operations through recent and ongoing efforts such as the Corporate Asset Management Plan and this Long Term Financial Master Plan, which will encourage greater interdepartmental coordination and long-term planning and decision making. The City should continue to undertake operational reviews to identify opportunities to reduce costs while maintaining or improving services. The following approaches are recommended:

1. Continue to look at opportunities to share capital facilities with the Region (e.g. Fire/EMS stations) and other area municipalities (e.g. shared Fire training arrangements).

2. Continue to explore opportunities to work with local school boards on the shared use of facilities.

3. Explore the viability of providing transit services through a private operator. The City may look to current practices in York Region as an example.

4. Continue to explore opportunities to coordinate transit services on routes shared with neighbouring municipalities.

5. Undertake reviews of City programs on a regular, rotating basis, through the use of value-for-money audits, to ensure services are delivered in a cost effective and efficient manner. These reviews should identify changing demand for services arising from shifts in demographics and development patterns and should recommend program changes as warranted.

6. Update financial model inputs regularly and review assumptions about long-term growth every five years.

J. CONSIDER ISSUING DEBT FOR MAJOR LONG-TERM ASSETS

As discussed in Section III, the Province limits the use of long-term debt to financing capital assets and annual municipal debt payments cannot exceed 25 per cent of own source revenue. However, the City of Brampton has strict debt management policies and practices in place and current debt levels are far below the Provincial debt limit.

It is recommended that the City, while maintaining its current debt management policies, consider expanding upon its use of debt as follows:

1. Completion of the Peel Memorial Hospital levy in 2018 could present an opportunity for the City to begin long-term debt payments for major strategic projects, such as the Hurontario corridor LRT extension and/or the Queen Street LRT/BRT project, while mitigating some of the associated tax rate pressures.

2. The City should continue its current practice of avoiding tax supported debt for replacement projects, except where it is deemed appropriate to address significant backlogs or one-time needs. It may be appropriate to issue debt for major asset repair and replacement projects in the short-term to help address the City's significant and growing infrastructure gap. In particular, debt may be considered for transportation, transit, and stormwater projects.

In expanding its use of debt, the City should have a clear understanding of the implications and risks involved. In particular, development charges supported debt is impacted by future growth rates. In the event that future development charges revenues do not meet forecasted amounts, development charges supported debt payments would need to be supplemented with tax supported funding. Therefore, higher debt levels could result in an increased vulnerability to potential economic events, such as a recession. To mitigate these risks, the following recommendations are suggested:

3. The City may use the LTFMP Fiscal Impact Model to study the potential tax impacts of any significant additional development charges supported debt, should development charges revenue decline below forecasted amounts
4. Development charges supported debt terms should generally be limited to 10 to 15 years for most services. Capital projects with exceptionally long life-cycles, such as LRT infrastructure, may warrant lengthier debt terms.
5. Higher order transit projects, transit maintenance and storage facilities and recreation centres would be the most logical projects for development charges backed debt issuance.

V CONCLUSION AND NEXT STEPS

The LTFMP process has resulted in a comprehensive understanding of the City of Brampton's current and forecast financial position, how its current financial policies and practices are performing and how they compare with other major GTA municipalities, and how current practices may be improved to support the City's financial sustainability.

Of the recommendations outlined in Section IV, a number of actions should be considered immediate or short-term priorities. Specifically, the following actions should be taken by Council within the next two years:

- As part of the 2018 budget, develop a 10-year capital forecast for all services, using appropriate capital project prioritization metrics.
- Finalize decisions regarding moving forward with and funding the Hurontario corridor LRT extension, the Queen Street LRT/BRT, the university, and Riverwalk, using the Fiscal Impact Model to test potential funding scenarios as needed. Work with provincial and federal agencies to secure funding as necessary, and consider using the City's considerable debt capacity to fund projects where appropriate.
- Undertake Department Asset Management Plans to improve the reliability of City-wide Asset Management Plan documentation.
- Complete the City's Stormwater Financing Strategy to explore the feasibility of shifting the funding of stormwater pond and linear infrastructure from property taxes to utility rates.
- Develop a comprehensive recreation user fee policy, which considers cost recovery targets while seeking to maximize program participation and access and ensure an efficient use of facilities.
- Once supporting plans are in place, undertake a Development Charges Background Study and By-law update that complies with current *Development Charges Act* requirements, including a full review of the treatment of transit services.
- Develop a Community Improvement Plan with financial incentive policies to support economic growth, and in particular non-residential development with a focus on key employment sectors.

APPENDIX A.1

ASSESSMENT AND TAXATION

A.1 ASSESSMENT AND TAXATION

The following presents a summary of assessment and taxation information for the City of Brampton and six comparator municipalities. All data presented is based on 2015 Financial Information Returns.

1. City of Brampton

Table 1

City of Brampton Assessment Summary

Assessment Summary	Full CVA Assessment and PILs	Taxes and PILs	Tax Rate	Tax Ratio	Weighted Assessment	Assessment Ratio	Weighted Assessment Ratio
Residential	$61,381,116,762	$298,044,833	0.486%	1.00	$61,381,116,762	82%	77%
Commercial/Office	$10,716,934,995	$66,260,005	0.618%	1.27	$13,645,977,562	14%	17%
Industrial	$2,918,685,969	$20,052,107	0.687%	1.41	$4,129,649,586	4%	5%
Pipeline	$140,781,000	$638,041	0.453%	0.93	$131,401,940	0%	0%
Total	**$75,157,518,726**	**$384,994,986**			**$79,288,145,849**	**100%**	**100%**

Table 2

City of Brampton Average Tax Amounts by Land Use Category

Category	2015 Tax Rate	Average CVA Value	Average Taxes
Low Rise Residential Full	0.500%	$398,000	$1,989
Commercial Full (per $100k of assessment)	0.648%	$100,000	$648
Industrial Full (per $100k of assessment)	0.735%	$100,000	$735
Office Full (per $100k of assessment)	0.648%	$100,000	$648

