REPORT

PREPARED BY HEMSON FOR THE CITY OF BRAMPTON

INTERIM FINANCIAL MASTER PLAN UPDATE

November 29, 2023

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Contents

EXECUTIVE SUMMARY

This Interim Financial Master Plan (FMP) update 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 under the current governance structure. The report is accompanied by a dynamic Fiscal Impact Model which is intended for use by City staff to address changing assessments of capital and operating needs and sensitivity testing of the impacts of major new initiatives or funding scenarios. This report is intended to be an update to the work undertaken as part of the City's 2017 Long-term Financial Master Plan (LTFMP). Additionally, as the upcoming implications of the dissolution of the Region of Peel are not entirely known to the City at this stage, this FMP will act as an interim report until those impacts are identified and can be incorporated into a long-term outlook for the City in the near future.

A. TRACKING PERFORMANCE SINCE THE 2017 LTFMP REPORT

Table 1 below provides the key policy directions outlined in the 2017 LTFMP and how the City has progressed since its adoption by Council.

Overall, the City has undertaken various actions to address and improve upon the policy directions outlined in the 2017 LTFMP. Some key successes since the 2017 Report, include:

- Implementation of a new dedicated Stormwater User Fee to fund asset needs;
- Achieved tax rate increases lower than projected in the 2017 LTFMP;
- Completed service delivery reviews for key business areas;
- Implemented initiatives to increase the City's non-residential base and attract new employers (i.e. DC exemption for "major office" development);
- Leading a robust Asset Management Program to comply with Ontario Regulation 588/17;
- Expanded the use of debt; and
- Succeeded in securing upper level government funding.

Table 1 – Tracking the City's Performance (2017 to Now)

Key Policy Directions	2017 Actions	Qualitative Status
Make decisions on capital investments based on strategic priorities and financial impacts	• Develop 10-year capital forecast • Improve capital reporting capabilities • Capital project prioritization metrics	
Promote economic growth	• Increase non-residential assessment share	
Review approach to user fees	• Update user fee policy to grow revenues	
Work to maintain grant revenues	• Work with AMO and other agencies to maximize opportunities	
Use DCs full extent	• Changes to the then legislated permitted increased use of DC funding for growth (City adapted accordingly)	
Maintain City's infrastructure assets	• Long-term funding strategy to address current and future requirements	
Explore opportunities for alternative revenue tools	• Secure permissions for additional revenue tools, similar to those granted to Toronto under the *City of Toronto Act*	
Streamline service delivery	• Review operating costs to streamline service delivery	
Debt for major strategic projects	• Expand the use of debt in a financially sustainable manner	

In general, most of the strategic polices outlined in the 2017 LTFMP Report continue be relevant today, however, it is recognized that the priorities to initiate further action on some of these items may have to be delayed until regional dissolution is more defined. Therefore, the continual monitoring and updates to the FMP in the future will only further improve the City's financial health as the City moves through these structural changes.

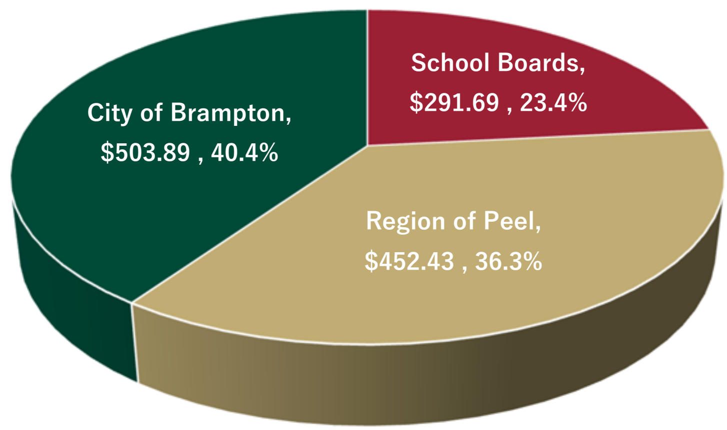
B. THE CITY'S OVERALL FINANCIAL POSITION

The City of Brampton is 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 in the future.

Like most municipalities, the majority of the City's revenue is derived through taxation (65 per cent in 2023). User fee and service charge revenue account for 29 per cent of the total operating revenues within the City's 2023 budget.

In assessing the overall annual tax increases, it is important to consider the City of Brampton's portion relative to the total (i.e. including the Region of Peel and School Boards property tax requirements). As shown in Figure 1 below, the City's portion of property taxes make up approximately 40 per cent of the total in 2022. However, in 2023 the proportion has increased to about 41 per cent which is consistent with Brampton's average share of the levy since 2016.

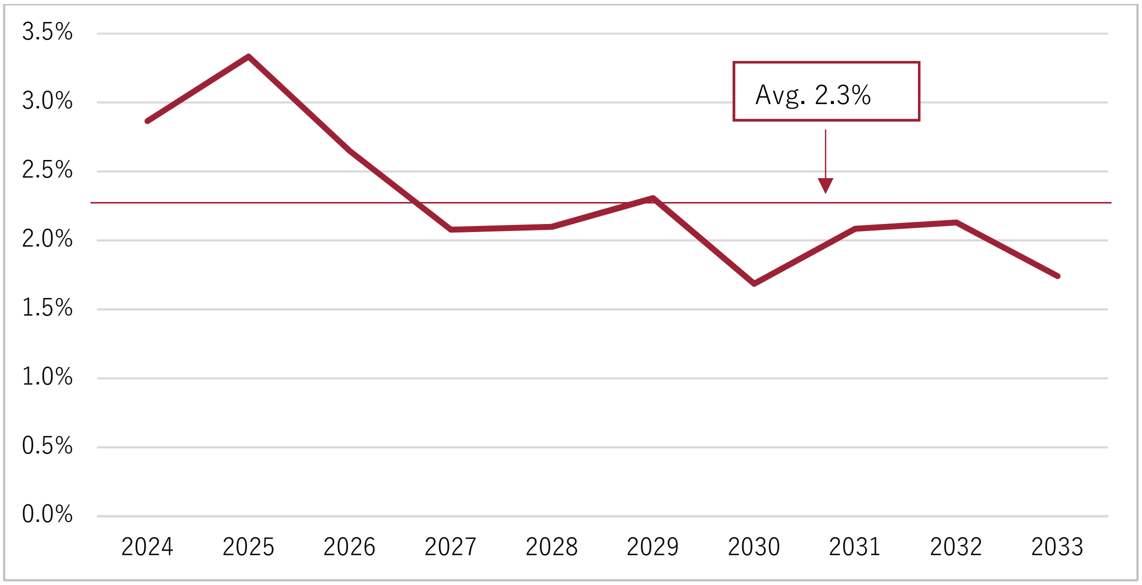
Figure 1 – 2022 Property Tax Requirements



Source: City of Brampton 2023 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 annual property tax bill increases are anticipated to average 2.3 per cent (current governance structure). The projected annual changes over this period are detailed in Figure 2. As indicated, the snapshot below does not consider the impacts of the Region's dissolution on the City of Brampton and the cumulative impacts of the governance change will have to be reviewed after 2025. As a result, the tax impacts outlined in Figure 2 should be considered as an order or magnitude range under the current structure.

Figure 2 – Annual Increase to City's Portion of Property Tax Bill (2024-2033)



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

- Long-term asset repair and replacement needs, beyond the 2 per cent levy and 1 per cent levy;
- City funding for Strategic Initiatives (LRT/BRT, community hubs, etc.);
- The new legislation, *More Homes Built Faster Act*, has several concerning impacts for the City of Brampton, particularly as the Bill reduces the amount of development and parkland fees municipalities can collect.
- 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. Particularity as the COVID-19 pandemic has changed the workforce and how business is conducted. As a result, the "work from home" trend is anticipated to impact the development of new office space, at least in the short-term;
- Government funding to help carry-out a number of key City Strategic Initiatives (e.g. electrification of transit facilities)
- Operating cost increases (e.g. salaries and utilities) exceeding CPI increases; and
- Overall economic climate of today which has brought on a continued increase to interest rates, above "average" inflation and supply shortages. Cumulatively, the City will need to manage these cost pressures as they persist which can be expected to remain strong in the short-term.

Lastly, on May 18, 2023, the Province introduced Bill 112, an Act to dissolve the Regional Municipality of Peel and make the Cities of Brampton and Mississauga as well as the Town of Caledon single tier municipalities, effective January 1, 2025. The impacts of dissolution are not yet quantified and this change has therefore been omitted from this analysis.

C. CURRENT FISCAL POSITION: BENCHMARK REVIEW

A key indicator of the City's current financial position is through a comparison to similar neighbouring municipalities in the GTA. Appendix 1 provides an overview and accompanying performance metrics related to Residential Property Taxes, Transit and Recreation User Fees, Debt Management, Asset Management, and Development Charges. Table 2 below provides a high level summary, with additional details found in Appendix 1 of this report.

Table 2 – Benchmarking Analysis Summary

Performance Indicator	Brampton's Performance
Residential Property Taxes	Relative to other municipalities in the GTA, Brampton's average residential property tax bill is slightly below average at $4,400 for a detached bungalow, $5,400 for a two storey home, and $6,900 for an executive home. Over the last number of years, the City has been able to manage fairly stable taxation increases – since 2015 the average increase hovered around 1.3 per cent (including the pandemic-era where no tax increases were introduced). Some years, including in 2013 and 2023, the increases near 3 per cent. The City will need to continue to consider resident and industry affordability while balancing appropriate service levels and cost increases in today's economic climate.
Transit and Recreation User Fees	Overall, Brampton non-transit related user fee cost recovery is lower than comparator municipalities – recovering approximately 12.3 per cent of costs relative to the average cost recovery of 15 per cent. A major contributor the user fee revenues can be attributed to Recreation user fees, the City recovers slightly less than the average amongst comparators while being on the high end of spending on recreation space. Conversely, when considering Transit fees, the City is above average in user fees cost recovery. The user fee cost recovery when

Performance Indicator	Brampton's Performance
	considering Transit represents about nearly 29 per cent, which is higher than the comparator average of 23 per cent. The higher cost recovery can be directly linked to the City's transit fare box recovery being amongst the highest in the GTA with the exception being Toronto's TTC operations.
Debt Policy and Management	The City holds a relatively small amount of debt as of 2023, with annual debt payments totalling only 1.5 per cent of own source revenue. A present, the City is well within the Provincial Annual Repayment Limit of 25 per cent of own source revenue and their internal limit of 15 per cent. When compared against other communities, the current debt level is also amongst the lowest, however, the City has of late approved new debt and other new debt is forecasted. After considering the City's future approved and forecasted debt - the City is closer to other municipalities debt use.
Asset Management	The City has emerged as one of the leading communities in asset management policy and implementation practices in Ontario. In comparing asset management contributions per capita amongst GTA municipalities, on a per capita basis, the City maintains to be above the average with contributors estimated approximately $170 per capita.
Development Charges	The City is currently undertaking an update to their 2019 Development Charges Background Study and associated by-laws. The City's residential DCs for single-detached dwellings are on the higher end, but within range of comparable municipalities. It is important for the City to continue to use development charges to the extent possible permitted under the DCA while also continuing to explore opportunities to create new employment opportunities and increase employment in the City.

1. INTRODUCTION

The City of Brampton, with assistance from Hemson, developed a Long-term Financial Master Plan for Council consideration in 2017. This report serves as an update to that plan to assess the health of the City in the context of its current 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.

A. STUDY BACKGROUND AND CONTEXT

The City of Brampton has long been one of the fastest growing cities in Canada. With a population of approximately 709,000 (in 2023), Brampton is considered the ninth largest city in Canada. Looking forward, Brampton is expected to continue to grow to nearly 900,000 people by 2041 (Census population).

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 currently 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. Importantly, on May 18, 2023, the Province introduced Bill 112, an Act to dissolve the Regional Municipality of Peel and make the Cities of Brampton and Mississauga as well as the Town of Caledon single tier municipalities, effective January 1, 2025 – this change has not been factored into this update.

The City is undertaking an update to the 2017 Long-term Financial Master Plan study to assess its long-term financial health and sustainability under the current structure, recognizing a more fulsome review of this plan will need to be undertaken in the next few years.

The objective of the Interim FMP is the development of a plan to assess the City's current state, prior to dissolution, and is made up of two key deliverables:

Interim Financial Master Plan (this report)

- Focuses on financial viability, management, flexibility and sustainability;
- 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 next steps to continue to guide the City toward financial sustainability.

Fiscal Impact Model

The Fiscal Impact Model is a 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 future updates to the FMP, including high-level order of magnitude sensitivity testing on dissolution of the Region of Peel.

Both deliverables are living documents which build upon the City's existing fiscal position with consideration for future plans amongst the City's various departments. The model may be updated as needed by City staff to account for actual outcomes and Brampton's changing economic and fiscal environment. This is especially important in the context of the upcoming dissolution, as the financial impacts are not yet known and thus not considered in the results of this analysis. Furthermore, the model can be used to help evaluate funding options for major upcoming Strategic Initiatives.

