Long Range Financial Plan

2021-2041

City of Barrie

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List of Acronyms and Abbreviations

Acronym	Full Description of Acronym
C.B.C.	Community Benefits Charge
C.C.B.F.	Canada Community Building Fund
C.I.P.	Community Improvement Plan
D.C.	Development Charges
D.C.A.	Development Charges Act
E.A.	Environmental Assessment
G.F.A.	Gross Floor Area
I.C.I.P.	Investing in Canada Infrastructure Program
I.I.P.	Infrastructure Implementation Plan
I.T.	Information Technology
L.P.A.T.	Local Planning Appeals Tribunal
L.R.F.P.	Long Range Financial Plan
M.O.U.	Memorandum of Understanding
M.P.A.C.	Municipal Property Assessment Corporation
O.L.T.	Ontario Land Tribunal
O.P.	Official Plan
O.Reg.	Ontario Regulation
P.T.I.F.	Public Transit Infrastructure Fund
S.D.E.	Single Detached Equivalent
Sq.ft.	square feet
Sq.m.	square metres

Executive Summary

Executive Summary

The City of Barrie is anticipated to experience significant population and employment growth over the next twenty years. Future residential and non-residential development activity will be driven by growth in both the Former Municipal Boundary Areas as well as the Salem & Hewitt's Secondary Plan Areas.

The purpose of this Long Range Financial Plan is to identify key financial pressures as the City of Barrie plans for growth and to make recommendations to assist in managing that growth over the planning period. The methodology used in the analysis considers acceptable fiscal thresholds for debt, taxes, and rates in order to minimize the impact of development on existing tax and rate payers. The results summarize the type of growth along with infrastructure and lifecycle costs required for servicing growth. This is done to provide a forecasted impact of development on the City's finances.

Growth Forecast

Between 2021 and 2041, Barrie's population and employment base is forecasted to increase by approximately 101,000 persons and 52,000 employees[1]. To accommodate future population growth, the City is forecasted to require approximately 44,000 new households. Approximately 19% of these additional housing units are anticipated to be low density along with 26% medium density and 55% high density. Of the future employment growth within the City, 39% will be focused on retail uses, 12% on commercial, non-retail uses, 27% on institutional, and 22% on industrial.

Property Tax Assessment Growth

As a result of the population and employment growth, the City will receive additional property assessment arising from the development of residential and non-residential buildings. The total weighted assessment is anticipated to increase from approximately $24 billion in 2021 to $38 billion by 2041.

[1] Note: these numbers include the undercount for the population forecast and includes work at home and no fixed place of work employees for the non-residential forecast. Excluding the undercount would provide for growth of 95,000 persons and excluding work at home and no fixed place of work employees would provide for growth of 39,000 employees.

Capital Expenditures and Financing

An assessment of the required capital works over the forecast period was undertaken. Significant capital expenditures have been identified throughout the forecast period to accommodate growth as well as to provide for the repair and replacement of existing assets. Note, the analysis presented identifies water and wastewater impacts separate from tax-supported service impacts. This is because water and wastewater net expenditures are recovered solely from rates. Table ES-1 provides a summary of the capital forecast and associated financing over the 2021-2041 period.

Table ES-1
City of Barrie
Capital Forecast and Financing (Inflated $)

Capital Forecast (Millions)	2021-2041 (Inflated $) Water & Wastewater Services	Tax-Supported Services	Total
Growth Related	$834	$3,401	$4,235
Non-Growth Related	$1,055	$3,108	$4,162
Total	**$1,889**	**$6,509**	**$8,398**

Capital Financing (Millions)	2021-2041 (Inflated $) Water & Wastewater Services	Tax-Supported Services	Total
D.C. Reserve Funds	$709	$3,013	$3,722
Growth-Related Debentures	$126	$388	$514
Capital Reserve Funds	$974	$1,966	$2,940
Non-Growth Related Debentures	$80	$1,142	$1,222
Total	**$1,889**	**$6,509**	**$8,398**

Tax-Supported Services are discussed in detail in Section 6.1. Some highlights include*:*

- Half of the $6.5 billion in expenditures noted above are attributable to Roads related projects. Other areas requiring significant financing are Stormwater ($793 million), Recreation ($550 million), and Parks ($259 million). In terms of the revenues anticipated from D.C.s, the D.C. has been recalculated for tax-supported services that are currently on a ten-year forecast period (i.e., all services other than roads and stormwater). The analysis shows that the City can expect a degree of upward pressure on the D.C. rate in future by-laws for these services that are presently limited to a 10-year period in the current D.C. by-law (note: recent legislative changes have removed the 10-year planning horizon requirement for all services other than Transit).

- Significant debt financing is required for non-growth-related works, as capital reserve balances are maintained at minimum levels throughout the forecast period.

Rate-Supported Services (i.e., Water and Wastewater Services) are discussed in Section 6.4 of the report. Some highlights include:

- The capital forecast for water and wastewater services was developed to the year 2030 through the 2021 Water and Wastewater Financial Plan. This forecast was extended to 2041 for the purposes of the Long Range Financial Plan.
- The capital forecast for water and wastewater services provides for total expenditures of $1.89 billion (inflated $) over the 2021-2041 forecast period. This includes all capital infrastructure for growth-related needs ($834 million) as well as for asset replacement ($1.06 billion).
- Growth-related works are anticipated to be funded through reserve funds and growth-related debt.
- In the early part of the forecast period, the D.C. reserve funds are forecasted to be in a deficit position. These deficits will need to be cash-flowed from other sources.
- The area-specific D.C. rate for water distribution and wastewater collection within the Former Municipal Boundary Area was recalculated based on the identification of additional capital needs. The D.C. rate for wastewater collection is anticipated to increase by 12% for wastewater collection and 42% for water distribution. This represents an overall increase of $328 per single detached unit relative to the current charge.

<u>Forecasted Impact of Development</u>

Based on an assessment of the operating costs, capital financing, and reserve fund balances, the following observations can be made:

Tax-Supported Services (discussed in Section 7.2)*:*

- Additional operating expenditures resulting from the growth in population and employment provide an increase in net operating expenditures (i.e., day-to-day

operating costs) from $279 million to $623 million (inflated $) by 2041. In addition, debt and reserve transfers will increase from $67 million to $225 million over the same period.
- The total amount above will be partially offset by non-tax revenue (e.g. user fees) which increase to $123 million by 2041 (inflated) on an annual basis. The net amount remaining will need to be funded through property taxes.
- The weighted assessment associated with development increases to $38 billion from $24 billion over the forecast period.
- The tax implications of future growth provide an average annual tax rate increase in the 3.1% range, with the increase in the first five years at an average of 4.0%, 3.1% for 2027-2031, 2.8% for 2032-2036, and 2.6% for 2037-2041. Efforts to reduce the infrastructure funding gap along with the cost of new growth-related infrastructure are the primary drivers of the upward pressure on tax rates.
- New non-growth debt charges will increase to almost $80 million by 2041 (the City currently has non-growth debt charges of approximately $14 million).
- By 2041 an additional $64 million in lifecycle costs is required on an annual basis as a result of new growth-related infrastructure. This cost is a direct impact on property taxes.

Rate-Supported Services (discussed in Section 7.3):

- The rate-supported budget has been split into the following categories:
  - Day-to-day expenditures related to the ongoing operations of the systems. These expenditures increase from $45 million to $76 million (70% increase);
  - Capital related expenditures based on the capital forecast (i.e. debt payments and reserve transfers). These expenditures increase by 212% from $25 million to $82 million; and
  - D.C. debt payments. Note that although these debt payments are typically funded through D.C. reserves, the D.C. reserve funds for water and wastewater are in a deficit position for the first half of the forecast period. As such, these debt payments will need to be cash-flowed by the user rates. These debt payments average approximately $18 million annually over the forecast period.

- Significant asset replacement expenditures are required throughout and beyond the forecast period. As such, reserve transfers to build up the capital reserves have been incorporated into the analysis.
- An initial 4.2% increase in the combined water and wastewater bill is required for 2022. Subsequently, the annual increase will be 4.6% per year between 2023 to 2030. The required rate increases between 2031-2041 provide for an annual average rate increase in the 2.1% range.

Debt Capacity Impacts (discussed in Section 7.4):

- Municipalities in Ontario are limited by the Province as to the amount of debt for which they can incur. The annual debt charge payments must not exceed 25% of a municipality's total own source revenue. Further, the City of Barrie has imposed a stricter limit of 20% to protect against fluctuating costs or an economic downturn.
- By 2029, debt capacity exceeds the City's imposed limit of 20% and reaches 21% (however this is below the Provincial limit of 25%).
- In the first half of the forecast, significant debt is required to fund growth-related expenditures. In the latter half of the forecast, debt is addressing asset management needs as tax-supported reserves are insufficient to meet capital requirements.
- The higher debt burdens projected over the forecast period may also lead to pressure on the City's current credit rating.

Financial Risks for Consideration (discussed in Section 8.5)

The following risks need to be considered:

- Growth-Related:
    - The City has prebuilt significant growth-related infrastructure (e.g. water and wastewater treatment plants, etc.) which has become a financial burden on the City to cash flow debt payments, as growth has not occurred in line with forecasts.
    - Landowners are phasing the registrations of their subdivision developments resulting in delays of D.C. revenue versus what had been originally anticipated.

  - The City has prebuilt infrastructure and invested for Phase 1 development within the Salem & Hewitt's Secondary Plan Areas; however, Phase 2 and 3 landowners are seeking to develop in advance of Phase 1. If this is to be allowed then it is recommended that the City consider more traditional front-ending agreements which have longer payback periods and are directly tied to the related growth to fund the required water, wastewater, and roads services.
- Asset Management Related:
  - Existing asset replacement needs are not currently being met in the first ten years of the forecast for tax-supported services. This may increase risk to the City and/or result in additional pressure on the tax levy increases to undertake the additional capital works.
- Debt/Reserves:
  - Significant debt financing is required to fund non-growth-related works since tax capital reserves are maintained with low balances over the forecast.
  - The City has established a Dedicated Infrastructure Renewal Fund to address ongoing asset replacement needs. The City will need to increase this contribution to at least 1% or face an increasing infrastructure funding gap.

Policy Directions

Given the capital works required over the forecast period, the associated debt requirements to fund the capital expenditures, and the resulting upward pressure on tax, water, and wastewater rates, the City should consider the following options to mitigate the negative financial impacts:

- Through the annual capital budgeting process, review linear growth-related projects such as roads, water, wastewater as well as facility infrastructure such as community centres and parks to ensure infrastructure is not prebuilt too far in advance of actual growth to reduce cash flow pressure and operating needs for the City.
- Debt financing for capital works is significant and adding pressure to the City's debt capacity. To limit these risks:

- The City will need to phase development and/or pursue more traditional front-ending funding arrangements with developers that have longer payback periods to finance growth-related works.
  - Certain asset management projects may need to be further delayed/modified.
- Consider cash-flow of growth-related works in detail (e.g. credit agreements, front-ending, etc.) to move towards minimizing debenture requirements.
- Consider revising the phasing requirements in the Official Plan for the Secondary Plan areas to ensure that future phases don't proceed ahead of Phase 1 where capacity exists as significant infrastructure investment has already been made.
- Consider updating the City's D.C. to embrace additional capital needs and related financing costs.

Report

Chapter 1
Introduction

1. Introduction

1.1 Background

The City of Barrie ("City") is expected to experience significant population and employment growth over the next two decades. Between 2021 and 2041, Barrie's population and employment base is forecasted to increase by approximately 101,000 persons and 52,000 employees[1].

The purpose of this long range financial plan (L.R.F.P.) is to assess the impact of growth on services provided by the City and determine the capital and operating expenditure implications along with the anticipated revenues to be generated from further development throughout the City. The City wishes to ensure that the significant amount of growth in the community is well planned by integrating land-use planning, infrastructure planning, and financial planning.

Watson & Associates Economists Ltd. (Watson) has been retained by the City to assist in the financial evaluation of the anticipated growth and resulting capital and operating needs. This study seeks to update and extend the analysis in the Fiscal Impact Assessment completed in 2014 by Watson. The study provided herein will address the following elements:

- current financial condition and pressures;
- capital infrastructure needs and timing for all tax-supported City services;
- capital infrastructure needs and timing for rate-supported services (based on the most recent Water and Wastewater Financial Plan);
- capital financing;
- operating costs for infrastructure and services to accommodate new population and employment;
- potential impact on taxpayers and ratepayers over the planning horizon;
- comment on impacts of growth on the City's debt capacity; and
- provide conclusions for staff and Council.

[1] Note: these numbers include the undercount for the population forecast and includes work at home and no fixed place of work employees for the non-residential forecast. Excluding the undercount would provide for growth of 95,000 persons and excluding work at home and no fixed place of work employees would provide for an additional 39,000 employees.

Chapter 2
Current Financial Position

2. Current Financial Position

2.1 Recap of 2014 Fiscal Impact Analysis

In 2014, Watson undertook a Fiscal Impact Assessment which addressed the impacts of growth for both the Former Municipal Boundary Areas as well as the Secondary Plan Areas. The objective of this study was to provide an affordable and sustainable financing plan while acknowledging the timing and level of cash inflows/outflows associated with managing growth over the planning period.

Based on this study, it was concluded that the growth-related financing burdens were deemed outside the City's financial authority and therefore, could not allow the growth in the Secondary Plan Areas to proceed without further financial assistance. Various scenarios were developed to assess what further financial assistance was needed. It was concluded that the City would need to reduce capital spending, accelerate timing of D.C. payments, pursue front-end financing agreements with Secondary Plan Area landowners and receive a voluntary capital contribution from all landowners in the Secondary Plans.

The City undertook negotiations with the Secondary Plan Area landowners to secure further financial assistance. The negotiations resulted in the signing of a Memorandum of Understanding (M.O.U.) between the City and the developing landowners. It is noted that only a portion of Phase 1 landowners signed the M.O.U., with none of the Phase 2 or 3 landowners participating. The M.O.U. provided various financial assistance items including:

- A capital contribution averaging $4,500 (2014 dollars) per average unit. This voluntary capital contribution was provided for non-D.C. eligible growth-related costs such as costs in excess of the historic service standard ceiling, capital for D.C. ineligible services (i.e. Landfill, I.T., etc.), and the 10% mandatory deduction for soft services (note that with the introduction of Bill 173 in 2020, this mandatory deduction has been removed from the legislation);
- Front-end financing of $5 million towards the cost of undertaking comprehensive environmental assessments (E.A.s) for Infrastructure Implementation Plan (I.I.P.) projects which would be reimbursed through future D.C. credits;

- Front-end financing of $9 million towards engineering design costs for I.I.P. projects to be constructed by the City which would be reimbursed through future D.C. credits;
- Advanced funding of $1,200 per single/semi-detached unit, $900 per multiple unit and $640 per apartment unit, at execution of a subdivision agreement for development within Phase 1 of the Hewitt's and Salem Secondary Plans. This is to be used to fund roads, water and wastewater capital infrastructure or the portion of future debt payments for water and wastewater treatment infrastructure attributable to the Secondary Plan Areas. This funding was to be repaid when the City's aggregated cash flow position in respect of all hard services attributable to the secondary plans reaches a positive balance projected over three years but not later than the point at which development comprising of 10,925 S.D.E.'s has been registered in the Secondary Plans; and
- Pre-payment of the soft services component of the City-wide D.C. on the execution of a subdivision agreement for development comprising the first 2,000 S.D.E. units in the secondary plans. In addition, prepayment of the hard service D.C. is to be paid at the time of execution of a subdivision agreement.