2. City of Mississauga

Table 3

City of Mississauga Assessment Summary

Assessment Summary	Full CVA Assessment and PILs	Taxes and PILs	Tax Rate	Tax Ratio	Weighted Assessment	Assessment Ratio	Weighted Assessment Ratio
Residential	$99,527,639,672	$285,383,145	0.287%	1.00	$99,527,639,672	75%	69%
Commercial/Office	$26,783,209,407	$105,446,861	0.394%	1.37	$36,774,691,743	20%	25%
Industrial	$5,424,117,796	$23,095,288	0.426%	1.48	$8,054,503,367	4%	6%
Pipeline	$141,131,000	$465,519	0.330%	1.15	$162,350,188	0%	0%
Total	**$131,876,097,875**	**$414,390,813**			**$144,519,184,970**	**100%**	**100%**

Table 4 City of Mississauga Average Tax Amounts by Land Use Category			
Category	**2015 Tax Rate**	**Average CVA Value**	**Average Taxes**
Low Rise Residential Full	0.292%	$564,000	$1,647
Commercial Full (per $100k of assessment)	0.412%	$100,000	$412
Industrial Full (per $100k of assessment)	0.459%	$100,000	$459
Office Full (per $100k of assessment)	0.412%	$100,000	$412

3. City of Vaughan

Table 5 City of Vaughan Assessment Summary							
Assessment Summary	**Full CVA Assessment and PILs**	**Taxes and PILs**	**Tax Rate**	**Tax Ratio**	**Weighted Assessment**	**Assessment Ratio**	**Weighted Assessment Ratio**
Residential	$58,709,249,824	$130,790,293	0.223%	1.00	$58,709,249,824	77%	75%
Commercial/Office	$12,455,612,111	$31,017,290	0.249%	1.11	$13,885,823,111	16%	18%
Industrial	$4,709,104,479	$13,362,053	0.284%	1.27	$5,981,925,060	6%	8%
Pipeline	$92,088,000	$195,981	0.213%	0.95	$87,736,791	0%	0%
Total	**$75,966,054,414**	**$175,365,617**			**$78,664,734,786**	**100%**	**100%**

Table 6 City of Vaughan Average Tax Amounts by Land Use Category			
Category	**2015 Tax Rate**	**Average CVA Value**	**Average Taxes**
Low Rise Residential Full	0.236%	$626,000	$1,476
Commercial Full (per $100k of assessment)	0.263%	$100,000	$263
Industrial Full (per $100k of assessment)	0.309%	$100,000	$309
Office Full (per $100k of assessment)	0.263%	$100,000	$263

4. City of Markham

Table 7 City of Markham Assessment Summary							
Assessment Summary	**Full CVA Assessment and PILs**	**Taxes and PILs**	**Tax Rate**	**Tax Ratio**	**Weighted Assessment**	**Assessment Ratio**	**Weighted Assessment Ratio**
Residential	$54,151,862,864	$110,318,241	0.204%	1.00	$54,151,862,864	84%	82%
Commercial/Office	$9,125,075,450	$20,377,319	0.223%	1.10	$10,002,604,955	14%	15%
Industrial	$1,249,456,878	$3,063,782	0.245%	1.20	$1,503,917,224	2%	2%
Pipeline	$66,647,648	$125,139	0.188%	0.92	$61,426,922	0%	0%
Total	**$64,593,042,840**	**$133,884,481**			**$65,719,811,964**	**100%**	**100%**

Table 8 City of Markham Average Tax Amounts by Land Use Category			
Category	**2015 Tax Rate**	**Average CVA Value**	**Average Taxes**
Low Rise Residential Full	0.204%	$637,000	$1,301
Commercial Full (per $100k of assessment)	0.228%	$100,000	$228
Industrial Full (per $100k of assessment)	0.268%	$100,000	$268
Office Full (per $100k of assessment)	0.228%	$100,000	$228

5. Town of Oakville

Table 9 Town of Oakville Assessment Summary							
Assessment Summary	**Full CVA Assessment and PILs**	**Taxes and PILs**	**Tax Rate**	**Tax Ratio**	**Weighted Assessment**	**Assessment Ratio**	**Weighted Assessment Ratio**
Residential	$39,809,940,191	$132,909,539	0.334%	1.00	$39,809,940,191	86%	80%
Commercial/Office	$5,702,402,610	$26,492,648	0.465%	1.39	$7,935,252,355	12%	16%
Industrial	$986,017,820	$7,039,247	0.714%	2.14	$2,108,441,607	2%	4%
Pipeline	$60,129,000	$213,129	0.354%	1.06	$63,837,801	0%	0%
Total	**$46,558,489,621**	**$166,654,563**			**$49,917,471,955**	**100%**	**100%**

Table 10 Town of Oakville Average Tax Amounts by Land Use Category			
Category	**2015 Tax Rate**	**Average CVA Value**	**Average Taxes**
Low Rise Residential Full	0.340%	$647,668	$2,202
Commercial Full (per $100k of assessment)	0.495%	$100,000	$495
Industrial Full (per $100k of assessment)	0.802%	$100,000	$802
Office Full (per $100k of assessment)	0.495%	$100,000	$495