B. KEY GUIDING DOCUMENTS, STUDIES AND POLICIES

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

- Capital and operating budgets (2023);
- Financial Information Returns (FIR);
- Corporate Asset Management Plan;
- Transit Business Plan;
- Development Charges Background Study; and
- Relevant staff reports.

Additionally, meetings with staff from various City departments were held to gain an understanding of the anticipated capital works beyond the five-year capital budget horizon. These projects have also been included as part of this analysis and form a key component of this report.

C. REPORT STRUCTURE AND CONTENT

The Interim FMP Report is divided into the following sections

- **Section 2** presents the demographic and economic context, including the 10-year forecast of residential and non-residential growth; the City's current fiscal position, taking into account a range of key financial indicators; and a preliminary assessment of strengths, weaknesses, opportunities and threats.

- **Section 3** provides an overview of the Fiscal Impact Model and main assumptions.

- **Section 4** presents the various outputs and key findings of the tax-supported model.

- **Section 5** concludes with a high-level overview of the key takeaways from the Interim FMP process and next steps.

2. THE CITY'S OVERALL FINANCIAL POSITION

The City of Brampton is one of the largest employment centres in the GTA, well known for its many large-scale manufacturing business. The economy is well diversified and has representation of 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. Located in the heart of Canada's largest urban region, directly north of Pearson International Airport, the City of Brampton is well position to continue to attract global business investment and educated, skilled residents from across Canada and around the world.

This section provides context regarding the forecast of residential and non-residential growth and various benchmarks by which the City can gauge their current fiscal position relative to neighbouring municipalities. The benchmarking analysis considers a range of key financial indicators based on budgets, FIRs, and other key municipal documents. A preliminary assessment of strengths, weaknesses, opportunities and threats (SWOT) has also been included to revisit and update those included in the 2017 LTFMP.

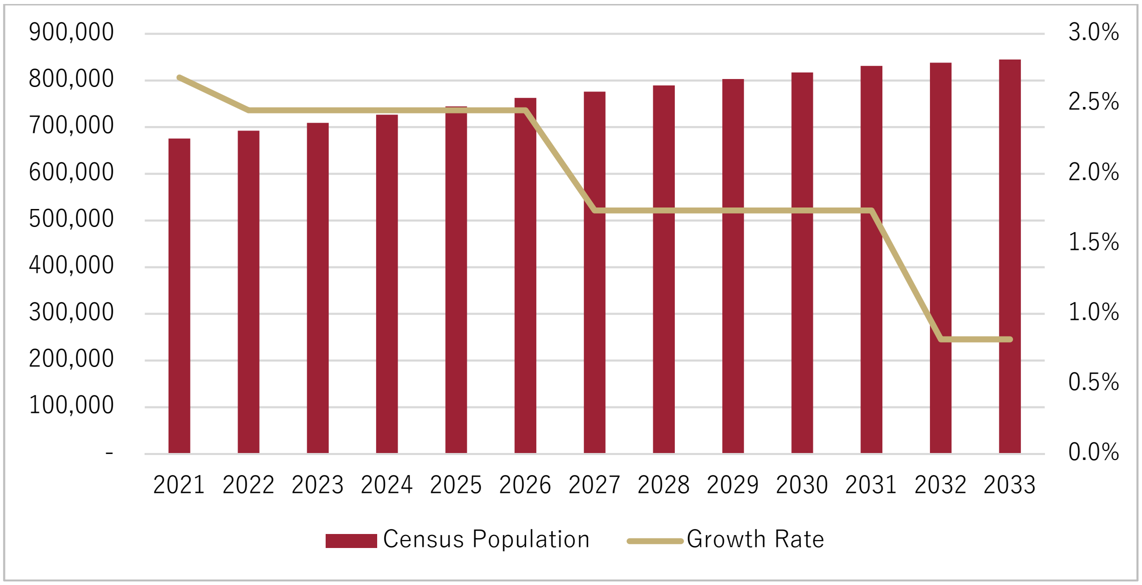
A. RESIDENTIAL AND NON-RESIDENTIAL GROWTH FORECAST

The City of Brampton has historically experienced some of the highest growth rates in Canada. From 2011 to 2023 the City's population grew by 185,200 people, to a current estimate of 709,100. This indicates an average annual growth rate of 2.6 per cent. The annual employment growth (not including work-from-home) rate is estimated to have averaged 2.2 percent over the 2011 to 2023 period, from approximately 162,500 jobs in 2011 to an estimated 210,000 jobs in 2023.

The forecast used as part of the Interim FMP update is based on the most recently approved Region of Peel Official Plan and Municipal Comprehensive Review. As shown in Figure 3, growth is expected to slow gradually over the next 10 years. Population growth is anticipated to average 2.2 per cent annually between 2023 and 2028 and 1.4 per cent between 2028 and 2033, reaching approximately 844,900 at the end of the ten-year period. It is recognized that the unit projections are lower than the housing pledge, however, forecasts are more in sync with the capital needs and the extensive planning work undertaken by the Region and City, Achieving higher growth more akin to targets can positively impact revenues but could also trigger new costs not contemplated in this analysis. Also of importance, the housing pledge targets can only be achieved with cooperation from the development community to construct the units to satisfy market demands assuming the proper servicing water and sewer capacity is available to develop.

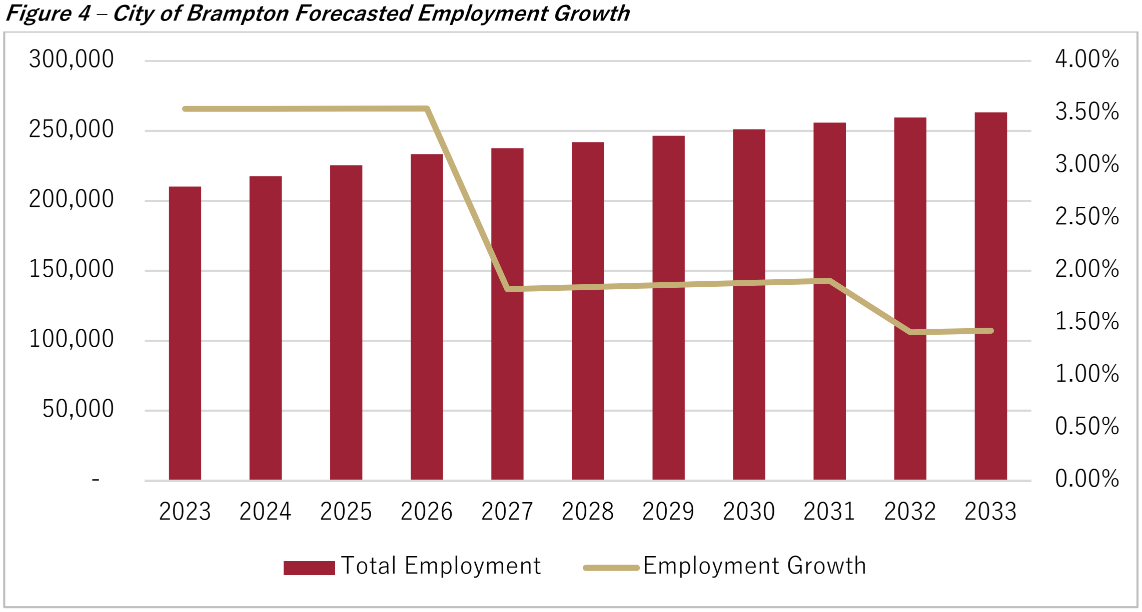
The City has been approving the applications, although, recognizing some of the developments been delayed for the preceding reasons.

Figure 3 – City of Brampton Forecasted Population Growth



Similarly, employment growth rates are anticipated to decrease slightly to an annual average of 2.9 per cent between 2023 and 2028 and 1.7 per cent between 2028 and 2033, reaching a total of 263,200 jobs in 2033. These figures do not include forecasted work-from-home employment.

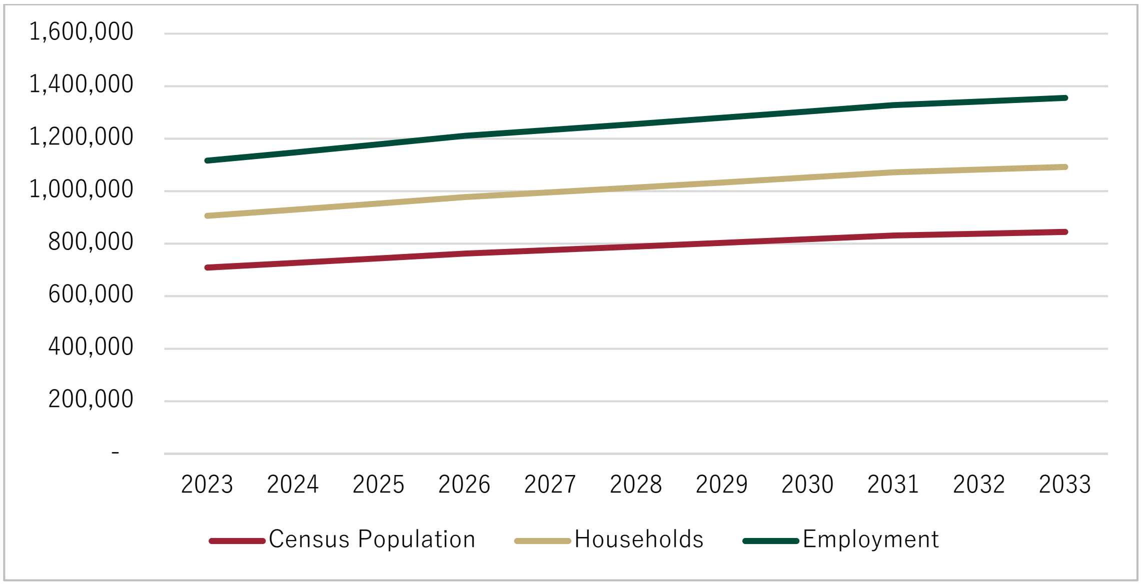
Figure 4 – City of Brampton Forecasted Employment Growth



Household growth rates are anticipated to average 2.7 per cent between 2023 and 2028 and 1.9 per cent between 2028 and 2033. The composition of dwelling units is expected to shift slightly away from singles and semis, with a gradually growing share of townhomes and apartment units.

Forecast population, households, and employment are illustrated by Figure 5.

Figure 5 – Forecasted Population, Households, and Employment



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	average increase hovered around 1.3 per cent (including the pandemic-era where no tax increases were introduced). Some years, including in 2013 and 2023, the increases near 3 per cent. The City will need to continue to consider affordability while balancing service level adjustments and cost increases.
Transit and Recreation User Fees	Overall, Brampton non-transit related user fee cost recovery is lower than comparator municipalities – recovering approximately 12.3 per cent of costs relative to the average cost recovery of 15 per cent. A major contributor the user fee revenues can be attributed to Recreation user fees, the City recovers slightly less than the average amongst comparators while being on the high end of spending on recreation space. Conversely, when considering Transit fees, the City is above average in user fees cost recovery. The user fee cost recovery when considering Transit represents about nearly 29 per cent, which is higher than the comparator average of 23 per cent. The higher cost recovery can be directly linked to the City’s transit fare box recovery being amongst the highest in the GTA with the exception being Toronto’s TTC operations.
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C. SWOT ANALYSIS

This section provides a summary of some of the key strengths, weaknesses, opportunities and threats that have been considered in this update to the 2017 LTFMP.

Strengths

- Central location within the GTA and close to Pearson International Airport;
- Diversified economy;
- High rates of immigration;
- Strong population and employment growth;
- Well-developed transportation network with major highways, and a continually improving transit network;
- 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; and
- Diverse, educated and relatively young population base.

Weaknesses

- Downtown Urban Growth Centre has been slow to develop; and
- 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; and
- Addition of Toronto Metropolitan University School of Medicine 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;
- The COVID-19 pandemic has changed the workforce and how business is conducted. As a result, the “work from home” trend is anticipated to impact the development of new office space, at least in the short-term;
- Competition from similarly positioned GTA municipalities;
- Aging of the population may require additional investment in recreation and transportation services 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;
- Additional downward pressure on DC revenues due to changes to the legislation through Bill 23 (including mandatory phase-in requirements, exemptions for affordable and attainable units, etc.);
- Climate change and increasing environmental regulations regarding stormwater management and other services; and
- A number of planned or potential major capital projects are currently unfunded.

The upcoming dissolution of the Region of Peel is an important consideration for the SWOT analysis. As it currently stands, the fiscal impacts and the potential limitations and opportunities of this dissolution are not yet known to the City. Once the impacts are clear the strengths, weaknesses, opportunities and threats of this dissolution can incorporated into the above analysis.

3. Fiscal Impact Model and Key Assumptions

This section provides an overview of the Fiscal Impact Model as well as the main assumptions used in completing the analysis. The Fiscal Impact Model provides estimates over a 10-year horizon, extending from 2023 to 2033. The City's 2023 capital and operating budget, and discussions with City staff, informs the forecasts included in the analysis.

