Town of Georgina
Long Range Financial Plan

Forecast Results


Wednesday, December 7th, 2016

HEMSON
Consulting Ltd.

TOWN OF
GEORGINA

Topics

- Background and LRFP Objectives
- Major assumptions and key findings
- 20-Year annual tax levy projection
- 20-Year capital projection
- Reserves and debt
- Next steps

Reasons for a LRFP

Reason	Yes	Somewhat	No	Georgina Issues
Growth management	★			• Upfront infrastructure needs • Location & staging of development
Strategic	★			• Longer-term perspective for planning and budgeting • Sustainable communities
Transparency	★			• Better communication of financial information
Financial pressure		★		• Extensive repair of existing facilities • Pressure to provide new recreation and cultural facilities
External (statutory; lower cost of borrowing)			★	

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What a LRFP Is & Is Not

- What it is:
  - Tool to identify future financial challenges before they arise
    - Used to address pressures such as significant development, debt levels and new infrastructure
  - High level overview of Town’s future financial position
  - Tool to help inform the budgeting process

- What it is not:
  - Master servicing plan (facility condition assessments in progress)
  - New budget software/budgeting model
  - Substitute for the budgeting process

Key Messages

- Georgina has a strong fiscal base:
  - Strong development activity
  - Healthy assessment base
  - Comparatively low property taxes
- Items to be addressed as part of the Long Range Financial Plan process:
  - Impact on property tax rate
  - Town's debt capacity
  - Status of reserve funds
  - Centralized location of all capital projects

Model and Major Assumptions

- Model allows for 20-year forecasting:
  - Forecast timeframe: 2016-2035
  - 2016 is base budget year
- Model includes capital and operating estimates for all services
  - Focus on property tax supported services
  - Examination of water/sewer needs
  - Debt analysis for all services
- Accounts for effects of growth on expenditures
- Inflation excluded

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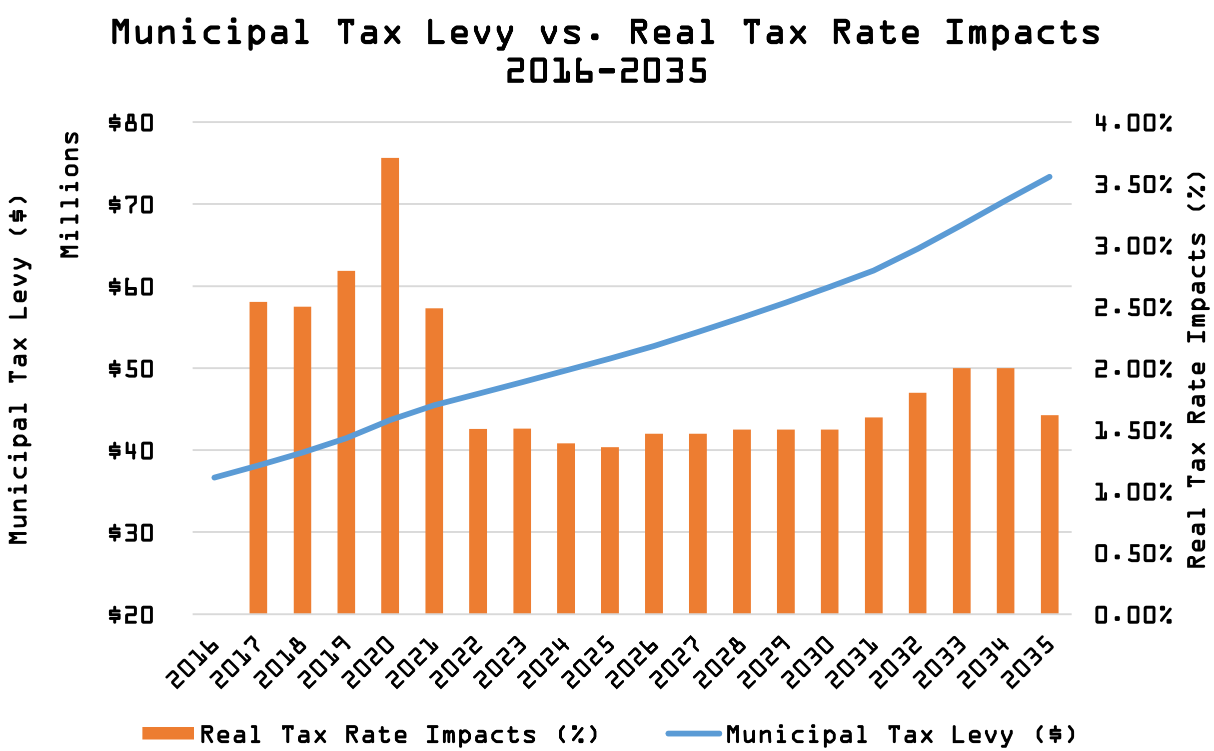
Model and Major Assumptions

- Model includes provision to test utility rate revenue impacts
- Hemson presented draft water & wastewater rates to Council in March 2016
  - Capital and operating assumptions from the rate study and financial plan are incorporated
- Results in this presentation focus only on taxation impacts

Key Finding: Real Property Tax Rate Forecast



Note: Does not include inflation, existing service level gaps or collective agreement settlements.