6. City of Burlington

Table 11 City of Burlington Assessment Summary							
Assessment Summary	**Full CVA Assessment and PILs**	**Taxes and PILs**	**Tax Rate**	**Tax Ratio**	**Weighted Assessment**	**Assessment Ratio**	**Weighted Assessment Ratio**
Residential	$28,421,515,499	$106,137,480	0.373%	1.00	$28,421,515,499	82%	75%
Commercial/Office	$5,051,694,454	$26,214,976	0.519%	1.39	$7,019,851,486	15%	19%
Industrial	$1,034,750,037	$8,383,724	0.810%	2.17	$2,244,995,280	3%	6%
Pipeline	$73,510,000	$272,816	0.371%	0.99	$73,054,723	0%	0%
Total	**$34,581,469,990**	**$141,008,996**			**$37,759,416,987**	**100%**	**100%**

Table 12 City of Burlington Average Tax Amounts by Land Use Category			
Category	**2015 Tax Rate**	**Average CVA Value**	**Average Taxes**
Low Rise Residential Full	0.324%	$417,645	$1,353
Commercial Full (per $100k of assessment)	0.472%	$100,000	$472
Industrial Full (per $100k of assessment)	0.764%	$100,000	$764
Office Full (per $100k of assessment)	0.497%	$100,000	$497

7. City of Toronto

Table 13 City of Toronto Assessment Summary							
Assessment Summary	**Full CVA Assessment and PILs**	**Taxes and PILs**	**Tax Rate**	**Tax Ratio**	**Weighted Assessment**	**Assessment Ratio**	**Weighted Assessment Ratio**
Residential	$430,717,800,981	$2,410,622,795	0.560%	1.00	$430,717,800,981	80%	58%
Commercial/Office	$100,600,613,508	$1,413,644,627	1.405%	2.89	$290,291,428,952	19%	39%
Industrial	$8,422,970,702	$120,926,961	1.436%	2.95	$24,832,309,080	2%	3%
Pipeline	$328,763,000	$3,176,575	0.966%	1.98	$652,308,563	0%	0%
Total	**$539,676,602,191**	**$3,942,665,285**	**0.731%**		**$745,299,289,579**	**80%**	**58%**

Table 14 City of Toronto Average Tax Amounts by Land Use Category			
Category	**2015 Tax Rate**	**Average CVA Value**	**Average Taxes**
Low Rise Residential Full	0.511%	$549,586	$2,806
Commercial Full (per $100k of assessment)	5.635%	$100,000	$5,635
Industrial Full (per $100k of assessment)	3.060%	$100,000	$3,060
Office Full (per $100k of assessment)	3.072%	$100,000	$3,072

APPENDIX A.2

USER FEES

A.2 USER FEES

Table 1 presents a comparison of user fee revenues as a percentage of total operating expenses by service area across a number of GTHA municipalities. Calculated user fee revenue per capita is also provided under each service area.

All data presented is based on 2015 Financial Information Returns (FIR). It is important to note that some differences may exist in the calculation and FIR reporting methodologies used among these municipalities.

Table 1

Comparison of User Fee Revenue (2015)

		Brampton	Mississauga	Caledon	Peel	Vaughan	Markham	Oakville	Burlington	Toronto
	Population	580,600	764,000	72,040	1,443,000	323,500	349,884	190,100	175,103	2,826,498
Fire	User Fee Revenue	$386,855	$1,579,577	$217,622	$0	$935,885	$11,295	$246,687	$121,860	$14,164,847
	Operating Expenses	$60,235,525	$99,417,497	$7,748,709	$0	$47,734,085	$34,052,540	$32,441,193	$26,505,161	$443,165,749
	% Revenue from User Fees	0.6%	1.6%	2.8%	N/A	2.0%	0.0%	0.8%	0.5%	3.2%
	User Fee Revenue per Capita	$0.67	$2.07	$3.02	N/A	$2.89	$0.03	$1.30	$0.70	$5.01
Transit	User Fee Revenue	$49,049,299	$80,917,237	$0	$0	$0	$0	$7,618,537	$5,310,863	$1,126,401,000
	Operating Expenses	$122,002,593	$155,199,754	$48,247	$17,303,081	$0	$0	$24,064,358	$13,920,213	$1,839,376,359
	% Revenue from User Fees	40.2%	52.1%	N/A	N/A	N/A	N/A	31.7%	38.2%	61.2%
	User Fee Revenue per Capita	$84.48	$105.91	N/A	N/A	N/A	N/A	$40.08	$30.33	$398.51
Parking	User Fee Revenue	$654,086	$2,037,908	$0	$0	$0	$0	$1,825,560	$1,657	$244,280,307
	Operating Expenses	$996,252	$6,788,120	$445,553	$0	$0	$1,661,514	$3,145,640	$1,695,608	$80,296,500
	% Revenue from User Fees	65.7%	30.0%	N/A	N/A	N/A	N/A	58.0%	0.1%	304.2%
	User Fee Revenue per Capita	$1.13	$2.67	N/A	N/A	N/A	N/A	$9.60	$0.01	$86.43
Parks	User Fee Revenue	$593,445	$582,782	$449,456	$0	$329,367	$82,582	$7,522	$694,072	$5,398,336
	Operating Expenses	$34,202,535	$23,563,465	$2,259,375	$0	$13,202,700	$13,583,086	$13,626,345	$9,753,045	$161,603,261
	% Revenue from User Fees	1.7%	2.5%	19.9%	N/A	2.5%	0.6%	0.1%	7.1%	3.3%
	User Fee Revenue per Capita	$1.02	$0.76	$6.24	N/A	$1.02	$0.24	$0.04	$3.96	$1.91

Table 1

Comparison of User Fee Revenue (2015)