The intention of the FMP is not to represent a proposed budget for the City. Rather, it is a forecast based on the capital and operating program needs anticipated at this time.

A. All Tax Supported Programs Are Included

The financial model includes capital and operating estimates for all tax-supported services, including:

- Mayors & Members of Council
- General Government
- Fire & Emergency Services
- Brampton Public Library
- Public Works
- Transit
- Roads & Related
- Recreation
- Parks
- City Planning & Design
- Corporate Buildings
- Corporate Accounts
- Development Engineering
- Stormwater Management

B. The FMP Financial Forecast Is Derived From a Series of Price & Growth Drivers

The City's 2023 operating budget forms the basis of the operating forecast. Beyond 2023, the application of a series of price and growth drivers are used to inform the analysis. The basis of the price drivers are derived from numerous considerations but largely are based on the City's Municipal Price Index (MPI) as identified under the 2017 LTFMP. Additional details on the MPI factors used can be found in Section 4.

Recent historical financial data, discussions with staff, experience from other jurisdictions, and a review of existing and future land uses, population and employment are also considered. Generally, the growth forecast informs the growth drivers and include growth in population, employment, households, or some combination thereof. Growth drivers also include "capital induced" operating impacts – where new facilities, vehicles or infrastructure are planned through the capital forecast, an operating impact is incorporated into the model to account for additional staffing needs, maintenance costs and other operating costs.

The Fiscal Impact Model allows for easy adjustment of all price and growth drivers, as needed.

C. INFLATION IS EXCLUDED FROM THE MODEL

Beyond the use of the MPI factors listed above, the financial forecast does not currently consider inflation; all costs are in current (2023) dollars. The model allows for the easy addition of a constant inflation rate, if required. Even at a moderate inflation rate of 2 per cent, the cumulative impact of inflation on costs will be significant. Inflation will have a corresponding effect on the assessment base and resulting property tax revenue.

D. THE CAPITAL FORECAST INCLUDES GROWTH-RELATED CAPITAL AND PROVISIONS FOR CAPITAL RENEWAL AND REPLACEMENT

The capital forecast focuses on both growth-related capital and provisions for capital renewal and replacement over the next 10-year period. Funding for the capital program is provided from a combination of development charges, the City's various capital reserves and reserve funds, grants and other contributions and long-term debt.

While the City's capital forecast looks towards the 2033 horizon, the five-year forecast to 2028 provides more details than the latter five years. This is typical of municipal capital planning as the immediate future is better known. The model allows for the addition or change of projects as needed.

E. ASSESSMENT IS FORECAST IN RELATION TO GROWTH IN NEW HOUSING AND NON-RESIDENTIAL FLOOR SPACE

Forecasted assessment increases in the City are in relation to the growth forecast set out in Section 4 with some modifications to reflect a more average based projection. The assessment forecast is prepared for each property class so that the appropriate weighting and discount factors are applied. Only net taxable assessment is included in the forecast.

The assessment of new buildings tend to have higher values than existing buildings, and therefore the assessment value assumptions are based on the average of a sample of buildings constructed over the past five years. The basis of the residential forecast is average assessed values for new dwellings by type (e.g. singles and semis, rows and apartments). The average assessed value per square metre of new building space by property type (e.g. Major Office, Population Related and Employment Land) are the basis of the non-residential forecast.

The assessment forecast does not account for market value changes over time, although the model allows for easy adjustment of assessment values as needed.

F. THE IMPACTS OF THE DISSOLUTION OF THE REGION OF PEEL ARE NOT CONSIDERED IN THE FISCAL IMPACT MODEL

On May 18, 2023, the Province introduced Bill 112, an Act to dissolve the Regional Municipality of Peel and make the Cities of Brampton and Mississauga as well as the Town of Caledon single tier municipalities, effective January 1, 2025. On June 8, 2023, royal assent was received making the Bill law and by mid-July a Transition Board was established to facilitate the Region's dissolution. The Region of Peel plays a pivotal role in the community and the critical services delivered by Peel employees which benefit Brampton along with Mississauga and Caledon. The dissolution of the Region is a significant undertaking as the services are delivered through an integrated shared model to provide the greatest value to residents and businesses. For some context, the dissolution of Peel Region is a significant undertaking:

- One in ten people in Ontario live in Peel.
- Peel Regional Police is the 2nd largest in Ontario and 3rd largest in Canada.
- Peel Paramedics is the 2nd largest in Ontario.
- Peel Water is the 2nd largest in Ontario and the 4th largest in Canada.
- Peel utility rates remain 30 per cent lower than other GTA municipalities.
- Peel Housing is the 3rd largest community housing provider in Ontario.
- Peel Public Health is the 2nd largest in Ontario and one of the largest in Canada.
- Peel Region roads carry 21 per cent of all goods movement GDP in Ontario.

Brampton City Council and staff are intending to work with the province's Transition Board, Mississauga, and Caledon to ensure no disruptions in service occur during the dissolution process. As the dissolution discussions remain in an early stage, any costs or service delivery changes have been omitted from this report. This report is accompanied by a dynamic Fiscal Impact Model which can be used to undertake high-level sensitivity testing of this this major legislative reform as more information unfolds over the next few years.

G. THE IMPACTS OF BILL 23 ARE NOT ENTIRELY KNOWN, BUT CERTAIN IMPACTS ARE INCORPORATED INTO THE ANALYSIS

On October 25, 2022, the province released Bill 23, *More Homes Built Faster Act, 2022*. The Bill received Royal Assent on November 28, 2022. Through Bill 23 and the related Housing Supply Action Plan, the province's goal is to achieve 1.5 million new homes by 2031; 113,000 of which have been allocated to the City of Brampton. The City's Municipal Housing Pledge provides details on the range of ongoing and planned City initiatives that will support strategic growth and accelerate new housing supply in Brampton.

In general, the new legislation, *More Homes Built Faster Act*, has several concerning impacts for the City of Brampton, particularly as the Bill reduces the amount of development and parkland fees municipalities can collect. These fees help us to pay for new parks and development-related infrastructure required to support and service new development. It is estimated that Bill 23 changes could result in hundreds of million in losses over the next decade in Brampton alone with the impact extending further after considering the revenue losses at Regional level. The City of Brampton is in the midst of undertaking a new DC Background Study with new By-laws being passed mid-2024. With the passage of these new by-laws under the provisions of the new legislation, this would "trigger" many of those changes outlined in Bill 23 to come into effect, including:

- The DC Discount with the Phase-in to the Fully Calculated Rate: year one, the maximum DC that could be charged would be discounted at 20 per cent. This discount would decrease by 5 per cent each year until year 5, where the full rates would apply.

- Adjustment to the historical service level used to calculate capital costs eligible for recovery through DCs from the current 10 years to 15 years.

- Reductions in the capital costs recoverable through DCs. For Brampton, certain study costs would be removed from the list of DC eligible services. Also of importance, additional eliminations are possible through future regulation which would place additional pressure on the City's ability to fund infrastructure.

At the time the Bill receiving Royal Asset, other changes were introduced to the City's growth funding tools which would have an immediate impact on collections. The items below provide a snapshot of some of the immediate impacts which came into effect:

- A discount has been enacted for DCs levied on "purpose-built rentals" which is tiered relative to the number of bedrooms: a 15 per cent discount for a 1-bedroom unit; 20 per cent for a 2-bedroom unit and 25 per cent for units with three or more bedrooms.

- Inclusionary zoning mandated residential units as well as non-profit housing developments undertaken by certain types of non-profit housing organizations are now exempt from DCs.
- The maximum alternative dedication rate was reduced from a rate of 1 hectare per 300 dwelling units to 1 hectare per 600 net residential units. For cash-in-lieu, the rate was reduced from 1 hectare per 500 dwelling units to 1 hectare per 1000 net residential units. This represents a 50 per cent decrease from the current maximums.

Lastly, exemptions from DCs are to be provided for affordable housing – the province has recently released some definitions and parameters associated with determining affordability but this has not been put into force yet. Also. Attainable housing, which is expected to be defined through future regulation, will also be provided but no details on what defines a unit to be “attainable” at this stage.

The Province of Ontario has partnered with six GTA municipalities to assess the impact on municipal revenues from the More Homes Built Faster Act; the City of Brampton along with City of Mississauga, Town of Caledon and the Region of Peel are part of the audit. One of the key purposes of the review is to get an understanding of City finances and understand the true impacts of Bill 23 and how to support investing in municipal infrastructure to enable new housing development. The audits began in late summer and are still underway. The Interim FMP contains some estimations for the DC exemptions proposed under Bill 23 in this model, however, the actual losses will be dependent on the timing of development and the results of the 2024 DC Study and passage of the related by-laws. Furthermore, the municipal audits are not complete and the net impacts of the *More Homes Built Faster Act* are not quantified. This Fiscal Impact Model can be used to undertake high-level sensitivity testing of this this major legislative reform as more information unfolds and the City’s new DC Study by-laws come into force mid-2024.

H. ADDITIONAL STRATEGIC INITIATIVES ARE ASSUMED TO BE “REVENUE NEUTRAL” FOR ANALYTICAL PURPOSES

In discussions with City staff, additional capital Strategic Initiatives have been identified within the Fiscal Impact Models’ 10-year forecast. The analysis assumes that these works are largely “revenue neutral” to the City and do not have an impact on the capital and operating forecasts (i.e. the works will be funded by other organizations or through grants and subsidies). However, the model has functionality to include the capital and/or operating impacts of each of these individual works to see the implications they will have on the tax base. Further information on these initiatives is provided in Section 4. At a high level, these Strategic Initiatives include:

- Light Rail Transit (LRT) Extension (Main St)
  - Option 1 – Surface
  - Option 2 – Underground Tunnel
- Bus Rapid Transit (BRT) – Queen Street to Highway 7 (Note: operating impacts are assumed for this Initiative and included in the base analysis)
- Uptown Community Hub (Shoppers World)
- Additional Community Hub
- Centre for Innovation
- Electrification of Transit Fleet

4. KEY MODEL FINDINGS

This section summarizes the outputs of the tax-supported Fiscal Impact Model, including:

A. Taxation Forecast
B. Assessment Growth
C. Operating Expenditures
D. Non-Tax Revenues
E. Capital Forecast
F. Reserves & Reserve Funds
G. Debt Management

A. TAXATION FORECAST

Before considering the forecasted tax increases based on the Fiscal Impact Model, it is important to compare them in the context of historical tax rates. Figure 6 shows the historical tax rate increases in the City, when considering only the City's portion of the overall tax bill (i.e. excluding Regional and School Board taxation requirements). Over the period, the average increase hovers around 1.3 per cent (including COVID-19 years where no tax increases were introduced). Some years, including in 2013 and 2023, the increases near 3 per cent. Looking forward, the forecasted tax rate increases depicted in Figure 7 are higher, on average, than what has been seen in the past when considering the additional capital and operating needs of the City.