- Real property tax rate increase average:
  - 10-year average = 2.2%
  - 20-year average = 1.9%

Short-term tax rate pressure largely due to new facilities
  - MURC, Civic Centre, Fire stations

- Balance of presentation provides an overview of the analysis

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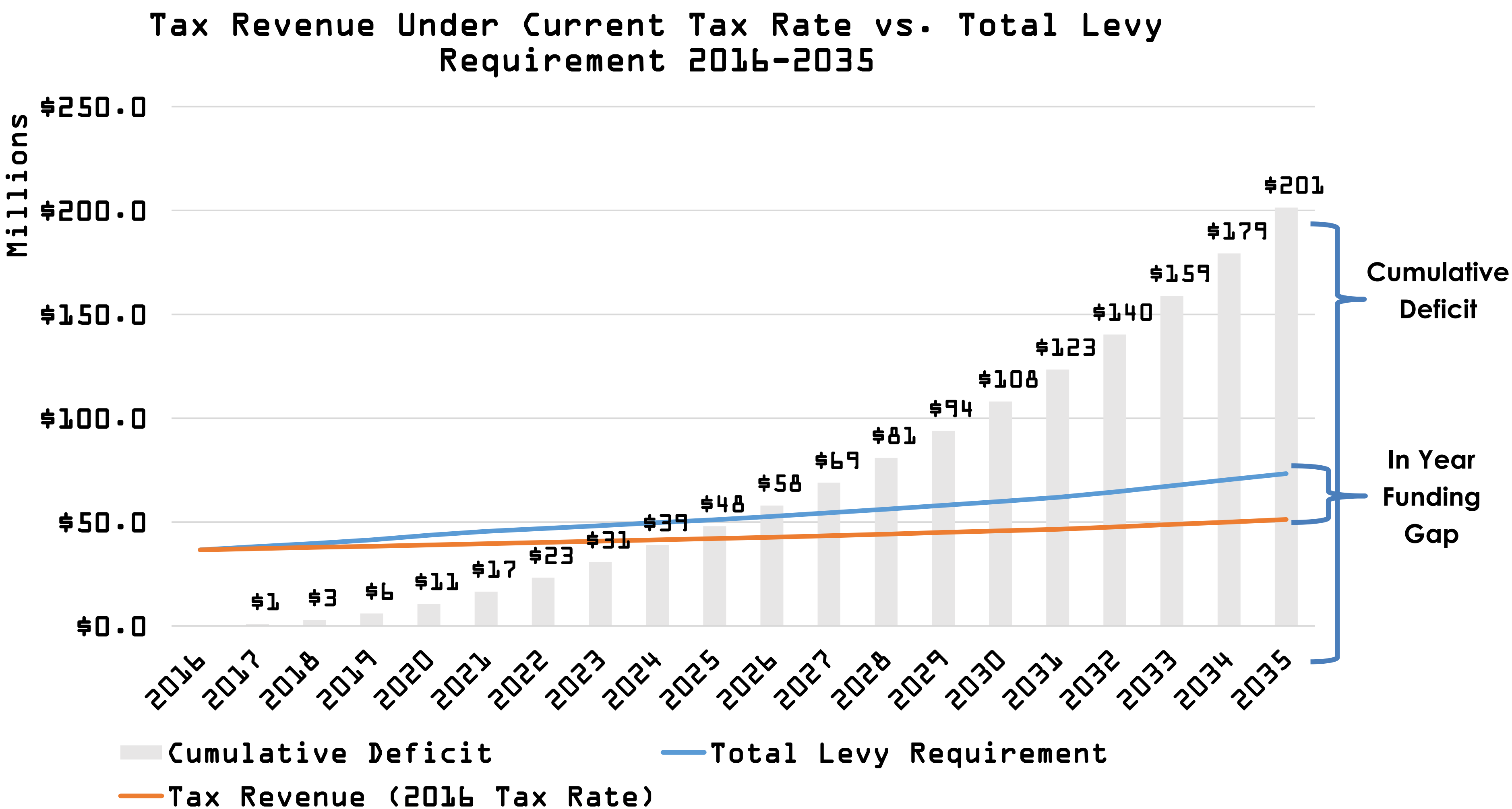
Funding Gap

- "Funding gap"—difference between what the model calculates is:
  - Required to be funded from the property tax levy
  - The property tax revenue that would be raised under current tax rates

Funding Gap



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Continued Strategic Direction

- Town's current financial state is very good
- If existing property tax rates are not increased there would be a funding gap
  - Most pressure in short-term
- Current Town practices and strategies moving forward:
  - Real property tax increases
  - Use of debt to fund major capital projects
  - Continued maximization of development charge recoveries
  - Partnerships (inter-municipal, P3s, developers)
  - Routine adaptation of capital program to maintain assets in state of good repair
  - Efficient and effective use of reserves and reserve funds
  - Seek federal and provincial funding

Strategies for Consideration

- Other strategies to support financial sustainability include:
  1. Review opportunities to increase user rates and fees.
  2. Continue initiatives that improve the efficiency of service delivery.
  3. Disposal of assets that are not required to achieve desired service levels.
  4. Delaying the acquisition of new assets that will enhance services.
  5. Review opportunities to reduce service levels where benchmarks are not achieved.
  6. Eliminating services that are outside the mandated scope of Town service delivery or do not achieve desired outcomes.
  7. Integration of comprehensive condition-based asset management system for all assets.

