

Date: 2023-11-10

Subject: **Bridge Financial Master Plan**

Contact: Nash Damer, Treasurer, Finance

Report Number: Corporate Support Services-2023-1008

Recommendations:

1. That the report from Nash Damer, Treasurer, Corporate Services, dated November 10, 2023, to the Committee of Council Meeting of November 29, 2023 re: **Bridge Financial Master Plan**, be received;
2. That the Bridge Financial Master Plan report from Hemson Consulting Ltd. be considered a baseline snapshot of the city's financial position, prior to single-tier transition, as per Bill 112 – *Hazel McCallion Act* and prior to the implementation of Bill 23 – *More Homes Built Faster Act*;
3. That the Bridge Financial Master Plan be utilized as a tool to identify, evaluate and quantify the impacts of Bill 112 and Bill 23, as these legislative changes are implemented.

Overview:

- In January of 2022, Hemson Consulting was awarded the contract to update the City's Financial Master Plan (FMP) for the purpose of assessing the financial health and sustainability of the City.
- Development of the FMP consisted of modeling data from a wide variety of sources, meetings with all departments to evaluate/confirm forward-looking expectations, benchmarking with peers and soliciting feedback from Council through a workshop held on July 19th 2023.
- The resulting FMP presented through this report, concludes that the City of Brampton maintains a strong overall financial position and can sustainably fund its operating and capital obligations, with a 10-year average annual tax increase forecasted at 2.3%. This conclusion aligns with S&P Global's rating action of October 20, 2023 affirming the City's 'AAA' long-term issuer credit rating

with a stable outlook, and that the city has robust liquidity and dedicated reserves to accommodate the needs of its expanding economy. The City has received this credit rating for 8 consecutive years.

- Notwithstanding this manageable forecast, recent legislative changes through Bill 112 – *Hazel McCallion Act* and Bill 23 – *More Homes Built Faster Act* are anticipated to have significant implications for the City of Brampton. Given the early stages of the transition and implementation of these pieces of legislation, the financial impacts are not fully known at this time and therefore are not fully considered in the FMP.
- The financial model used to develop this FMP is available to be utilized as a tool to conduct high-level sensitivity testing, allowing the City to compare and quantify the current baseline financial position vs future proposed states to ensure that the City's financial position continues to remain strong.

Background:

The City's first Financial Master Plan was completed in May of 2017 and provided an assessment on the financial health of the municipality. On December 9th, 2020, a report titled "Long-Term Financial Master Plan Update" was approved by City Council and included a budget amendment to update the 2017 plan.

In January of 2022, Hemson Consulting was awarded the contract to update the City's FMP and began working with staff to gather information, such as budget drivers, approved budgets, development charge studies, reserve levels, master plans, capital forecasts and asset management needs. This information was then utilized to conduct meetings with all operating departments to review and confirm long-term projections for operating service levels, capital requirements, new initiatives and/or potential strategic investments.

On July 19, 2023, a Council workshop was held to review the findings, conclusions and considerations identified in the FMP update report. The workshop consisted of presentations by both Hemson and staff, followed by a discussion period, which provided the opportunity for staff to obtain valuable feedback from Council. The feedback received from the Council Workshop has now been incorporated into the FMP report recommended for approval.

Current Situation:

The Interim Financial Master Plan has been completed by Hemson and is included as Attachment 1 in this report.

The City's Overall Financial Position

The Financial Master Plan concludes that the City of Brampton maintains a strong overall financial position and can sustainably fund its operating and capital obligations, with a 10-year average annual tax increase forecasted at 2.3%.

In addition to forecasting tax increases, a critical part of evaluating the strength of a municipalities overall financial position is to compare the current financial position with those of similar municipalities. Hemson has conducted benchmarking analysis on several similar municipalities across the GTA and compared key performance indicators, with the following observations made to support their overall assessment:

- Residential Property Tax Bills – Slightly Below Average
- Transit User Fee Revenue – Above Average
- Non-Transit User Fee Revenue – Below Average
- Debt Level – Among the Lowest
- Asset Management Contributions Per Capita – Above Average

Key Model Findings

The FMP includes a section on Key Model Findings, which provides individual 10-year forecasts for each of the primary outputs of the Fiscal Impact Model, including taxation, assessment growth, operating expenditures, non-tax revenues, capital forecasts, reserve and reserve funds and debt management.

By collectively considering these key variables, the FMP model is able to forecast total financial obligations and anticipate total available funding sources, in order to ultimately provide stakeholders with property tax expectations over the planning period. Below is a summary of key variables:

- Taxation – 10-Year average annual increase of 2.3%
- Assessment Growth – 10-Year average annual increase of 1.8%
- Operating Expenditures – \$45 million average annual increase per year
- Non-Tax Revenue – \$13 million average increase per year
- Capital Forecasts – \$570 million average annual capital program (*Does not include strategic initiatives*)
- Reserves & Reserve Funds – Stable position over the 10-year period
- Debt Repayments – Growing from 1.5% of own-source-revenue to 3.4% by 2033 (*Does not include strategic initiatives*)

Additional Strategic Initiatives Need to be Monitored and Managed

The report includes a list of other key strategic capital works projects that could have a material impact on the City if they proceed and outlines how they could be funded. These projects including the following:

- Light Rail Transit – Main St. LRT Extension
 - Option 1 – Surface
 - Option 2 – Underground Tunnel
- Bus Rapid Transit – Queen St. to Hwy 7 BRT
- Uptown Community Hub (Shoppers World)
- Additional Community Hub
- Centre for Innovation
- Electrification of Transit Fleet

The Fiscal Impact Model provides the functionality to include or exclude these projects in any given year and estimates the incremental average tax change.

Bill 112 – Hazel McCallion Act

Bill 23 – More Homes Built Faster Act

Recent legislative changes through Bill 112 – Hazel McCallion Act and Bill 23 – More Homes Built Faster Act are anticipated to have significant implications for the City of Brampton. Given the early stages of the transition and implementation of these bills, the financial impacts are generally unknown at this time and have been largely excluded from consideration in the FMP.

However, the fiscal impact model used to develop this FMP is available to be utilized as a tool to conduct high-level sensitivity testing, thus allowing the City to compare and quantify the current baseline financial position vs future proposed states to ensure that the City’s financial position does not deteriorate due to decisions made by the province.

Corporate Implications:

Financial Implications:

There are no immediate financial implications associated with approval of this report. Specific financial management recommendations flowing from the report will be subject to future reporting and approval.

Strategic Focus Area:

- **Government & Leadership:** Focusing on service excellence with equity, innovation, efficiency, effectiveness, accountability, and transparency.

Conclusion:

The Bridge Financial Master Plan presented in this report confirms that the City of Brampton maintains a strong overall financial position and can sustainably fund its operating and capital obligations, with a 10-year average annual tax increase forecasted at 2.3%.

Recent legislative changes through Bill 112 – Hazel McCallion Act and Bill 23 – More Homes Built Faster Act are anticipated to have significant implications for the City of Brampton.

This FMP and Fiscal Impact Model provides the City with a current baseline financial position that can be compared and quantified against future proposed states to ensure the City’s financial position does not deteriorate due to decisions made by the province.

Authored by:

Reviewed by:

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Approved by:

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Attachments:

- Attachment 1 – Interim Financial Master Plan Update