***Figure 6** – Historical Tax Rate Increases (2010-2023)*

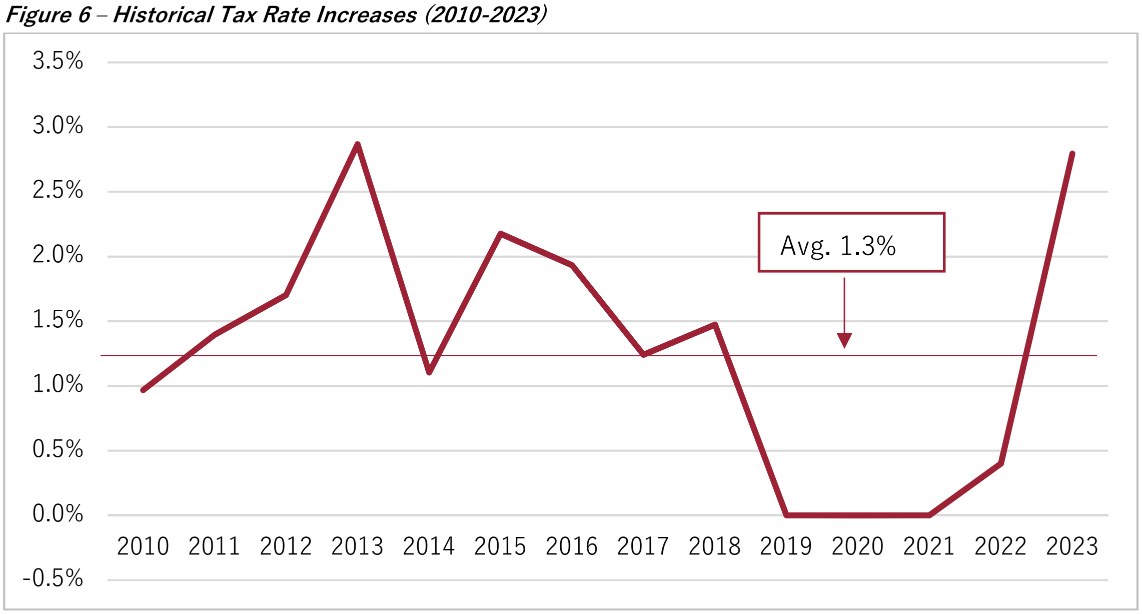
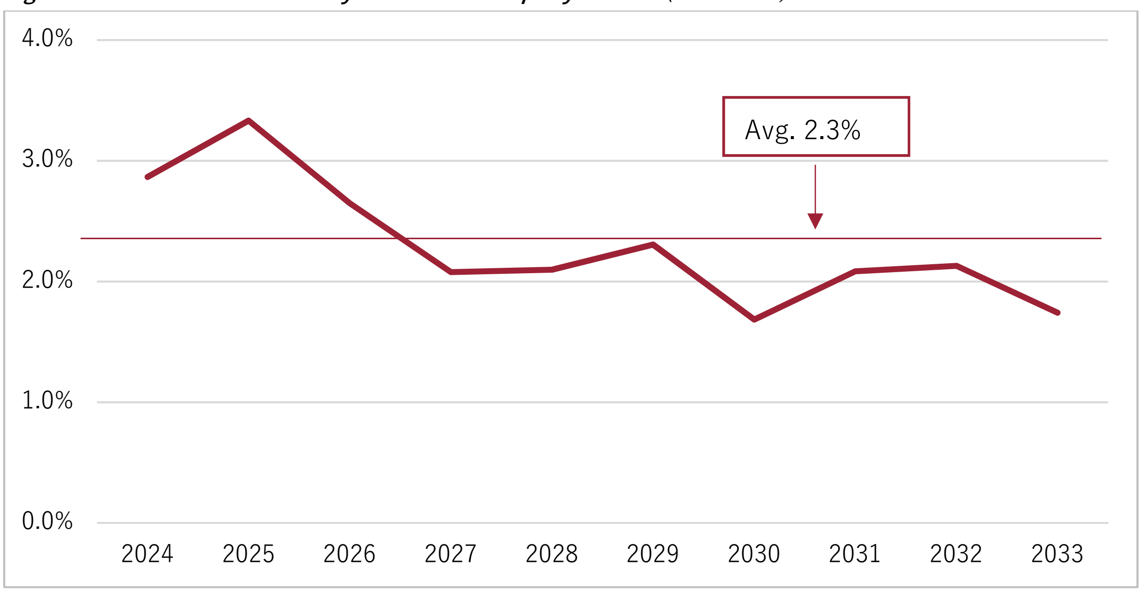


Figure 7 below shows that annual increases are expected to remain in the general range of 2-3 per cent over the period. This includes provisions for the dedicated 2 per cent Infrastructure Levy and 1 per cent Transit Levy. It is noted that the graph below is based on a number of assumptions, such as the timing of new capital infrastructure emplacement, which may change over time. As previously mentioned, many of the Strategic Initiatives included are assumed to have no capital or operating impact to the City and are not attributing to the tax implications. Additional information on those works, and the impacts they will have to the figure below, are further detailed in Section E (Capital Forecast). The first few years are of the forecast show a higher rate of increase than the latter end of the period as the data in the first few years is more quantified. However, similar to existing practice, the City has been able to use several tools to mitigate a sudden tax rate increase, such as the use of debt, available reserves, and the phasing in of certain operating expenses (e.g. staff additions).

Figure 7 – Annual Increase to City's Portion of Property Tax Bill (2024-2033)



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

- Potential City shares of the capital and operating costs associated with the Strategic Initiatives outlined in Section E (Capital Forecast);
- Long-term asset repair and replacement needs, beyond the 2 per cent levy;
- Any City funding for the Toronto Metropolitan University School of Medicine;
- A potential slowing of DC revenues as the City's supply of greenfield land diminishes over time;

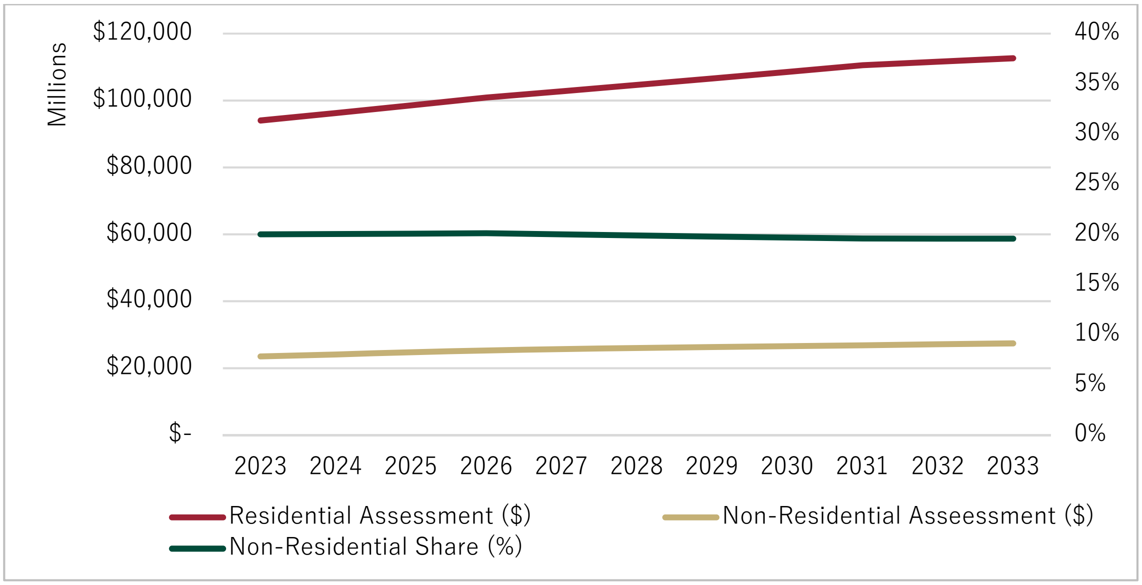
- Additional downward pressure on DC revenues due to changes to the legislation through Bill 23 (including mandatory phase-in requirements, exemptions for affordable and attainable units, etc.)
- Capital costs for new development-related facilities may exceed permissible funding from DCs;
- Potentially lower levels of non-residential growth as compared to residential development; and
- Operating cost increases (e.g. salaries and utilities) exceeding CPI increases.
- Overall economic climate of today which has brought on a continued increase to interest rates, above “average” inflation and supply shortages. Cumulatively, the City will need to manage these cost pressures as they persist which can be expected to remain strong in the short-term.

B. ASSESSMENT GROWTH

The basis of property taxes in Ontario is 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 the 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 $117.4 billion, including a residential assessment value of $94.0 billion and a total non-residential assessment value of $23.5 billion. The forecast anticipates these assessment values growing at an average rate of 1.8 per cent annually over the period to 2033, as shown in Figure 8. The ratio of residential to non-residential assessment remains constant over the planning period at 80:20, respectively.

Figure 8 – Forecast Assessment Growth



Brampton's overall unweighted residential to non-residential (commercial/office and industrial) assessment ratio, based on the 2021 Financial Information Return, is approximately 82:18 per cent. Table 4 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 20 per cent. This share is slightly below the average weighted non-residential assessment share of 23 per cent among municipal comparators in Table 5. Importantly, the average outlined in the table includes the City Toronto which has a very high non-residential weighting of 35% which increases the comparison. City's ratio 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".

Table 4 – Unweighted Assessment Ratio Comparison

Property Class	Brampton	Mississauga	Vaughan	Markham	Oakville	Burlington	Toronto	Caledon	Hamilton	Average
Residential	82%	73%	80%	86%	88%	80%	74%	86%	84%	**81%**
Commercial/ Office	15%	23%	15%	12%	11%	17%	25%	11%	14%	**16%**
Industrial	3%	3%	5%	1%	2%	3%	1%	3%	2%	**2%**

Table 5 – Weighted Assessment Ratio Comparison

Property Class	Brampton	Mississauga	Vaughan	Markham	Oakville	Burlington	Toronto	Caledon	Hamilton	Average
Residential	80%	69%	75%	84%	82%	78%	65%	80%	77%	**77%**
Commercial/ Office	16%	26%	18%	14%	14%	17%	33%	15%	17%	**19%**
Industrial	4%	5%	7%	2%	3%	5%	2%	5%	5%	**4%**

C. OPERATING EXPENDITURES

i. Key Cost Drivers

The City provided Hemson with their base budget and financial plan data for 2023 operating expenditures. The Fiscal Impact Model begins its operating expenditure forecast in 2024 based on a combination of key cost drivers.

a) Price Drivers

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, which are the primary revenue source for municipalities. Furthermore, unlike many provincial or federal government revenue sources, the property tax rates are adjusted annually and do not automatically grow like income taxes, for example.

Municipalities across Canada have been calculating municipal price indices that reflect a municipal government's expenditure categories and weights. The methodology for calculating an MPI is similar to the CPI. Consistent with the 2017 FMP, the inflation factors included in Table 6 were used to inform the operating forecast.

Table 6 – City of Brampton Municipal Price Index (MPI)

Account Branch	10-Year Annual Price Inflation
Salaries, Wages & Benefits	2.5%
Office & Administrative	2.0%
Advertising, Marketing & Promotion	2.0%
Staff Development	2.0%
Professional Services	2.0%
Rent & Lease Charges	2.0%
Repairs, Maintenance & Materials	2.0%
Contracted Services	2.0%
Utilities & Fuel	4.0%
Grants, Subsidies & Donations	2.0%
Internal Borrowing Repayments	0.0%
Financial Services	2.0%

b) Growth Drivers

As population, employment and the number of households increase in Brampton, servicing needs increase. The development forecast over the planning period is the basis of the growth drivers assigned to the service areas and account categories. The main driver for a significant portion of the service areas included in the Fiscal Impact Model is capital induced operating impacts, as described below.

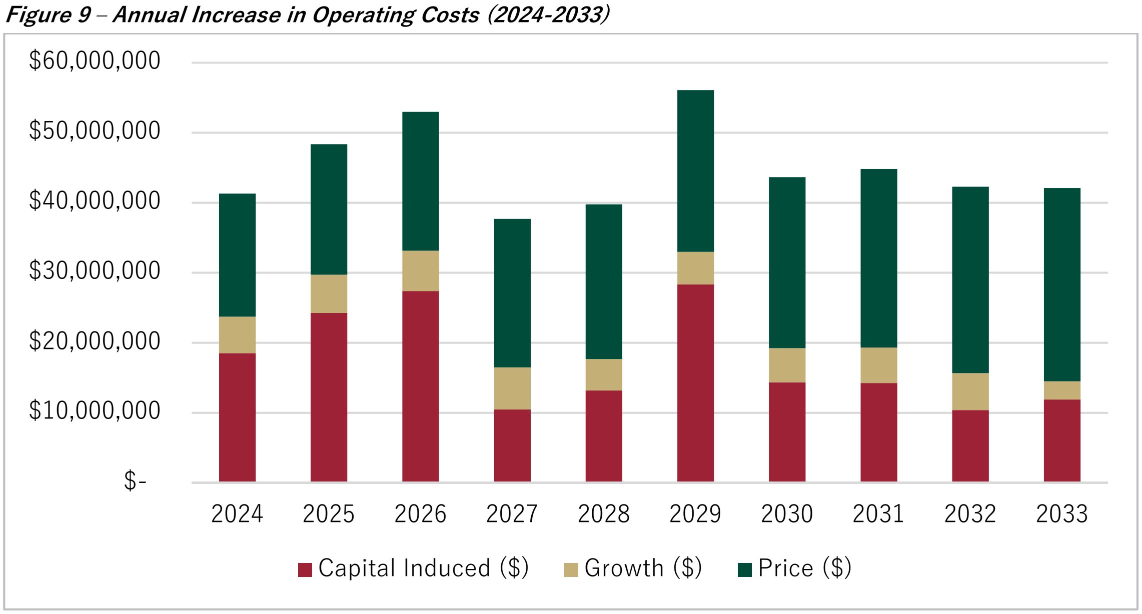
c) Capital Induced Operating Impacts

The operating forecast incorporates the anticipated operating impacts of capital expenditures such as facilities, vehicles, parks and other infrastructure. These impacts include staff additions, maintenance costs and other operating needs. The model incorporates a series of capital induced operating impacts for various types of capital assets, based on an assessment of existing assets.

ii. Operating Expenditure Forecast

Figure 9 provides a summary of the annual increase in operating costs for the 2023-2033 period, with the first increase shown in 2024. The graph shows the comparative impact of the annual additions of capital induced operating costs, price drivers (MPI), and growth drivers. Both the price drivers and capital induced operating impacts are largely contributing to the year-over-year operating costs forecasted to 2033.

