Review of Growth Infrastructure Financing Strategy - Region of Peel

Presentation to Sustainable Financing of Growth Workshop
Stephen VanOfwegen, Chief Financial Officer
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Outline

- Maintaining Peel's Long Term Sustainability
- Recap Growth Management Committee June 5/July 17, 2014
  - Current DC Plan Challenges
  - Outline Growth Capital Financing Options
- Insights regarding financing options and sharing financial risk
- Next steps

Managing Risks to Peel's Long Term Sustainability

Financial Principles	Indicator
Overall Financial Condition	**High level credit rating**
Sustainability ▪ Respect the tax payer	Tax rate in line with inflation
▪ Maintain Assets	Adequate Capital Reserves - Tax
▪ Ensure Capital Plan is sustainable	Adequate Capital Reserves - Utility
▪ Deliver value for money	Focus GTA Survey - Value for Tax
Vulnerability ▪ Users pay where appropriate	Less than 20% DC rate increase required
▪ Work with area municipalities to support economic viability of the community	Less than 50% of Budget funded by property tax
	Non-residential tax revenue - 35% to 45%
▪ Prudently invest	100% compliance with investment policy
Flexibility ▪ Mitigate significant fluctuations in tax and utility rates	Adequate Rate Stabilization Reserves Tax - 5% to 10%
	Adequate cash to fund 12 month debt payments
▪ Borrow only for substantial long term assets at affordable rates	Adequate Rate Stabilization Reserves Utility - 5% to 10%
	Annual debt payments <25% own source revenue