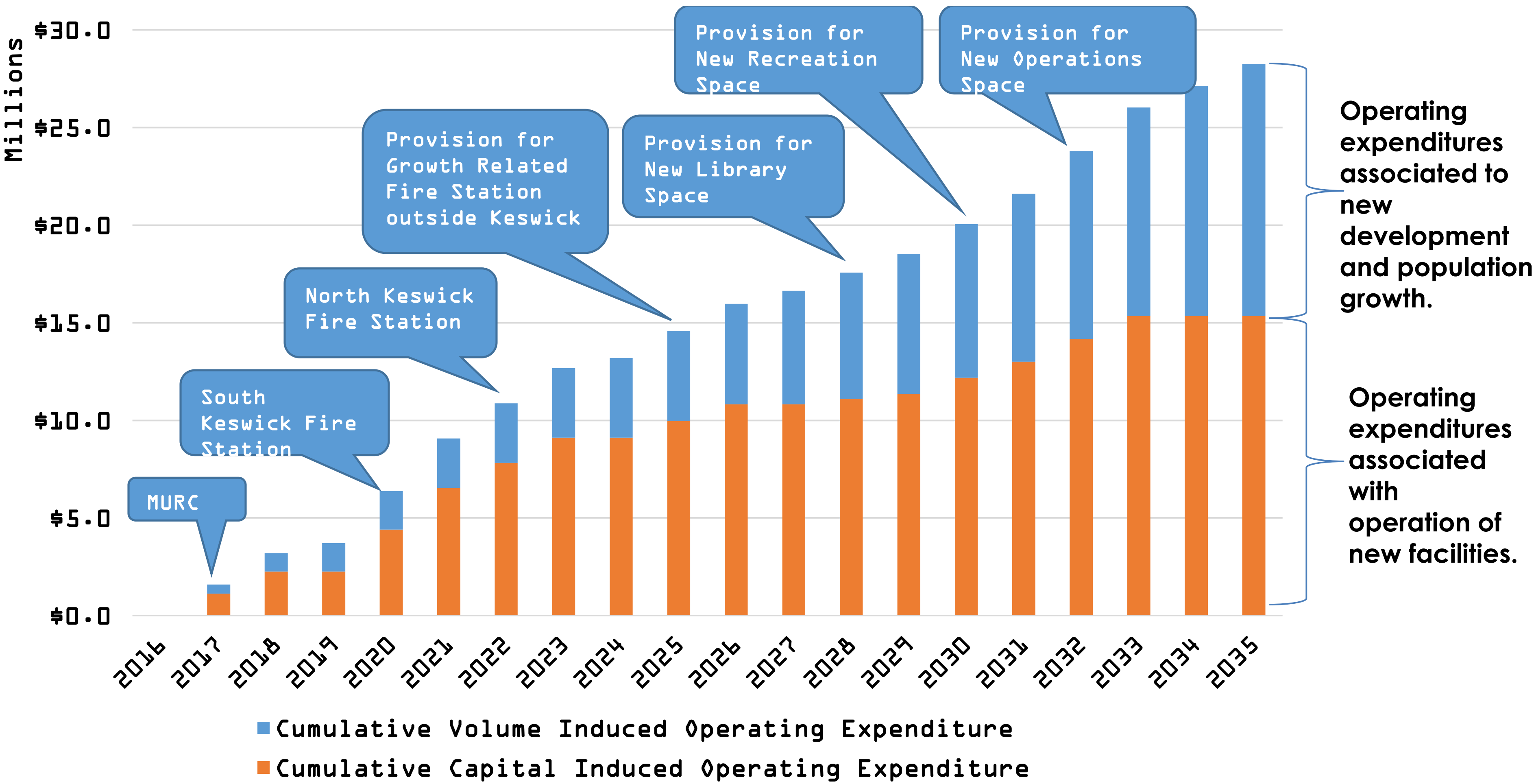
20-Year Annual Tax Levy Projection

Annual Budget Projection

- Includes direct operating expenditures
  - "Volume" driven costs are required to maintain service levels in response to overall growth
  - "Capital induced" costs result from having to staff and operate facilities as they are constructed

- Also accounts for capital expenditures funded from tax base
  - capital from taxation
  - contributions to capital reserves and reserve funds
  - portion of growth-related costs ineligible for DC funding
  - debt repayments