Recreation	User Fee Revenue	$16,039,032	$26,835,253	$4,344,463	$0	$13,338,838	$10,775,727	$8,290,717	$10,095,649	$55,302,074
	Operating Expenses	$52,409,990	$63,116,148	$9,204,111	$0	$32,576,365	$30,802,923	$28,686,168	$23,068,427	$346,498,119
	% Revenue from User Fees	30.6%	42.5%	47.2%	N/A	40.9%	35.0%	28.9%	43.8%	16.0%
	User Fee Revenue per Capita	$27.62	$35.12	$60.31	N/A	$41.23	$30.80	$43.61	$57.66	$19.57
Library	User Fee Revenue	$527,903	$292,026	$4,961	$0	$79,935	$704,707	$48,567	$192,849	$4,508,523
	Operating Expenses	$14,183,425	$26,311,111	$2,677,542	$0	$12,924,713	$12,266,640	$8,604,195	$9,831,722	$175,220,540
	% Revenue from User Fees	3.7%	1.1%	0.2%	N/A	0.6%	5.7%	0.6%	2.0%	2.6%
	User Fee Revenue per Capita	$0.91	$0.38	$0.07	N/A	$0.25	$2.01	$0.26	$1.10	$1.60
Cultural Services / Museum	User Fee Revenue	$2,423,163	$834,673	$0	$162	$334,597	$2,787,550	$1,567,742	$1,893,469	$61,914,391
	Operating Expenses	$8,192,852	$5,359,881	$0	$1,975,887	$2,692,165	$7,057,377	$5,774,215	$5,386,247	$159,808,372
	% Revenue from User Fees	29.6%	15.6%	N/A	0.0%	12.4%	39.5%	27.2%	35.2%	38.7%
	User Fee Revenue per Capita	$4.17	$1.09	N/A	$0.00	$1.03	$7.97	$8.25	$10.81	$21.90

APPENDIX A.3

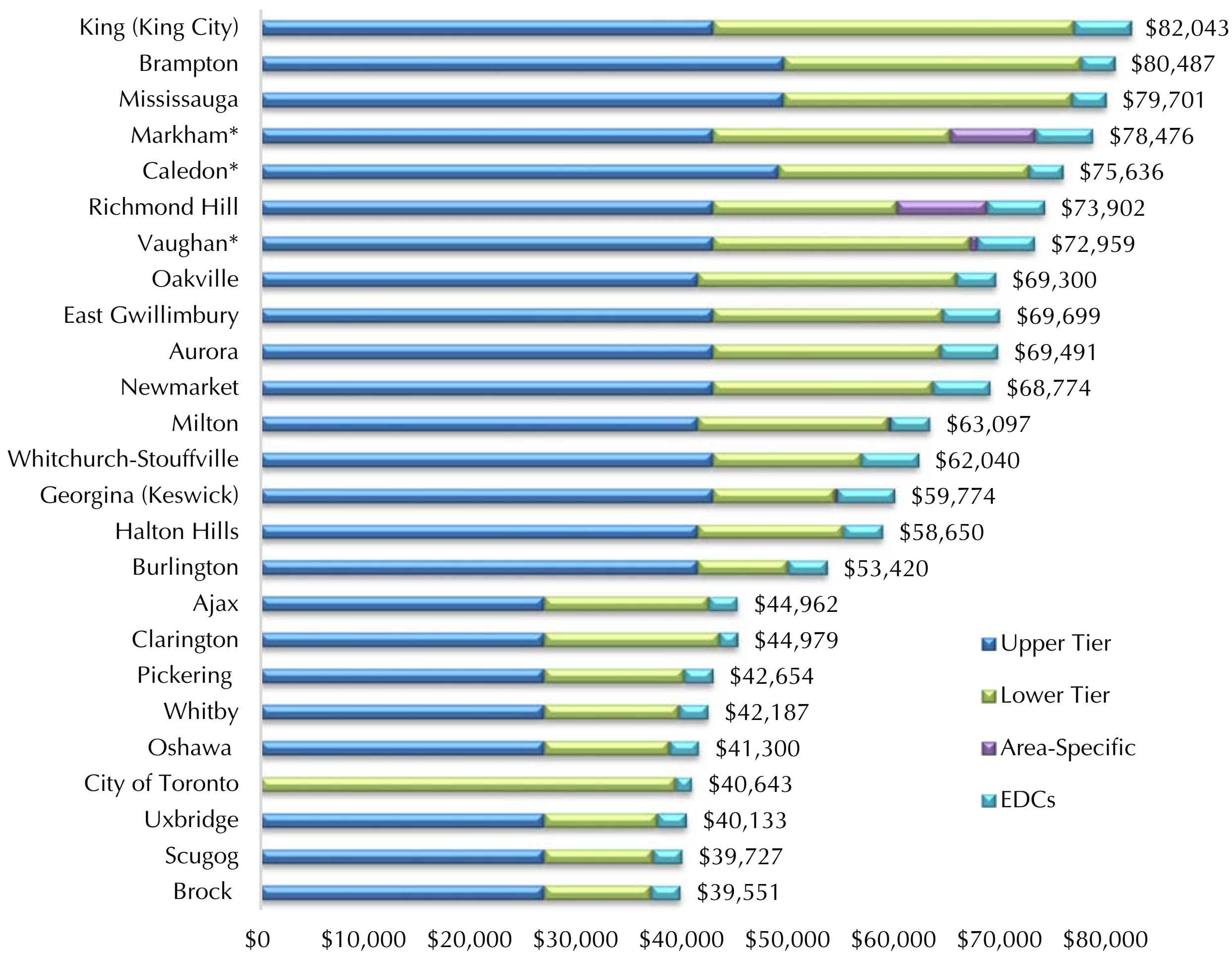
DEVELOPMENT CHARGES

A.3 DEVELOPMENT CHARGES

The following graphs present comparisons of current development charges for single detached dwelling units and industrial developments across GTHA municipalities. As demonstrated, the City's development charges rates are in line with other large neighbouring municipalities such as Mississauga, Markham, Vaughan, and Oakville.