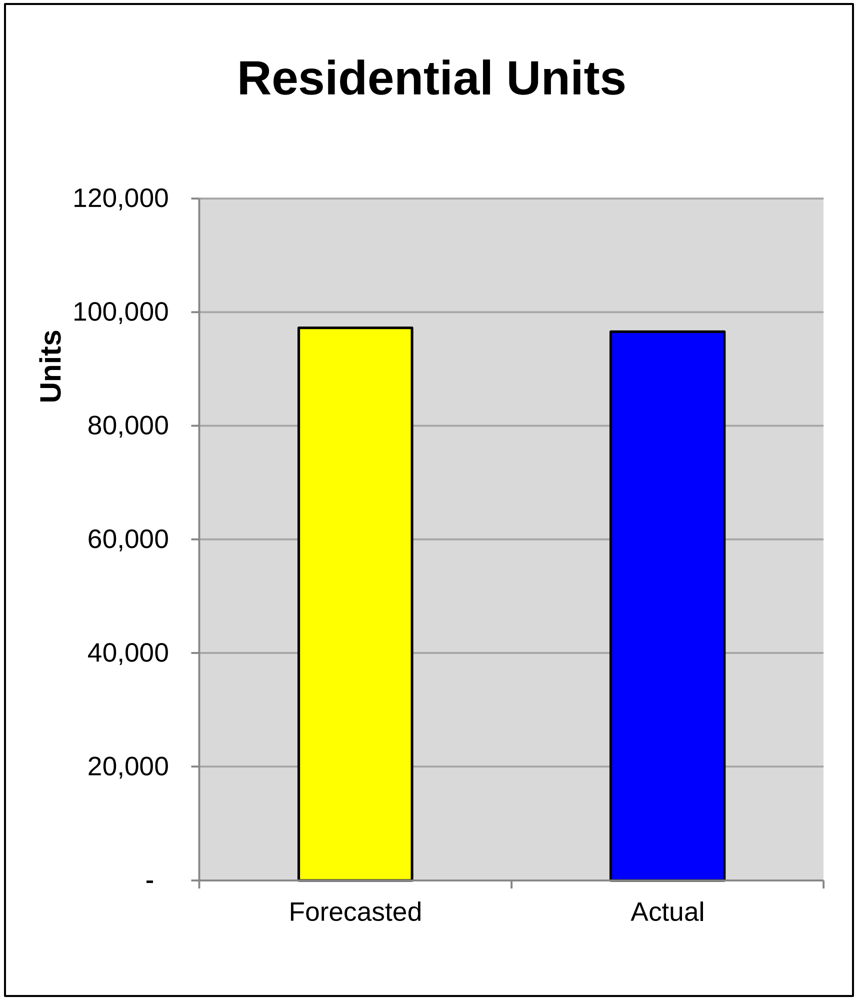
June 5/July 17 Presentations Recap

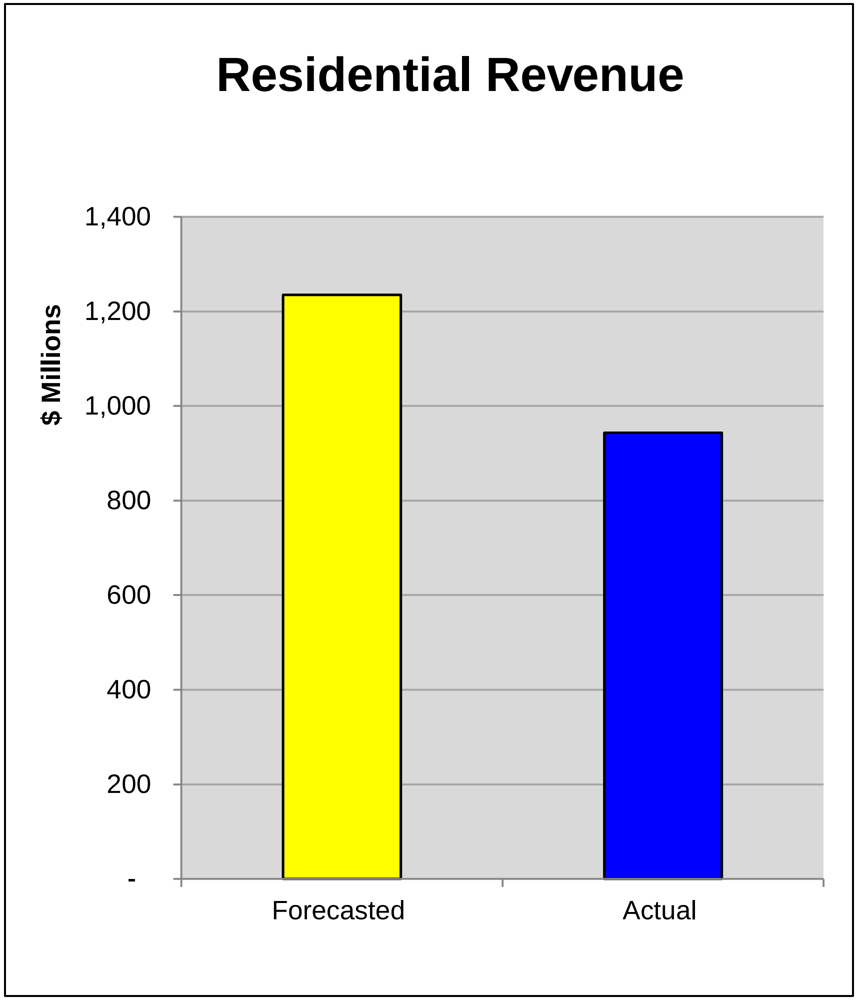
- Presentations to GMC meetings overviewed:
  - Region’s growth financing challenges
    - DC activity/revenues: actual vs. planed
    - Region’s risk re: upfront funding of infrastructure
  - Major cost drivers of DC costs
  - Growth related capital cost recovery methods used elsewhere
  - Potential financing options available to Region