2.1.1 Outcomes Since the Execution of the M.O.U.

The following provides some of the actual outcomes since the execution of the M.O.U.:

- The fiscal impact analysis undertaken in 2014 assumed that all Secondary Plan landowners would sign onto the M.O.U. and provide the voluntary capital contribution, however only a portion of Phase 1 landowners signed onto the understanding. Since then, Bill 73 (Smart Growth for Our Communities Act, 2015) was passed introducing the "no additional levies" clause to the D.C.A. This clause prohibits municipalities from imposing additional payments with regards to new developments, except as permitted under the D.C.A. Accordingly, municipalities can no longer mandate capital contribution charges in excess of the D.C. onto development. As a result, the City of Barrie can no longer require the remaining landowners to sign onto the M.O.U. to provide the capital contribution. Further amendments to the D.C.A. through Bill 173 (i.e. removal of the 10% mandatory deduction) may result in reduced contributions to reflect the increase in the funding available through D.C.s. As a result, a

reduction of the value of the contribution may be considered as a result of these legislative changes.
- The M.O.U. had provided for the prepayment of all D.C.s at the subdivision agreement stage, however, subdivisions are being phased in smaller blocks resulting in lower upfront collection of D.C.s than intended.
- The City had negotiated front-end financing for certain water, wastewater, and roads works. Although the City has secured this funding, certain challenges have been faced with these developer-led projects such as:
    - No control over project delivery timelines or procurement practices.
    - City and developer may have different interests in project scope and delivery which can lead to disagreement.
    - Any time saving is negligible due to significant administrative and engineering effort required.
    - Delayed City cashflow is only short term as next developer claims credit.
- The M.O.U. also provided for Advanced D.C. funding of $1,200 per unit to meet cashflow needs. The City has not required this source of funding from the Developer as the City is able to obtain lower debt servicing costs on its own.

Aside from the M.O.U., since the completion of the 2014 Fiscal Impact Analysis, growth has proceeded slower than anticipated. As the City has not received the corresponding D.C. revenue and has prebuilt and invested in infrastructure that is required to service areas within the secondary plans, the City is responsible for cash-flowing and financing these growth related costs.

The analysis presented herein seeks to update the analysis that was completed in 2014 and will incorporate the impacts of the above outcomes that have unfolded since the signing of the M.O.U.

2.2 Financial Indicators

2.2.1 Current Reserve Balances

The City has a number of capital reserves that are used for the replacement of existing assets and to fund non-D.C. eligible capital projects. In addition to these, the City has D.C. reserve funds that are used to fund growth-related works and debt payments. Based on Table 2-1, the following can be observed:

- Capital Reserves:
    - Although the City's tax-supported capital reserves have a positive balance of approximately $54 million, carryforwards in the amount of $86 million will need to be funded from these reserves. As a result, there are no existing balances to address future needs and significant debt financing will be required over the forecast period to fund required expenditures.
    - The rate-supported capital reserves are in a somewhat better position with an adjusted ending balance of approximately $43 million, however, there is a significant backlog of asset management works that will require funding from these reserves.
- D.C. Reserve Funds:
    - The rate supported D.C. reserve funds are in a significant deficit as infrastructure has been prebuilt to allow for growth. As growth has been delayed, the associated D.C. revenues have not been collected. The City has been cash-flowing the growth-related debt payments from other sources.
    - The adjusted ending balance of the tax-supported reserve funds are also in a deficit position as growth has been delayed.

Table 2-1
City of Barrie
Current Reserve/Reserve Fund Balances (Adjusted)

Reserves/Reserve Funds	Year End 2020 Balance	Less: Carryforwards	Adjusted Ending Balance
D.C. Reserve Funds			
DC Reserve Funds - Rate Supported Services	(76,008,219)	53,774,400	(129,782,619)
DC Reserve Funds - Tax Supported Services	52,178,840	92,850,632	(40,671,793)
Capital Reserve Funds			
Rate Supported - Capital	75,919,731	32,880,941	43,038,790
Tax-Supported - Capital*	53,969,173	85,568,036	(31,598,863)

Note:
Brackets indicate negative balance
*Includes Tax Capital Expenditures, Corporate Fleet, Tax Rate Capital Holding

2.2.2 Infrastructure Funding Deficit

The City is currently facing a significant infrastructure funding deficit and will need to be addressed over the forecast period. The funding for forecasted tax-supported asset management works will be heavily reliant on debt financing as a result of limited reserve funding availability.

The City has taken steps to reduce this funding gap by introducing the Dedicated Infrastructure Renewal Fund (D.I.R.F.) which was originally intended to provide a contribution of 1% of the property tax levy to asset management needs. This contribution was reduced in 2021 to 0.25% to lower the required tax rate increase.

2.2.3 Current Debt Capacity

As per the City's Financial Framework, principal and interest payments are not to exceed 20% of own source revenues (note: the Province imposes a debt capacity limit of 25% of own source revenues). The City's current debt capacity is 10%. Although this is below the Provincial and City limit, the limited reserve balances discussed in the previous section will lead to an increased reliance on debt financing over the forecast period.

Chapter 3
Long Range Financial Plan Methodology

3. Long Range Financial Plan Methodology

3.1 Overview of Financial Evaluation

The approach to this financial evaluation has included a review of the following documents/information and has been supplemented by additional information provided by City staff and their consultants:

- 2019 Development Charges Background Study;
- The City's 2021-2030 capital forecast;
- The City's 2021 operating budget;
- The 2021 Water and Wastewater Financial Plan;
- The City's asset management data and reports; and
- The City's current financial policies, credit rating report, tax rates and debt capacity.

3.1.1 Approach to Tax-Supported Evaluation

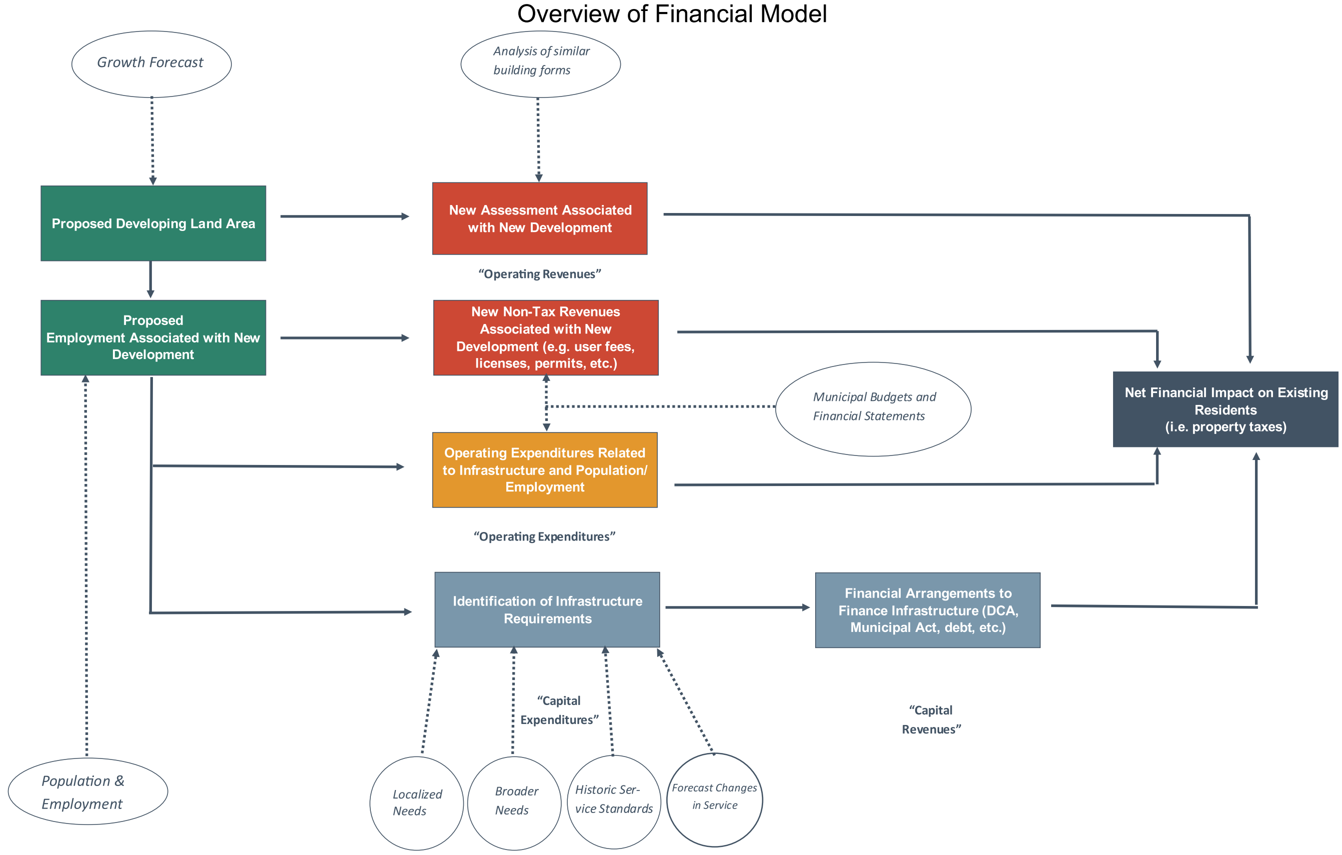
Figure 3-1 provides a schematic overview of the analysis undertaken for tax-supported services. The following provides further description of the steps undertaken:

- **Green Boxes** denote the anticipated development within the City to the year 2041. The lower box denotes the growth forecast for Barrie that is detailed in Chapter 4.
- **Light Blue Boxes** denote the capital infrastructure needs and associated financing to service the anticipated development. The capital requirements to support the servicing needs (roads, transit, parks, and recreation, etc.) were developed and validated with input from various departmental staff, the ten-year capital forecast, the 2021 Water and Wastewater Financial Plan, and the 2019 D.C. background study. The resultant capital needs and financing methods for funding the infrastructure are discussed in Chapter 6.
- **Yellow/Light-Orange Box** denotes the additional day-to-day operating expenditures anticipated over time. These costs have been assessed on two different bases: operating costs related to infrastructure and operating costs related to population/employment. The former identifies the specific operating costs anticipated to be incurred as additional infrastructure (i.e., roads, parks,

facilities, etc.) is constructed. The latter identifies program expenditures which are linked to population and employment growth. These impacts are discussed in Chapter 5.

- **Dark Orange Boxes** denote anticipated operating revenues commensurate with growth. The upper box identifies the additional assessment anticipated as residential and non-residential building activity occurs over the forecast period. This new assessment gives rise to additional property tax revenue. The lower box identifies non-tax revenues such as user fees, permits, licences, etc., which are anticipated to grow in concert with population and employment growth. The non-tax revenues and assessment growth are discussed in Chapter 5.
- **Dark Blue Box** denotes the overall financial impact on property taxes over the forecast period. This impact is discussed further in Chapters 7 and 8.

Figure 2-1
City of Barrie
Overview of Financial Model



3.1.2 Approach to Rate-Supported Evaluation

Watson recently undertook the City's Water and Wastewater Financial Plan. This study provided an analysis of the capital and operating forecasts, lifecycle cost requirements, and volumes and customer profiles. The results of this study provided water and wastewater base charges and volume rates for customers within the City. For this analysis, please refer to the 2021 Water and Wastewater Financial Plan on the City's website. The Financial Plan included a presentation of the analysis to 2030, however for the purposes of this study, the analysis has been extended to 2041. Commentary on the impacts of the capital spending program and operating forecast is provided throughout this report with regards to user rates, debt capacity and other financial metrics.

3.2 Structure of Subsequent Chapters

The report is structured to discuss each component of the financial impact analysis methodology noted above.

The remaining chapters of the report are provided as follows:

- Chapter 4 provides a summary of the anticipated growth in population, housing, employment, and property assessment in the City over the forecast period;
- Chapter 5 provides an analysis of operating impacts resulting from the anticipated growth;
- Chapter 6 discusses the capital needs and anticipated financing methods;
- Chapter 7 combines the assessment growth, operating, and capital impacts to provide an overall financial impact; and
- Chapter 8 concludes the analysis and provides observations.

Chapter 4
Forecast Population, Housing, Employment, and Assessment Growth

4. Forecast Population, Housing, Employment, and Assessment Growth

4.1 Growth Forecast: 2021 to 2041

This chapter summarizes the forecasted population, housing, employment, and non-residential gross floor area (G.F.A.) for the City of Barrie over the 2021 to 2041 forecast period. Table 4-1 provides an annualized summary of the growth forecast for 2021-2030 and in five-year blocks to 2041. Further discussion is provided in the sections that follow. Note: the numbers in this section are presented excluding the Census population undercount and work at home and no fixed place of work employees.

4.1.1 Population and Housing Growth, 2021 to 2041

With regard to population and housing growth over the forecast period, the following observations are provided:

- The City's population is forecasted to increase by 95,000 persons from 150,000 to 245,000 in 2041[1]. Figure 4-1 graphically depicts the population increase over the forecast period;
- The number of total housing units across the City is forecasted to increase by 44,000 units over the 2021-2041 forecast period; and
- New housing development is forecasted to consist of a broad mix of unit types, with 19% of new units categorized as low density, 26% medium density, and 55% high density. Figure 4-2 depicts the mix of housing units anticipated in Barrie.

[1] Population forecast excludes the net Census population undercount. This has been done to align the StatsCan person per unit information with the forecasted housing units, similar to that used in the D.C. Background Study. Including the undercount, the population would grow from 152,000 to 253,000 persons.

Table 3-1
City of Barrie
Growth Forecast (Residential & Non-Residential Development) – 2021 to 2041

Residential - Dwelling Units

Type Of Units		Units Increment	Forecast of Unit Construction (Time Period) 2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2032-2036	2037-2041	Total
Low Density		8,226	375	349	444	631	631	632	632	632	633	633	1,318	1,052	8,226
Medium Density		11,255	231	215	273	738	739	739	739	739	739	739	2,682	2,146	11,255
High Density - Small Apartments		7,437	124	116	147	320	320	320	320	320	320	320	2,405	1,924	7,437
High Density - Large Apartments		16,587	124	116	147	734	734	735	736	736	736	736	5,526	4,422	16,587
Total Residential	Units by Time Period		854	795	1,012	2,423	2,424	2,426	2,427	2,427	2,428	2,428	11,931	9,544	43,505
	Cumulative Units	43,505	854	1,649	2,661	5,084	7,508	9,934	12,361	14,788	17,216	19,644	33,961	43,505	
	Population by Time Period		1,920	1,750	2,370	5,348	5,349	5,449	5,499	5,500	5,500	5,550	25,406	20,703	
	Cumulative Population	95,188	1,920	3,670	6,040	11,388	16,737	22,186	27,685	33,185	38,685	44,235	74,485	95,188	
2020 Population:	150,157														

			Annual Forecast of Population Growth 2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2032-2036	2037-2041	Total
Population Growth	Time Period	150,157	1,920	1,750	2,370	5,348	5,349	5,449	5,499	5,500	5,500	5,550	25,406	20,703	95,188
	Cumulative		152,077	153,827	156,197	161,545	166,894	172,343	177,842	183,342	188,842	194,392	224,642	245,345	245,345

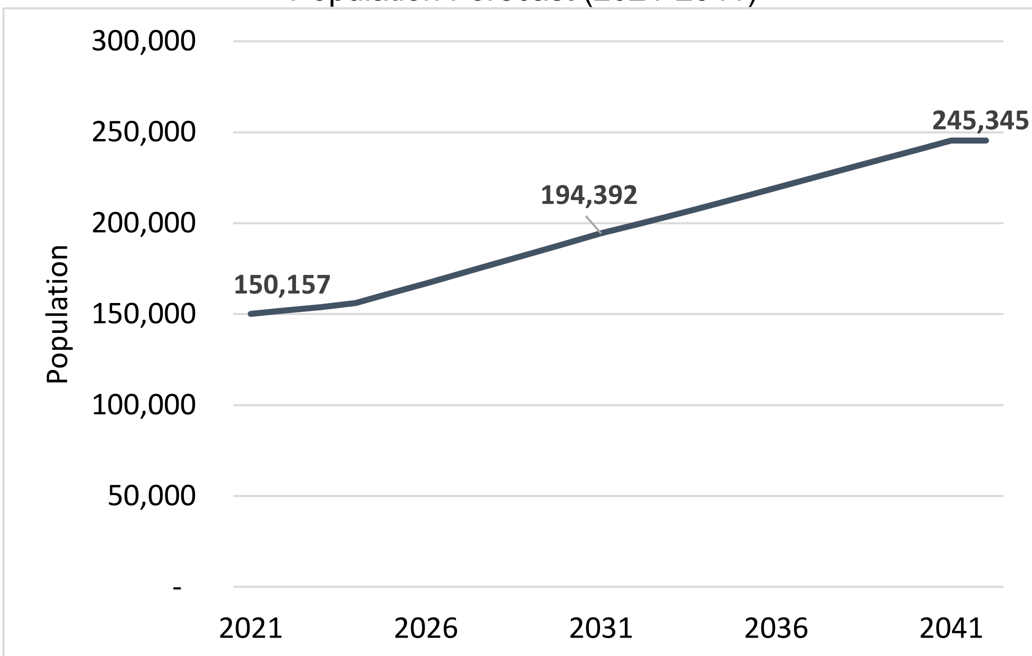
Non-Residential Building Area (sq.m.)