Volume and Capital Induced Operating Expenditures 2016-2035



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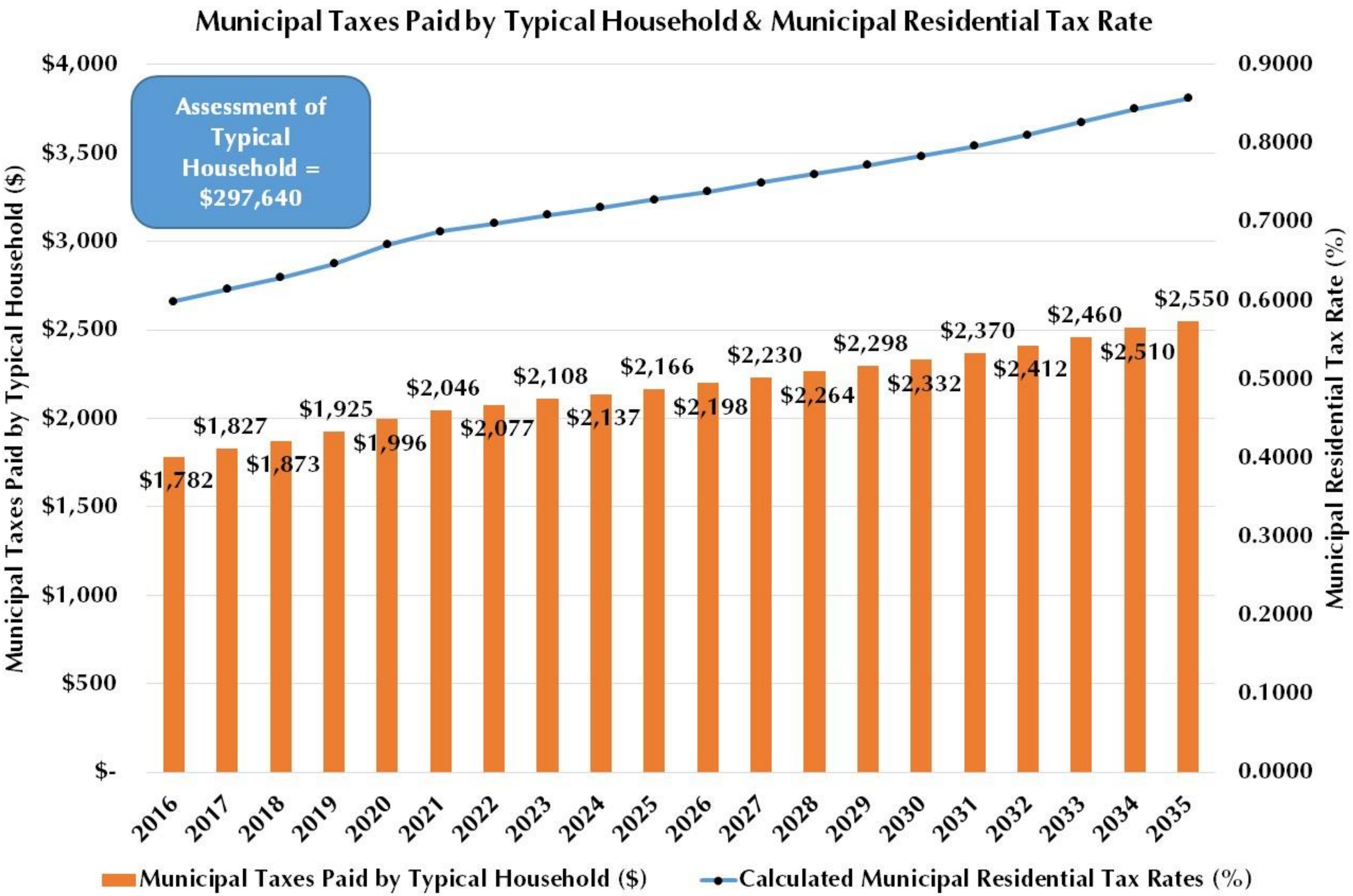
Town Purpose: Residential Property Real Tax Rate



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Capital Projection

Capital Projection

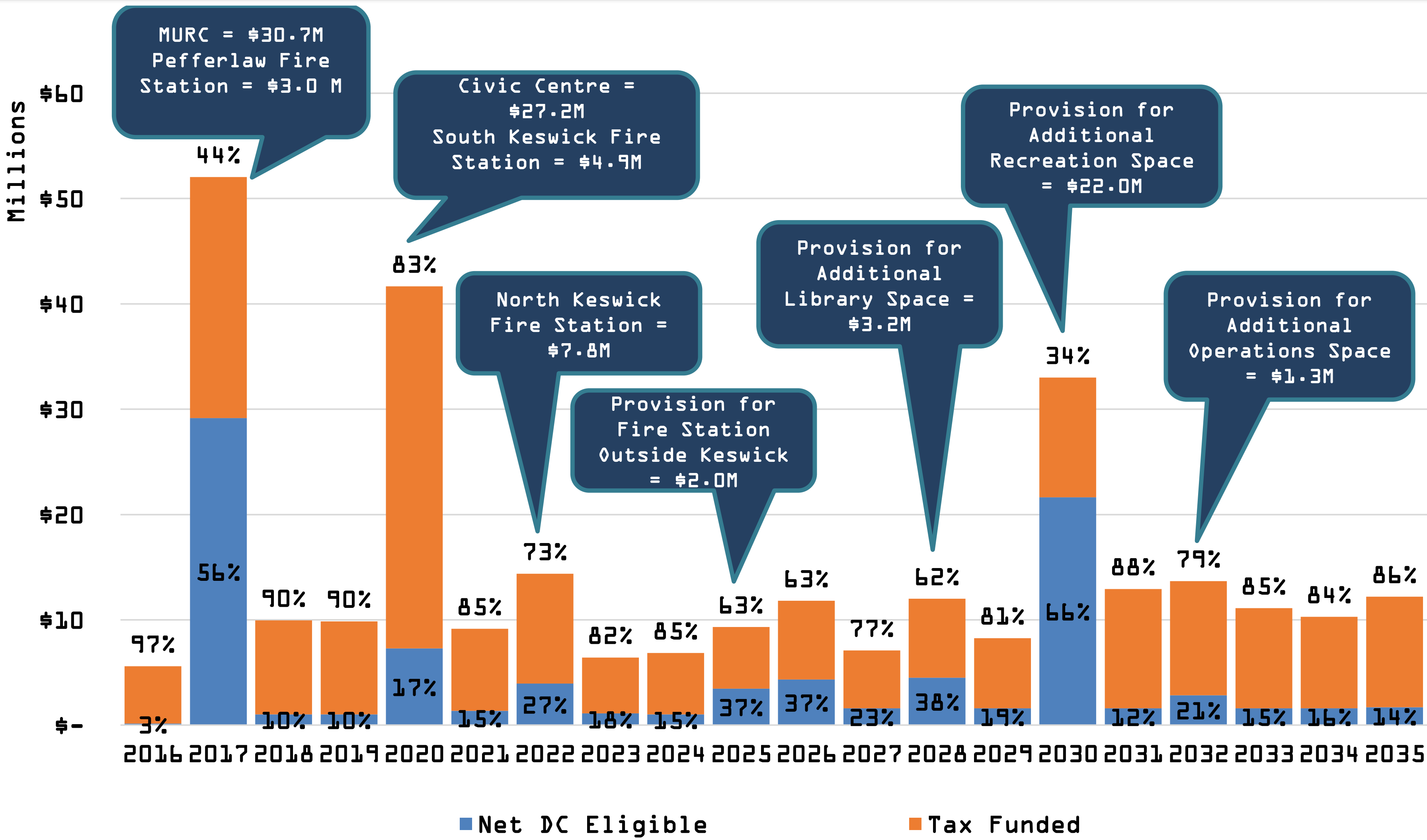
- Capital projection includes
  - Growth-related capital
  - Non-growth related and non-DC fundable capital
  - Includes identified asset repair and replacement needs (facility condition assessments)