Growth Finances - Observations

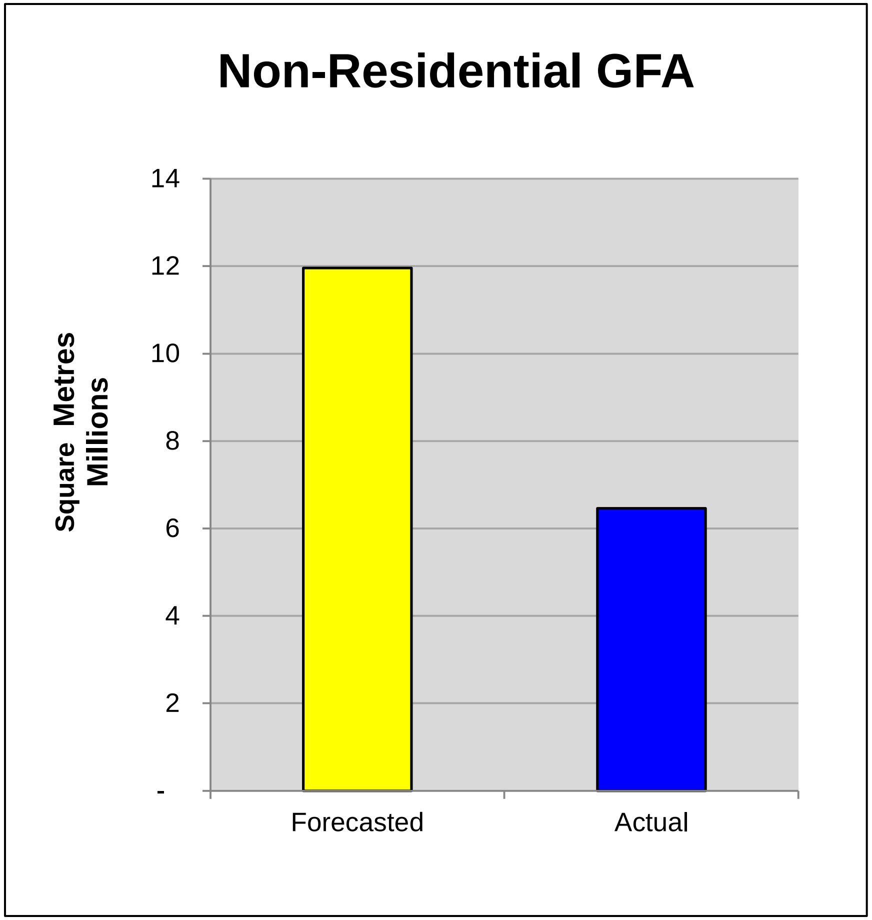
1. DC revenues occur after capital projects
2. DC revenues not in line with forecasts
3. Existing serviced land not being fully developed
4. Capital costs continue to rise

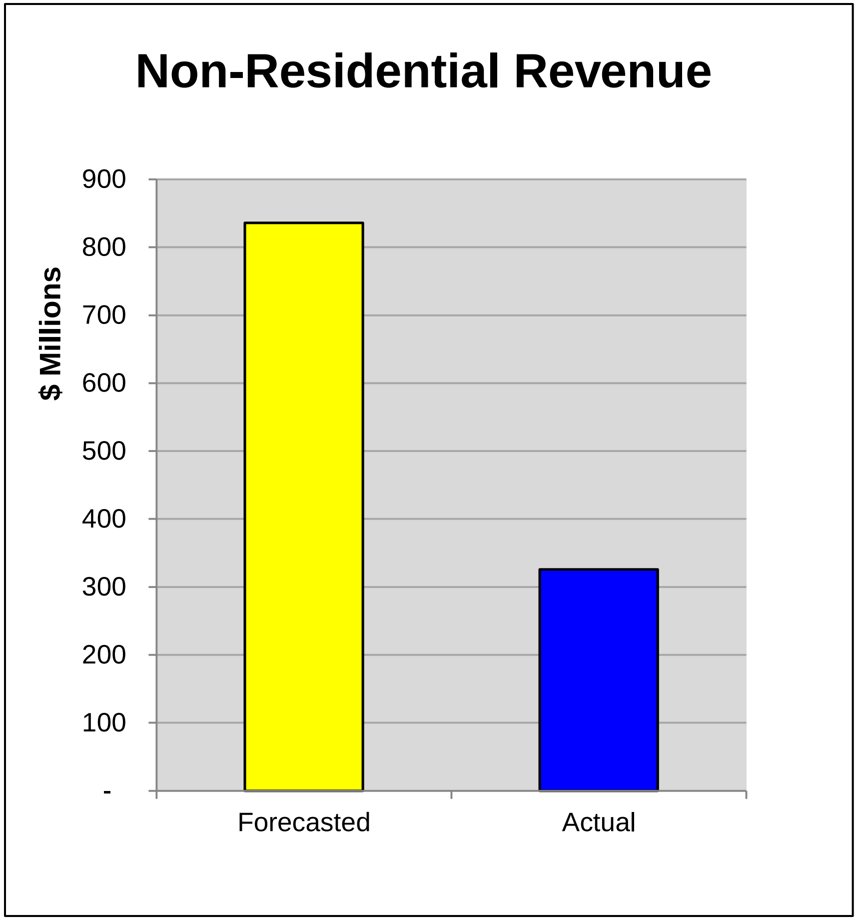
Residential DC Activity Summary 2002 - 2013