Type of Development		sq.m. Increment	Forecast of Square Metres to be Added (Time Period) 2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2032-2036	2037-2041	Total
Commercial, Retail Use		813,100	38,800	38,800	38,800	38,800	38,800	38,800	38,800	38,800	38,800	38,800	212,550	170,040	1,195,690
Commercial, Non-Retail Use		191,600	7,320	7,320	7,320	7,320	7,320	7,320	7,320	7,320	7,320	7,320	59,200	47,360	298,160
Industrial Use		1,084,299	56,260	56,260	56,260	56,260	56,260	56,260	56,259	56,260	56,260	56,260	260,850	208,680	1,553,829
Institutional Use		632,800	28,690	28,690	28,690	28,690	28,690	28,690	28,690	28,690	28,690	28,690	172,950	138,360	944,110
Total	Time Period		131,070	131,070	131,070	131,070	131,070	131,070	131,069	131,070	131,070	131,070	705,550	564,440	3,991,789
	Cumulative	2,721,799	131,070	262,140	393,210	524,280	655,350	786,420	917,489	1,048,559	1,179,629	1,310,699	2,157,359	2,721,799	

Employment

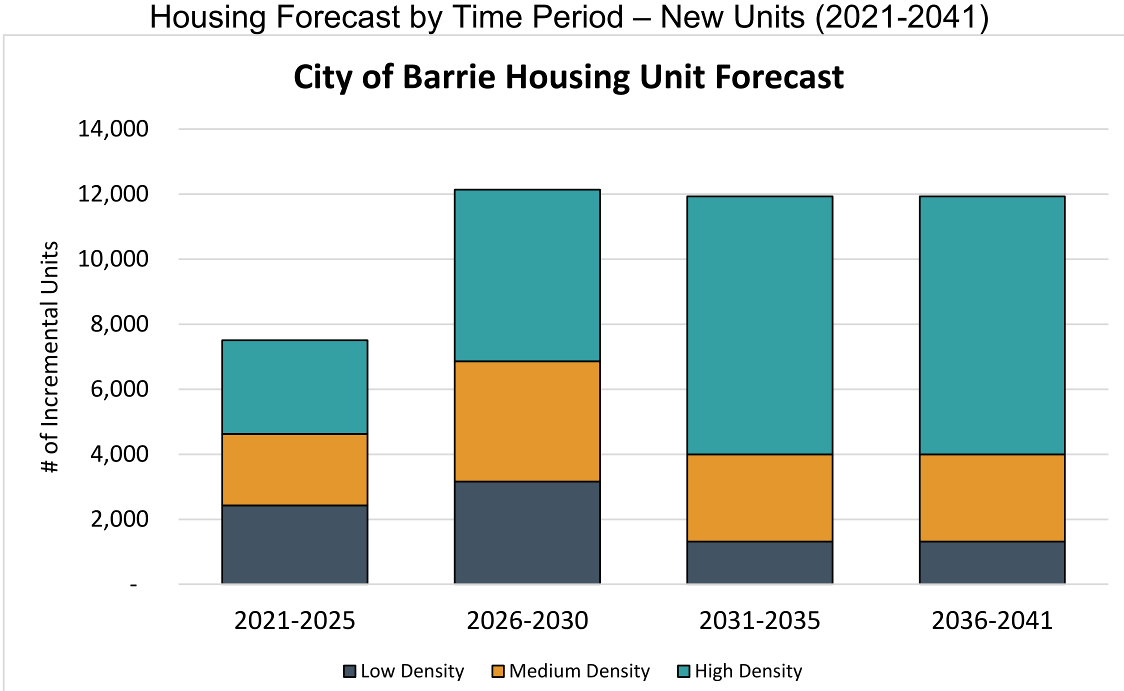
Type of Development	Estimated sq.m.	Employment Increment	Forecast of Employment to be Added (Time Period) 2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2032-2036	2037-2041	Total
Commercial, Retail Use	813,100	15,395	472	472	534	733	733	733	733	732	732	733	4,366	3,583	15,395
Commercial, Non-Retail Use	191,600	5,391	125	125	151	203	203	203	203	203	204	205	1,771	1,456	5,391
Industrial Use	1,084,299	9,647	505	505	505	505	505	505	504	504	504	505	2,300	1,840	9,647
Institutional Use	632,800	10,555	302	302	351	478	478	478	478	479	478	478	3,105	2,554	10,555
New Employment	Time Period		1,404	1,404	1,540	1,919	1,919	1,919	1,918	1,918	1,918	1,921	11,542	9,432	40,988
	Cumulative	40,988	1,404	2,807	4,348	6,267	8,186	10,105	12,023	13,941	15,859	17,780	31,556	40,988	
2020 Employment:	60,720														

Figure 4-1
City of Barrie
Population Forecast (2021-2041)



Note: above forecast excludes Census population undercount

Figure 4-2
City of Barrie
Housing Forecast by Time Period – New Units (2021-2041)



4.1.2 Non-Residential Growth

As noted earlier, Table 4-1 summarizes the City's employment growth forecast which is detailed by major employment sector from 2021 to 2041. The following observations are provided:

- The City's employment base is forecasted to increase from 61,000 in 2021 to 100,000 in 2041[1]. This represents approximately 39,000 additional employees; and
- Of this total, the following percentages provide the breakdown of anticipated employment by sector:
  - Commercial, Retail: 39%
  - Commercial, Non-Retail: 12%
  - Institutional: 27%
  - Industrial: 22%

Table 4-1 also summarizes the anticipated non-residential G.F.A. growth between 2021 and 2041 in accordance with the employment forecast set out in the table. The City is forecasted to add a total of 2.6 million sq.m. of non-residential G.F.A. over the forecast period.

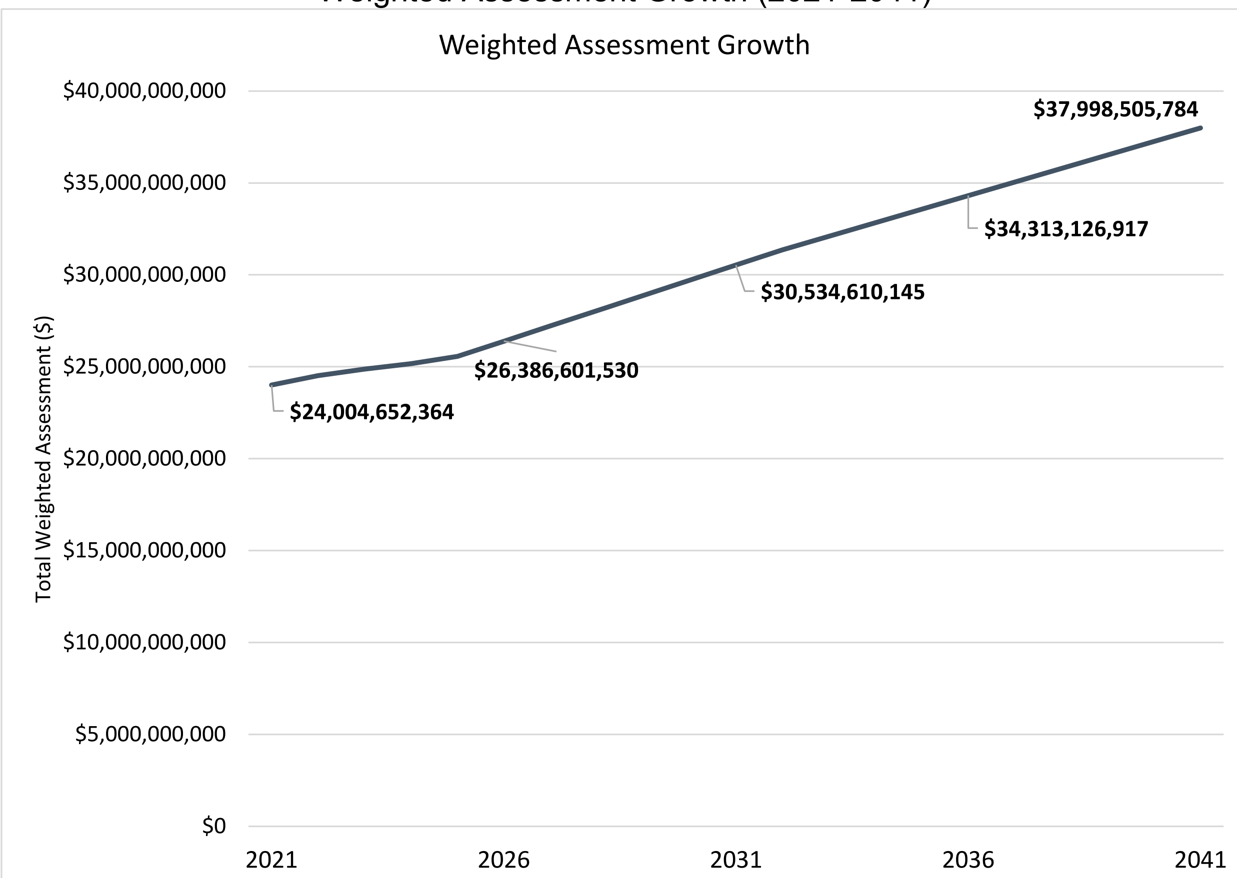
4.2 Property Tax Assessment Growth Assumptions

As new development is constructed, the City will receive additional property assessment arising from the completion of residential and non-residential buildings. This estimated assessment was calculated using average current assessment by type of development. These averages are based on samples of recently constructed developments in Barrie of similar types to those proposed in growth forecast. For the purposes of the analysis, the recognition of assessment has been lagged by two years for residential development and three years for non-residential development. This has been done to account for the delay in timing between building permit issuance and assessment recognition by the Municipal Property Assessment Corporation (M.P.A.C.).

[1] Note: these figures exclude work at home and no fixed place of work employees. When considering these additional employees, the City's employment would increase from 77,000 employees to 129,000 employees.

Figure 4-3 provides a graph of the weighted assessment growth over the forecast period. The total weighted assessment based on development between 2021 and 2041 is anticipated to increase from approximately $24 billion to $38 billion. This represents an annual average increase of 2.3%.

Figure 4-3
City of Barrie
Weighted Assessment Growth (2021-2041)



Chapter 5
Operating Budget Analysis

5. Operating Budget Analysis

5.1 Introduction

This section examines the potential impact of the growth on the City's operating budget (i.e., day-to-day expenditures net of debt and reserve transfers) over the forecast period. This is done by examining the revenue and expenditure implications separately and then together with reference to net operating position. Commentary on the rate-supported operating budget developed through the City's Water & Wastewater Financial Plan is provided following the discussion on tax-supported services.

5.2 Forecast Tax Supported Operating Expenditures

The operating cost analysis was undertaken using the City's detailed 2021 operating budget along with discussions with City staff. Table 5-1 summarizes the 2021 operating expenditures which have been presented net of debt and reserve transfers. The debt charges are for "sunk" investments, unaffected by growth. The reserve transfers vary from year to year and relate largely to capital expenditures, which are addressed separately in this analysis (Chapter 6). It is therefore appropriate to remove the debt and reserve transfers from the total operating expenses, before determining incremental operating spending levels per capita and per employee.

The analysis allocates some expenditures based on a per capita/per employee basis and other expenditures on an asset/facility related basis. For expenditures that have been allocated between residential and non-residential on a per capita and per employee basis, the costs are generally allocated based on the current ratio of population to employment in the City (i.e., 71% residential, 29% non-residential). For certain services such as recreation and library, expenditures have been allocated 95% to residential and 5% to non-residential to account for some level of utilization by the non-residential sector.

Certain operating expenditures were analysed on an asset/facility basis using metrics other than per capita and per employee. The analysis was undertaken in this manner as expenditures for these services are generally related to the infrastructure constructed, more than the population and employment in the City. Facility related expenditures are provided in Table 5-2 based on the following:

- Per sq.ft: for buildings
- Per lane km: for new roads
- Per acre: for parkland
- Per firefighter: for firefighters
- Per vehicle: for transit buses

Table 5-1
City of Barrie
2021 Operating Expenditures

Service Categories	2021 Operating Expenditures*	Total Asset Related Expenditures	Total Pop./Emp. Expenditures
CAO & Mayor's Office	6,937,862	-	6,937,862
Access Barrie	35,277,589	21,625,080	13,652,509
Council & Committees	822,322	-	822,322
Invest Barrie	2,407,953	-	2,407,953
Community & Corporate Services (G.M., Finance, Legislative & Court Services)	77,814,843	35,951,118	41,863,725
Infrastructure & Growth Management	58,901,760	24,467,187	34,434,573
Service Partners & Grants	92,047,196	-	92,047,196
Corporate Transactions	3,238,578	-	3,238,578
Total	**277,448,103**	**82,043,385**	**195,404,718**

*Operating expenditures have been adjusted to net off Debt charges and transfers to reserves

Table 5-2
City of Barrie
Asset-Related Operating Expenditures Forecast Assumptions

Service Categories	2021 Operating Expenditures*	Total Asset Related Expenditures	Asset Related Expenditures (2021$)**				
			Exp. Per Sq.Ft.	Exp. Per Linear km	Exp. Per Acre	Exp. Per Firefighter	Exp. Per Vehicle
CAO & Mayor's Office	6,937,862	-					
Access Barrie	35,277,589	21,625,080					450,523
Council & Committees	822,322	-					
Invest Barrie	2,407,953	-					
Community & Corporate Services	77,814,843	35,951,118	16.07			122,177	
Infrastructure & Growth Management	58,901,760	24,467,187		10,683	2,288		
Service Partners & Grants	92,047,196	-					
Corporate Transactions	3,238,578	-					
Total	**277,448,103**	**82,043,385**	**16.07**	**10,682.96**	**2,288**	**122,177**	**450,523**

*Operating expenditures have been adjusted to net off Debt charges and transfers to reserves

**Asset related expenditures are presented as averages

Incremental asset related operating expenditures over the forecast period are based on the operating assumptions in Table 5-3. Additional costs are assumed when new infrastructure is constructed. For example, when a new community centre is built, additional operating costs are assumed based on the anticipated square footage of the building multiplied by the operating cost per sq.ft.

Table 5-3
City of Barrie
Asset Related Operating Expenditure Assumptions

Service	Basis	Operating Assumption ($)
Transportation		
Roads	per lane km	10,683
Public Works		
Facilities	per sq.ft.	6.80
Fire		
Station	per sq.ft.	16.99
Firefighters	per firefighter	122,177
Training Facility	per sq.ft.	8.02
General Facilities		
Facilities - Transit Garage	per sq.ft.	6.80
Facilities - Transit Terminal	per sq.ft.	32.58
Transit Vehicles	per vehicle	450,523
Parks/Recreation		
Recreation Facilities	per sq.ft.	13.34
Parkland Development	per acre	2,288
Library		
Facilities	per sq.ft.	19.90

Table 5-4 summarizes the operating expenditures by service area for expenditures that are based on population and employment growth. Each service component is assessed in relation to the proposed development forecast to determine how the operating costs are likely to be impacted by development. These percentage allocations are used to calculate an average incremental operating cost on a per capita and per employee basis that can be applied to the anticipated growth in population and employment over the forecast period. Based on the growth-related adjustments, annual incremental operating expenditures as a result of growth are forecasted at $622.06 per capita and $453.63 per employee. It is noted that these adjustments are based on current service levels and reflect economies of scale. However, Council direction to change levels of service may see this vary from the assumptions provided in the tables.