Figure 9 – Annual Increase in Operating Costs (2024-2033)

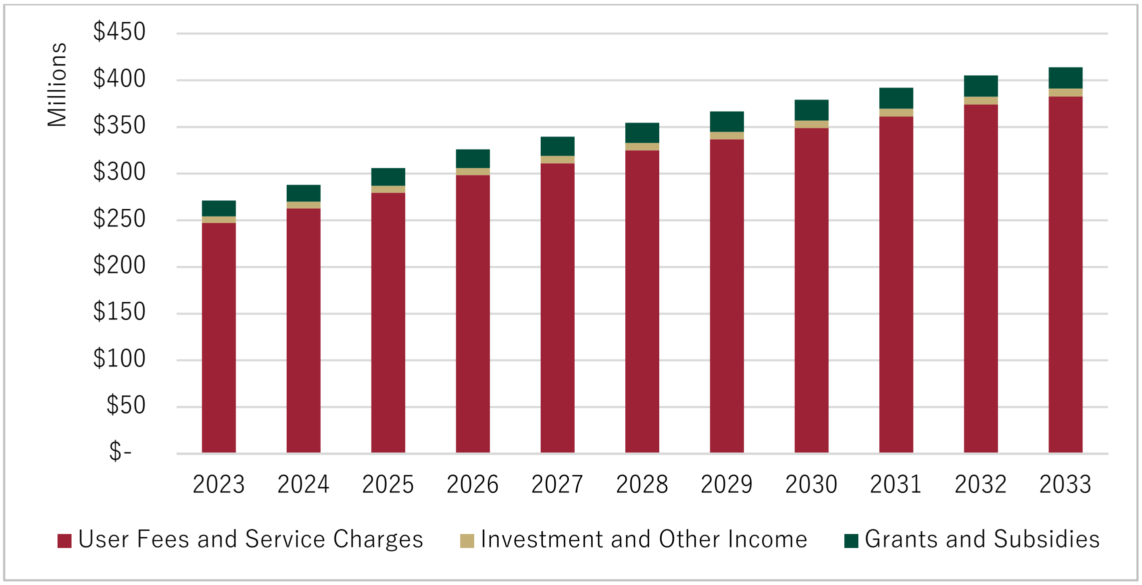


D. NON-TAX REVENUES

Municipalities, including the City of Brampton, have limited revenue-raising tools available. The main source of funding is through property taxation revenues. User fees and service charges, investment income and grants and subsidies are some of the other resources the City has available as a means to raise revenue. Figure 10 depicts the non-tax revenue forecast for the period 2023-2033. The largest source of revenue for the City outside of taxation is user fees and service charges. User fees are a reliable source of non-tax revenues for the City to help relieve pressure from the overall tax base.

Like the operating expenditure forecast, the non-tax revenue forecast is driven by price and volume drivers following the base year budget analysis.

Figure 10 – Non-Tax Revenue Forecast (2023-2033)



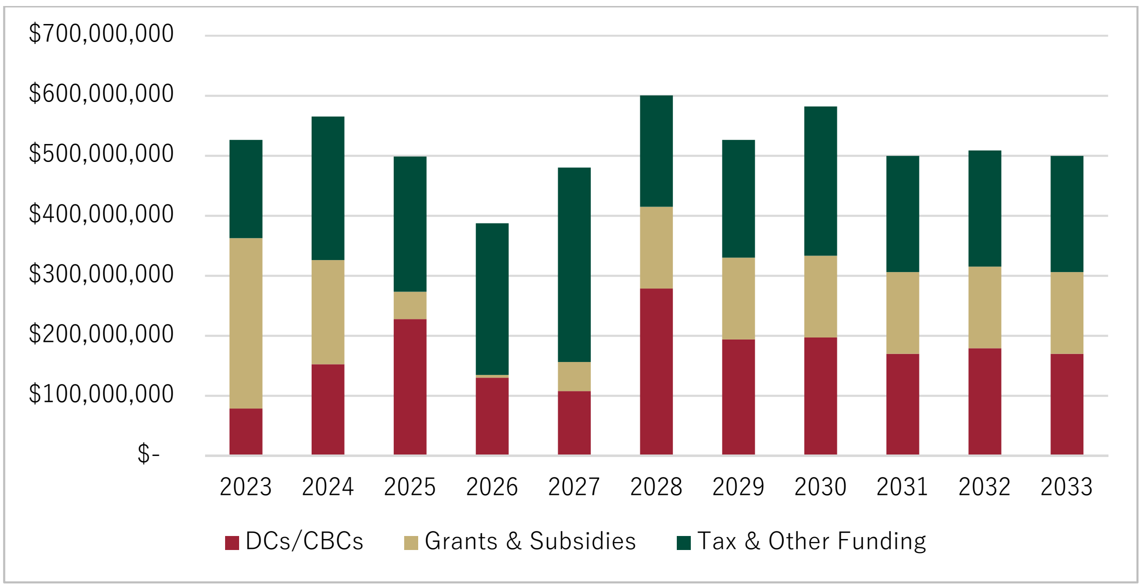
E. CAPITAL FORECAST

Like many municipalities, Brampton has detailed capital plans in place for the initial five year period from 2023 to 2027, while less information is available regarding longer-term servicing needs. The Fiscal Impact Model allows for future project additions and sensitivity testing, as needed.

The City's capital budget includes both growth related and non-growth related capital projects. Most municipalities in Ontario, including Brampton, impose development charges to pay for growth-related infrastructure. The *Development Charges Act* provides the authority to impose these charges, and provide strict limitations on their calculation. In addition to development charges, funding sources for growth-related capital includes grants, tax sources for non-development charge eligible shares of projects and developer contributions. The total capital expenditure forecast for this analysis includes capital from the City budget (growth and non-growth), capital-related asset management provisions for existing assets and Strategic Initiatives identified through discussions with staff. As the capital budget only accounts for the first five-years of the analysis, an average by service has been applied to account for the latter five years of the forecast to 2033. Additionally Hemson reviewed capital plans in other documents such as the recently completed Community Benefits Charges Strategy and the 2019 DC Study (where appropriate recognizing there will be an update study complete in 2024 to support the passage of new by-laws). The capital projects included in the Strategy have been included for consideration where appropriate in the Fiscal Impact Model.

The total tax services capital expenditure forecast included in the FMP totals $5.7 billion for the 2023-2033 period. Figure 11 outlines the annual capital expenditures by funding source for the planning period. This graph does not include the Strategic Initiatives identified as part of the FMP, with further details on those projects, and its associated impacts, in the section provided below.

Figure 11 – Capital Expenditures by Funding Source (2023-2033)



Strategic Initiatives

In addition to the capital expenditures outlined above, seven key Strategic Initiatives have been identified through discussions with staff that are included in the Fiscal Impact Model analysis. It is currently assumed, however, that the majority of these projects do not have a capital or operating impact to the City of Brampton. The only exception to this is the BRT from Queen Street to Highway 7, as it is assumed the City will be responsible for the associated operating costs which have been included in the baseline analysis of this FMP report.

Table 7 includes the relevant details of these capital works, namely the project title, gross cost, grant funding assumptions (if the City has to support the project), capital and operating impact assumptions, and incremental increase to the tax rate from the 10-year average calculated. The Fiscal Impact Model allows for the functionality to include or exclude these projects at the City's discretion. The 10-year average tax change identified in the table (i.e. 2.3 per cent) reflects the taxation forecast results detailed in this report. With the addition of the capital and operating impacts of each respective project, the incremental tax increase represents the total effect these capital works will have, on an average annual basis over the period to 2033. Importantly, even with the additional tax levy support to carry out these strategic projects – namely the LRT Extension – the City would still require significant support from upper-level funding while having a fairly substantial impact on the City's annual debt obligations to fund the capital project over the long-term. This could implicitly hinder the City's ability to carry-out other capital to manage services.

Table 7** – **Strategic Initiatives for Consideration (In addition to the Capital Expenditures in Figure 11)

Project Title	Gross Cost	Grant Funding Assumption	Capital Impact Assumption	Operating Impact Assumption	10-Yr Average Annual Tax Change	Incremental Tax Increase (above 10-year Avg.)
LRT Extension – Option 1 (Surface)	$930M	67%	N	N	2.3%	0.6%
LRT Extension – Option 2 (Tunnel)	$2.8B	67%	N	N	2.3%	0.8%
BRT (Queen St. to Hwy 7)	$500M	67%	N	Y	2.3%	0.03%
Community Hub (Shoppers World)	$250M	-	Y	Y	2.3%	0.2%
Additional Community Hub	$250M	-	Y	Y	2.3%	0.2%
Centre for Innovation	$172M	-	Y	Y	2.3%	0.1%
Electrification of Transit Fleet	$400M	-	Y	Y	2.3%	0.3%

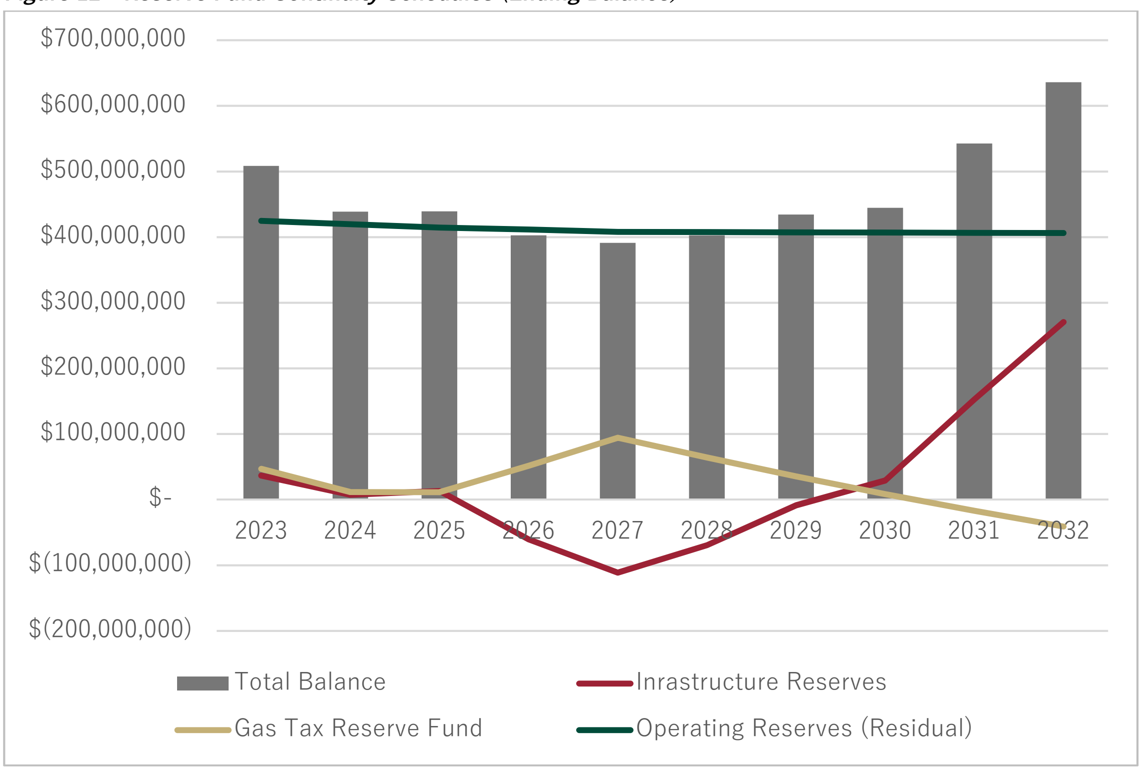
F. RESERVES & RESERVE FUNDS

The City's reserves and reserve funds have been grouped into separate categories for the purpose of this analysis:

- Gas Tax Reserve Fund – Reserve #91 (Canada Community-Building Fund);
- Infrastructure Reserves – Includes Reserve #4 (Asset Replacement) and Reserve #119 (Transit Levy)
- Operating Reserves – Includes all other reserves and reserve funds (excl. discretionary – Such as DCs - and stormwater)

Figure 12 shows a high-level summary of the forecast of the City's reserves over the period to 2033 with consideration for Infrastructure Reserves, the Gas Tax Reserve Fund and Operating Reserves.

Figure 12** – **Reserve Fund Continuity Schedules (Ending Balance)



The forecast indicates that the City will generally maintain a stable balance over the period while meeting capital servicing needs. However, there are instances of negative reserve fund balances that are assumed to be supplemented through inter-fund borrowing. In general, the City reserve position is intended maintain a relatively stable position over the period.

Lastly, the dedicated stormwater reserve will continue to be used to offset stormwater capital and any shortfalls calculated from the model and intended to be funded through Reserve #4 through inter-fund borrowing.

This long-term forecast will serve as a valuable financial planning tool as it provides the City with the information to review additional operating budget transfers, debt funding of capital projects, or changes in project timing or scope to manage the funds and reserve funds on hand. Such adjustments could subsequently be evaluated by staff in terms of their potential impacts on the overall tax rate forecast.

