

Attachment-6 Summary of the Fiscal Impact Assessment

Introduction

The Fiscal Impact Assessment was prepared by Watson and Associates and identified key financial pressures and growth management strategies for the Clair-Maltby Secondary Plan Area over an assumed forecast period from 2025 to 2041.

The Fiscal Impact Assessment shows that overall the Clair-Maltby Secondary Plan area should generate sufficient growth tax and rate revenues over the build out period to fund the operating and capital investment, however, the timing of these costs and revenues is not ideally matched and will likely mean an up to one per cent tax increase overall. There will be significant capital investment in the early part of the plan, with the revenues for funding this investment coming in the years that follow. For this reason, development of sophisticated capital financing strategies will be required to minimize the tax and rate impacts that would be felt by the broader community in these early years. Further, these financing strategies are required in order to address the City's debt capacity concerns that a development of this size will have on policy limits.

The following summary provides a brief outline of the conclusions of the study:

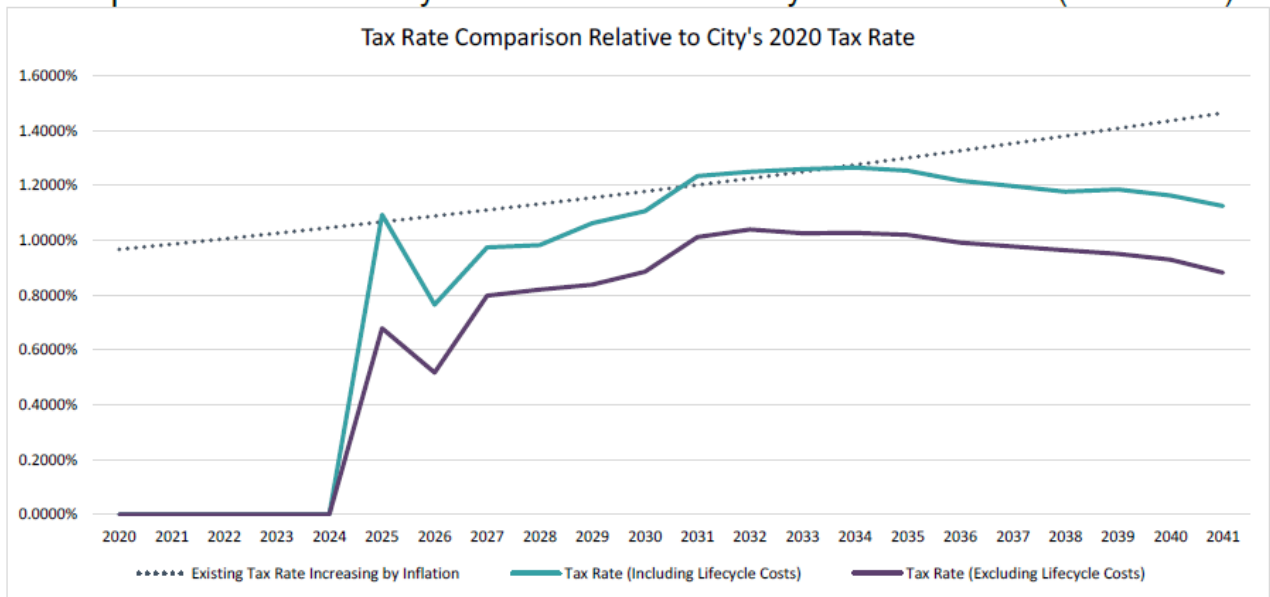
Tax Rates

The Fiscal Impact Assessment shows that approximately a one per cent increase in taxes would be required in the early years in order to fund the capital and operating cost of the development of the Secondary Plan area.

After approximately ten years of build-out, tax revenues start to out-pace expenditures meaning the Clair-Maltby area will begin to have a positive impact on the City's finances. Prudent fiscal management of the tax assessment growth revenues from this area will be key to ensuring growth is paying for growth over the long-term.