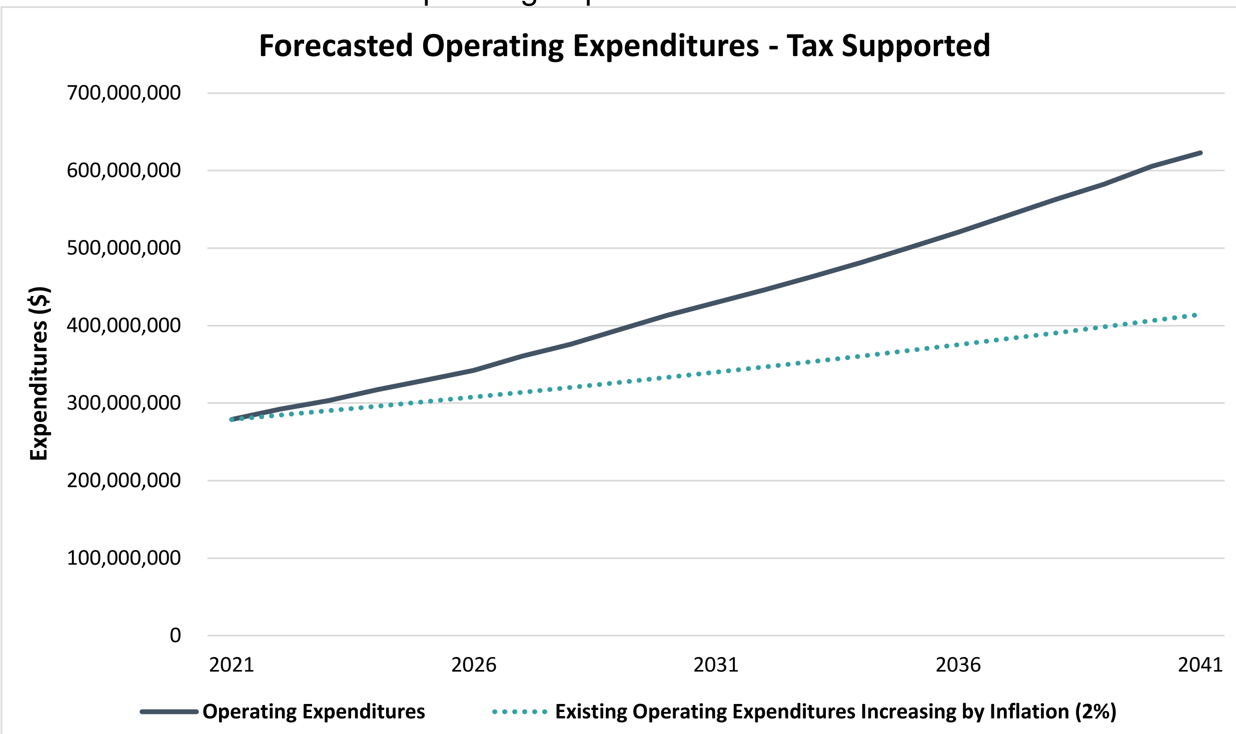
Table 5-4
City of Barrie
Population/Employment Related Expenditures Forecast Assumptions

Service Categories	2021 Operating Expenditures*	Total Pop./Emp. Expenditures	Growth-Related Adjustment to 2021 Base Expenditures		Residential Share		Cost per Capita	Non-Residential Share		Cost per Employee
			Recast %	$	%	$		%	$	
CAO & Mayor's Office	6,937,862	6,937,862	43%	3,012,582	71%	2,145,135	14.29	29%	867,447	14.29
Access Barrie	35,277,589	13,652,509	47%	6,406,315	71%	4,560,863	30.37	29%	1,845,452	30.39
Council & Committees	822,322	822,322	25%	205,580	71%	146,028	0.97	29%	59,552	0.98
Invest Barrie	2,407,953	2,407,953	25%	601,988	71%	427,947	2.85	29%	174,041	2.87
Community & Corporate Services (G.M., Finance, Legislative & Court Services)	77,814,843	41,863,725	39%	16,280,389	76%	12,377,897	82.43	24%	3,902,492	64.27
Infrastructure & Growth Management	58,901,760	34,434,573	55%	19,017,814	78%	14,783,925	98.46	22%	4,233,889	69.73
Service Partners & Grants	92,047,196	92,047,196	80%	73,807,681	78%	57,812,607	385.01	22%	15,995,074	263.42
Corporate Transactions	3,238,578	3,238,578	50%	1,619,289	71%	1,153,206	7.68	29%	466,083	7.68
Total	**277,448,103**	**195,404,718**		**120,951,638**		**93,407,608**	**622.06**		**27,544,030**	**453.63**

*Operating expenditures have been adjusted to net off Debt charges and transfers to reserves

Figure 5-1 illustrates the total forecasted operating expenditures from 2021 to 2041. The dark blue line presents the impacts to the operating expenditures as a result of the anticipated growth and compares it to the 2021 base operating expenditure budget (including annual inflation of 2%). Based on the proposed significant growth, expenditures are expected to increase well above inflation.

Figure 5-1
City of Barrie
Operating Expenditure Forecast



5.3 Non-Tax Revenue Analysis

Non-tax revenues will assist in reducing the net operating cost increase discussed in the previous section. The non-tax revenue analysis is presented in a similar format to the expenditures in Section 5.2. Table 5-5 summarizes the 2021 non-tax revenues presented net of contributions from reserves, for the same reasons transfers to reserves were netted from operating expenditures. Property taxation revenues have also been netted off as these are addressed separately in the analysis.

Table 5-5
City of Barrie
2021 Operating Revenues

Service Categories	2021 Operating Revenues*	Total Asset Related Revenues	Total Pop./Emp. Related Revenues
CAO & Mayor's Office	322,453	-	322,453
Access Barrie	(7,000)	-	(7,000)
Council & Committees	5,275,646	3,347,346	1,928,301
Invest Barrie	312,935	-	312,935
Community & Corporate Services (G.M., Finance, Legislative & Court Services)	28,877,443	10,702,847	18,174,596
Infrastructure & Growth Management	15,090,726	2,029,392	13,061,334
Service Partners & Grants	1,491,949	-	1,491,949
Corporate Transactions	140,035		140,035
Other Revenues	9,084,127	-	9,084,127
Total	**60,588,313**	**16,079,585**	**44,508,729**

* Adjustments made to base budget to net off contributions from reserves and taxation

Similar to the operating expenditures, some revenues have been allocated on an asset/facility basis whereas others are based on a population to employment basis. Some revenues are less sensitive to growth and will not change significantly with the growth of the City, whereas others are more directly related to activity within the City and will increase relative to growth. Table 5-6 provides the operating revenue assumptions for facility related revenues, whereas Table 5-7 presents the population and employment related revenues. The majority of non-tax revenues have been forecast on a per capita/per employee basis. It is forecasted that the incremental impact on revenues will be $106.52 per capita and $92.35 per employee.

Table 5-6
City of Barrie
Asset Related Revenues Forecast Assumptions

Service Categories	2021 Operating Revenues*	Total Asset Related Revenues	Asset Related Revenues (2021$) Rev. Per Sq.Ft.	Rev. Per Lane Km	Rev. Per Acre	Rev. Per Firefighter	Rev. Per Vehicle
CAO & Mayor's Office	322,453	-					
Access Barrie	(7,000)	-					
Council & Committees	5,275,646	3,347,346					69,736
Invest Barrie	312,935	-					
Community & Corporate Services**	28,877,443	10,702,847	9.83			1,497.24	
Infrastructure & Growth Management	15,090,726	2,029,392		1,146	65.03		
Service Partners & Grants	1,491,949	-					
Corporate Transactions	140,035	-					
Other Revenues	9,084,127	-					
Total	**60,588,313**	**16,079,585**	**9.83**	**1,146.15**	**65.03**	**1,497.24**	**69,736**

* Adjustments made to base budget to net off contributions from reserves and taxation

**Revenue per sq.ft. presented on an average basis

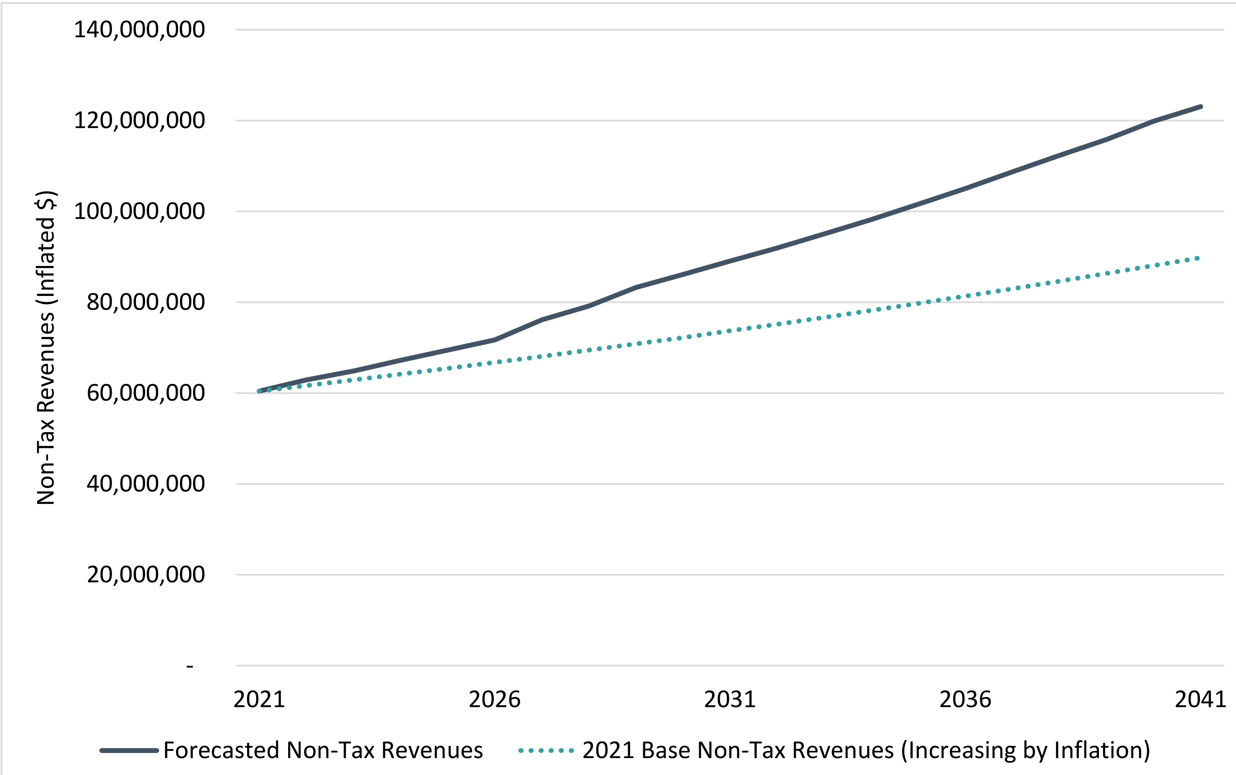
Table 5-7
City of Barrie
Population/Employment Related Revenues Forecast Assumptions

Service Categories	2021 Operating Revenues*	Total Pop./Emp. Revenue	Growth-Related Adjustment to 2021 Base Revenue		Residential Share		Revenue per Capita	Non-Residential Share		Revenue per Employee
			Recast %	$	%	$		%	$	
CAO & Mayor's Office	322,453	322,453	26%	119,964	71%	85,472	0.57	29%	34,492	0.57
Access Barrie	(7,000)	(7,000)	0%	-	86%	-	-	14%	-	-
Council & Committees	5,275,646	1,928,301	7%	758,816	71%	540,666	3.60	29%	218,150	3.59
Invest Barrie	312,935	312,935	13%	78,234	71%	55,933	0.37	29%	22,301	0.37
Community & Corporate Services (G.M., Finance, Legislative & Court Services)	28,877,443	18,174,596	31%	9,250,325	78%	7,197,746	47.93	22%	2,052,579	33.80
Infrastructure & Growth Management	15,090,726	13,061,334	36%	6,471,536	71%	4,609,000	30.69	29%	1,862,536	30.67
Service Partners & Grants	1,491,949	1,491,949	14%	312,390	71%	222,598	1.48	29%	89,792	1.48
Corporate Transactions	140,035	140,035	0.02%	70,017	72%	50,303	0.34	28%	19,714	0.32
Other Revenues	9,084,127	9,084,127	44%	4,542,064	71%	3,233,631	21.54	29%	1,308,433	21.55
Total	**60,588,313**	**44,508,729**		**21,603,345**		**15,995,349**	**106.52**		**5,607,997**	**92.35**

* Adjustments made to base budget to net off contributions from reserves and taxation

Figure 5-2 provides a graph of the anticipated growth in non-tax revenues over the forecast period, compared with the 2021 base budget (increasing by inflation). Similar to the operating expenditures, it is observed that operating revenues are anticipated to increase well above inflation as a result of the significant growth forecasted in the City.

Figure 5-2
City of Barrie
Non-Tax Revenue Forecast



5.4 Taxation Revenue

The predominant basis for revenue recovery is through property taxation. The growth in weighted assessment was provided in Chapter 3. The overall taxation impacts are provided in the financial impacts section in Chapter 6, which includes the net operating expenditures as well as capital, debt, and reserve transfers as addressed in Chapter 5.

5.5 Rate-Supported Operating Budget

The operating forecast provides for the day-to-day expenditures for running the water and wastewater systems. The operating impacts of reserve fund transfers and debt payments will be addressed in the next section. As mentioned previously, the operating budget forecast for water and wastewater was developed to the year 2030 for the Water & Wastewater Financial Plan. This forecast was extended to 2041 for the purposes of the L.R.F.P. For the most part, the forecast has provided for inflationary adjustments of

2% for most operating costs. Operating expenditures that involve hydro and chemicals have been inflated by 5.0%.

The City has various miscellaneous revenue sources to contribute towards operating expenditures. These miscellaneous revenues, including swimming pool fills, backflow fees, etc. have been inflated by 2% for each year of the forecast period. Please see the City's Water and Wastewater Financial Plan for a more detailed discussion on the water and wastewater operating budgets.

Chapter 6
Capital Expenditures and Financing

6. Capital Expenditures and Financing

6.1 Tax-Supported Capital Requirements

Significant capital expenditures are required throughout the forecast period to accommodate growth and for replacement/repair of existing assets. The following table provides a summary of the capital expenditures for tax-supported services separated by service department. The table depicts capital expenditures related to growth versus non-growth. Note: water and wastewater capital needs were analysed separately and are discussed in Section 6.4 of this report.

Table 6-1
City of Barrie
Summary of Tax-Supported Capital Forecast (Inflated $) – 2021-2041

Capital Forecast	Non-Growth Related/ Non-D.C. Eligible	Growth Related/ D.C.-Eligible	Total
Protection Services	$133,092,210	$41,907,848	$175,000,058
Parking Services	$27,645,314	$0	$27,645,314
Public Works	$109,917,698	$60,119,365	$170,037,063
Arts & Culture	$91,962,806	$0	$91,962,806
County Services	$58,690,135	$141,073,086	$199,763,221
Growth Studies	$7,142,483	$25,993,681	$33,136,164
Information Technology	$140,528,592	$0	$140,528,592
Library	$1,494,732	$76,292,309	$77,787,040
Miscellaneous & Municipal Facilities	$66,315,138	$9,808,224	$76,123,362
Parks	$140,159,697	$118,905,538	$259,065,235
Recreation	$322,373,153	$227,505,386	$549,878,538
Airport	$2,969,331	$0	$2,969,331
Transit	$163,444,201	$240,797,417	$404,241,618
Waste Management	$26,657,624	$16,247,539	$42,905,163
Roads & Related	$1,091,599,570	$2,161,015,368	$3,252,614,938
Stormwater	$608,778,029	$184,137,732	$792,915,761
Carryforwards	$115,105,837	$97,570,540	$212,676,376
Total Capital Expenditures	**$3,107,876,550**	**$3,401,374,032**	**$6,509,250,582**

The forecast of growth-related works required over the first ten years was developed based on the City's capital budget. The capital forecast for 2031-2041 was based on the D.C. study for roads and stormwater, which had a forecast period to 2041 in the D.C. background study. For other services, the growth-related works for 2031-2041 were developed based on discussions with staff on anticipated needs for growth in the latter half of the forecast.

The growth-related capital program that is required to service new development is significant with a total cost of $3.40 billion over the forecast period. A large portion of these works is related to roads and related infrastructure with a cost of $2.16 billion.

Ongoing repair and replacement projects are required over the forecast period in order to replace aging infrastructure across the City. The forecast for the 2021 to 2030 period was developed based on the City's capital forecast. The capital requirements for the latter half was developed based on data available through the City's asset management plans as well as discussions with staff. The total cost of these non-growth-related projects over the forecast period is $3.11 billion (inflated $). These projects will need to be funded through property taxes.

6.2 Summary of Capital Cost Financing Alternatives

The following section provides for a discussion of capital cost financing alternatives that were considered in identifying the financing assumptions. Section 6.3 then discusses the assumed financing sources for the City's tax-supported capital forecast.