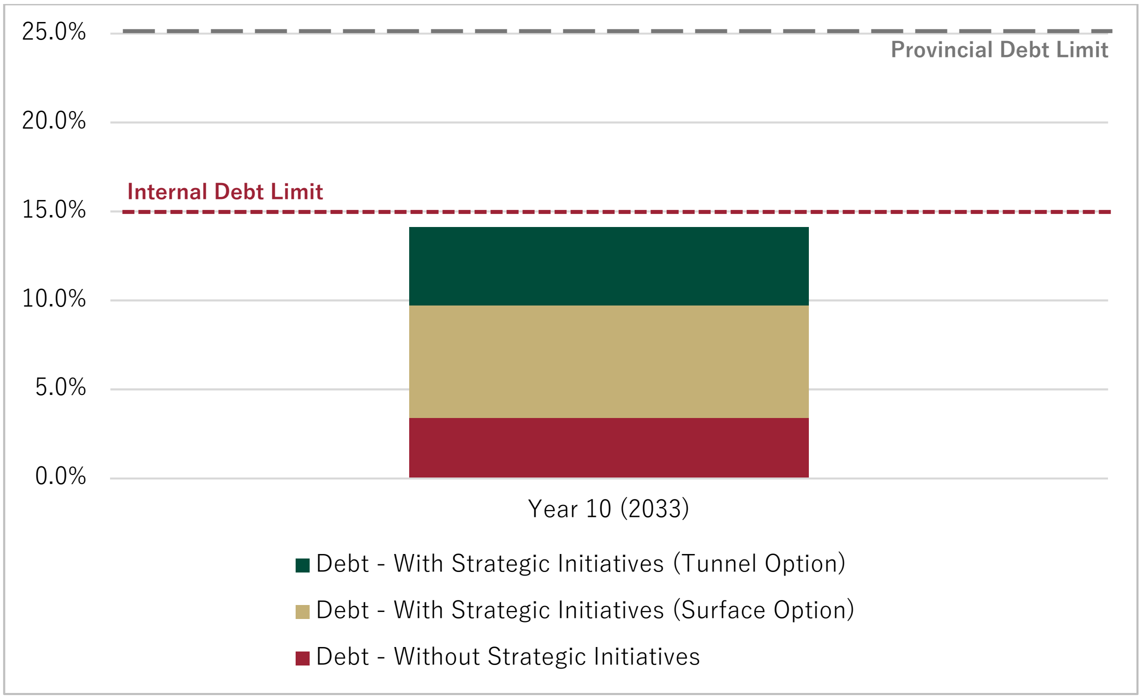
G. DEBT MANAGEMENT

Provincial regulations set limits on the amount of debt a municipality can carry to ensure continued operations in a fiscally sound manner. In Ontario, the *Municipal Act* mandates that a municipality's annual debt repayment limit must not exceed 25 per cent of annual own-source revenues. The City of Brampton also has its own debt limit of 15 per cent of own source revenue.

While debt can fund a range of municipal costs, for equity purposes, it is best for projects that provide benefits over a longer timeframe to distribute the burden of capital costs between the current taxpayer and future ratepayers. The City of Brampton does not currently carry a lot of debt relative to other municipalities, with debt payments totalling 1.5 per cent relative to the 25 per cent limit.

Figure 13 provides the City's total projected debt by 2033 (i.e. the end of the planning period considered under the FMP). Assumptions on future debentures are included for several major planned capital projects as informed by the capital budget and asset management plan. By 2033, the total annual debt servicing costs total $38.0 million, or 3.4 per cent of own source revenues (excluding the additional Strategic Initiatives). When the debt associated with the Strategic Initiatives are layered on, the City begins to experience pressure on its internal debt limit of 15 per cent of own source revenue. If the Surface Option is chosen for the LRT, at 2033 the City's debt will represent 9.7 per cent of own source revenue. With the Tunnel Option, the annual debt payments will represent 14.1 per cent of own source revenue. This level of expenditure would consider the City using debt to fund a share of the 33% capital not funded other levels of government. This figure is intended to represent an order of magnitude impact with the City contribution but it is certainly the intention to have full upper government support for transit LRT projects.

Figure 13 – Debt Capacity at 10-Year Period (Projected)



5. Summary of Results

This section summarizes the key FMP and Fiscal Impact Model findings, conclusions, and next steps.

A. SUMMARY OF INTERIM FMP FINDINGS

i. Brampton is in a Strong Fiscal Position

The City of Brampton has historically been fiscally efficient, with low annual tax increases and minimal amounts of debt. The Fiscal Impact Model forecasts that the overall tax increases over the next 10 years will remain reasonable but above historical average trends in the City. Excluding inflationary impacts beyond the MPI factors applied, which could be significant, annual tax rate increases on the City's portion of the overall tax bill average 2.3 per cent over the period. There are a small number of tax rate "spikes" throughout the period due to increased operating costs that result from capital infrastructure coming online. Particularly, the short-term forecast indicates higher tax increase as the costs are a bit better known. However, there are several tools available to the City to mitigate a sudden tax rate increase, such as the use of debt, available reserves, and the phasing in of certain operating expenses (e.g. staff additions).

As indicated, the analysis does not consider the impacts of the Region's dissolution on the City of Brampton and the cumulative impacts of the governance change will have to be reviewed after 2025. As a result, the tax impacts outlined should be considered as an order or magnitude range under the current structure.

ii. Additional Strategic Initiatives Need to be Monitored and Managed

The report includes a list of other key strategic capital works would could have a material impact on the City if they proceed and how they are funded, The Fiscal Impact Model allows for the functionality to include or exclude these projects at the City's discretion and the incremental average tax change has been quantified with those projects. A few important considerations:

- Even with the additional tax levy support to carry out these strategic projects – namely the LRT Extension – the City would still require significant support from upper-level funding while having a fairly substantial impact on the City's annual debt obligations to fund the capital project over the long-term. This could implicitly hinder the City's ability to carry-out other capital to manage services.

- The analysis assumes that these Strategic Projects are largely “revenue neutral” to the City and do not have an impact on the capital and operating forecasts (i.e. the works will be funded by other organizations or through grants and subsidies). However, the City needs to be cognizant that it may require some internal financing/support in the earlier years of before revenues are generated to support the operating and capital costs.

iii. Infrastructure Reserves and Debt Financing are Important Fiscal Tools that will help the City Moving Forward

The City has limited its use of debt to fund capital investments. The City currently has a very limited debt obligations which is well below the provincially mandated debt servicing limit of 25 per cent of own-source revenue.

The Fiscal Impact Model assumes additional debt to fund various capital works planned through the capital budget. Even with these additions, the City’s debt capacity will remain well below the provincially mandated limit as well as their internal limit of 15 per cent of own source revenue. As previously stated, additional consideration must be made for the Strategic Initiatives that are assumed to be “revenue neutral” in the Fiscal Impact Model. With the inclusion of these capital works without full support from upper-levels to fund these projects, the City’s debt capacity may reach as high as about 14 per cent of own source revenue by the end of the period. There are opportunities for the City to expand its use of debt, as appropriate, for Strategic Initiatives with long benefitting horizons in order to help manage cash flow, mitigate sudden tax increases, and establish a nexus between those who benefit from and pay for key infrastructure.

Brampton, like municipalities across the GTA and the country, are facing significant infrastructure capital funding challenges. The infrastructure capital costs related to both delivering new infrastructure and maintaining assets in a state of good repair (asset management). Municipalities have a limited set of fiscal tools to address these funding challenges. Increasingly, municipalities have to look to increase the strategic use of debt for critical infrastructure, increasing internal debt limits, while remaining below Provincial limits. Debt can be used to fund development-related infrastructure with the funding of the debt payments coming from growth-funding tools, primarily development charges.

Municipal infrastructure gaps are significant, and in some cases growing, across the country. Addressing these existing infrastructure gaps can be challenging. Brampton, along with many municipalities across the GTA and elsewhere, has implemented infrastructure specific tax levies as a means to increase capital reserves for funding capital infrastructure needs.

It is recommended that the City continue the use of these tools while exploring their further use, in addition to developing policies to ensure the long-term sustainability and stability in meeting the City's infrastructure funding needs.

iv. The City has been Proactive in Setting a Strong Framework for Long-term Financial Sustainability

The FMP Fiscal Impact Model will allow the City to continue to work towards its objectives as it continues to grow over the coming decades. The City has strong financial policies and has a good process for ongoing review and updating of this process, which should continue to be informed by a formal FMP. As the City grows and evolves, including the impacts of the upcoming Region of Peel dissolution, staff should continue to invest in this important financial work, continue to monitor successes, challenges, and emerging issues as plans are implemented, and revisit its fiscal policies to ensure these needs continue to be addressed.

B. CONCLUSIONS AND NEXT STEPS

Since the completion of the 2017 LTFMP, the City has acted on a number of recommendations outlined in that report to improve the City's financial sustainability remain relevant. Notwithstanding the dissolution of the Region of Peel in the forthcoming year, which will impact how the City delivers services and capital prioritizations, the table below provides a high-level snapshot of some of the major policy areas which should continue to be considered to guide the City's financial decision making in the years to come.

Table 8 – Considerations for Future Financial Decision Making

Make decisions on capital investments based on strategic priorities and financial impacts	As a carry-over from the 2017 LTFMP recommendations, the City should prepare and approve a 10-year capital forecast along with the annual budget submission. As the City's Asset Management program continues to evolve, the City should develop and implement capital project prioritization metrics to rank capital projects. Furthermore, understanding the operating cost and long-term repair and replacement impactions of each major capital project submission will be valuable.
Promote economic growth	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 City has been proactive since 2017 to broaden the financial incentives to achieve the employment forecasts. For example, this incudes introducing CIPs and provide DC Office exemptions, etc.

Review the City's approach to user fees	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 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. Any increase in user fee revenues would help offset the reliance on property taxes to fund the same service.
Work to maintain grant revenues	With significant planned transit investments, increased environmental stewardship programs to "green the City" 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 where available and continue to work with AMO and other agencies
Continue to use development charges to the full extent permitted	Development charges are a critical component of City finances and Brampton generally uses development charges to the maximum extent. However, at the time of its next development charges by-law update, the City will need to comply with recent amendments (arising from Bill 23) to the *Development Charges Act* which will reduce revenues. The 2024 Development Charges Background Study and By-law are underway and should be used to further inform future capital needs. This project is a key priority and will contain the results of the ongoing Transportation Master Plan Update to fund the network improvements required,
Maintain the City's infrastructure assets	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 completed an update to the Corporate Asset Management Plan in 2022 with Service Area AMP for Stormwater and Transportation services in 2022 as well to comply with the regulation. Of importance, Service Area AMPs are underway for the remaining non-core asset service areas. Collectively, these plans will help bring the City closer to conformity with the regulation by 2025 and will vastly improve the datasets to improve an evidence based decision making model for the City on how to invest in the City's existing capital assets.

	To continue bridging the funding gap and improve financial sustainability, the City should maintain their existing infrastructure levy dedicated towards asset management and monitor the revenues derived. The City of Brampton has placed great importance on creating a reliable and well-operated transit system, as it is vital to a thriving City. Having a strong transit infrastructure is important to reducing road congestion, attracting businesses and investments and helping to connect people and job. The City should continue to implement this levy, which will help strengthen new services, but it will also ensure existing transit assets are well maintained.
Continue the use of reserves and reserve funds to manage City Services	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 moving forward
Continue to explore alternative options to streamline service delivery	Since 2017, the City undertook business area service delivery reviews. It is likely that dissolution will bring forward additional reviews and service delivery reforms to deliver the best value services for tax payer dollars. Therefore, although these service delivery reviews were completed since 2017, it is possible additional reviews will be needed following the governance changes.
Consider issuing debt for major long-term assets	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 below the Provincial debt limit. When compared against other communities, the current debt level is also amongst the lowest, however, the City has of late approved new debt and other new debt is forecasted. After considering the City's future approved and forecasted debt - the City is closer to other municipalities debt use. It is expected that the City will look to continue to expand the use of debt in a financially sustainable manner