- Funding for capital to be provided from
  - development charges
  - reserves and reserve funds
  - capital contributions from taxation
  - long-term debt
  - grants and subsidies (includes Gas Tax)

Tax Funded Capital Reserve

- For future asset management and non DC eligible capital portions (BTE% or 10% discount)
  - 1% capital tax levy = 1% of previous year's total tax levy
  - 2016 base contributions maintained in addition to provisions for capital repair and replacement

Forecast Net Capital Spending 2016-2035 = $297.6 M



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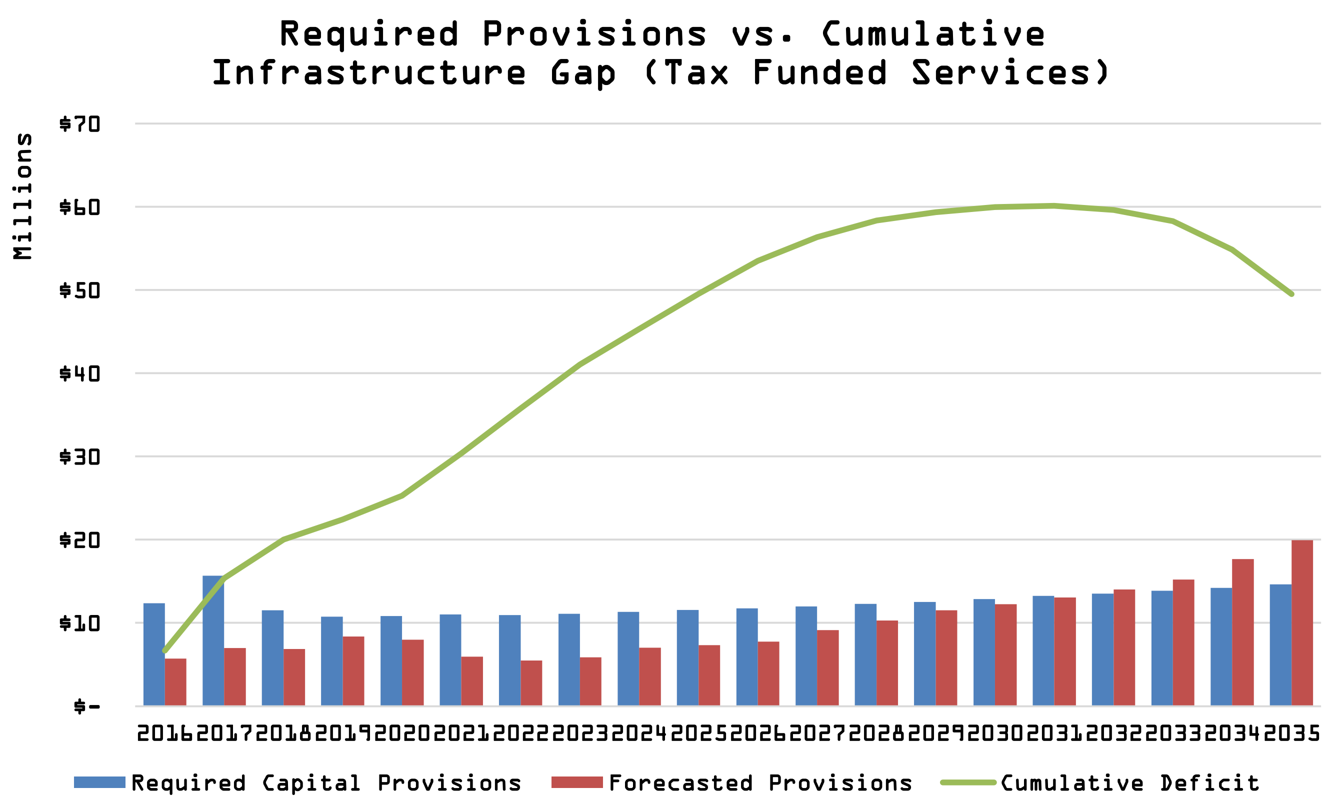
Infrastructure Gap



- Infrastructure gap is expected to grow
- 1% capital tax levy would reduce the infrastructure deficit by about $9.8 million over the 20-year forecast

Note: Forecasted provisions include 1% capital tax levy and budgeted contributions to reserves. Does not included outstanding facility assessment conditions.