The annual percentage to tax rates relative to the 2020 tax rate increasing by inflation is depicted graphically in Figure ES-1, both with and without lifecycle costs included:

Figure ES-1
 City of Guelph – Clair-Maltby Secondary Plan
 Comparison of Clair-Maltby Tax Rate Relative to City's 2020 Tax Rate (2020-2041)



Water, Wastewater and Stormwater Service Rates

The water, wastewater, and stormwater services included within the Master Environmental Servicing Report have been sized to accommodate a population that results from the use of the highest permitted densities across various land uses in the CMSP Area. Note: this differs from the planned population used to calculate revenues/DC charges.

The analysis also included lifecycle costs distributed from the year of installation to the end of the asset lifecycle.

The water and wastewater rates are challenged with the significant front-ended capital costs required for the elevated water storage and transmission watermain, wastewater pumping stations, increasing the size of downstream trunk wastewater infrastructure, and adding wastewater treatment capacity at the plant. This infrastructure also needs to be sized for growth beyond the Clair-Maltby area which is a complexity that has caused further misalignment in cost and revenue timing, most notably in the development charge revenue analysis.

Similar to the taxes, the Fiscal Impact Assessment shows that Clair-Maltby will create an upward pressure on the service rates in the initial stages of the forecast period to cover capital related costs. Given the magnitude of this upward pressure, the City will likely require temporary cash flow funding until later development comes on stream.

Later in the forecast period, as development charge revenue declines from development in the Clair-Maltby Secondary Plan area, there is insufficient revenue to cover the related infrastructure costs. This is occurring primarily because the sizing of the infrastructure for that beyond the growth in Clair-Maltby is being

costed fully to this area as an assumption in this study. In order to mitigate the more substantial rate increases projected after approximately ten years of build-out, financing strategies including development charge front-ending agreements and early payment agreements with the developers are required.

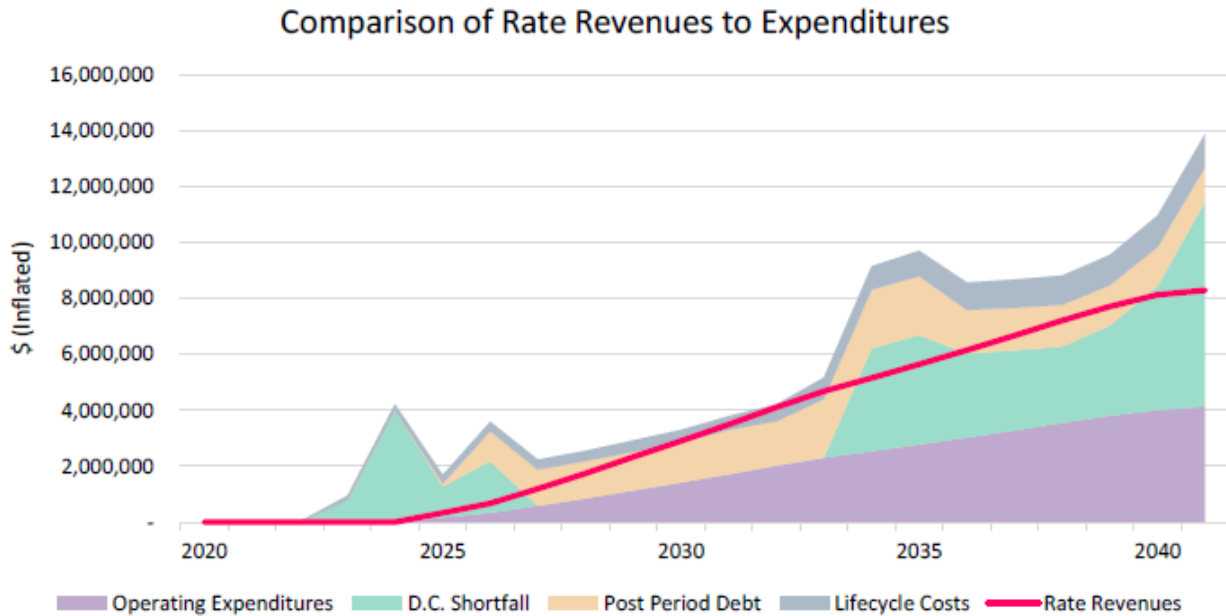
A summary of Water, Wastewater and Stormwater projects and funding sources is included as Table 5-1B:

