Funding Implications of Servicing Growth

Presentation to

Special Council Meeting

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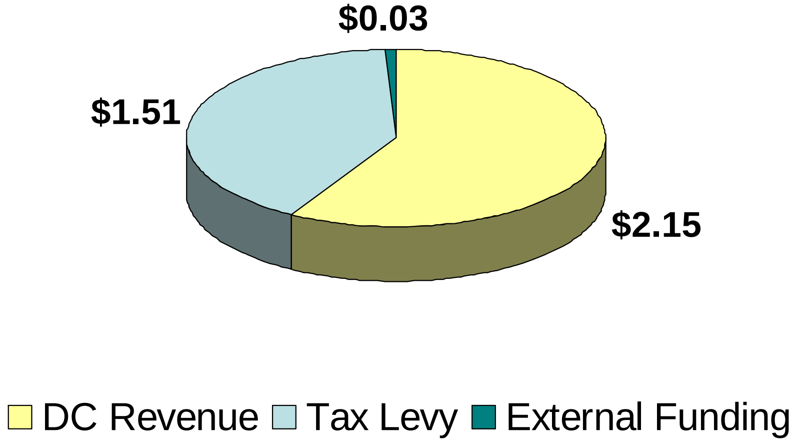
Preliminary Results from Fiscal Impact Analysis

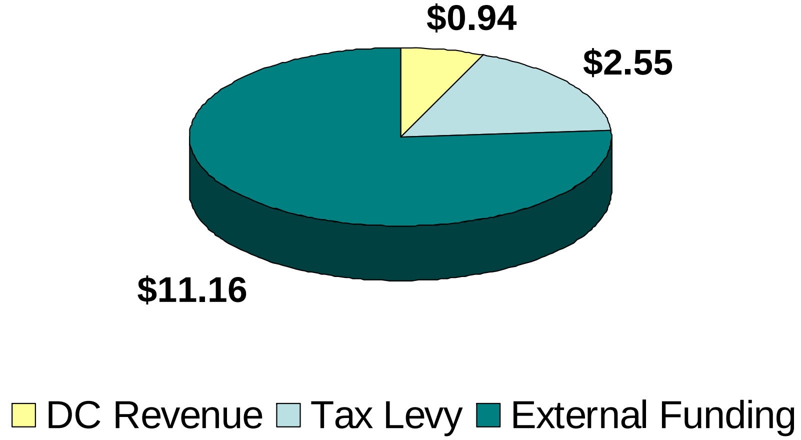
- Watson & Associates engaged to develop comprehensive Fiscal Impact model
- Preliminary results complete; full analysis to F&A in Fall/09
- Study Methodology:
  - Forecast period to 2031
  - Based on population growth of 500,000 (Places to Grow)
  - Used Master Plan capital cost estimates
  - Includes rehab/replacement costs
  - Includes operating costs for all Regional services
- Study Output:
  - Preliminary impact on DCs, tax levy, user rate