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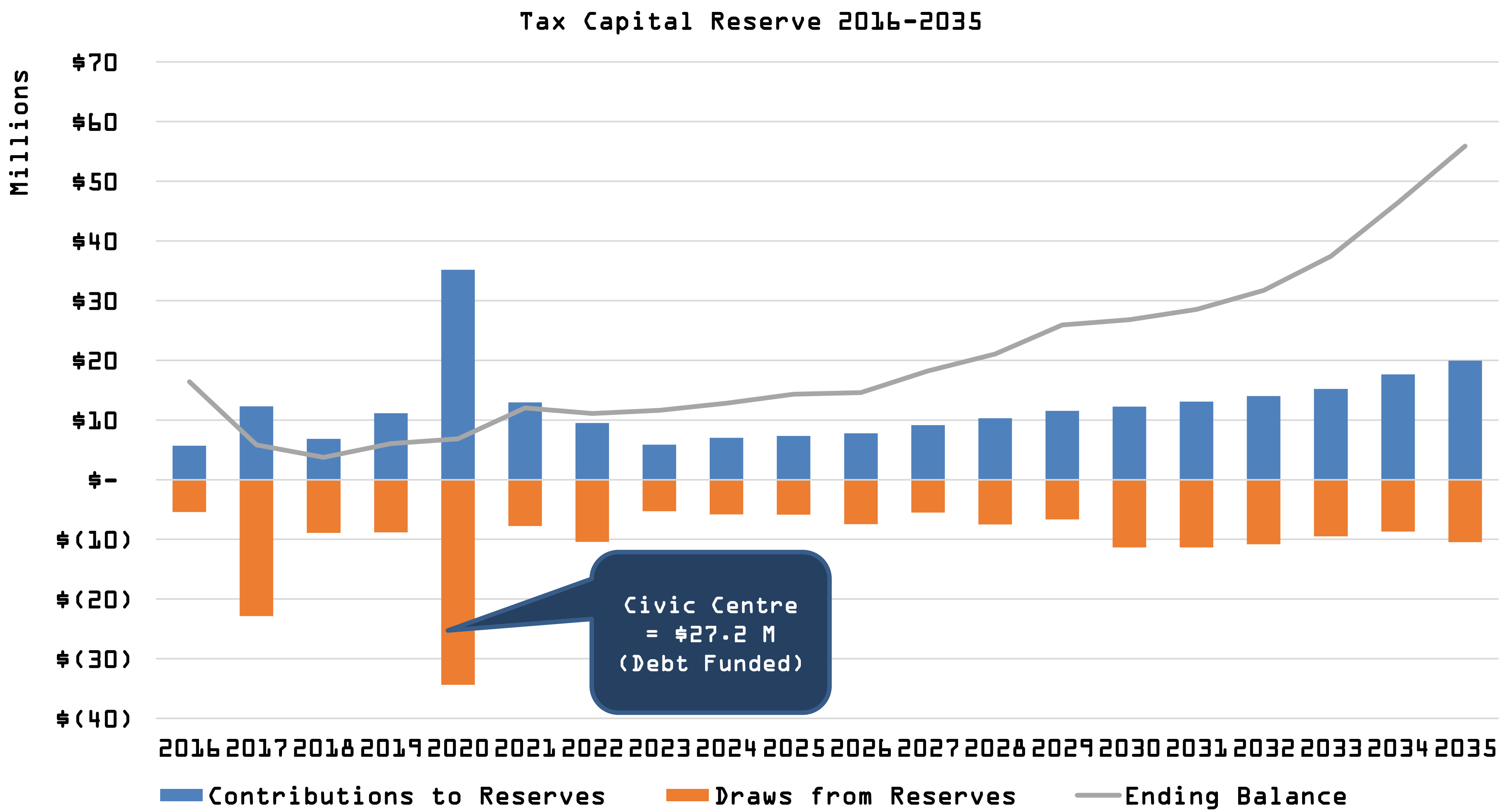
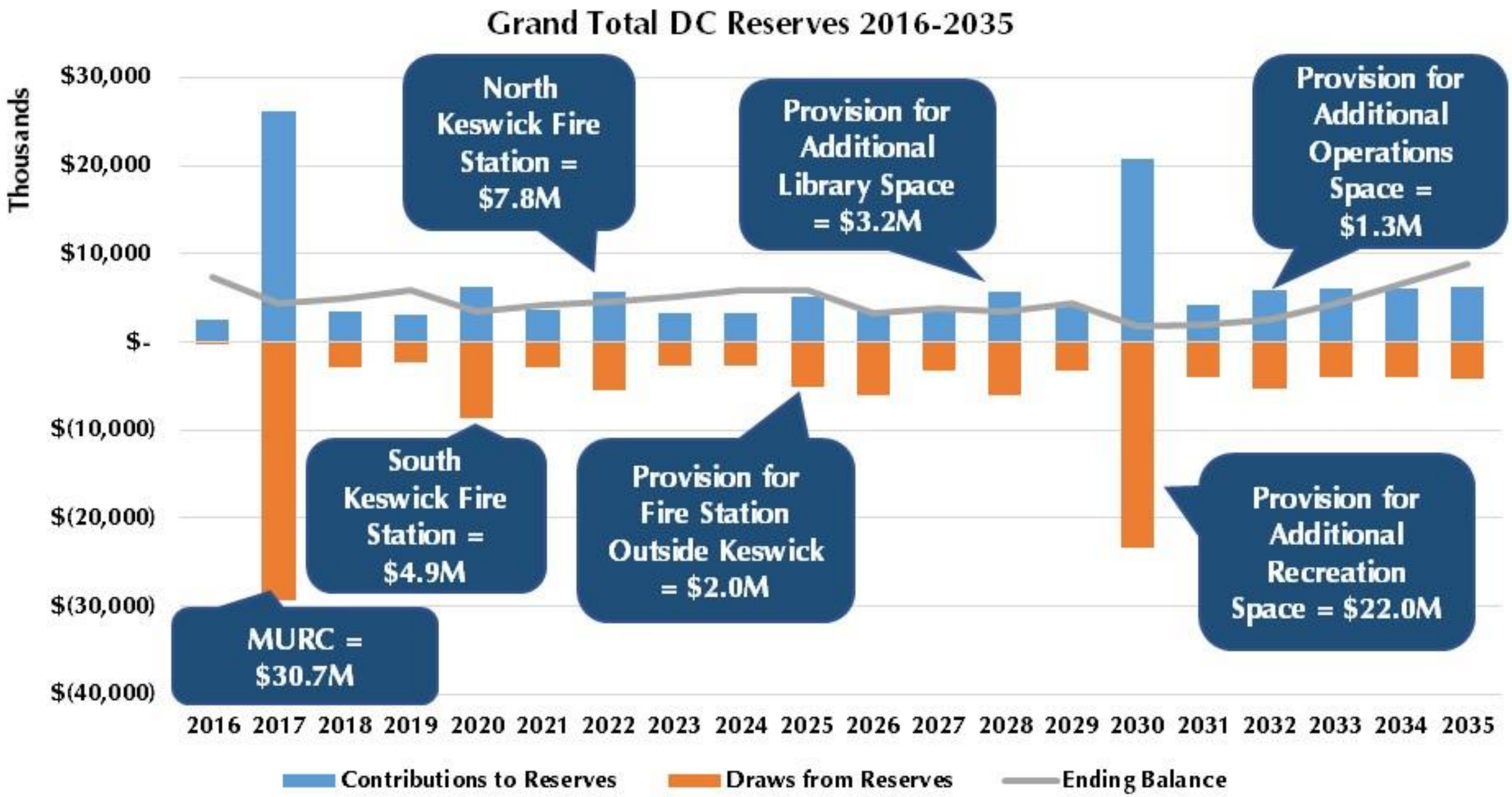
Tax Funded Capital Reserve