Figure 1

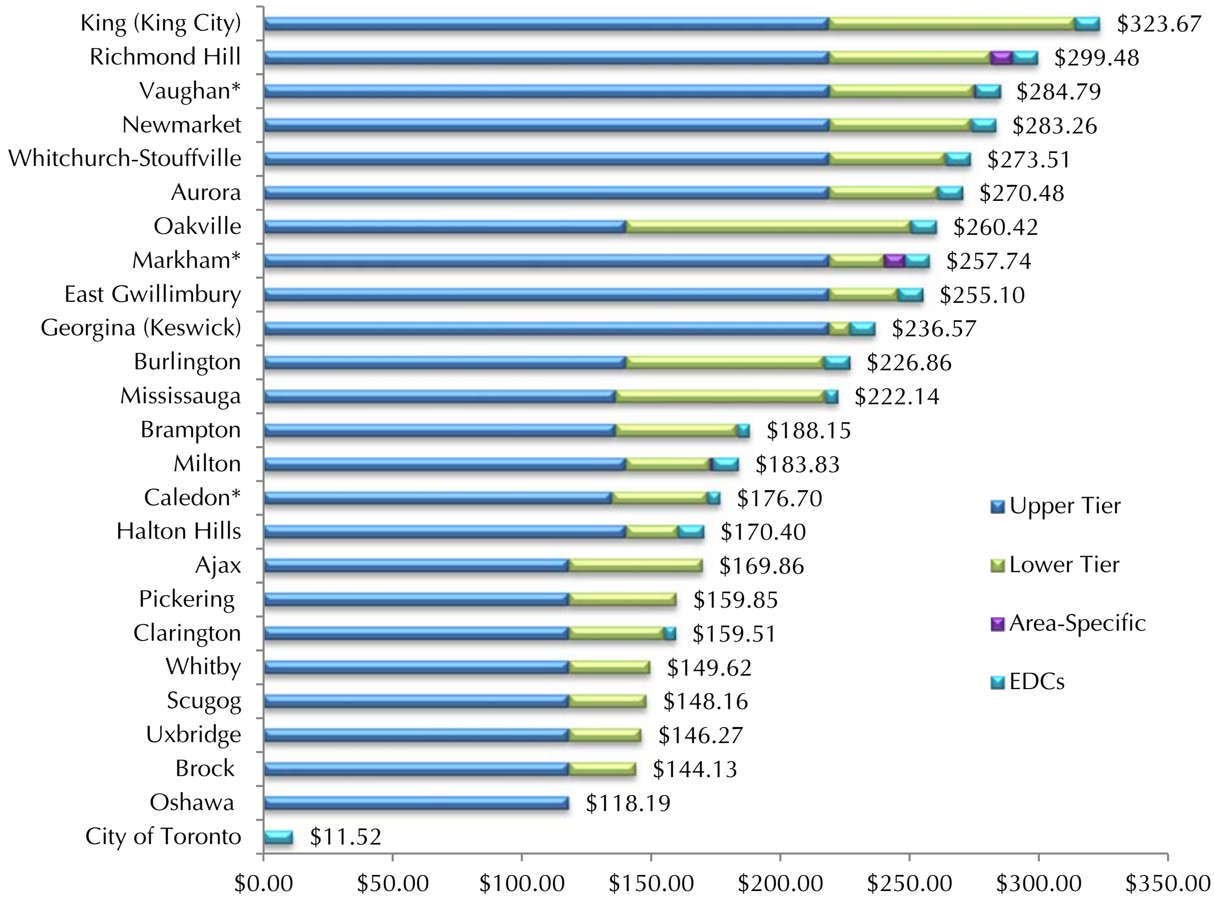
Comparison of Development Charges Per Single Detached Unit



*Area-specific Development Charges may apply

Figure 2

Comparison of Development Charges Per Square Metre of Industrial Floor Space



*Area-specific Development Charges may apply

APPENDIX A.4

INFRASTRUCTURE LEVIES

A.4 INFRASTRUCTURE LEVIES

The City of Brampton imposes an infrastructure levy to help fund asset repair and replacement. Similar infrastructure levies are imposed in a number of municipalities across Ontario, including the City of Mississauga, the Region of Peel, the City of Markham, the Town of Richmond Hill, the City of Vaughan, and the City of Ottawa, as shown in Table 1. These infrastructure levies generally range from an additional 0.4 to 2 per cent of the tax levy per year.

Table 1

Comparison of Infrastructure Levies among Ontario Municipalities

Municipality	Asset Replacement Value	Additional Infrastructure Levy Description	Additional Infrastructure Levy $	Tax Contribution to AM	Total Contribution to AM	Gap
Brampton	$5,075,000,000	Additional 2% of tax levy per year	$8,443,000	$46,200,000	$82,390,000	$192,000,000
Per Capita+Employment	$6,296		$10.47	$57.32	$102.21	$238.19
Year	2016	2017	2017	2017	2017	2016
Mississauga	$8,500,000,000	Additional 2% of tax levy per year (incl debt payments)	$8,700,000	$61,420,000	$98,000,000	$230,000,000
Per Capita+Employment	$6,914		$7.08	$49.96	$79.72	$187.10
Year	2016	2017	2017	2017	2017	2017
Peel - Tax Supported	$13,242,270,000	Additional 1% of tax levy per year	$9,500,000	$47,520,000	$814,000,000	$180,000,000
Per Capita+Employment	$6,204		$4.45	$22.26	$381.38	$84.33
Year	2017	2017	2017		10-Year (2017-2026)	10-Year (2017-2026)
Markham - Tax Supported	$4,269,000,000	Additional 0.5% of tax levy per year	$715,000	$30,526,000	$55,000,000	$3,440,000
Per Capita+Employment	$8,207		$1.37	$58.68	$105.73	$6.61
Year	2017	2017	2016	2016	2017	2017 Annual Gap
Richmond Hill - Tax Supported	$1,850,000,000	Additional 1% of tax levy per year	$1,005,000	$7,900,000		
Per Capita+Employment	$6,504		$3.53	$27.77		
Year	2016	2017	2017	2017		
Vaughan - Tax Supported	$2,890,000,000				$34,000,000	
Per Capita+Employment	$5,577				$65.62	
Year	2013				2017	
Ottawa - Tax Supported	$17,772,000,000	Translates to Additional 0.4% of tax levy per year	$5,500,000	$240,000,000	$265,000,000	$80,000,000
Per Capita+Employment	$11,643		$3.60	$157.23	$173.61	$52.41
Year	2016		2016	2016	2016	2016: Per year