Roads & Transit Master Plans
Potential Funding Sources

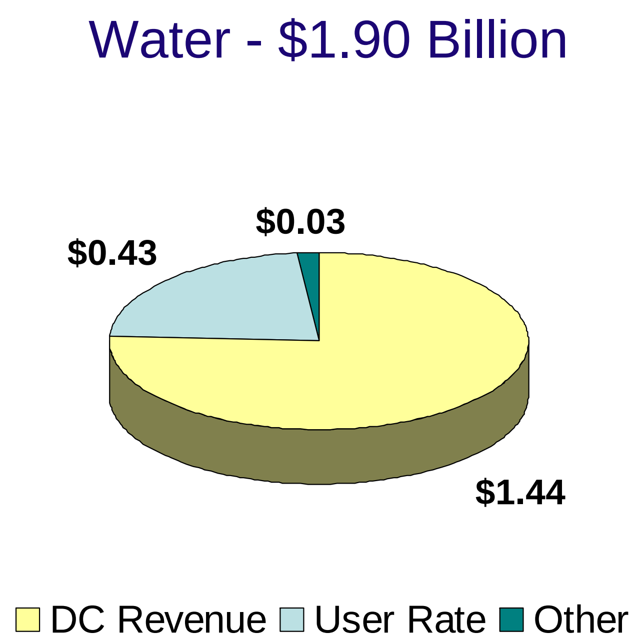
Roads - $3.69 Billion

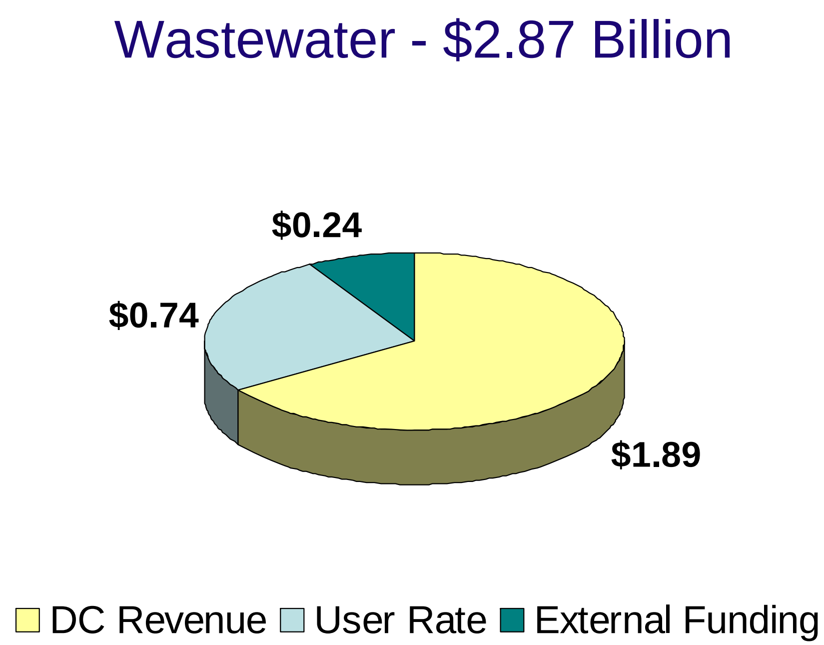


Transit - $14.65 Billion



Water and Wastewater Master Plans Potential Funding Sources





Increase in Development Charges would be required

- Study provided <u>preliminary</u> estimate of DC Impact
  - Precise estimate requires full DC background study
- DC increase would be required due to higher infrastructure costs to service growth
- Would require additional debt beyond current estimated levels

Impact on DC Rate for Single Detached Units – Preliminary Estimate

Service	2009 Current	Preliminary Estimate	Est. Change
Roads	$7,088	$8,400	+19%
Transit Balance Subway	433 1,341	433 1,341	-
Wastewater	9,127	11,300	+24%
Water	4,178	7,700	+84%
All Other (including GO)	1,006	1,006 Est.	-
Total DC	$23,173	$30,180	+30%

Note: Full background study is required to determine precise impact on DCs

Impact on Non-Residential DC Rates – Preliminary Estimate

2009 Current			Preliminary Estimate	Change
Service	Retail	Non-Retail (Full Cost)	Total Non-Res	
Roads	$12.00	$3.46	$5.71	
Transit Balance Subway	0.65 2.32	0.19 0.63	0.29 1.00	
Wastewater	5.15	4.65	5.57	
Water	2.67	2.51	3.78	
All Other	0.35	0.24	0.26	
Total DC	$23.14	$11.68	16.30	
	x 0.22	x 0.78		
Non-Res Overall	$14.20/sq ft		$16.61/sq ft	+17%

Note: Full background study is required to determine precise impact on DCs

Several factors were considered to determine the impact on tax levy

- Started with 2008 operating costs
- Assessment growth from additional population
- Future growth-related operating costs estimated on per capita basis for all service areas
- Reductions for planned provincial uploads (ODSP, Pooling, etc.)
- Cost of additional transit service to achieve growth plan objectives
- Capital costs not eligible for DC recovery
  - including rehab/replacement

In absence of alternative funding sources, tax increases are required

- Major tax levy pressures include:
  - Operating cost for additional transit
  - Rehab/replacement and non-growth capital costs
  - Growth-related operating costs
- Estimated annual average tax increase (before inflation) of 0.7%
  - 2% - 2014 -19
  - 1% - 2020
  - 0% - 2021-2031

Impact on Water and Wastewater Rates

- New master plans would affect user rate requirements through:
  - Non-growth capital requirements
  - Capital replacement needs
  - Operating cost impacts from increased flows
- Planned rates considered by Council in Dec/08 are required in the near term
- Over the longer term, rates will likely need to be increased further

Funding Analysis Conclusions

- In absence of other funding, tax increase is required to accommodate Provincial growth forecast
- Capital rehab/replacement needs add to tax levy & user rate pressures
- Confirms the need for continued development to repay cost of growth infrastructure provided by the Region
- Assumes Fed/Prov capital funding for all Rapid Transit projects
- Region should continue to pursue assistance from other levels of government including:
  - transit operating subsidies
  - DC Act changes
  - low interest loans

Discussion