Table 5-1B
City of Guelph – Clair-Maltby Secondary Plan
Development Related Capital Works
Rate Supported Services

Capital Works	Total Cost 2020 \$	DC	Non-DC	Local Service	P.P.B.
Water					
<i>Water Distribution</i>					
Local Distribution Systems (300 mm Watermains, valves, hydrants)	\$31,200,000			\$31,200,000	
Elevated Storage (5ML) - Location 2	\$4,882,000	\$4,882,000			\$1,952,800
600mm Transmission Main from Clair Gordon BPS (With Valve Chamber Connections) - 3,300 m	\$8,405,000	\$8,405,000			\$3,362,000
Water Supply	\$15,427,970	\$15,427,970			
Wastewater					
<i>Wastewater Collection</i>					
Gravity Sewers	\$18,847,987	\$2,974,877		\$15,873,110	\$1,189,951
SPS 1 (Capacity = 20L/s)	\$1,398,000	\$1,398,000			\$559,200
SPS 2 (Capacity = 125L/s)	\$4,817,000	\$4,817,000			\$1,926,800
SPS 3 (Capacity = 200L/s)	\$7,096,000	\$7,096,000			\$2,838,400
Forcemain 1 (125mm diameter, 1.5km)	\$1,425,000	\$1,425,000			\$570,000
Forcemain 2 (300mm diameter, 1.9km)	\$3,419,000	\$3,419,000			\$1,367,600
Forcemain 3 (450mm diameter, 1.2km)	\$2,564,000	\$2,564,000			\$1,025,600
<i>Wastewater Treatment</i>					
Costs for Wastewater Treatment	\$83,870,968	\$83,870,968			
Stormwater					
Stormwater Management Facilities	\$28,078,528			\$28,078,528	
Low Impact Development Measures	\$6,160,740	\$275,000		\$5,885,740	
Stormwater Pipes (1,050 mm)	\$335,503	\$78,304		\$257,198	
Stormwater Pipes <900 mm	\$22,936,006			\$22,936,006	
Total Rate Supported Services	\$240,863,702	\$136,633,119	\$0	\$104,230,582	\$14,792,351

A summary of projected rate expenditures (including lifecycle costs and post period debts) versus projected rate revenues is included as Figure ES-2:

Figure ES-2
City of Guelph – Clair Maltby Secondary Plan
Comparison of Rate Revenues Relative to Different Classes of Expenditures



Debt Capacity

Through the fiscal analysis performed, the capital spending program required to support Clair-Maltby’s growth will utilize approximately 20% of the City’s current debt capacity (i.e. 4-5% of the 25% limit). Debt beyond the 2041 forecast period should also be considered with the overall requirements of the City-wide capital program.

While the tables presented in this analysis assumes 100% of projects would be debt funded, the City would consider a number of funding strategies during implementation that could reduce reliance on debt. These could include:

- Front-ending agreements and pre-payment funding sources from developers to reduce the need for the City to borrow
- Internal borrowing or reserve financing, depending on available cash balances and interest rates.

These alternatives could mitigate impacts to City’s debt capacity limits.

Policy Directions

Given the capital works required for development in Clair-Maltby, the associated debt requirements to fund the capital expenditures, and the resulting upward pressure on tax, water, wastewater, and stormwater rates, the City should consider the following options to mitigate the negative financial impacts of development:

- Require development in Clair-Maltby to prepay D.C.s or front-end projects for roads, water, and wastewater services; and/or

- Impose a localized D.C. charge for works specific to Clair-Maltby to ensure cost recovery of growth-related works from the benefitting areas; and/or
- Consider additional agreements with developers to fund growth-related assets; and/or
- Delay capital expenditures and/or growth in certain areas. It is possible to issue 20-year debt to minimize cash flow impacts, however this extends Clair-Maltby's impact on the City's debt capacity for longer, at a time when it may be required for other projects.