APPENDIX 1

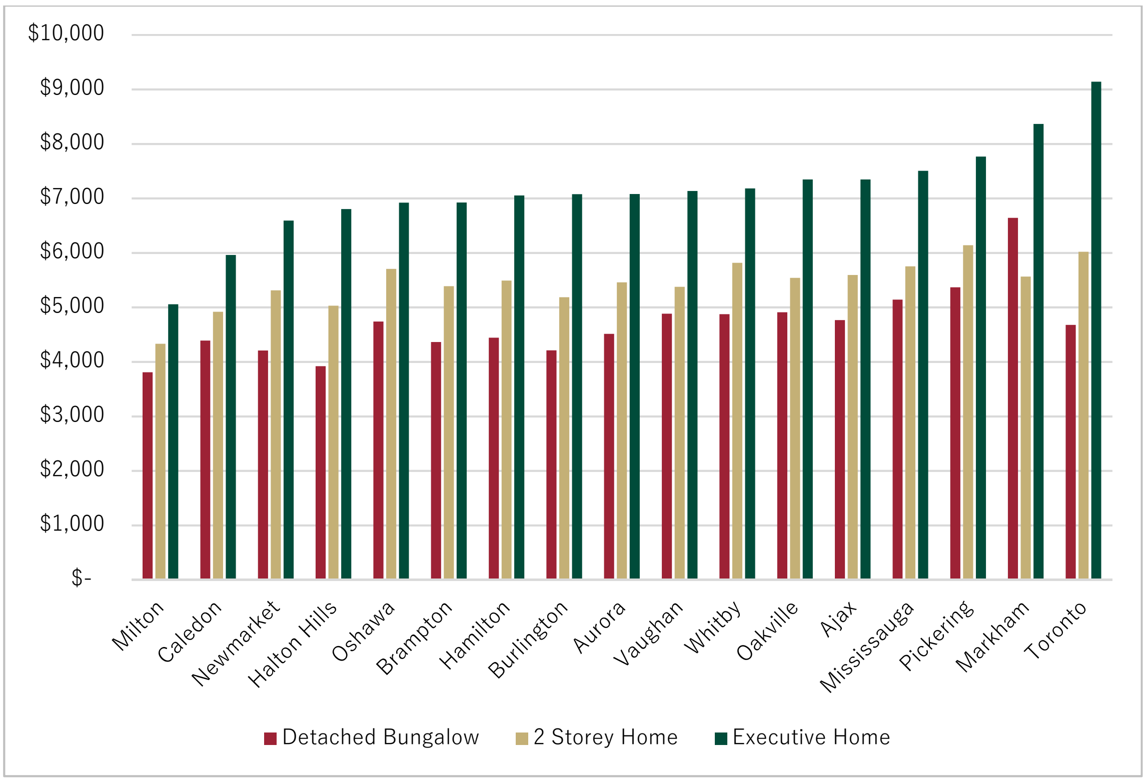
BENCHMARKING REVIEW

A. RESIDENTIAL PROPERTY TAXES

The average property tax bill for a single family dwelling (SFD) in the City of Brampton is approximately $4,400 for a detached bungalow, $5,400 for a two storey home, and $6,900 for an executive home. The total applicable 2023 residential property tax rate, including City, Region, and Education taxes, is 1.039311 per cent. It is worth noting that from 2018 through 2022 the City of Brampton froze residential property tax rates. Additionally, the Municipal Property Assessment Corporation (MPAC) has not done a full update of home values since 2016 in Ontario.

As Figure 1 shows, the City of Brampton's typical residential property bill for a SFD is slightly below the GTHA average, and lower than many comparable municipalities. Within Peel Region, Brampton residents in SFDs see a much lower property tax bill than average City of Mississauga residents, but a slightly higher bill than residents in the Town of Caledon. The City could bolster residential property tax rates to cover budget shortfalls, while still maintaining reasonable affordability and staying in-line with other GTHA benchmark municipalities.

Figure 1 – Residential (SFD) Average Annual Property Tax Bill Benchmark

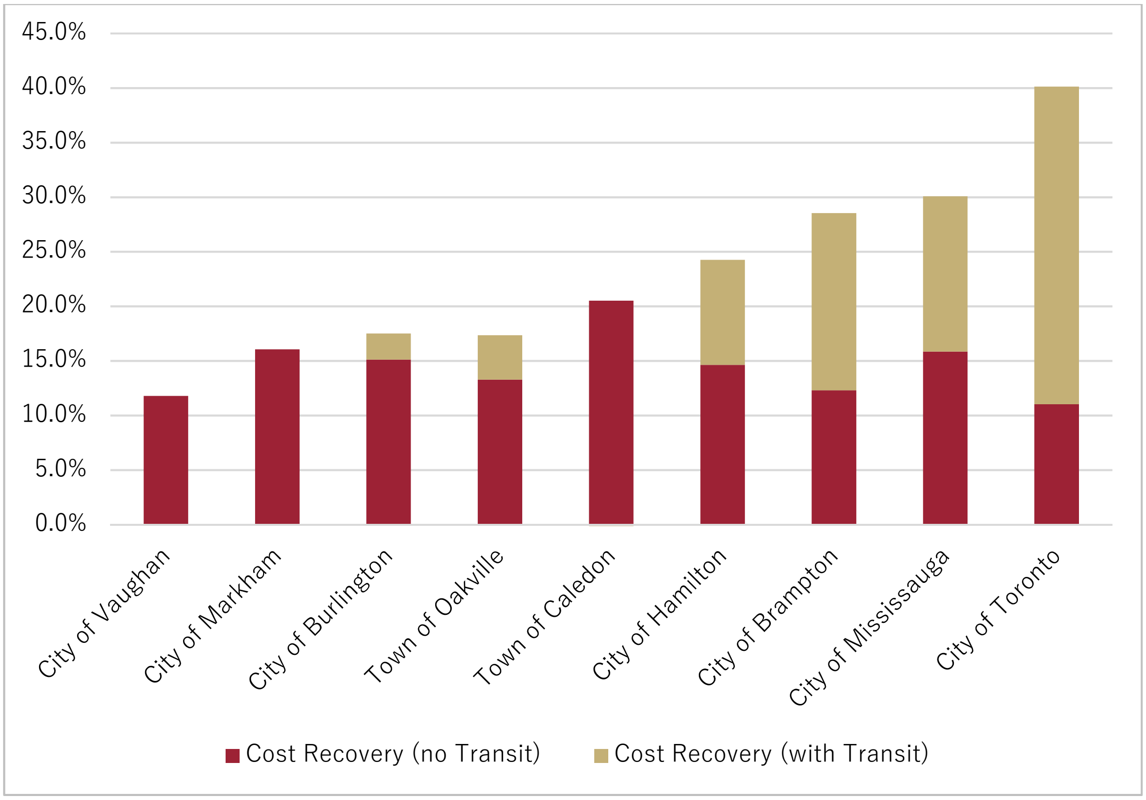


Source: BMA Municipal Study (2021)

B. TRANSIT AND RECREATION USER FEES

Municipalities charge user fees to cover or offset the costs of providing a variety of services including recreation, events, corporate services, wastewater services, sewer services, planning allowances, building permits, and public transportation, among others. Brampton recovers a small share (12.3 per cent) of costs through non-transit user fees. As Figure 2 displays, this is generally lower than other comparator municipalities, with the exception of the City of Vaughan. However, when factoring in transit fees, the City of Brampton recovers the third highest proportion of costs versus GTHA comparators. This suggests that the City could investigate and raise non-transit fees to cover greater costs, while still being in-line with like municipalities.

Figure 2** – **Comparison of User Fee Recoveries



Source: 2019 Financial Information Return (to represent pre-pandemic trends)

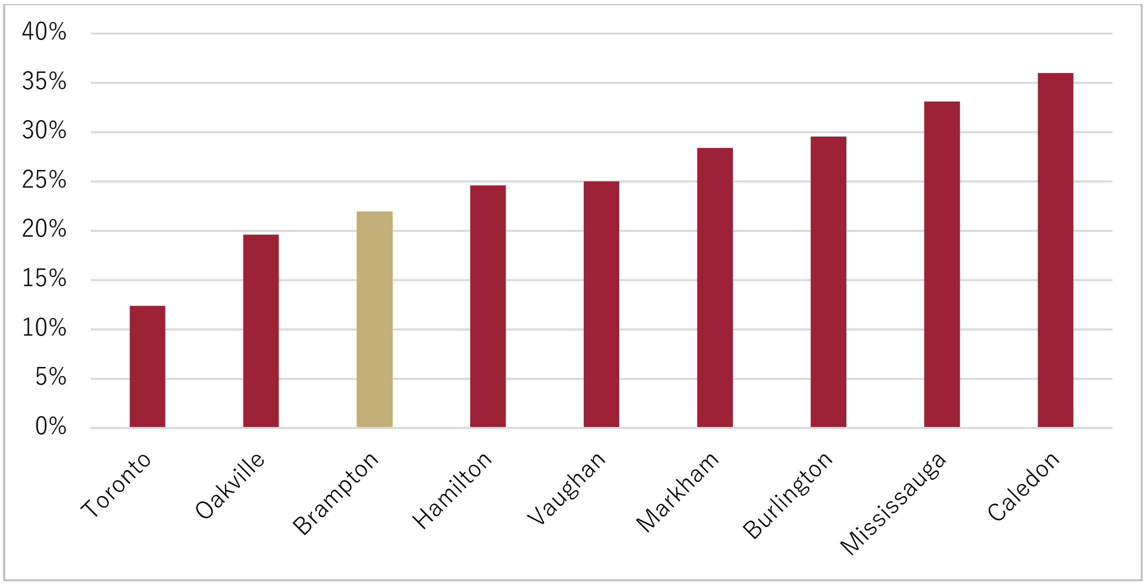
Non-transit related user fee cost recovery in the City is below other comparable GTHA municipalities. Figure 3 demonstrates that the City of Brampton recovers 22 per cent of parks and recreation costs through user fees while the average cost recovery for comparable municipalities is 26 per cent.

Figure 4 suggests that the City spends the second most tax money per square foot of recreation space among comparable GTHA municipalities. The City spends about $25.64

per square foot, which is higher than any comparator municipality except for the City of Toronto.

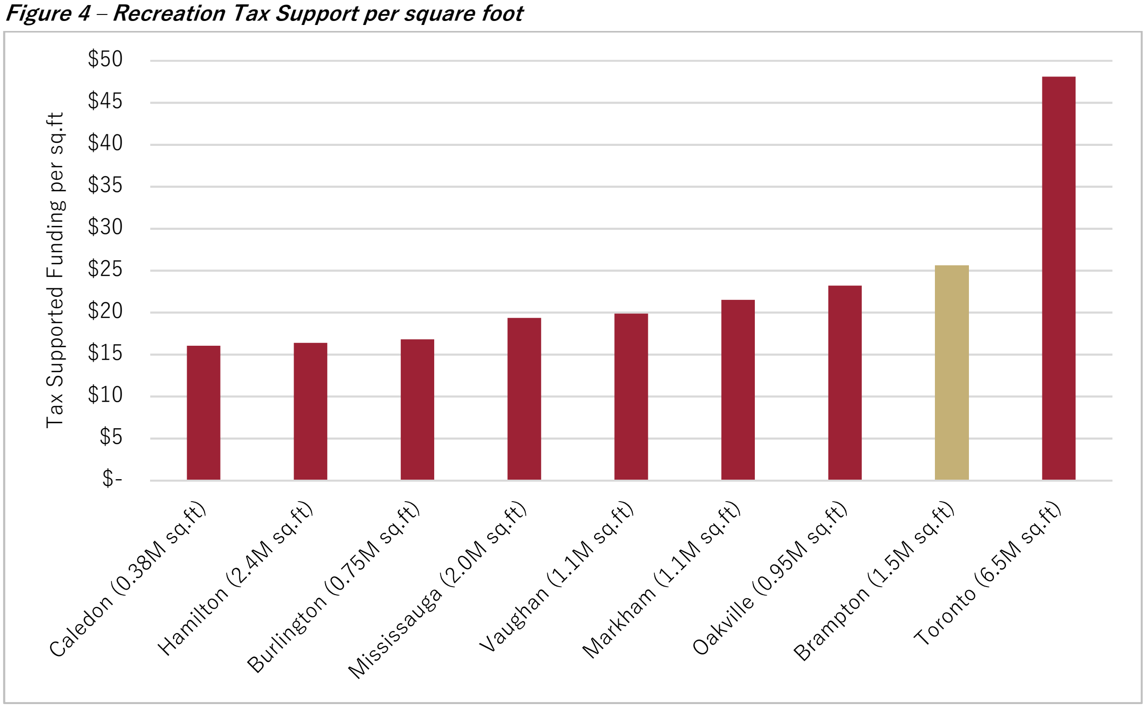
The City could raise parks and recreation user fees to generate revenue and lessen tax support while remaining aligned with similar municipal benchmarks.