Historically, the powers which municipalities have had to raise alternative revenues to taxation to fund capital services have been restrictive. Over the years, legislative reforms have been introduced. Some of these have expanded municipal powers (e.g., Bill 26 introduced in 1996 provided for expanded powers for imposing fees and charges), while others appear to restrict them (Bill 98 in 1997 providing amendments to the *Development Charges Act*).

The Province passed a new *Municipal Act* which came into force on January 1, 2003. Part XII of the Act and O.Reg. 584/06 govern a municipality's ability to impose fees and charges. In contrast to the previous *Municipal Act*, this Act provides municipalities with broadly defined powers and does not differentiate between fees for operating and capital purposes.

Under s.484 of *Municipal Act, 2001*, the *Local Improvement Act* was repealed with the in-force date of the *Municipal Act* (January 1, 2003). The municipal powers granted under the *Local Improvement Act* are now contained in O.Reg. 390/02.

The methods of capital cost recovery available to municipalities are provided as follows:

Recovery Methods	Section Reference
• *Development Charges Act, 1997*	6.2.1
• *Planning Act, 1990*	6.2.2
o Community Benefits Charge	
o Parkland Dedication	
• *Municipal Act*	6.2.3
o Fees and Charges	
o Sewer and Water Area Charges	
o Connection Fees	
o Local Improvements	
• Grant Funding	6.2.4
• Debenture Financing	6.2.5

6.2.1 Development Charges Act, 1997

A number of amendments to the D.C.A. were made through the *More Homes, More Choice Act, 2019* and the *COVID-19 Economic Recovery Act, 2020*. The following provides the changes to the Act through the amending legislation:

1. Changes to Eligible Services – The D.C. has been refined to only allow for the following services to remain within the D.C.: water, wastewater, storm water, roads, fire, policing, transit, ambulance, waste diversion, parks and recreation, public libraries, long-term care, public health, child care services, housing services, Provincial Offences Act services, services related to emergency preparedness, and airports (but only in the Regional Municipality of Waterloo).

2. Mandatory 10% Deduction – this deduction is removed for all services that remain eligible in the D.C.

3. Timing of Collection:

   a. D.C. Rate Freeze – For developments proceeding through site plan or zoning by-law amendment, the D.C. rate is frozen at the time the application is submitted. The D.C. remains frozen for two years after the application is approved.

   b. D.C. Instalment Payments – For rental housing and institutional development D.C.s are paid over 5 years and for non-profit housing, D.C.s are paid over 20 years. This provides a delay in receipt of D.C. revenues which will need to be cash-flowed by the municipality.

4. Mandatory Exemption (additional units) – For existing dwellings, one additional dwelling unit could be constructed within the existing dwelling. This additional dwelling unit is exempt from D.C.s. With the changes to the Act, one additional dwelling unit may be constructed within a new residential dwelling, which would be exempt from D.C.s. Further, one ancillary dwelling unit may be constructed on the same property as a new unit. This ancillary dwelling would be exempt from D.C.s.

5. Mandatory Exemption (universities) – an amendment was made to the Ministry of Training, Colleges and Universities Act by introducing a new section that would exempt the payment of D.C.s for development of land intended for use by a university that receives operating funds from the government.

6.2.1.1 Development Charge Revenues for the City of Barrie

The primary basis for recovery for future growth-related capital expenditures would be the *Development Charges Act* (D.C.A.); however, the Act does place some limitations on the City of Barrie's ability to recoup all of the growth-related capital costs resulting from mandatory deductions for:

- ineligible services and capital items including parkland acquisition, cultural or entertainment facilities (except library), facility space for the general administration of the municipality, computer equipment and rolling stock with an average life of six years or less;
- imposed ceiling based upon 10-year average level of service standards (quality and quantity); and
- statutory exemptions related to housing intensification, local government, and industrial expansions.

The D.C. rates were updated in 2021 to reflect the changes in the legislation through Bill 197 for Parks and Recreation, Library Services, Growth Studies, Ambulance Services, Housing Services, Long-Term Care, and Waste Diversion. The D.C. rates for these services were recalculated to account for the removal of the 10% mandatory deduction and then indexed. These amended rates were passed by Council on June 15, 2021.

Further, for the purposes of this L.R.F.P., based on the additional capital needs over the forecast period, the D.C. for these services has been updated to embrace growth-related capital requirements to 2041 (note, these services utilized a 10-year forecast period for the D.C. background study). The added capital costs reflect an overall increase to the D.C. charge for these services of approximately 27%.

Through discussions with staff, it has been identified that costs for the required water and wastewater linear infrastructure within the Former City Municipal Boundary Areas are higher than what was estimated in the 2019 D.C. Background Study. Therefore, the D.C. rates have been recalculated for this analysis and are 42% higher for water distribution and 12% higher for wastewater collection (represents an increase of $328 per single detached unit relative to the current charge).

Overall, these changes reflect a 9% increase relative to the current rates within the Former City Municipal Boundary Areas and an 8% increase for the Salem & Hewitt's Secondary Plan Area. It is recommended that an update to the City's D.C. Background Study be undertaken to embrace the additional capital needs to limit the impacts of growth on existing residents. Note: through the recent legislative changes mentioned above, the 10-year planning horizon limit has been removed for all services other than Transit. As a result, the capital needs required for growth to 2041 can now be fully embraced in the D.C. for these services.

Further, municipal parking and airport D.C.s are only assumed to be collected for 2021 and a portion of 2022, as these will become ineligible services as of September 18, 2022. Table 6-2 below provides the D.C. rates utilized for the purposes of the analysis:

Table 6-2
City of Barrie
D.C. Rates: Adjusted for L.R.F.P. Analysis (2021$)

Service/Class of Service	RESIDENTIAL					NON-RESIDENTIAL	
	Single and Semi-Detached Dwelling	Other Multiples	Apartments - 2 Bedrooms +	Apartments - Bachelor and 1 Bedroom	Special Care/Special Dwelling Units	Retail (per sq.m. of Gross Floor Area)	Non-Retail (per sq.m. of Gross Floor Area)
Municipal Wide Services/Classes:							
Services Related to a Highway	29,219	23,129	16,364	11,488	9,896	169	117
Protection	2,447	1,937	1,370	961	829	14.45	10.16
Transit Services	1,218	964	682	479	413	7.37	4.94
Wastewater Services - Facilities	7,015	5,553	3,929	2,759	2,376	36.16	25.02
Wastewater Services - Facilities Related Debt	4,853	3,841	2,718	1,908	1,643	17.29	11.96
Water Services - Facilities	80	63	45	32	27	0.46	0.32
Water Services - Facilities Related Debt	5,209	4,123	2,917	2,048	1,764	30.21	20.90
Public Works	729	577	409	286	247	4.21	2.92
Airport	52	40	29	20	18	0.33	0.22
Parking	268	213	151	105	91	1.63	1.09
Parks and Recreation	10,828	8,572	6,066	4,258	3,667	10.35	6.94
Library Services	1,061	840	593	417	359	0.95	0.68
Growth Studies	998	791	559	393	338	6.00	4.09
Ambulance Services	311	245	173	123	105	0.54	0.40
Housing Services	902	713	505	354	306	0.00	0.00
Long-Term Care	56	44	32	23	19	0.14	0.14
Waste Diversion	573	454	321	226	194	0.54	0.40
Total Municipal Wide Services/Classes	**65,818**	**52,099**	**36,861**	**25,881**	**22,291**	**299.32**	**206.88**
Area Specific Services							
Former City Municipal Boundary Areas							
Stormwater Drainage and Control Services	6,833	5,409	3,826	2,686	2,314	36.94	10.04
Wastewater Services - Collection Systems	1,341	1,062	752	528	454	16.50	4.48
Water Services - Distribution Systems	627	496	351	246	212	7.71	2.09
Total Area Specific Services - Former Municipal Boundary Areas	**8,801**	**6,967**	**4,929**	**3,460**	**2,980**	**61.15**	**16.61**
Salem & Hewitts Secondary Plan Areas							
Wastewater Services - Collection Systems	5,262	4,166	2,947	2,070	1,783	32.07	19.83
Water Services - Distribution Systems	5,665	4,485	3,172	2,228	1,919	34.53	21.35
Total Area Specific Services - Salem & Hewitt's Secondary Plan Areas	**10,927**	**8,651**	**6,119**	**4,298**	**3,702**	**66.60**	**41.18**
GRAND TOTAL FORMER CITY MUNICIPAL BOUNDARY AREAS	**74,619**	**59,066**	**41,790**	**29,340**	**25,271**	**360.47**	**223.50**
GRAND TOTAL SECONDARY PLAN AREA	**76,745**	**60,750**	**42,980**	**30,179**	**25,993**	**365.92**	**248.06**

6.2.2 Planning Act, 1990

6.2.2.1 Community Benefits Charge

The recent legislative changes mentioned above (Bill 108 and Bill 197) also introduced a new Community Benefits Charge (C.B.C.) under the *Planning Act.* A C.B.C. can be imposed against land to pay for the capital costs of facilities, services, and matters required because of development or redevelopment in the area to which the by-law applies.

- The C.B.C. is limited to lower-tier and single tier municipalities; upper-tier municipalities will not be allowed to impose this charge.
- O. Reg. 509/20 was filed on September 18, 2020. This regulation provides for the following:

- A maximum rate will be set as a percentage of the market value of the land the day before building permit issuance. The maximum rate is set at 4%. The C.B.C may only be imposed on developing or redeveloping buildings which have a minimum height of five stories and contain no less than 10 residential units.
- Bill 197 states that before passing a C.B.C. by-law, the municipality shall prepare a C.B.C. strategy that (a) identifies the facilities, services, and matters that will be funded with C.B.C.s; and (b) complies with any prescribed requirements.
- Only one C.B.C. by-law may be in effect in a local municipality at a time.

6.2.2.2 Parkland Dedication

Under Section 42 of the *Planning Act*, municipalities have the ability to impose a parkland by-law to acquire parkland, either through dedication or cash-in-lieu. The following provides an overview of how parkland can be acquired:

Dedication:

- 2% of land for commercial or industrial development; or
- 5% of land for any other development (i.e. residential).

  OR

- 1 hectare for each 300 dwelling units.

Cash-in-lieu of Dedication:

- 2% for commercial or industrial development or 5% residential of total land value.

  OR

- 1 hectare for each 500 dwelling units.

Through Bills 108 and 197, several amendments were proposed that outline various procedural matters related to the passing of a parkland by-law, as well as the process for appealing the by-law to the Ontario Land Tribunal. These changes also require the preparation of a parks plan which must be provided through a public process prior to passage. If a municipality wants the ability to acquire parkland, then:

- The municipality shall prepare a parks plan that examines the need for parkland in the municipality;
- The process requires public input;
- A by-law must be passed for either the 5%/2% parkland dedication (for residential and commercial/industrial, respectively) or the 1 ha per 300 (defined as an alternative approach); and
- The alternative land dedication approach must also be included as part of the Official Plan (O.P.) policies.

6.2.3 Municipal Act, 2001

Part XII of the *Municipal Act* provides municipalities with broad powers to impose fees and charges via passage of a by-law. These powers, as presented in s.391(1), include imposing fees or charges:

- "for services or activities provided or done by or on behalf of it;
- for costs payable by it for services or activities provided or done by or on behalf of any other municipality or local board; and
- for the use of its property including property under its control."

Restrictions are provided to ensure that the form of the charge is not akin to a poll tax. Any charges not paid under this authority may be added to the tax roll and collected in a like manner. The fees and charges imposed under this part are not appealable to the Ontario Land Tribunal (O.L.T., formerly known as the L.P.A.T.).

Section 221 of the previous *Municipal Act* permitted municipalities to impose charges, by by-law, on owners or occupants of land who would or might derive benefit from the construction of sewage (storm and sanitary) or water works being authorized (in a specific benefit area). For a by-law imposed under this section of the previous Act:

- A variety of different means could be used to establish the rate and recovery of the costs and could be imposed by a number of methods at the discretion of Council (i.e. lot size, frontage, number of benefiting properties, etc.);
- Rates could be imposed with respect to costs of major capital works, even though an immediate benefit was not enjoyed;
- Non-abutting owners could be charged;

- Recovery was authorized against existing works, where a new water or sewer main was added to such works, "notwithstanding that the capital costs of existing works has in whole or in part been paid;"
- Charges on individual parcels could be deferred;
- Exemptions could be established;
- Repayment was secured; and
- O.L.T. approval was not required.

The *Municipal Act*, 2001 contains no specific provisions similar to the previous s.221, however, capital cost recovery through fees and charges is embraced within s.391. The *Municipal Act, 2001* also maintains the ability of municipalities to impose capital charges for water and sewer services on landowners not receiving an immediate benefit from the works. Under s.391(2) of the Act, "a fee or charge imposed under subsection (1) for capital costs related to sewage or water services or activities may be imposed on persons not receiving an immediate benefit from the services or activities but who will receive a benefit at some later point in time." Also, capital charges imposed under s.391 are not appealable to the O.L.T. on the grounds that the charges are "unfair or unjust."

Section 222 of the previous *Municipal Act* permitted municipalities to pass a by-law requiring buildings to connect to the municipality's sewer and water systems, charging the owner for the cost of constructing services from the mains to the property line. Under the new *Municipal Act*, this power still exists under Part II, General Municipal Powers (s.9 (3) b of the *Municipal Act*). Enforcement and penalties for this use of power are contained in s.427 (1) of the *Municipal Act*.

Under the previous *Local Improvement Act*:

- A variety of different types of works could be undertaken, such as watermain, storm and sanitary sewer projects, supply of electrical light or power, bridge construction, sidewalks, road widening and paving;
- Council could pass a by-law for undertaking such work on petition of a majority of benefiting taxpayers, on a 2/3 vote of Council and on sanitary grounds, based on the recommendation of the Minister of Health. The by-law was required to go to the O.L.T., which might hold hearings and alter the by-law, particularly if there were objections;

- The entire cost of a work was assessed only upon the lots abutting directly on the work, according to the extent of their respective frontages, using an equal special rate per metre of frontage; and
- As noted, this Act was repealed as of April 1, 2003; however, O.Reg. 119/03, made under the *Municipal Act, 2001*, was enacted on April 19, 2003 which restored many of the previous *Local Improvement Act* provisions.

6.2.4 Grant Funding

Infrastructure Funding Programs

Various infrastructure funding programs are made available to municipalities on an application basis by both the Federal and Provincial Government, including those made available through associations such as the Federation of Canadian Municipalities. These programs include the Investing in Canada Infrastructure Program (I.C.I.P.), the Public Transit Infrastructure Fund (P.T.I.F.), the Green Municipal Fund, etc. Funding applications are often required in order to secure funding through these programs.

Canada Community Building Fund (formerly Federal Gas Tax program)

The Canada Community Building Fund (C.C.B.F.) is a permanent source of funding provided up front, twice-a-year, to Provinces and Territories, who in turn flow this funding to their municipalities to support local infrastructure priorities. Municipalities can pool, bank, and borrow against this funding, providing financial flexibility. Every year, the federal C.C.B.F. provides over $2 billion and supports approximately 4,000 projects in communities across Canada. Each municipality selects how best to direct the funds with the flexibility provided to make strategic investments across the various project categories.

Provincial Gas Tax Program

Funding for the Gas Tax program is determined by the number of litres of gasoline sold in the province during the previous year. Municipalities supporting public transit services in their community receive two cents per litre of provincial gas tax revenue collected, with allocation amounts determined based on population and transit ridership levels. This funding can be used to extend service hours, buy transit vehicles, add routes, improve accessibility or upgrade infrastructure.

6.2.5 Debenture Financing

Although it is not a direct method of minimizing the overall cost to the taxpayer, debentures are used by municipalities to assist in cash flowing large capital expenditures.

The Ministry of Municipal Affairs regulates the level of debt incurred by Ontario municipalities, through its powers established under the *Municipal Act*. Ontario Regulations 403/02 provides the current rules respecting municipal debt and financial obligations. Through the rules established under these regulations, a municipality's debt capacity is capped at a level where no more than 25% of the municipality's own purpose revenues may be allotted for servicing the debt (i.e., debt charges). The City of Barrie has imposed a more stringent limit through the Financial Policy Framework where the debt capacity is capped at 20% of own purpose revenues. Hence, proper management of capital spending and the level of debt issued annually must be monitored and evaluated over the longer-term period.

