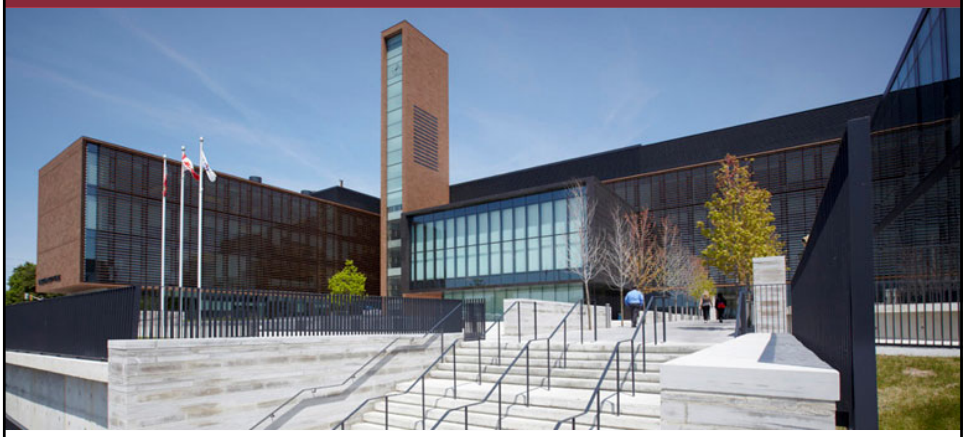
Council Working Session

Long Range Fiscal Plan and Forecast



CITY OF VAUGHAN

December 7, 2022

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Topics for Discussion

- Growth in the City of Vaughan
- Purpose, Deliverables and Key Outputs of the LRFP
- Key Findings of the LRFP
- Recommendations

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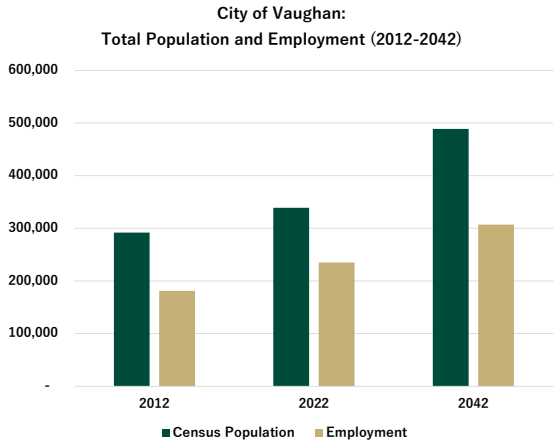
The City Continues to Grow



Source: 2022 DC Study.

- Strong population growth and development across the City
  - Census population growth of 16% since 2012
- Employment growth of 30% has occurred since 2012
- By 2042 population expected to grow to 489,000 persons and 307,000 employees

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Why is the City Developing a Long Range Fiscal Plan (LRFP)?

- City's budget process continues to be robust and always evolving
- LRFP to complement the budget process by providing a long-term outlook
- As City grows, a long-term cost outlook helps identify fiscal pressures before they occur
  - Develop fiscal strategies in advance of cost pressures
- Evaluate fiscal effects of changes in City's financial policies

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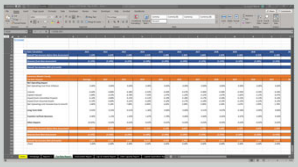
The LRFP is Made Up of Two Key Deliverables

Fiscal Impact Model

- Forecast the future financial position of the City over the next 20 years (to 2042)
- Identify overall capital and operating needs
- Undertake sensitivity testing on key fiscal measures such as: reserve balances, debt levels, tax levy increases, etc.
- Centralized Excel based model that contains key financial data to develop long-term outlook



LRFP Report

- Overview of 20-year forecast (to 2042)
- Focus on financial viability, management, flexibility and sustainability
- Identification of risks, challenges and opportunities
- Key directions and policy recommendations to be presented to Council
- Report expected in Early 2023

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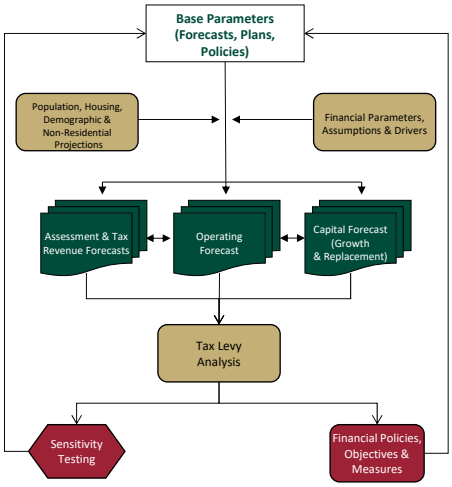
Fiscal Model Structure



Note: Water/wastewater/stormwater services to be addressed in future phase of the LRFP.