Cumulative Development Charges Reserve Fund



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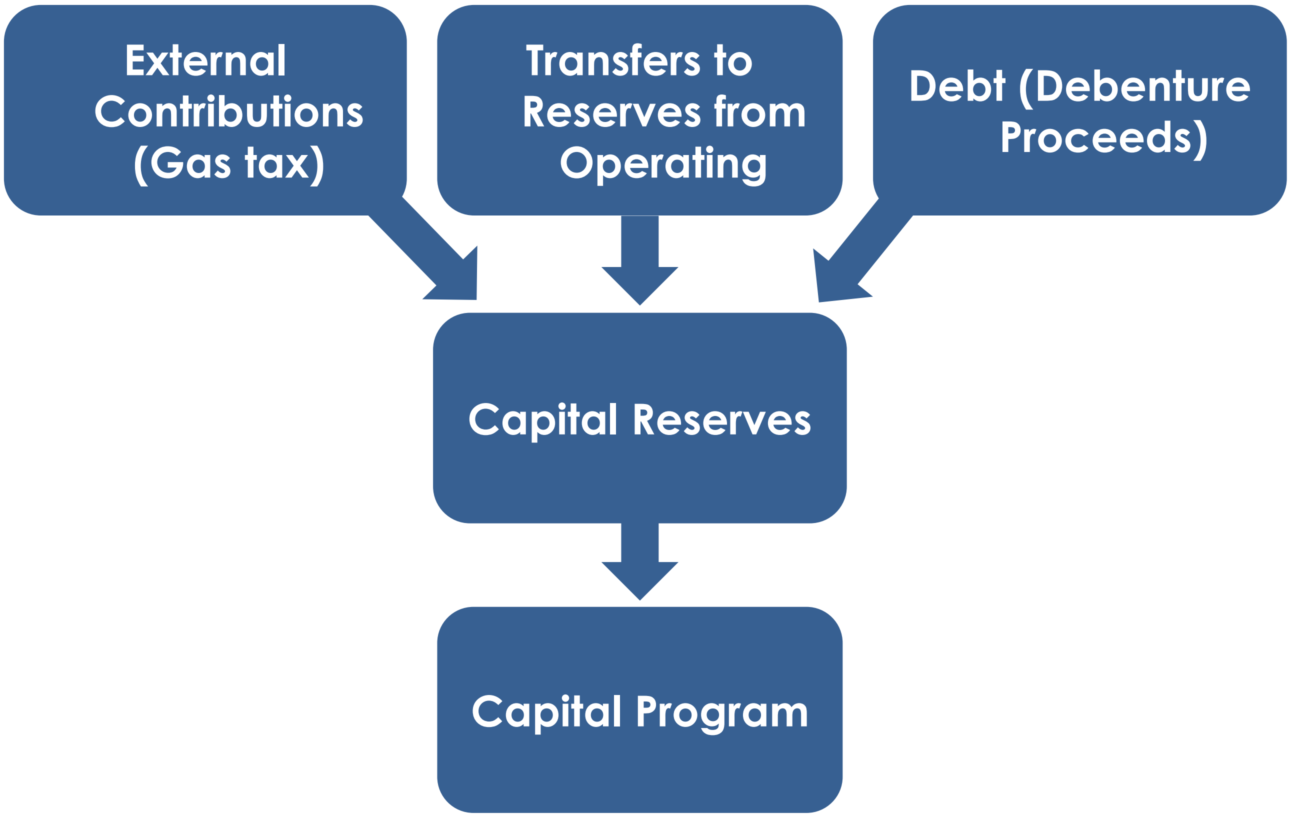
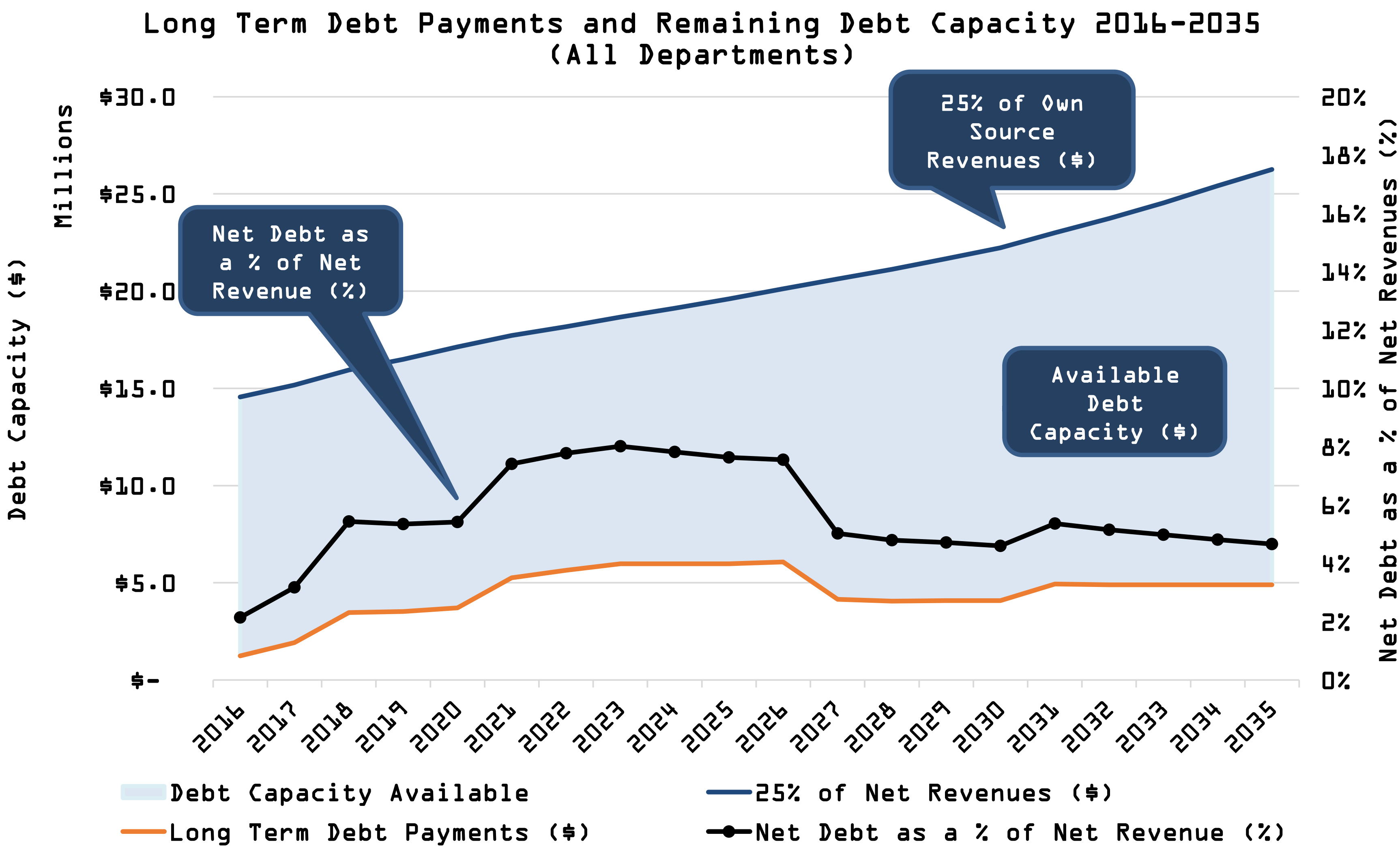
Debt and Reserves: Identifying Capital Impacts and Funding Options



- Model allows for sensitivity testing of capital funding options
  - Debt, reserves, grants
- Debt mitigates impacts on reserves
- Method helps identify major capital impacts and how to address them

Debt Capacity: All Town Services



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Debt Capacity: All Town Services

- Debt levels expected to increase over the next 20 years
  - Still below Provincial limit
    - Note that many municipalities have debt policies that provide for debt limits lower than the Provincial limit
  - Town should continue the strategic use of debt to mitigate major financial impacts

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Next Steps

- Staff Model Training
- Finalize LRFP model
- Update the LRFP as staff receive updated Building Condition Assessments and as the timing of capital projects is determined.
- Staff to develop financial policies related to:
  - Reserve and reserve funds
  - Debt
  - Capital investment