6.3 Tax-Supported Capital Financing Forecast

Based on Section 6.1, significant capital expenditures are required throughout the forecast period to accommodate growth in addition to the replacement/repair of existing assets. The options available to Barrie for financing capital infrastructure are somewhat limited.

The capital financing required over the forecast period is summarized in Table 6-3 and separates the non-growth-related expenditures from the growth-related expenditures. The following observations are provided:

- The majority of non-growth-related funding is either through the reserves or non-growth-related debt. These funding amounts will directly impact the tax rate. Based on the limited amounts currently available in the City's capital reserves, debt financing is supporting a significant portion of the non-growth capital projects.
- Minor amounts of funding are provided through the Cash-In-Lieu Parkland Reserve Fund, Gas Tax Reserve Fund, Other Contributions and Grants.
- D.C.-eligible expenditures are funded through reserves when possible. Certain D.C.-eligible growth expenditures are forecasted to occur before growth is in

place and corresponding D.C. revenue is collected. These projects will need to be debt financed and repaid through D.C. revenue collections over the forecast period.

- A significant amount of both growth and non-growth-related debt is required to finance the proposed tax-supported capital program. Approximately $1.14 billion in non-growth-related debt and $388 million in growth-related debt will need to be issued over the forecast period. As discussed later in this report, the City's debt capacity limit is exceeded as a result of this extensive debt financing that is required.

Table 6-3
City of Barrie
Tax-Supported Capital Financing Summary (Inflated $)

Capital Expenditures	Total 2021-2041
Total Annual Capital Expenditures	**6,509,250,582**
Development Chargeable Growth Expenditures	3,401,374,032
Non-Growth/Non-D.C. Capital Expenditures	3,107,876,550

Capital Funding - Growth-Related/D.C. Eligible	Total 2021-2041
Total Annual Capital Growth Expenditures	**3,401,374,032**
	-
D.C. Reserve Fund	3,013,122,077
Growth-Related Debentures	388,251,955

Capital Funding - Non-D.C. Eligible/Non-Growth	Total 2021-2041
Total Annual Capital Expenditures	**3,107,876,550**
Reserves, Reserve Funds & Other Funding	-
Tax-Supported Reserves/Reserve Funds	1,593,887,401
Non-Growth Related Debentures	1,141,812,684
Cash-in-Lieu Parkland Reserve Fund	64,293,597
Gas Tax Reserve Fund	249,586,942
Other Contributions/Donations	9,072,364
Grant Funding	49,223,562

6.4 Rate-Supported Capital Requirements and Financing

The capital forecast for water and wastewater services provides for total expenditures of $1.89 billion (inflated) over the 2021-2041 forecast period. This includes all capital infrastructure for growth-related needs, as well as for asset replacement. Note the capital needs for the first ten years were developed through the 2021 Water and Wastewater Financial Plan. Non-growth-related needs beyond 2030 were developed based on the water and wastewater Asset Management Plans, and growth-related needs are based on the City's D.C. Background Study. With D.C. contributions funding approximately $709 million of these expenditures and $126 million funded by growth-related debt, a net amount of $1.05 billion is required to be funded from water and wastewater rates. Note: in the early part of the forecast period, the D.C. reserve funds are forecasted to be in a deficit position. These deficits will need to be cash-flowed from other sources.

The table provided below provides the capital budget summary over the 2021-2041 forecast period.

Table 6-4
City of Barrie
Capital Budget Summary (Inflated $)

2021-2041 Capital Budget	Water & Wastewater
Gross Cost	**$1,888,594,610**
Less: D.C. Funding	$708,504,429
Growth-Related Debt	$125,583,649
Net to be Funded by Utility Rates (Reserve/Debt Funding)	**$1,054,506,531**

Summary of Debt Financing Required for Water and Wastewater

Debt financing requirements for growth related debt are approximately $126 million whereas the non-growth-related debt requirements are $80 million over the forecast period. These debt requirements will be incorporated into the analysis with respect to debt capacity impacts and considered in conjunction with tax-supported debt. This is discussed further in Chapter 7.

Chapter 7
Financial Impact

7. Financial Impact

7.1 Introduction

The analysis to follow provides an assessment of the operating costs, capital financing, tax rates, water & wastewater rates, and debt capacity impacts associated with the overall growth forecast presented in Chapter 3. The tax rate impacts have been calculated utilizing the methodology outlined in Chapter 2.

7.2 Tax Rate Impacts

The following section summarizes the tax rate impacts of the growth. The analysis in the prior chapters has been combined to provide the overall impact of development onto the City's financial position. Table 7-1 provides for the overall summary of operating expenditures, revenues, capital/reserve transfers, the next tax levy, and the corresponding tax rates for the years 2021, 2031, and 2041. Based on this table the following can be observed:

- Net operating expenditures (i.e. day-to-day expenditures net of debt and reserve transfers) are forecasted to increase by 123% (from $279 million to $623 million);
- The total capital-related portion of the operating budget (i.e., debt and reserve transfers) increases by 236% (from $67 million to $225 million in 2041);
- An increase of 193% in the general tax levy requirement (increasing from $252 million in 2041 to $738 million in 2041); and
- Weighted assessment increasing by 58% (from $24 billion to $38 billion).

As presented in Figure 7-1, the tax implications of future growth provide an average annual tax rate increase in the 3.1% range, with the increase in the first five years at an average of 4.0%, 3.1% for 2027-2031, 2.8% for 2032-2036, and 2.6% for 2037-2041. Efforts to reduce the infrastructure funding gap along with the cost of new growth-related infrastructure are the primary drivers of the upward pressure on the tax rates. The tax rate increases provided herein are a function of several key items which should be acknowledged as having implications on the City:

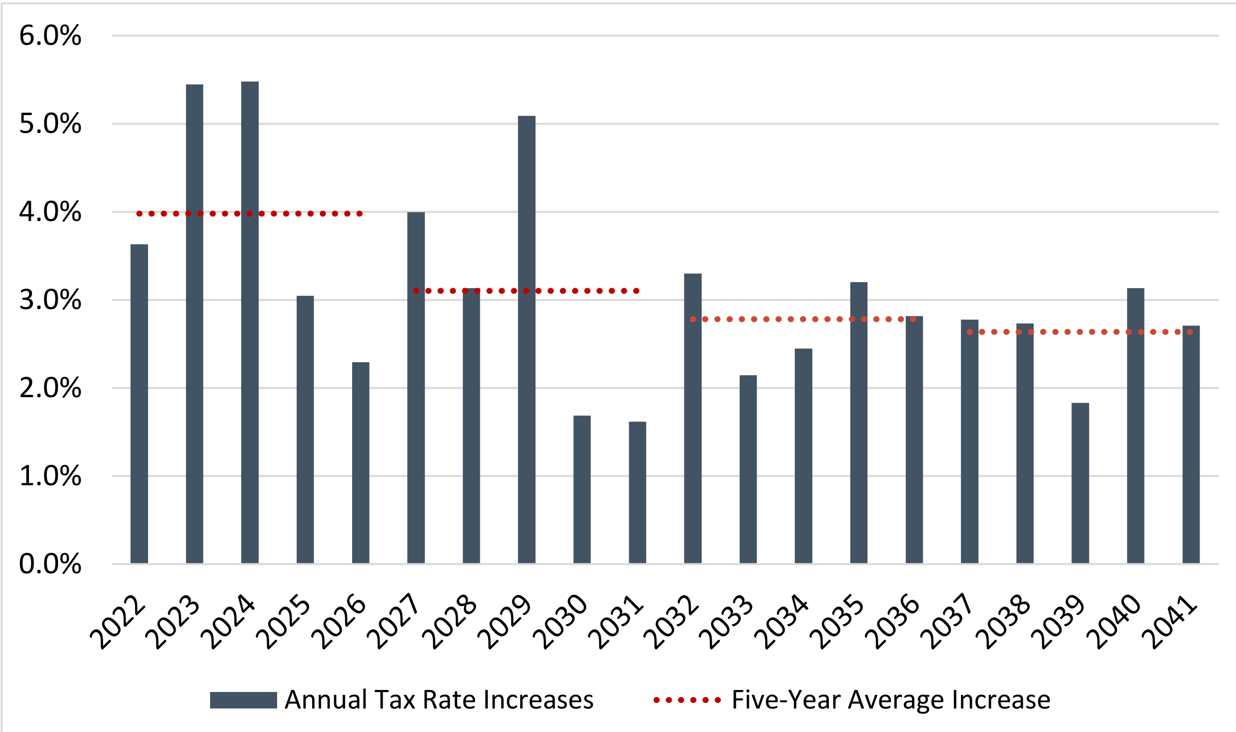
- The analysis has built in additional asset management replacement works for the latter half of the forecast to reduce the City's infrastructure gap.

- In addition to the existing assets, the analysis also provides for a need to increase contributions for new assets as a result of growth. As such, lifecycle costs for growth-related assets have been calculated based on average life spans of similar existing assets.
    - It should be noted that the City must also assume the future replacement of local services (i.e. new local roads) that developers are responsible for constructing under the local service policy. The future replacement of these works have been factored into the analysis.
    - By 2041, an additional $64 million in lifecycle costs is required on an annual basis as a result of new growth-related infrastructure. This cost is a direct impact on property taxes.
- Services are expected to continue to expand over the forecast period. These expansions are expected to impact the tax rate directly through the increased operating costs to run new facilities, hire new staff, operate additional vehicles, etc.
- Significant non-growth capital expenditures are anticipated over the forecast period. Given that tax capital reserves are currently maintained with minimal balances, significant debt financing is required. These debt payments must be funded through the general levy.

Table 6-1
City of Barrie
Summary and Tax Rate Calculations

Source	2021	2031	2041
Operating Expenditure Forecast			
2021 Operating Expenditures (Net of Reserve Transfers and Debt Charges)	277,448,103	338,207,689	412,273,286
277448102.6	-	90,546,799	208,952,094
Transfer to D.C. Reserves - Discounts	1,470,000	1,034,219	1,684,633
Total Gross Operating Expenditures	**278,918,103**	**429,788,707**	**622,910,013**
Capital Related			
Reserve Transfers			
Transfers to Capital Reserves	42,138,918	68,639,857	111,807,094
Transfer to Capital Reserve to Meet Minimum Target Balance	-	-	18,624,092
Transfer to Capital Contribution Reserve	-	-	-
Transfer to Other Reserves	10,889,334	13,274,037	16,180,977
Transfers to Capital	-	-	-
	-	-	-
Debt Charges	-	-	-
Existing Non-Growth Debt Charges (Tax-Supported)	14,118,426	777,397	-
New Non-Growth Debt Charges (Tax-Supported)	-	41,873,171	78,804,410
Total Capital Funded from Tax Base	**67,146,678**	**124,564,463**	**225,416,573**
Less: Non-Tax Revenues			
2021 Non-Tax Revenues (Net of Reserve Transfers)	60,453,313	73,692,252	89,830,444
Incremental Non-Tax Revenues	-	15,368,543	33,238,262
	-	-	-
Reserve Transfers	-	-	-
Contributions from Other Reserves	30,699,803	37,422,889	45,618,293
Contributions from Capital Reserves	3,689,938	4,498,014	5,483,054
Total Operating Revenues	**94,843,055**	**130,981,697**	**174,170,052**
General Tax Levy Requirement	**251,221,726**	**423,371,472**	**674,156,534**
Requirements for Asset Replacement for New Infrastructure - Lifecycle Costs	**968,089**	**30,618,943**	**63,826,353**
Total Levy Requirement	**252,189,814**	**453,990,416**	**737,982,887**
Total Weighted Assessment - General Levy	**24,004,652,364**	**30,534,610,145**	**37,998,505,784**
Cumulative Tax Rates			
Residential	1.06596%	1.48681%	1.94214%
Multi-Residential	1.06596%	1.48681%	1.94214%
Commercial Occupied	1.52765%	2.13078%	2.78333%
Industrial Occupied	1.61634%	2.25449%	2.94492%
Pipelines	1.17675%	1.64134%	2.14400%
Farmlands and Managed Forests	0.26649%	0.37170%	0.48553%

Figure 7-1
City of Barrie
Forecasted Tax Rate Increases



7.3 Water and Wastewater Rate Forecast

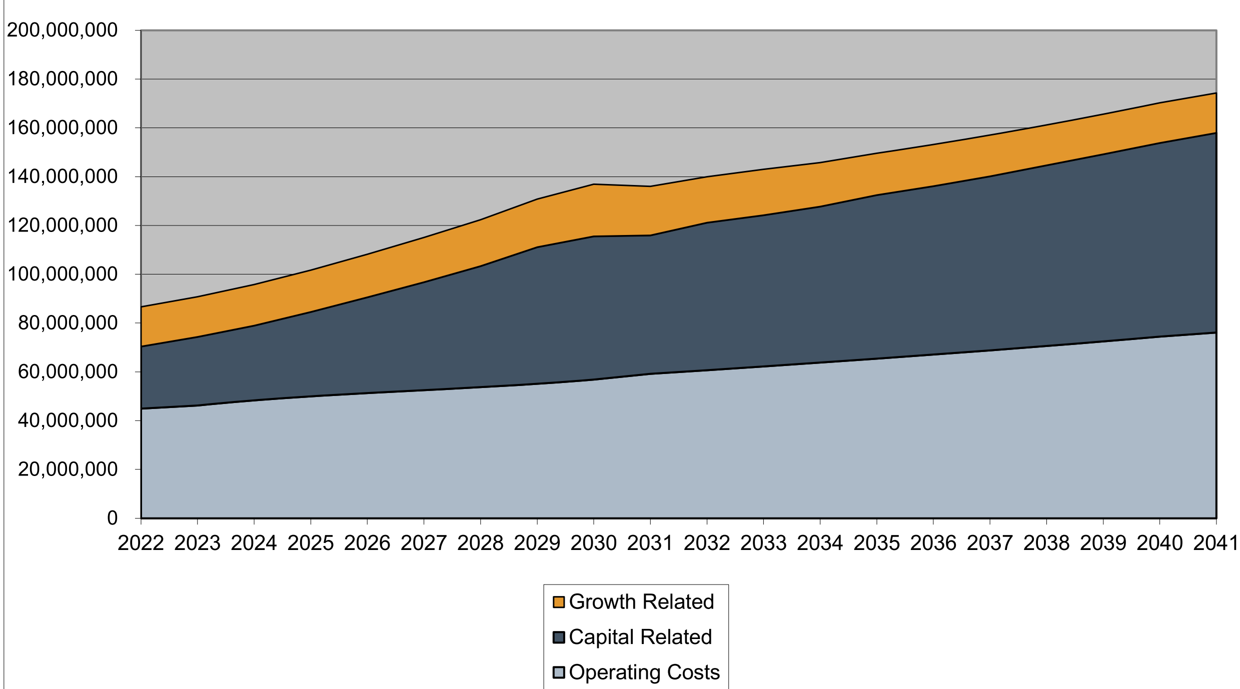
The City is currently servicing approximately 45,000 water and wastewater customers. The number of additional customers to be added to the systems is based on the growth forecast previously presented in Chapter 3. The operating cost analysis was undertaken for the 2021 Water and Wastewater Financial Plan using the City's 2021 Operating Budget. The operating expenditures are split into the following categories:

- Day-to-day expenditures related to the ongoing operations of the systems. These expenditures increase from $45 million to $76 million (70% increase);
- Capital related expenditures based on the capital forecast (i.e. debt payments and reserve transfers). These expenditures increase by 212% from $25 million to $82 million; and
- D.C. debt payments. Note that although these debt payments are typically funded through D.C. reserves, the D.C. reserve funds for water and wastewater are in a deficit position for the first half of the forecast period. As such, these

debt payments will need to be cash-flowed by the user rates. These debt payments average approximately $18 million annually over the forecast period.

Figure 7-2 provides the forecasted rate-supported budget broken out by these three components. The capital related portion of the budget is predominantly reserve fund transfers. In the first third of the forecast, these reserves are assisting in funding negative balances in the D.C. reserve funds. It is noted that significant asset replacement expenditures are required throughout and beyond the forecast period.