APPENDIX A.5

DEBT MANAGEMENT

A.5 DEBT MANAGEMENT

A. DEBT MANAGEMENT POLICY

The following presents an overview of debt limit and debt term policies employed by GTHA municipalities.

1. Debt Limit

Ontario's *Municipal Act* sets an annual debt charge limit of 25 per cent own source revenues. In addition to this, many municipalities impose their own, more stringent, annual debt charge limits. Some notable examples include the following:

- The **City of Mississauga's** annual debt charge limit is set at 15 per cent of the City's own source revenues. This is further broken down to a tax supported debt charge limit of 10 per cent, and a non-tax supported debt charge limit of 5 per cent of own source revenues.
- The **City of Vaughan** has set a debt charge limit of 10 per cent of own source revenues.
- The **City of Toronto's** annual debt charge limit is equal to 15 per cent of the tax levy.
- The **City of Barrie** has a more complex debt charge limit structure in place as follows:
    - Tax supported debt charges are limited to 10% of the City's net levy requirement;
    - Water rate supported debt charges are limited to 25% of the City's water revenues;
    - Wastewater rate supported debt charges are limited to exceed 25% of the City's wastewater revenues; and
    - Total debt charges for DC borrowings are limited to 1 per cent of net revenue fund revenue, with a maximum annual repayment level of 10% of the reserve fund deposits.

2. Debt Term

Under the *Municipal Act*, municipalities are restricted to a maximum term of debt of 40 years, and the term of debt cannot exceed the anticipated useful life of the asset. While it is common practice for municipalities to aim to match the debt term to the useful life of the debentured asset, a number of municipalities impose additional debt term policies. For example:

- **Mississauga**, like Brampton, imposes a debt term limit of the lesser of 30 years or the estimated useful life of the asset.
- **Toronto**'s policy is to structure debt for the shortest term-to-maturity, with consideration for appropriate allocation of costs to current and future taxpayers.
- **Barrie**'s policy is to ensure that in any reporting period, more than two thirds of all outstanding tax rate supported debt is in a position to mature within 10 years and the average debt retirement period of all outstanding debt is not to exceed 12 years.

B. COMPARISON OF DEBT CHARGES

Table 1 presents a comparison of debt charges and area across a number of GTHA municipalities. The comparison includes the percentage of the Provincial debt capacity used, as well as a calculation of debt charges per capita. All data is based on 2015 Financial Information Returns.

The City of Brampton's 2015 debt charges are among the lowest of the municipalities reviewed at 6.0 per cent of the Provincial debt limit and $14.68 per capita. It is noted that the average debt charge per capita among the municipalities has been calculated at $68.11; however, this figure drops to $45.67 when the City of Toronto is excluded.

Table 1

Comparison of Debt Charges (2015)

	Brampton	Mississauga	Caledon	Peel	Vaughan	Markham	Oakville	Burlington	Toronto
Population	580,600	764,000	72,040	1,443,000	323,500	349,884	190,100	175,103	2,826,498
Net Revenues	$564,539,499	$694,846,989	$72,855,986	$1,472,079,217	$364,222,695	$334,019,390	$243,482,503	$207,607,071	$8,909,081,705
Net Debt Charges	$8,526,093	$12,099,244	$2,991,375	$122,246,129	$16,399,513	$1,119,359	$11,099,435	$16,864,635	$699,961,784
Provincial Limit (25% Net Revenues)	$141,134,875	$173,711,747	$18,213,997	$368,019,804	$91,055,674	$83,504,848	$60,870,626	$51,901,768	$2,227,270,426
% Debt Capacity Used	6.0%	7.0%	16.4%	33.2%	18.0%	1.3%	18.2%	32.5%	31.4%
Debt Charges per Capita	$14.68	$15.84	$41.52	$84.72	$50.69	$3.20	$58.39	$96.31	$247.64

APPENDIX A.6

CAPITAL PROJECT PRIORITIZATION METRICS

A.6 CAPITAL PROJECT PRIORITIZATION METRICS

Many municipalities across Canada have established strategies for prioritizing capital investments in order to manage expenditures on an annual basis. These strategies often involve the use of rankings and evaluation criteria.

As shown in Figure 1, the Government Finance Officers Association (GFOA) has compiled a set of commonly used evaluation criteria for capital projects. This list is intended to assist municipalities in establishing their own unique criteria according to its specific needs and context. GFOA additionally highlights the importance of applying rankings or weights to each of the evaluation criteria to assist in project prioritization.

Specific prioritization strategies that have been developed and/or applied in Canadian municipalities are highlighted across the pages that follow.