- Forecast extends 20-years to 2042 and deals with all tax funded services
- Capital forecast developed from various City sources
  - 2022 capital budget, 2022 DC Study, current core and non-core AMPs
- City's 2022 budget used as basis for operating forecast
  - Subsequent years based on series of volume and capital induced drivers
  - Can be adjusted to reflect changes in development forecast, capital, reserves, etc.
- All values expressed in constant 2022 dollars

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The LRFP is a Living Document

- Earlier in 2022 the City completed a series of study updates - DC Study, Parkland Acquisition/CIL analysis, and CBC Strategy
  - *Recent Provincial legislative changes, Bill 23, have significant impact on these studies which are not reflected in the current LRFP model*
- Core-AMPs approved by Council in 2021
  - City has met the requirements of O.Reg. 588/17
- Ongoing updates will be necessary

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Key Outputs the City will Consider through LRFP

Output Name	Description
Operating	• Operating cost fiscal impacts associated to maintaining levels of service • As the City grows, how much do our expenditures increase by over a longer time period?
Capital Contributions	• LRFP to develop scenarios of capital contribution levels based on findings of core and non-core asset management plans
Infrastructure Reserves	• Reserve levels can be forecasted given capital commitments • Are reserve levels adequate today and in the future to undertake City capital obligations?
Debt Levels	• Model has been developed to track City debt levels over a 20-year period • Tracks debt levels relative to City 10% limit of own source revenues
Tax Levy	• Tax levy increases that may be needed to undertake both operating and capital obligations

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What the LRFP is not:

- Land-use plan
- Master servicing plan (requires engineering data)
- Replacement of corporate budget software
- Analysis of staffing requirements
- Model for public use

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Key Finding #1:

The City will need to plan for tax levy pressures over the short-term while balancing capital commitments over the long-term

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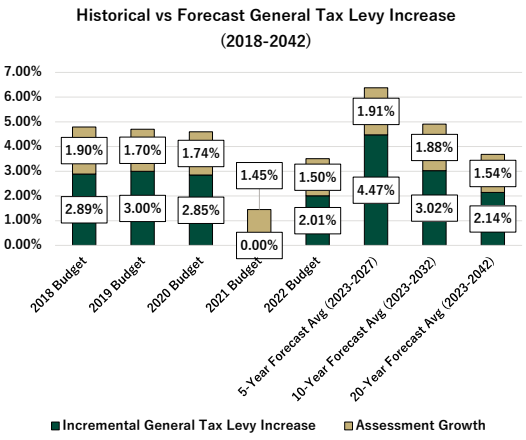
Historical vs Forecasted Tax Levy Increase



Note: Forecast is in constant 2022 dollars.

- Front-ended forecast pressure associated to operating impact from new infrastructure
- Largely associated to new road construction and new facilities
- Long-term pressure associated to contributions to reserves for future repair/replacement of assets
- Important to recognize outputs reflect best available information

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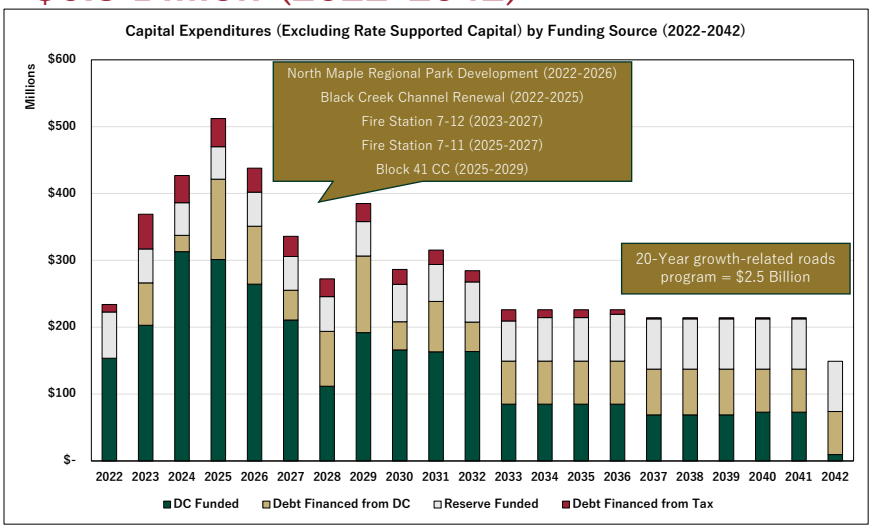
Capital Expenditure Forecast Totals $6.3 Billion (2022-2042)



Note: In constant 2022 dollars. Excludes CBC funded capital.