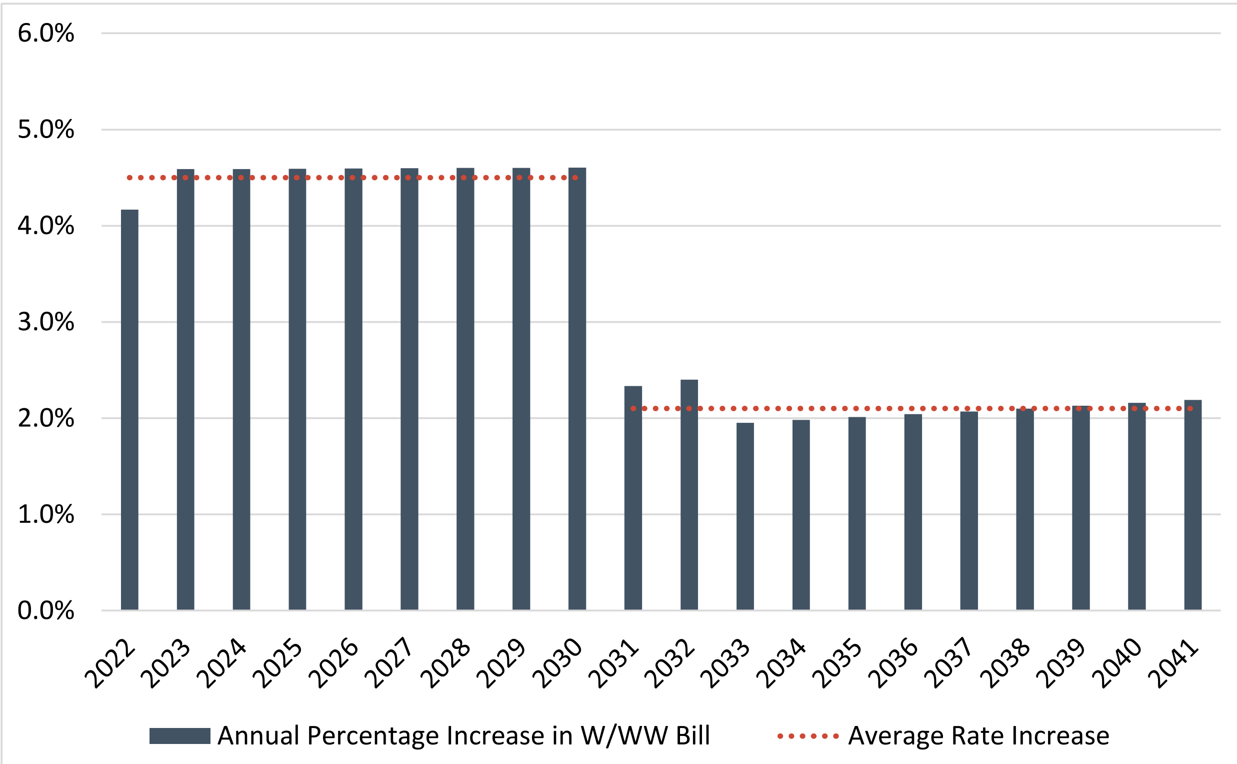
Figure 7-2
City of Barrie
Forecasted Rate Supported Budget (Inflated $)



Note: D.C. reserves are insufficient to fund growth-related debt charges throughout the early years of the forecast period

The City collects revenues for both water and wastewater services through volume rates as well as a fixed charge. The fixed charge ensures the City has a secure revenue stream which does not vary with volume usages. Based on the preceding discussion on the operating budget, an initial 4.2% increase in the combined water and wastewater bill is required for 2022. Subsequently, the annual increase will be 4.6% per year between 2023 to 2030. The required rate increases between 2031-2041 provide for an annual average rate increase in the 2.1% range. Figure 7-3 provides a graph of the annual rate increases over the forecast period. For a more detailed discussion on this analysis, please refer to the 2021 Water and Wastewater Financial Plan.

Figure 7-3
City of Barrie
Forecast of Water & Wastewater Rate Increases



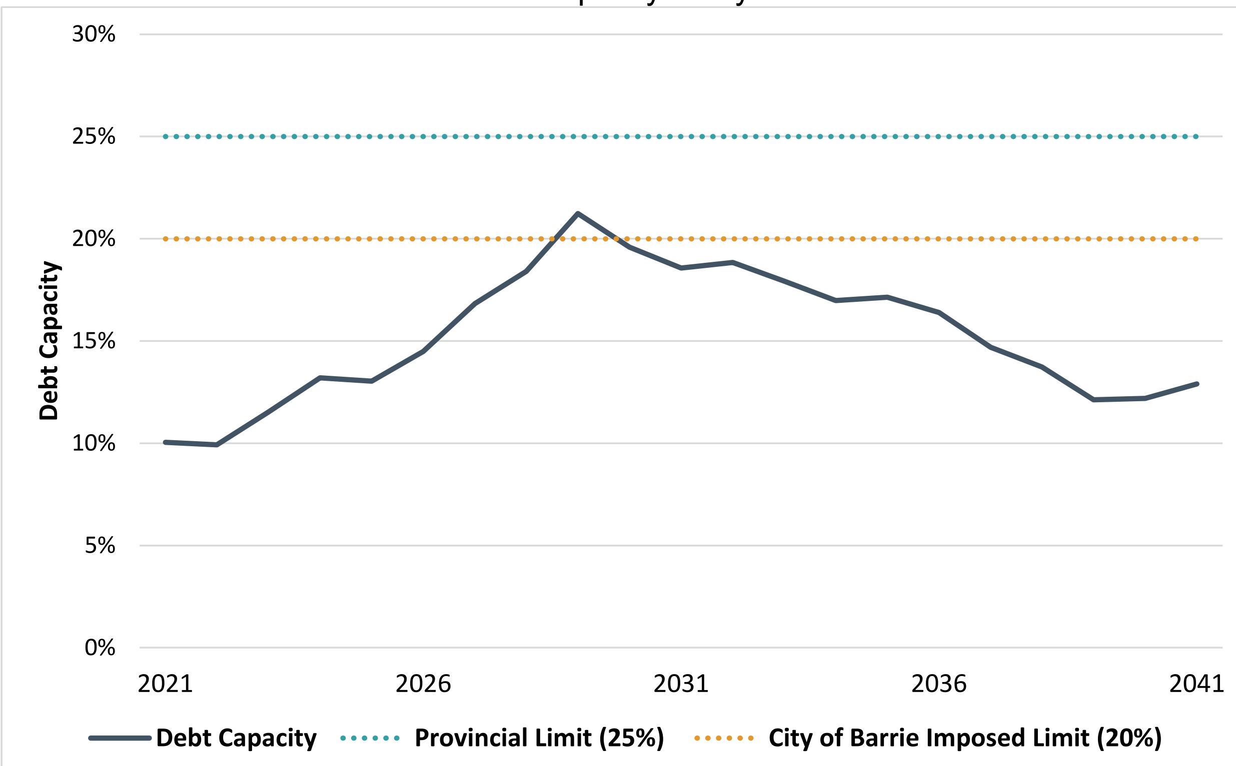
7.4 Debt Capacity Impacts

Note, the analysis preceding identified water and wastewater impacts separate from tax-supported service impacts. This is because water and wastewater net expenditures are recovered solely from rates. However, a municipality's debt capacity includes all municipal debt and revenues. Therefore, this section discusses tax-supported services in conjunction with rate-supported services.

Another area to be addressed in this analysis is the overall impact of the capital spending program and the associated revenue cash flow onto the City's debt capacity. Municipalities in Ontario are limited by the Province as to the amount of debt for which they can incur. O. Reg. 403/02, which accompanies the *Municipal Act,* limits the amount of debt a municipality can issue to the level where the annual debt charge payments equal 25% of the municipality's total own revenue (generally defined as total revenues less grants, subsidies, and transfers from reserves/reserve funds). Should a municipality exceed this limit; the Province can require the municipality to discontinue capital spending until debt capacity limits are met. Further, the City has imposed a policy to not exceed debt capacity of 20% to protect against fluctuating costs or an economic downturn.

Figure 7-4 provides the debt capacity calculation over the forecast period. By 2029, the debt capacity exceeds the City's imposed limit of 20%. In addition to exceeding this limit, the higher debt burdens projected over the forecast period may also lead to pressure on the City's current credit rating.

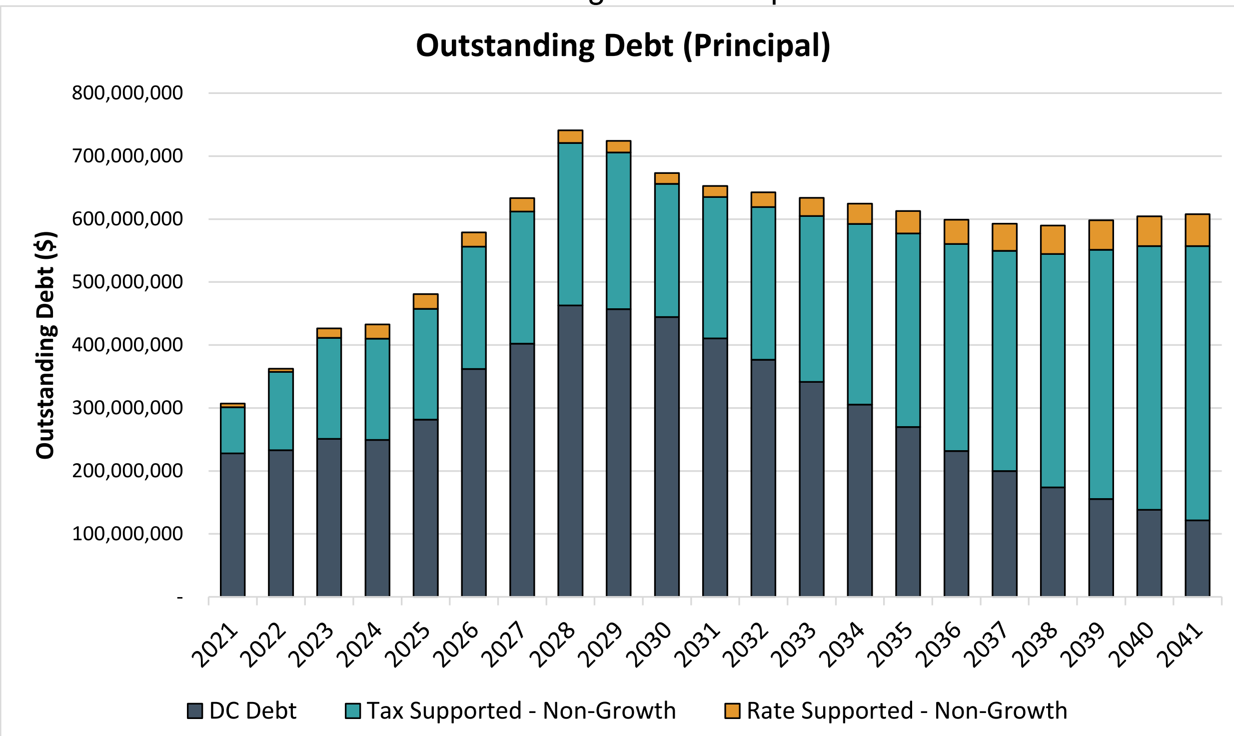
Figure 7-4
City of Barrie
Debt Capacity Analysis



Outstanding levels of debt principal over the forecast period are provided in Figure 7-5. In the first half of the forecast, significant debt is required to fund growth-related expenditures. In the latter half of the forecast, debt is addressing asset management needs as tax-supported reserves are insufficient to meet capital requirements.

Recommendations on how to mitigate the impacts of debt financing on the City's finances are provided in Chapter 8.

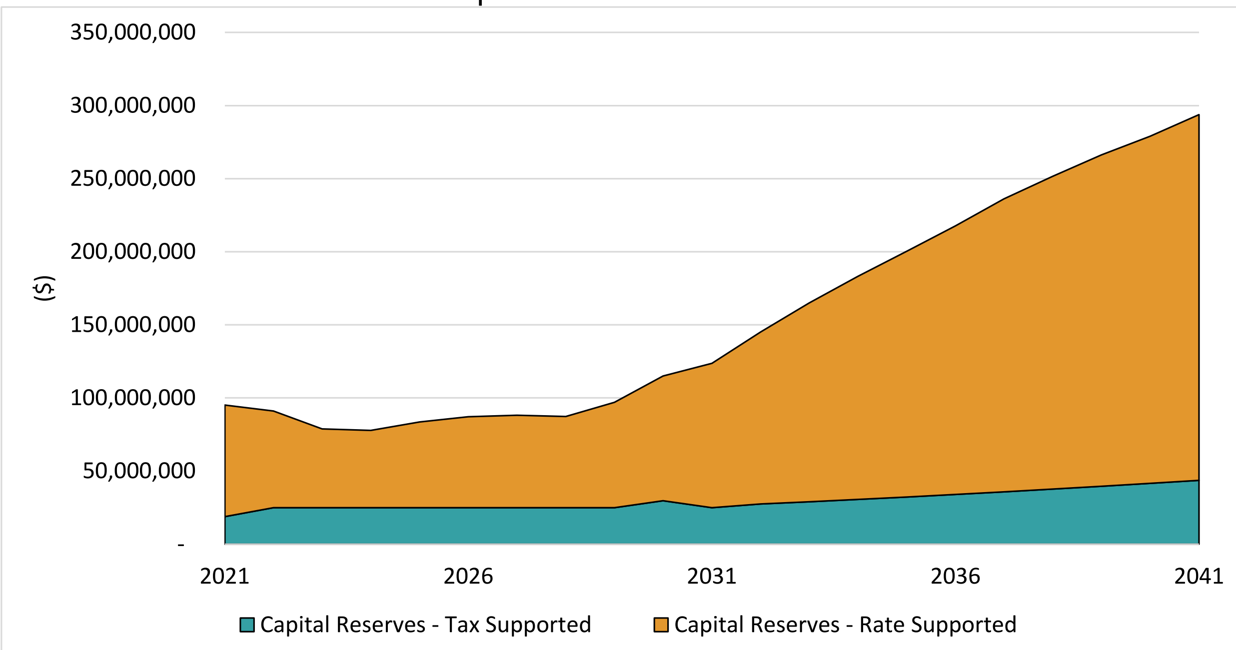
Figure 7-5
City of Barrie
Outstanding Debt Principal



7.5 Capital Reserves Forecast

Through the forecasting undertaken herein, projections have also been compiled for key reserves and reserve funds for the City. With respect to infrastructure, the contributions from the operating budget that are included in the forecast are utilized to fund capital projects. In terms of the water and wastewater capital reserves, contributions are also utilized to strengthen the City's reserves for future lifecycle replacements. Based on the graph in Figure 7-6, the balance in the rate supported reserves increase over the forecast period to provide for significant future lifecycle replacement needs. On the other hand, minimal balances are maintained in tax-supported reserves over the forecast period. As previously mentioned, significant debt financing is required as a result of the lack of reserve funding available for tax-supported services.

Figure 7-6
City of Barrie
Capital Reserves Forecast



Chapter 8
Conclusions and Observations

8. Conclusions and Observations

As noted at the outset of this report, the objective of this study is to identify key financial pressures and make recommendations to assist the City in managing growth over the forecast period. The following sections provide specific observations that can be used to guide future policy directions.

8.1 Tax Rate Observations

Consideration was given to the overall taxation impacts of growth. As mentioned in the previous section, tax rates are increasing above inflation over the forecast period due to contributions required towards reducing the City's existing infrastructure funding deficit, as well as the significant capital program and net operating expenditures that are required as the City experiences additional growth.

It is noted that annual required tax rate increases in the first five years averages 4%. Should Council elect to decrease tax rate increases to a lower level over the first five years, the City would need to slow down the planned capital program.

It is also noted that growth is expected to accelerate over the forecast period. The average number of residential building permits issued between 2016 and 2020 was approximately 800. It is expected that this average will increase to approximately 2,200 annual residential building permits. With this added growth, there is an increase in the required capital expenditures in advance of growth, as well as increased pressure to the operating budget as services are expanded. These factors, combined with the continued efforts to reduce the infrastructure funding gap, are leading to higher tax rate increases over the forecast period.

8.2 Water and Wastewater Rate Observations

Due to the growth-related debt charges, rate-based revenue is needed to fund the D.C. shortfalls in the early half of the forecast period. In addition, there is a significant backlog of asset replacement capital works that need to be addressed in the first half of the forecast period. These issues are creating an upward pressured on the user rates in the early half of the forecast period.