Figure 1

GFOA Commonly Used Capital Project Evaluation Criteria

Consideration	Questions to Ask	Comments
Legal Mandates	Is the project needed to met provincial or federal regulations?	
Fiscal and Budget Impacts	What is the total capital cost? Impact on operating budget? Impact on tax base, tax rate and user fees? Is there any senior government funding available?	
Health and Safety Impacts	Will the project improve the health and/or safety of the residents in a measurable way?	
Environmental, Aesthetic and Social Effects	Does the project reduce pollution levels? Improve the appearance of neighbourhoods? Ensure community values are achieved?	
Economic Development Impacts	Does the project promote the economic vitality of the community (job creation or business development)?	
Project Feasibility	Does the project demonstrate that it can be implemented as planned? Is the timing, phasing and proposed funding reasonable? Is there public support for the project?	
Distributional Effects	Who benefits from the proposed projects? Is the distribution of projects balanced?	
Disruption/Inconvenience	How much disruption or inconvenience is caused by the project?	
Impact of Deferral	What are the implications of deferring the project?	
Uncertainty of Risk	What degree of risk or uncertainty is inherent in acquiring the facility (demand, obsolescence)?	
Inter-municipal Effects	What are the effects on inter-municipal relationships? Is there an opportunity for inter-municipal cooperation?	
Relationship to Other Projects	Are there advantages from this project accruing to other projects?	

Source: GFOA Capital Improvement Programming: A Guide for Smaller Governments, 1996

1. City of Vaughan

Vaughan's Corporate Planning and Financial Master Plan identifies five criteria to prioritize capital projects for inclusion in the multi-year budget process. Criteria are reviewed on an annual basis and updated wherever necessary. In order of priority, these criteria are:

1) Legal or regulatory requirements (including financial commitments);

2) Co-funding for growth related projects;

3) Infrastructure repair projects;

4) Equipment replacement projects; and

5) New service levels.

2. City of Mississauga

Mississauga uses a capital project ranking system to prioritize projects funded through the City's limited 2 per cent infrastructure levy funds. Projects are assigned one of the following five defined rankings:

1) **Mandatory:** Locked in commitments or vital components associated with cash flowed projects previously approved by Council. These projects cannot be deferred or stopped.

2) **Critical:** Funding of projects to maintain critical components in a state of good repair. If not undertaken, there would be a high risk of breakdown or service disruption.

3) **Efficiency or Cost Savings:** Projects that have a break even over the life of the capital to operational cost savings or cost avoidance and will provide financial benefits in the future.

4) **State of Good Repair:** Projects that are not mandatory, but funding is required to maintain targeted service levels. Reflects life cycle costing.

5) **Improve:** These projects provide for service enhancements that increase current service levels or provide for new capital initiatives. This category also includes the 10% tax funding top-up required for some DC projects.

Project costs are distributed over a 10-year timeframe according to their ranking, and as anticipated annual infrastructure levy funds allow.

3. City of Brantford

The City of Brantford has developed a project prioritization model to align limited resources with the City's goals and objectives. Eight categories are used to score projects, as shown in Figure 2. Each category is assigned a weighting and a set of sub-criteria along with sub-weightings. The result is an overall classification for each City project: high priority, medium priority, or low priority.

Figure 2

City of Brantford: Project Ranking Criteria

Categories		Overall Weighting
1. Legislated, Mandated or Required by Law:		20%
Sub-Criteria	Sub Weighting	
1.1. Does the project satisfy Federal, Provincial, County, or City mandates (e.g., by not performing this project Federal/Provincial money is withheld, laws violated if not followed, or addresses concurrency issues)? (Yes/No)	50%	
1.2. Is the project required for regulatory reasons, or does the project satisfy Federal, Provincial, County, or City recommendations or pending regulations? (Yes/No)	50%	
2. Consequence of Failure:		15%
Sub-Criteria	Sub Weighting	
2.1. What is the consequence of failure of the asset? (High/Medium/Low)	100%	
3. Service Levels		10%
Sub-Criteria	Sub Weighting	
3.1. Does the project maintain level of service standards? (Yes/No)	25%	
3.2. Does the project affect all customers within a recognized neighborhood or facility? (Yes/No)	25%	
3.3. Does the project affect all customers within the City by changing the way the City delivers services or does business (many external stakeholders)? (Yes/No)	50%	

Categories	Overall Weighting
4. Operation and Maintenance Impact:	10%
5. Improved Efficiency:	10%
6. Expansion and Growth:	10%
7. Health and Safety:	15%
8. Coordinated Project:	10%
MAXIMUM SCORE	**100%**

4. Operation and Maintenance Impact: (Overall Weighting 10%)

Sub-Criteria		Sub Weighting
4.1.	After completion of the project, will maintenance be significantly more expensive and time consuming than at current level (requires additional resources)? (Yes/No)	-100%
4.2.	Will the project significantly decrease the demand on Operations & Maintenance budgets? (Yes/No)	100%
4.3.	Is the total capital cost of the project so high that it requires, on a temporary basis, the hiring of additional staff or significantly increases overhead costs beyond current levels? (Yes/No)	-50%

5. Improved Efficiency: (Overall Weighting 10%)

Sub-Criteria		Sub Weighting
5.1.	Will the project significantly increase or improve the efficiency of existing processes? (Yes/No)	30%
5.2.	Does the project preserve or extend the life of an existing asset? (Yes/No)	50%
5.3.	Does the project use innovative solutions, approaches, or use technology in creative ways? (Yes/No)	20%

6. Expansion and Growth: (Overall Weighting 10%)

Sub-Criteria		Sub Weighting
6.1.	Does the project increase infrastructure capacity to meet existing deficiencies to service the existing population? (Yes/No)	50%
6.2.	Does the project increase infrastructure capacity to meet future growth needs? (Yes/No)	25%
6.3.	Will the project attract new economies (i.e. tourism, facility use, businesses etc.)? (Yes/No)	25%

7. Health and Safety: (Overall Weighting 15%)

Sub-Criteria		Sub Weighting
7.1.	Does the project eliminate a risk or hazard to public health and/or safety that endangers the City's population area? (Yes/No)	50%
7.2.	Does the project significantly reduce hazards or risks for users of the facility? (Yes/No)	50%