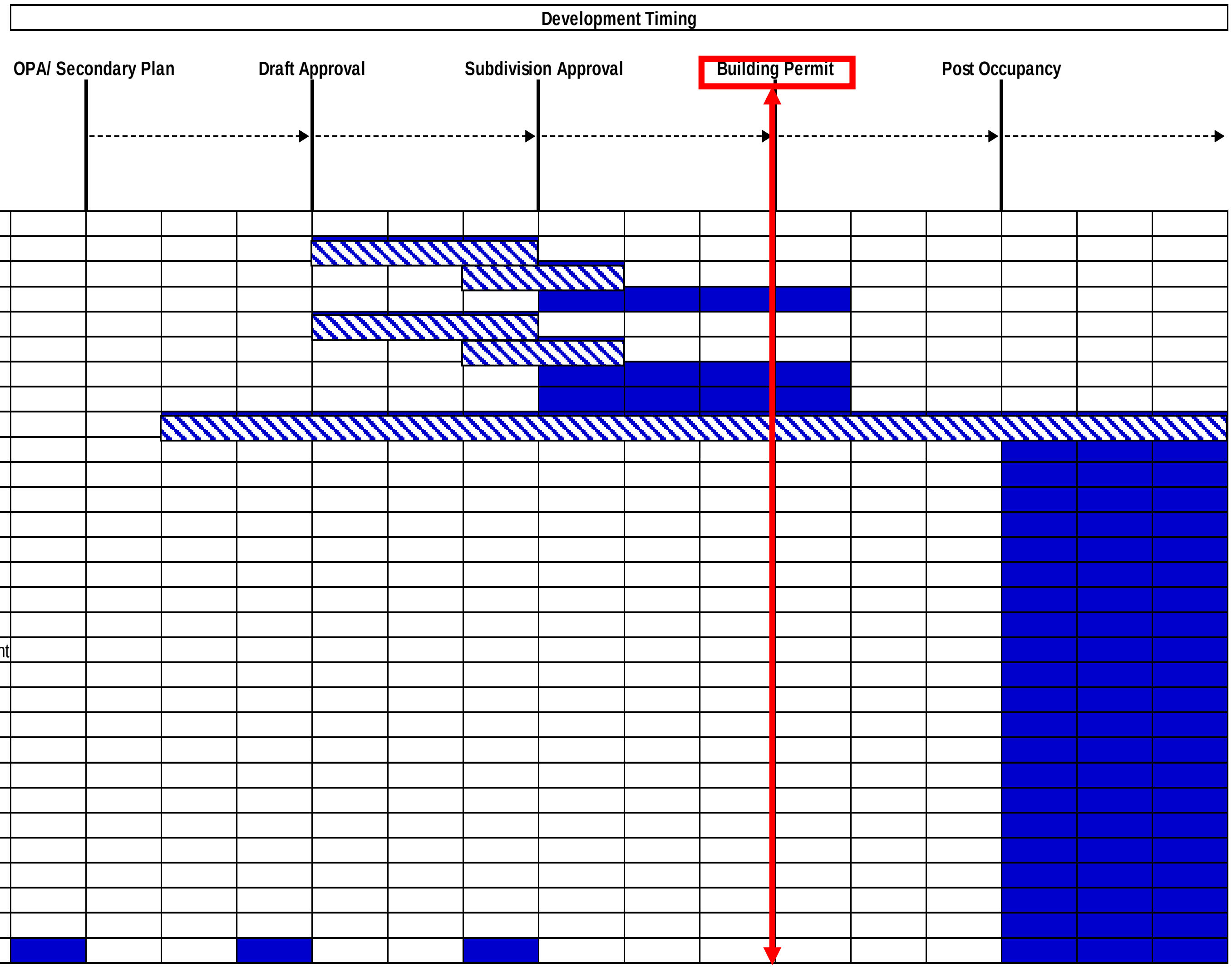


Non-Residential DC Activity Summary 2002 - 2013





Peel's Cash Flow Dilemma



Service	*Capital Item*
Water:	Treatment
	Distribution
	Local
Wastewater	Treatment
	Collection
	Local
Stormwater Management	Facilities
Roads and Related	Roads
	Rolling Stock
Library	Facilities
	Collection Materials
Transit	Facilities
	Vehicles
Parking	Parking Spaces
Police	Facilities
	Vehicles
	Police Communication Equipment
	Police Officer Equipment
Health Unit	Facilities
Ambulance	Facilities
	Vehicles
Child Care	Facilities
Provincial Offences Act	Facilities
Parks	Parkland Development
Recreation	Facilities
Fire	Facilities
	Vehicles
	Firefighter Equipment
Administrative	Growth Studies

Types of *Development Charges Act* Agreements – Financing Options

- As noted, most hard infrastructure must be emplaced prior to development proceeding – often require the municipality to upfront costs in anticipation of growth
  - this can be done by collection at subdivision approval or by agreement

- DCA provides for certain types of agreements to be used to assist in cash flow of these expenditures:
  - Service Emplacement Agreements
  - Accelerated Payment Agreements
  - Front-Ending Agreements