Subsequent to 2030, once a large portion of the additional customers are connected into the system, the additional rate-related revenue will assist in lowering the overall required rate increases.

8.3 Debt Capacity Observations

Consideration was also given to the City's debt capacity limits (as imposed by the Province of Ontario). Based on the review provided herein, the capital spending program will increase the City's debt capacity to 21% by 2029. Extensive debt issuances for tax-supported non-growth expenditures are required as a result of minimal reserve balances. In addition, D.C. debt is required to fund expenditures prior to D.C. revenue collections due to the timing of planned works. Should growth not materialize as forecasted, the City will be required to cash flow the D.C. debt payments through other sources.

To mitigate the impacts on debt capacity, the City would need to consider alternatives such as delaying planned capital expenditures or engaging with developers for front-ending agreements to finance growth-related works.

8.4 Financial Policy Framework Observations

The City has established a Financial Policy Framework to provide a fiscally sustainable approach in addressing the City's financial position. In addition to the 20% debt capacity limit previously mentioned, the following provides observations on specific policies related to taxes, user rates and capital reserves:

Taxes and User Rates:

- Policy:
    - "Taxes levied for municipal purposes, based on an average dwelling value, not to exceed 4% of average household income"
- Commentary:
    - This metric ranges from 3.8% to 4.6% over the forecast period.
    - Note: average household income and dwelling value used for the purposes of this analysis is $102,000 and $370,000, respectively.

- Policy:
    - “Average water and wastewater costs as a percentage of household income not to exceed 2.5%”
- Commentary:
    - Over the forecast period, the combined bill ranges from 0.9% to 1.1% of average household income.

Although the taxes levied exceed the 4% threshold, on a combined basis, the taxes and water/wastewater rates do not exceed 6.5% of household income over the entire forecast period. Note: with the increasing costs of housing, various grants and affordable housing incentives are being provided by municipalities across Southern Ontario. Council requested a survey of these incentives and grants across select comparator municipalities. This is provided in Appendix A.

<u>Capital Reserves:</u>

- Policy:
    - “The annual contribution from the operating budget to the Landfill Closure Reserve be increased by 10% until the estimated landfill closure date of 2035”.
- Commentary:
    - The City will need to review landfill closure costs to ensure sufficient funds are being set aside for this purpose.
- Policy:
    - “Maintain a minimum threshold cash balance in the Tax Capital Reserves, equivalent to one year’s worth of the 5-year average of the non-growth tax-supported capital expenditure requirements”.
- Commentary:
    - The balance required to meet this target ranges from $90 to $200 million over the forecast period. As the current balance is not meeting this target, there is a need to review the adequacy of existing capital reserves.
    - A reduction in capital spending levels and/or increases in transfers to capital reserves would assist in achieving this target.

8.5 Financial Risks to Consider

The following risks need to be considered:

- Growth-Related:
  - The City has prebuilt significant growth-related infrastructure (e.g. water and wastewater treatment plants, etc.) which has become a financial burden on the City to cash flow debt payments as growth has not occurred in line with forecasts. This situation will be further exacerbated, should growth continue to be delayed.
  - Landowners are phasing the registrations of their subdivision developments resulting in delays of D.C. revenue collection versus what had been originally anticipated.
  - The City has prebuilt infrastructure and invested for Phase 1 development within the Salem & Hewitt's Secondary Plan areas; however, Phase 2 and 3 landowners are seeking to develop in advance of Phase 1. The City will need to weigh the merits of allowing this to happen as it could provide under-utilization of the investments already made. Should the City allow these subsequent phases to proceed, it is recommended that the City consider more traditional front-ending agreements which have longer payback periods and are directly tied to the related growth to fund the required water, wastewater and road services.
- Asset Management Related:
  - Existing asset replacement needs are not currently being met in the first ten years of the forecast for tax-supported services. This may increase risk to the City and/or result in additional pressure on the tax levy increases to undertake the additional capital works.
- Debt/Reserves:
  - Significant forecasted debt financing may affect the City's credit rating, and as a result, financing rates would increase. Alternatively, increased reserve transfers will reduce the debt capacity impacts, but would impact tax rates.
  - The City has established a Dedicated Infrastructure Renewal Fund to address ongoing asset replacement needs. The contribution was originally set at 1% of the property tax levy, however, this was reduced to

0.25% in 2021. The City will need to increase this contribution back to at least 1% or face an increasing infrastructure funding gap.

8.6 Policy Directions

Given the capital works required over the forecast period, the associated debt requirements to fund the capital expenditures, and the resulting upward pressure on tax, water, and wastewater rates, the City should consider the following options to mitigate the negative financial impacts:

- Through the annual capital budgeting process, review linear growth-related projects such as roads, water, wastewater, as well as facility infrastructure such as community centres and parks to ensure infrastructure is not prebuilt too far in advance of actual growth to reduce cash flow pressure and operating needs for the City;
- Debt financing for capital works is significant and adding pressure to the City’s debt capacity. To limit these risks:
    - The City will need to phase development and/or pursue more traditional front-ending funding arrangements with developers that have longer payback periods to finance growth-related works.
    - Certain asset management projects may need to be further delayed/modified.
- Consider cash-flow of growth-related works in detail (e.g. credit agreements, front-ending, etc.) to move towards minimizing debenture requirements.
- Consider revising the phasing requirements in the Official Plan for the Secondary Plan areas to ensure that future phases don’t leapfrog Phase 1 where capacity exists as significant infrastructure investment has already been made.
- Consider updating the City’s D.C. to embrace additional capital needs and related financing costs.

8.7 Concluding Remarks

Based on the information presented above, it is apparent that there are significant pressures on the City’s financial position. Policies will need to be implemented in terms of growth financing (e.g. front-ending agreements). Further, it may be necessary to adjust the capital program and/or slow down the pace of growth related infrastructure investment to allow the City to grow in a fiscally sustainable manner.

Further, reserve balances need to be strengthened to address ongoing asset replacement needs. The City's infrastructure funding gap would be expected to increase if financial policies to increase dedicated funding are not implemented/maintained.

Appendices

Appendix A
Affordable Housing Survey

Appendix A: Affordable Housing Survey

A survey was undertaken to explore the various affordable housing incentives that are being utilized by other major municipalities within Southern Ontario. Table A-1 provides a summary of the various programs offered by the surveyed municipality. Further details on the specific programs are provided in the text that follows.

Table A-1
City of Barrie
Affordable Housing Survey Summary

Affordable Housing Incentives Offered	City of St. Catharines	City of Hamilton	City of Toronto	Niagara Region	Peel Region	York Region	Waterloo Region
D.C. Exemption Included Within the D.C. By-law		✓	✓	✓			
D.C. Discount/Exemption Provided Outside of D.C. By-law	✓			✓			✓
D.C. Grants within CIPs		✓					
CIP Grants/Incentives for Affordable Housing	✓	✓				✓	
Other			✓	✓	✓	✓	✓
Inclusionary Zoning By-law*	*	*	*		*	*	*

*This is a relatively new planning tool that was enacted by the Province in 2018. This policy intends to increase the supply of affordable housing for low and moderate income households, particularly in transit-connected areas. Municipalities are reviewing the use of inclusionary zoning to require a particular amount of affordable housing units within specific areas (e.g. Major Transit Station Areas, strong/moderate market areas, etc.) as defined by the municipality.

City of St. Catharines

D.C. Discount/Exemption Provided Outside of D.C. By-law

Affordable Housing D.C. Grant Program:

"Affordable Housing" shall mean lands and buildings used for affordable housing projects that receive funding through an agreement with Niagara Regional Housing or a department or designated agency of Niagara Region.

Grant program shall apply as follows:

- To lands and buildings to be used as municipal housing facilities, as set out in Section 110 of the Municipal Act, 2001
- Affordable housing projects that receive funding through an agreement with Niagara Regional Housing. The grant shall only apply to the number of units in the development that are designated as affordable housing. If the land ceases to be used for affordable housing, then the D.C. granted shall become due and payable.

The amount of the grant will be a maximum of 100% of the net City D.C. payable on affordable housing units and shall not exceed this. Application is required prior to building permit issuance or within 90 days of receiving a building permit.

The grant program will be funded from the City's Reserve Fund for D.C. Exemptions (funded from the tax levy and water/wastewater rate budgets).

C.I.P. Grants/Incentives for Affordable Housing

Tax Increment Finance Program

The Tax Increment Finance Program is provided annually for a period of up to 10 years after project completion. It is given as a rebate on a percentage of the increase in annual property taxes generated by project completion. The increase in property taxes is calculated on the difference between pre- and post-development property tax assessment at time of project completion. No incentive is provided if the project does not result in an increase in property tax assessment. Within the City's C.I.P., where a project includes a minimum of 30% of Affordable Rental Dwelling Units, the developer will receive a rebate of 65%.

Affordable Rental Dwelling Units are defined based on the minimum rental cost to afford housing based on income level bracket as defined in the City's 2020 C.I.P.

Accessory Dwelling Unit Program

The purpose of this program is to provide increased availability of affordable rental units. A grant may be provided of up to 70% of eligible project costs (to a maximum of $20,000) for the construction of an interior or exterior accessory dwelling unit. Eligible project costs include items such as building material, labour costs, plumbing, etc.

Inclusionary Zoning By-law

Not currently in place, however the City is currently undertaking a review to determine whether an inclusionary zoning by-law should be implemented in Major Transit Station Areas.

City of Hamilton

D.C. Exemption Included Within D.C. By-law

"dwelling units within an affordable housing project that (A) either have been approved to receive construction funding from the Government of Canada or the Province of Ontario (including their Crown corporations) under an affordable housing program or have been approved by the City of Hamilton through an affordable housing program; and (B) such affordable housing dwelling unit is not eligible for funding for development charge liabilities from the Government of Canada or the Province of Ontario (including their Crown corporations)"

"Affordable housing project" means a development or redevelopment that provides housing and incidental facilities for persons of low and moderate income

D.C. Grants Within C.I.P.s

Housing for Hamilton C.I.P.

Roxborough Access to Homeownership Grant Program: grants equivalent to D.C. for below-market homeownership units created within the Roxborough area of the City’s C.I.P.

Roxborough Rental Housing Loan Program: forgivable loans are available equivalent to the value of D.C.s required for rental units created within the C.I.P. The units must meet a specific rent threshold to contribute to affordable housing options.

C.I.P. Grants/Incentives for Affordable Housing

Hamilton Downtown, Barton, and Kenilworth Multi Residential Property Investment Program:

- The City acts as a lender to provide financial support for projects that result in affordable housing units within this area.
- Interest free loans are provided to developers that meet the requirements of the program in providing affordable housing. These loans are to be used for the development of affordable housing units.

Inclusionary Zoning By-law

A formal policy has not been developed. The City is exploring the use of Inclusionary Zoning to increase the supply of affordable housing.

City of Toronto

D.C. Exemption Included Within the D.C. By-law

"A refund or reduction in development charges payable will be given for the portion of development charges in respect of a Purpose-Built Rental Unit that the Affordable Housing Office has determined as qualifying for a rebate under the City's Purpose-Built Rental Development Charges Rebate Program".

Purpose-Built Rental Unit: a dwelling unit that is providing rental accommodation and that has been approved by the City's Affordable Housing Office as having qualified for a rebate under the City's Purpose-Built Rental Development Charges Rebate Program.

Note: portion of the grant funding is provided by the Province, however the City matches the funding on an annual basis.

Other

Open Door Affordable Housing Program:

- Allows various incentives for rental units. Rental units must be 100% of the C.M.H.C. Average Market Rent or below for a minimum of 30 years.
- Income restrictions on tenants also apply.
- The program is administered through an annual R.F.P. process.
- Incentives available include relief from D.C.s, property taxes for certain lengths of time, planning fees, building permit fees, parkland dedication fees, and an expedited planning review.
- Capital grants are also available annually through application process.

Inclusionary Zoning By-law

The City introduced a draft inclusionary zoning policy framework in 2020 to set out how this tool is intended to be utilized. The City has released a draft Official Plan Amendment and Zoning By-Law Amendment to address inclusionary zoning. This policy would require new residential developments to include affordable housing units and create mixed-income housing for low and moderate income households ($32,000-$92,000 a year depending on household size).

Proposed policies include minimum thresholds of what portion of new units must be affordable housing units (e.g. 10% of units in strong market areas must be affordable as defined in the policy). Units must remain affordable 99 years from first occupancy.

Niagara Region

D.C. Exemption Included Within the D.C. By-law

"lands and buildings used for affordable housing projects that receive funding through an agreement with Niagara Regional Housing or a department or designated agency of the Niagara Region, provided that:

(i) this exemption shall only apply to that proportion or number of units in a development which are designated as affordable housing and

(ii) the owner of the lands continues to use the lands and building for affordable housing

if the owner ceases to use the proportionate share of the lands and buildings for affordable housing, the development charges exempted under this section shall become due and payable."

Note: definition of affordable housing is not provided in by-law

D.C. Discount/Exemption Provided Outside of D.C. By-law

D.C. grants for affordable housing are available on a case by case basis.

Up to 100% of Regional D.C.s can be deferred for eligible units for as long as the units remain affordable.

Other

Partnership Housing Program: the Region works with for- and non-profits to generate more purpose-built rentals by providing a suite of incentives (e.g. tax increment grants, D.C. grants and deferrals) for Affordable Housing Capital development

Affordable and Supportive Housing D.C. Deferral: a deferral of D.C.s for affordable and supportive housing units for as long as units remain affordable (through agreement with Region)

Various construction grants for creation of secondary suites or small buildings are available, provided units remain at affordable rental levels for at least 10 years.

Various forgivable loans are provided to low and moderate income households for down payment assistance, repairs, accessibility, etc.

Peel Region

Other

The Region is currently undertaking an Affordable Housing Incentives Pilot Program to provide funding for developers to build affordable rental housing in Peel. Applications are received from developers and assessed against eligibility requirements.

This program is to be undertaken through a municipal capital facility by-law. Under Section 110 of the Municipal Act, 2001, as amended, municipalities may enter into agreements to support a range of municipal capital facilities including affordable housing. Unlike a C.I.P., the by-law can be updated with Council approval whereas C.I.P. amendments require a public meeting and additional Planning Act requirements. The by-law under Section 110 cannot be appealed to the O.L.T.

A variety of incentives can be considered and are available under this program:

- Relief of planning application and building permit fees
- Relief from D.C.s, Cash-in-lieu parkland requirements
- Property tax exemptions for a certain period
- Tax incremental grants
- Reduced parking ratio

- Fast-tracked approvals
- Local municipal capital grants

Units must be no more than 170% of median market rent for local municipality and units must be maintained as affordable for at least 25 years. This program has been geared towards middle-income residents.

Inclusionary Zoning

Currently under review for feasibility.

York Region

C.I.P. Grants/Incentives for Affordable Housing

Draft C.I.P. for Affordable Rental Housing Incentives

A Draft C.I.P. is in development to provide affordable rental housing incentives in partnership with local municipalities. In addition to the D.C. deferral already available, a development application fee waiver to further incentivize affordable rental units would be provided. It is intended that local municipalities will provide further incentives (e.g., tax increment grants, planning fee waivers, etc.).

Other

A D.C. deferral for affordable, purpose-built rental buildings is available for up to 20 years. The development must be a minimum of four storeys and must be affordable to the midrange income cohort within York Region (i.e., less than or equal to 175% of average market rent). A D.C. deferral agreement must be entered into with the Region. The unit must remain affordable for at least 20 years and the length of the deferral period will be based on certain requirements e.g. number of units built etc.

Inclusionary Zoning By-Law

Currently under review for feasibility.

Waterloo Region

D.C. Discount/Exemption

Grants to offset the Regional D.C. for rental and supportive housing projects are available on a first come, first-served basis. If an affordable housing project is approved for capital funding grant (see below), then a grant to offset D.C.s may be available. These grants are made available at the time of building permit issuance and are subject to the availability of funding.

Other

The Region offers annual grants to help offset the capital cost of building new affordable and supportive housing through an R.F.P. process. Eligibility requirements include items such as keeping units as affordable rental housing for at least 25 years, at least 40% of units should be at or below 60% average market rent, etc. The funding is structured as a forgivable loan.

Inclusionary Zoning By-Law

The Region in partnership with area municipalities (Kitchener, Cambridge, and Waterloo) is currently exploring the feasibility of an inclusionary zoning by-law.