8. Coordinated Project: (Overall Weighting 10%)

Sub-Criteria		Sub Weighting
8.1.	Will failure to do the project or delaying the project have major impacts on other projects or programs? (Yes/No)	50%
8.2.	Is the project required to be coordinated with other projects? (Yes/No)	50%

MAXIMUM SCORE — **100%**

Source: City of Brantford, Report to Committee of the Whole No. PW2012-046

4. City of Edmonton

Edmonton has in place a Capital Prioritization Framework that aims to optimize City funding resources to growth-related capital projects based on a number of categories and scoring criteria. Categories include:

1) Mandate
2) Geographic Impact (External) OR Organizational Impact (Internal)
3) Value for Money
    a. Change in Demand (Capacity Measure)
    b. Capital or Operational Savings
    c. Level of Service
4) Project Readiness
5) Profile Growth & Renewal
6) Strategic Alignment
7) Corporate Operational Risk

The City's *Capital Growth Profile Prioritization* document, adopted by Council in May 2014, provides a detailed scoring guide under each of the seven criteria. Weightings have not yet been applied to the criteria, although the City plans to apply weightings in the future. Once this evaluation is complete, a funding allocation is undertaken to ensure optimal use of funding sources.

5. Halifax Regional Municipality

Halifax has developed a Capital Projects Evaluation Matrix. The matrix includes 21 criteria, each of which is assigned a weighting factor. Under each criteria, projects are then assigned a priority factor of 1 (Low / no impact), 3 (Medium / indirectly related), or 5 (High / directly related). A sample taken from the matrix is included in Figure 3.

Figure 3

Halifax Regional Municipality: Capital Projects Evaluation Matrix

Project Criteria	Weighting Factor	Priority Factors		
		1=Low	3=Med	5=High
Linkage to Strategic Initiatives Linkage to Strategic Initiatives/ Regional Plan	5.0			
Promotes Environmental Sustainability	5.0			
Required to Implement an existing, approved strategy	6.5			
Public Safety Impact Impact on Crime Prevention	3.5			
Impact on Youth	3.5			
Life Safety Impact of Deferral	6.5			
Risk Management Code Compliance Issue	5.0			
Occupational Health & Safety	6.5			
Regulatory/Legal Requirement	6.5			
Customer Service Impact Maintains Existing Service Level	3.5			
Enhances an Existing Service	5.0			
Provides a New Service	5.0			
Number of Residents Who Will Use Service	3.5			
Financial or Economic Impact Reduces Operating Expenses	3.5			
Increases "Own Source" Revenues	3.5			
Avoided Future Capital Costs	3.5			
Leads to Growth in Assessment Base	3.5			
Coordination with Other Projects	3.5			
Supports Economic Strategy	6.5			
Leverages External Funds	6.5			
Regional Impact Regional Benefit Versus Local	3.5			
Total Score	99			

Priority Factors Explained:
Low - no impact Medium - Indirectly related High - Directly related

Source: Draft Capital Projects Evaluation Matrix, Halifax Regional Council Item No. 10.1.3, March 10, 2009

APPENDIX B

MAJOR CAPITAL PROJECTS

APPENDIX B - MAJOR CAPITAL PROJECTS

Project	Gross Cost	Year	Capital Cost Source	Assumed Impact on Operating
Base Scenario				
Animal Services Shelter Expansion	$1,200,000	2019	DC Study	Capital Induced
District 3 Library	$15,000,000	2022	DC Study	Capital Induced
Library Facility Replacement	$5,300,000	Various	Facilities AMP	None
Fire Campus/Station 203	$29,350,000	2019	Finance Initial Estimate	Capital Induced
Station 214	$6,620,000	2018	Fire Service/Location Study	Capital Induced
Station 215	$13,520,000	2021	Fire Service/Location Study	Capital Induced
Station 216	$6,340,000	2022	Fire Service/Location Study	Capital Induced
Station Replacement	$13,900,000	Various	Facilities AMP	None
Fire Vehicle Replacement	$34,500,000	Various	CAMP	None
Gore Meadows Community Park - Phase 3	$82,500,000	2020	DC Study	Capital Induced
Mississauga/Embleton Community Park	$66,000,000	2020	DC Study	Capital Induced
Northwest Brampton Community Park	$50,600,000	2023	DC Study	Capital Induced
Growth-Related Parks	$164,870,000	Various	DC Study/Parks Forecast	Demographic Growth
Parks and Recreation Replacement	$262,500,000	Various	CAMP	None
New Works Yards	$57,882,000	Various	DC Study	Capital Induced
New Fleet	$6,961,000	Various	DC Study	Lane KM
Works Yards Replacement	$10,000,000	Various	Facilities AMP	None
Vehicle and Equipment Replacement	$40,000,000	Various	CAMP	None
Transit Maintenance and Storage Facility Garage	$75,000,000	Various	DC Study	Ridership
Provision for additional buses (post 2017)	$102,600,000	Various	DC Study/TMP	Ridership
Transit Facility Replacement	$28,000,000	Various	Facilities AMP	None
Transit Fleet Replacement	$214,000,000	Various	CAMP	None
IT	$59,000,000	Various	CAMP	Demographic Growth
Corporate Facilities	$50,000,000	Various	Facilities AMP	None
Hospital Funding	$61,000,000	2018	2017 Budget	None
New Roads	$555,825,000	Various	DC Study/TMP	Lane KM
Roads Replacement	$307,204,000	Various	CAMP	None
Storm Replacement	$109,000,000	Various	CAMP	None
Alternative - Additional Projects				
Queen Street LRT/BRT	$891,823,000	2022	Metrolinx Study	None
Hurontario Corridor LRT	$366,250,000	2021	Staff Reports	None
Legacy Funding (e.g. Post Secondary School, Riverwalk etc.)	$100,000,000	2019	CLT	None