Figure 3– Cost Recovery (Revenues / Operating Costs) - Parks and Recreation



Source: 2019 Financial Information Return (to represent pre-pandemic trends)

Figure 4 – Recreation Tax Support per square foot

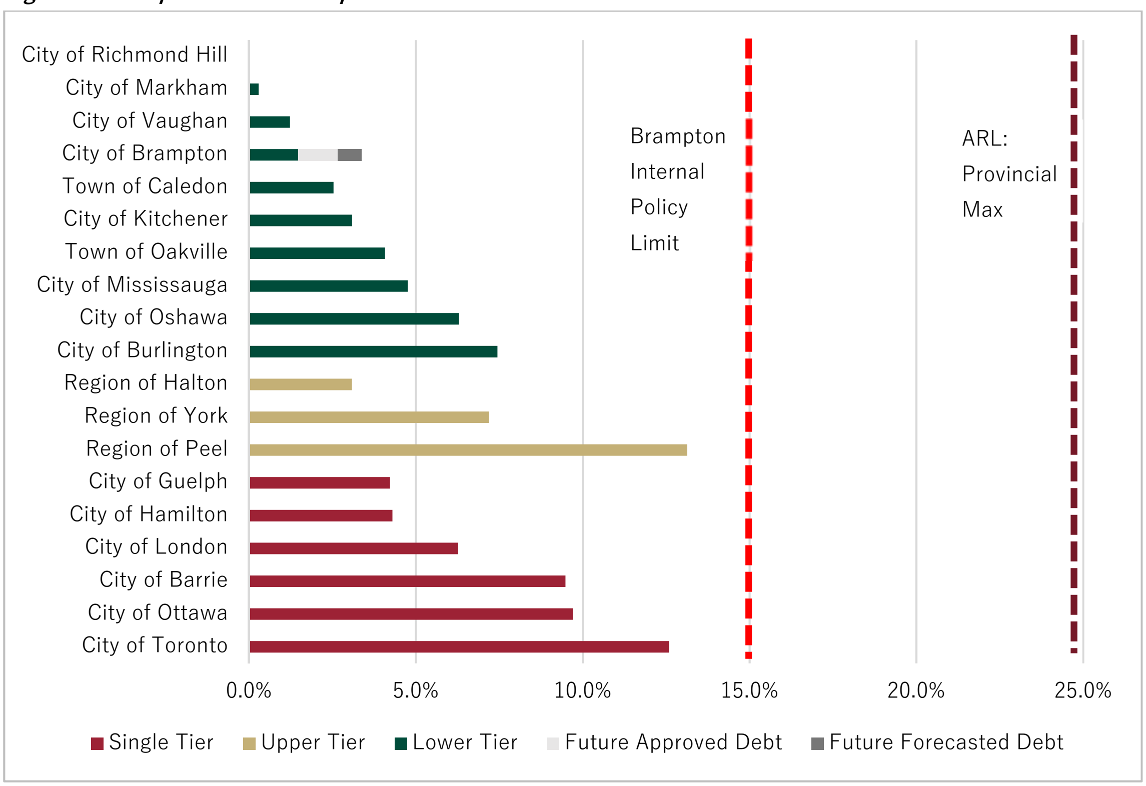


Source: 2019 Financial Information Return (to represent pre-pandemic trends)

C. DEBT MANAGEMENT

The City of Brampton is currently paying approximately $10.2 million per year in debt payments. The City's own-source revenue (e.g. taxes and fees, unconditional grants, payments in place of taxes, interest on investments, etc.) in 2021 was $690.8 million. As Figure 5 displays, the City's debt currently sits at 1.5 per cent of own-source revenue. When factoring in future approved (1.2 per cent) and forecasted (0.7 per cent) debt, the City's debt level will rise to 3.4 per cent of own-source revenue. This is much below the allowable provincial maximum of 25 per cent (which would be $172.7 million) and the City's internal policy maximum of 15 per cent (which would be $103.6 million). The City has used just 5.9 per cent of its allowable provincial debt capacity. Figure 5 also shows that the City is on the lower end of proportional municipal debt levels compared to other GTHA municipal governments. The only comparator municipalities with lower debt levels as a percentage of own-source revenue are the City of Richmond Hill, the City of Markham, and the City of Vaughan. The fifteen other comparable municipalities have a higher debt level as a percentage of own-source revenue. This suggests that the City has been prudent in its debt management and has upward capacity for more debt.

Figure 5 – Comparison of Municipal Debt Levels

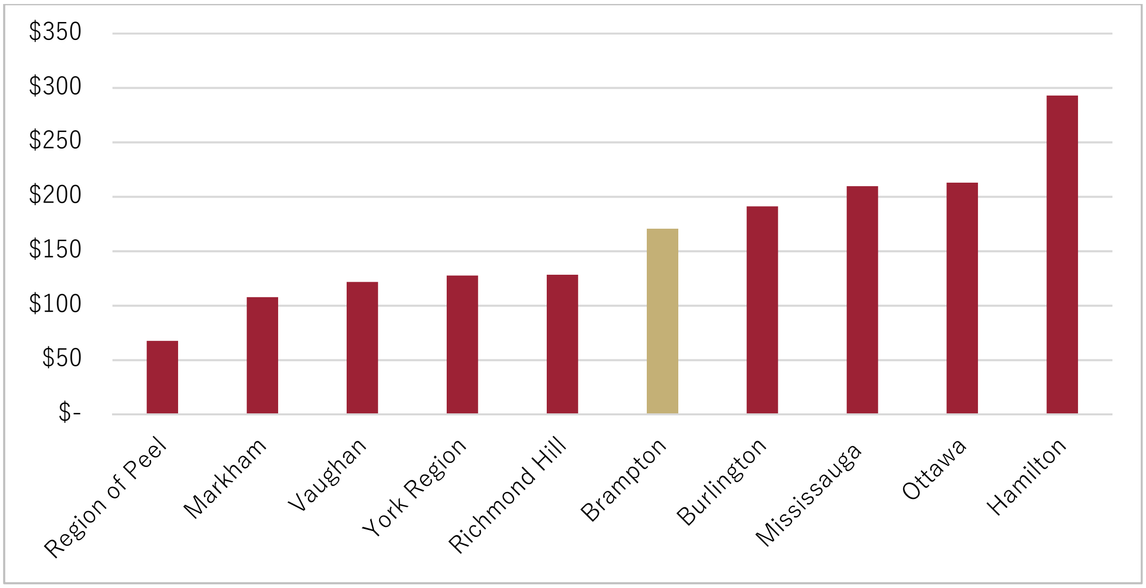


Source: 2021 Financial Information Return

D. ASSET MANAGEMENT

The City is a policy leader in asset management in Ontario. Asset management contributions are required over the long-term to maintain the regular repair and replacement of municipal infrastructure and assets. Figure 6 indicates that the City contributes $170 per capita towards asset management. This is on the higher end of comparable Ontario municipalities.

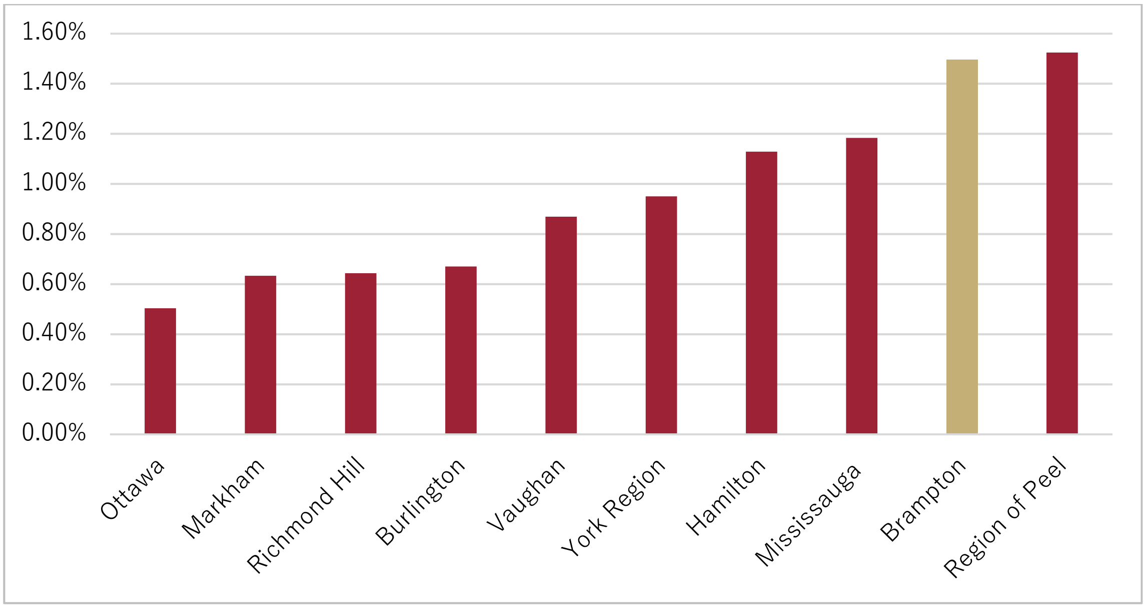
Figure 6 – Annual Asset Management Contribution per Capita



Source: Municipal Budgets, Asset Management Plans, and DC Studies

Figure 7 below shows that the City's yearly asset management contribution totals 1.5 per cent of asset replacement value. This is a much higher proportional contribution than comparable Ontario municipalities. The only comparator municipality with a higher proportional contribution is the Region of Peel at 1.5 per cent. These benchmarks show that the City is well positioned in asset management contribution relative to comparable municipalities. It is recommended that the City continue it leadership in asset management policy and continuously update its asset management contributions.

Figure 7 – Asset Management Contribution Relative to Replacement Value

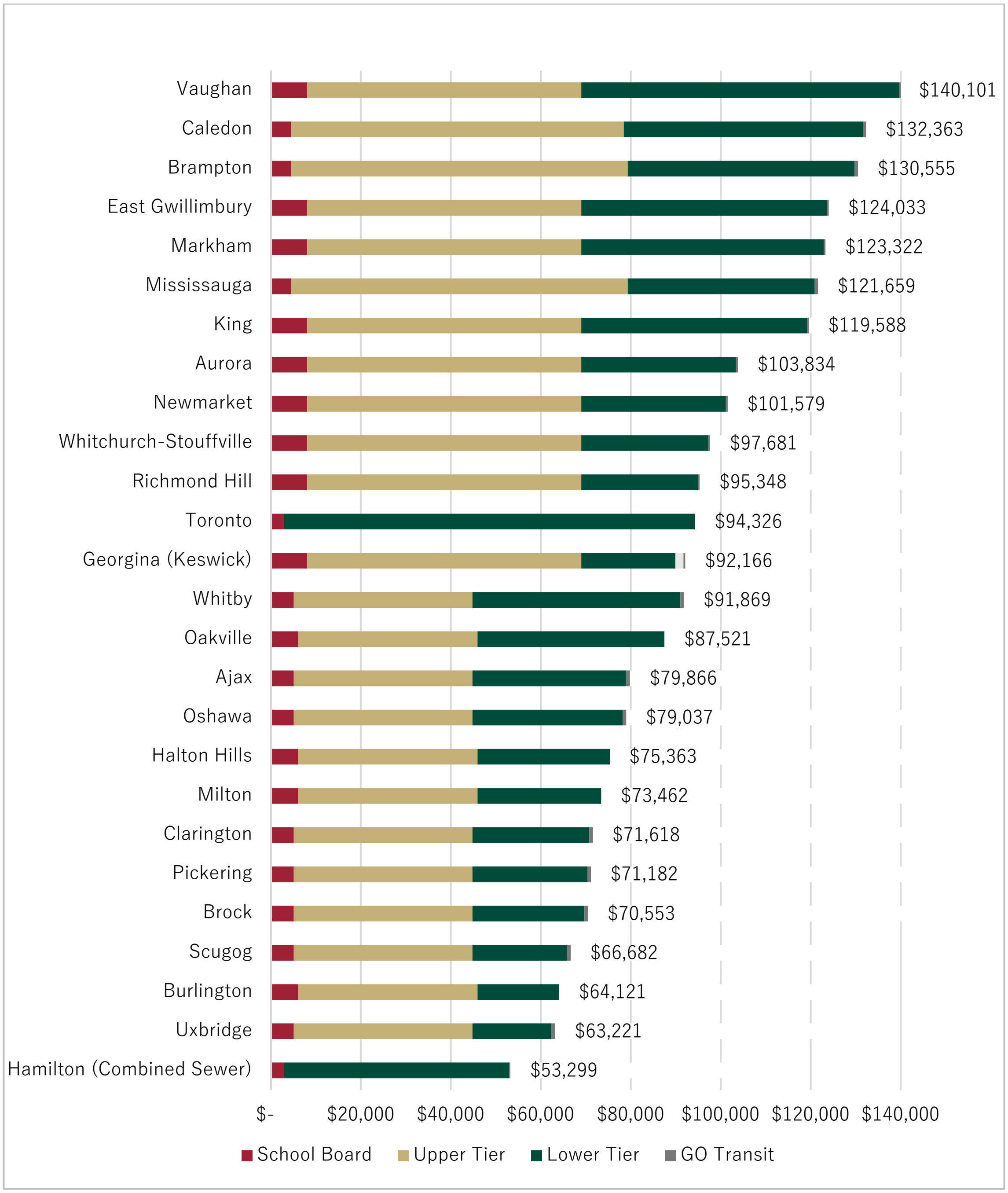


Source: Municipal Budgets, Asset Management Plans, and DC Studies

E. DEVELOPMENT CHARGES

Development charges (DCs) are levied against property development to help pay for growth-related infrastructure following the principal "growth pays for growth". As a burgeoning municipality, DCs are a key tool in helping the City facilitate growth and provide necessary growth-related infrastructure. As shown in Figure 8, the City's residential DCs for single-detached dwellings are on the higher end, but within range of comparable GTHA municipalities. It is important to note that some rates represent the new "phased-in" rates resultant from Bill 23, More Homes Built Faster Act and are subject to increase accordingly. It is also noted that service-level and infrastructure requirements vary significantly across municipalities. The City's DC revenues are essential to pay for growth-related infrastructure and this will help manage the impacts and service demands of development. The City is currently undertaking a new DC Background Study, which will further help the City pay for the services required to facilitate growth.

Figure 8 – Single-Detached Development Charges Comparison



Source: Municipal DC Studies & By-laws