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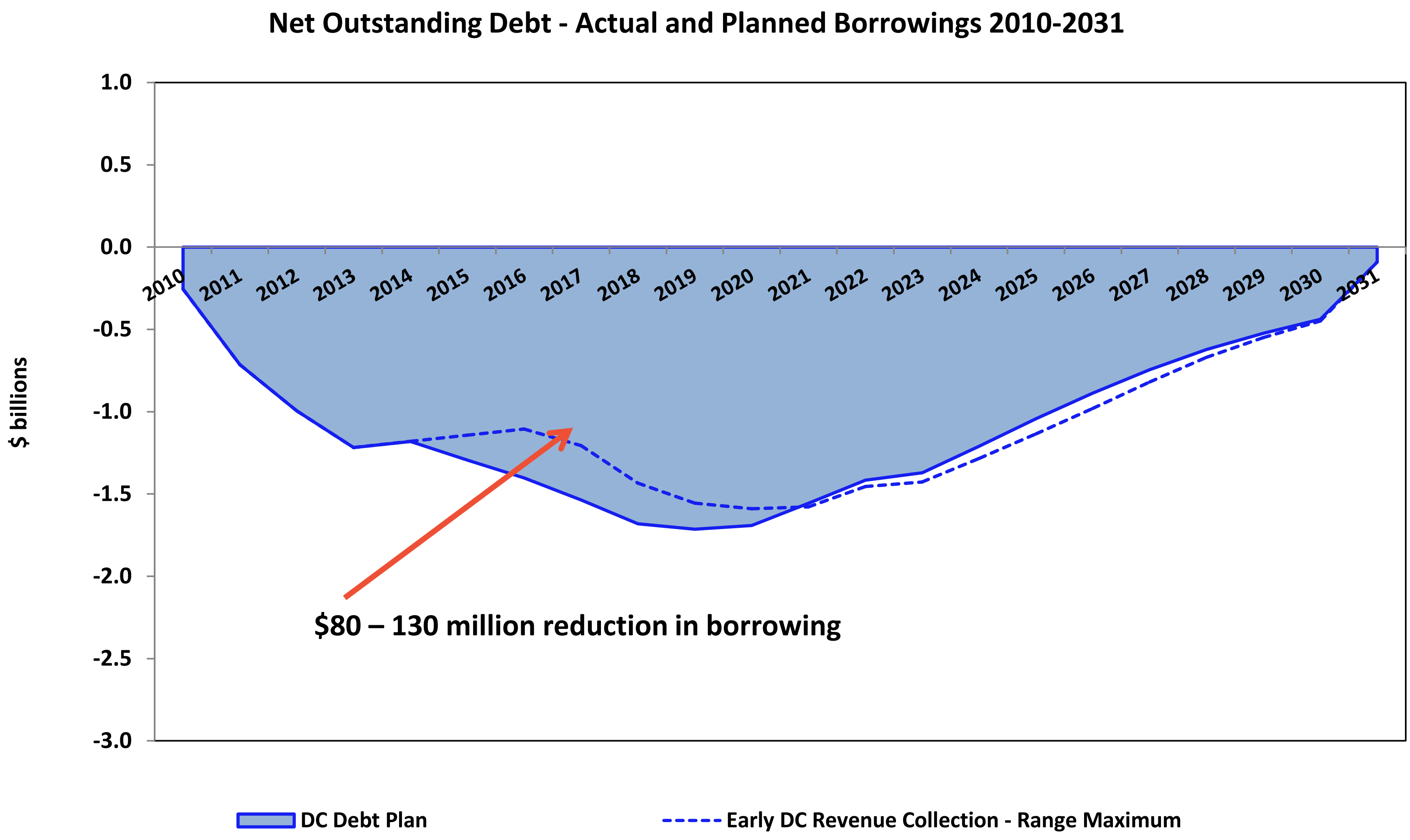
Benefit of Collecting DCs at Subdivision Approval