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Key Finding #2:

Property taxes will continue to be the City's main source of revenue, however fiscal pressures can occur if status quo tax rate increases are maintained

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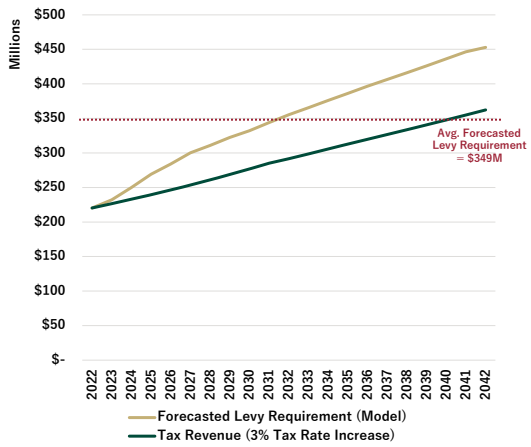
Forecasted Levy vs. Status Quo Tax Rate Increases



Note: Forecast is in constant 2022 dollars.

- Current tax rates would not be sufficient to fund long-term obligations
- Over the long-term can result in:
  - Deferral of capital
  - Impacts to levels of service

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Key Finding #3:

Infrastructure reserves and debt financing are important fiscal tools that will help the City moving forward

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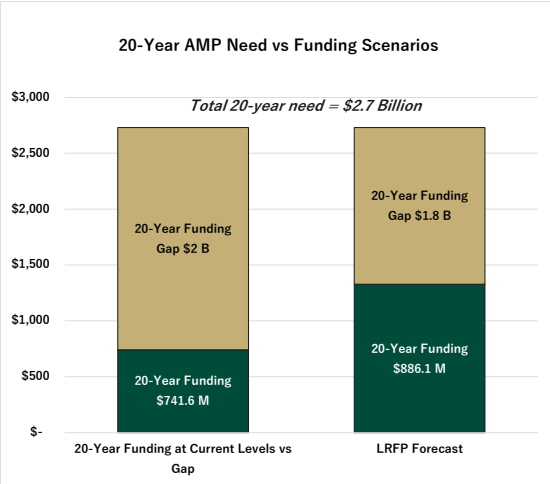
Cumulative Infrastructure Gap



- Total need based on:
  - AMP average needs over 20-year period
  - Future replacement of growth-related infrastructure
  - Future replacement of assumed infrastructure
- Current funding levels assumed to include:
  - Base contribution to capital reserves of $23.9 million held constant over 20-year period
  - LRFP forecast assumes an annual increase of about 5.7% to base contribution
  - CCBF annual funding (i.e. former Gas Tax funding)

Note: Cumulative gap expressed in constant 2022 dollars.

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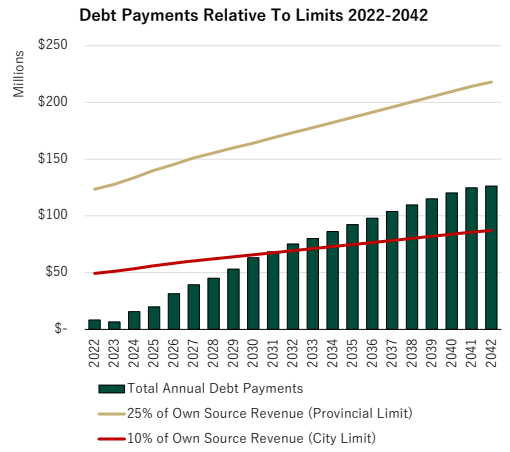
Debt Policy Limits 2022-2042



Note: Includes water/wastewater debt assumed in City's water financial plan. Own source revenue includes tax and water/wastewater/storm rate revenue assumed to increase at 2% annually.

- City expected to experience significant debt pressures due to magnitude and timing of capital program
- About $1.5 billion in total debt funding (about 29% of total 20-year capital program)
- Additional pressures can occur due to rising interest rates over the short-term

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Key Recommendations to Improve LRFP

- City has begun developing a long-term capital plan (minimum of 10-years)
  - Capital plan should consider both growth and non-growth related infrastructure
- City may review key infrastructure reserve policies
  - Are reserve levels adequate?
- Explore tools available to help address infrastructure gap, such as debt, service levels, timing, or dedicated infrastructure reserve funding (i.e. infrastructure levy)
- City to continue to track debt levels in line with policy and consistent with budget and re-examine when necessary

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Next Steps

- LRFP Report – Will be available early 2023
- The City is encouraged to continue updating the Fiscal Impact Model to reflect current annual budgets and legislative changes
- Monitor policies alongside updates to the Fiscal Impact Model and use sensitivity testing to gauge impacts on long-term results

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