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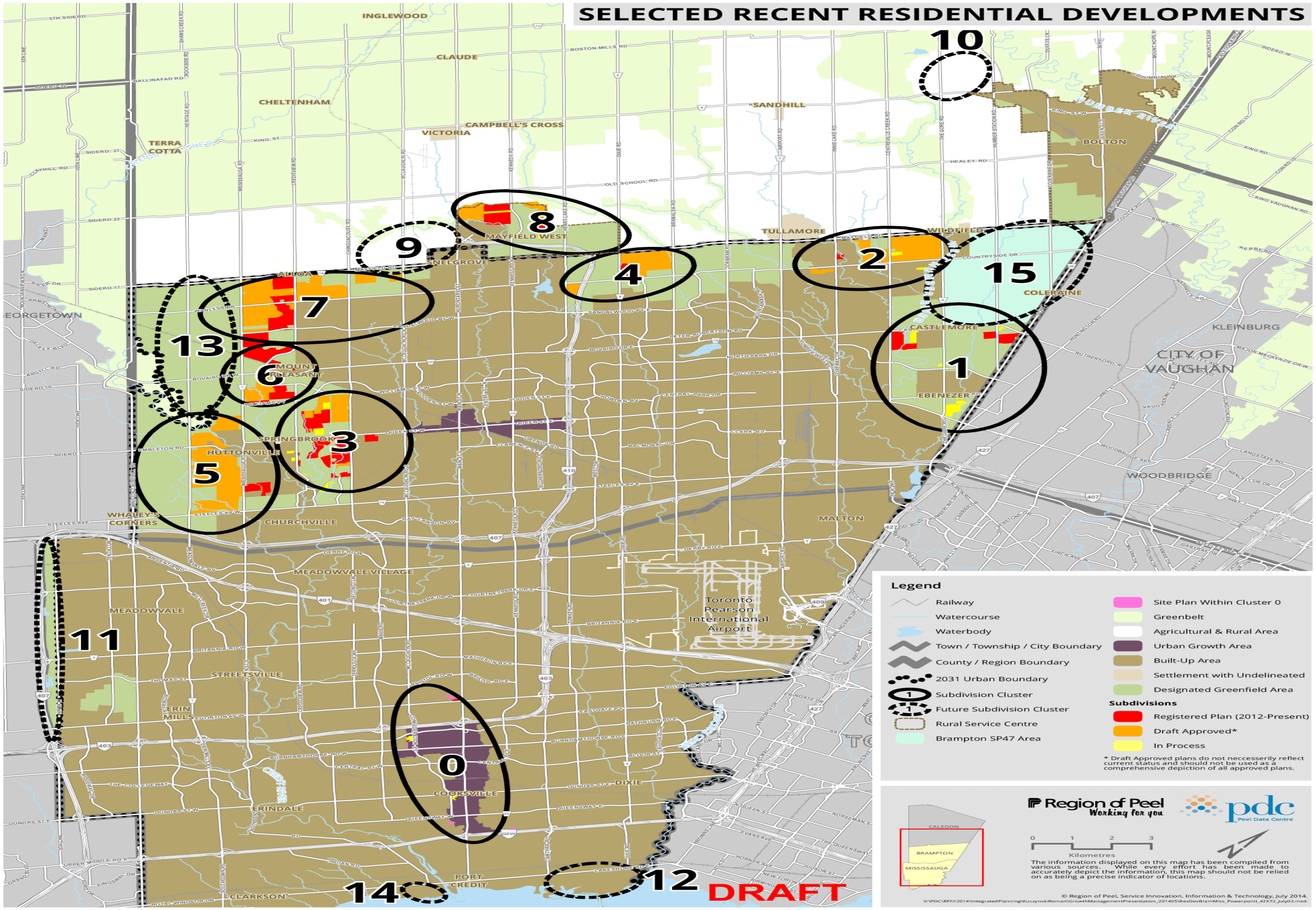
Options to Advance Timing of DC Revenue

- Generally to initiate some form of agreement requires a reason or inducement, for example:
  - Subdivision approval may be held pending provision of funding of smaller localized projects
  - Secondary plan approval may be held until financial agreements have been entered into
  - Development control though an allocation of water/wastewater capacity (e.g. Halton Region)
    - capacity allocated on a single detached equivalent (SDE) basis which must be obtained or no development approvals may be granted
    - additional prepayment for targeted amount of SDEs required

Review of Future Areas of Development



Next Steps/Actions

- Assess cash flow and debt financing implications of financing tools identified (i.e. agreements)
- Growth Management Committee resolution to start update of DC background study
  - Background study to review DC model assumptions including:
    - Persons per unit (PPU),
    - Floor space per worker (FSW),
    - Housing mix, and others

Summary Remarks

- Peel requires a multi-faceted approach to ensure growth infrastructure financing plan is sustainable
- Requires cash flow assistance to finance considerable infrastructure costs; consideration include:
  - Accelerate all hard service collections to earliest time possible (i.e. subdivision agreement)
  - Consider negotiated agreements (i.e. prepayment agreements or front-ending) to fund growth projects
  - Will need to consider an approval program (e.g. Allocation Program) and coordinate with area municipalities
- Review DC model and assumptions are appropriate to ensure growth pays for growth
- Continued review and management of capital costs