Growth Funding Strategy

The City is growing, and the projected population and jobs as required by the province in 2051 is 203,000 and 116,000 respectfully, provided it is achievable with current ground water supply and effluent capacity.

Growth impacts budget planning from both a capital and operating perspective. Typically, the service master plans adequately capture the capital investment required to service the planned level of growth. However, growth is not just about capital investment, as every dollar spent on growing our infrastructure inventory has an increasing operating budget requirement that must be considered.

Growth comes with specific funding sources that occur naturally and/or are legislated to be used to fund growth costs. These funding sources include:

Growth-operating revenues

- property tax assessment growth and user rate growth
- building permit fees
- planning and development application fees

Growth-capital revenues

- property tax assessment growth and user rate growth
- development charges, parkland dedication, and the new Community Benefit Charge

Over the past three years, as a City we have focused on talking about the “capital cost of growth”. We know that from this analysis, that development charges fund approximately 85 per cent of the total capital cost of growth. Changes to recent legislation may improve this ratio, which will be determined through the 2022 Development Charge and Community Benefit Charge bylaw updates. However, the City continues to develop budget strategy to identify and communicate the operating cost of growth, and how to manage this cost within the availability of growth-related operating revenues. In the future, staff aims to be able to demonstrate that “growth pays for growth” when you include a holistic view of growth revenues and costs. This is a focus in budget development capability through 2021 and 2022.

Growth planning starts with the Official Plan and Municipal Comprehensive Review (MCR) that will inform where and how Guelph will grow. From there, the City has service delivery master plans that assess where infrastructure is currently and what changes we will need to accommodate the growth planned in certain areas of the City. Not only do our funding models need to forecast the increased cost to deliver services in future years, but also revenues to fund those costs are critical to funding the plan.

COVID has an impact on growth planning as there is uncertainty in the rate of growth, especially in the commercial real estate sector that is predicted to be most impacted by the pandemic. A shift to a “work-from-home” culture for a significant amount of the commercial sector could have major impacts on the City’s infrastructure planning and financial models. The City’s healthy residential growth however, may be able to help prop up a non-residential decline with relatively little impact to long-range plans. Staff continues to review and consider these impacts through the Official Plan, MCR and various service master plans that are underway.

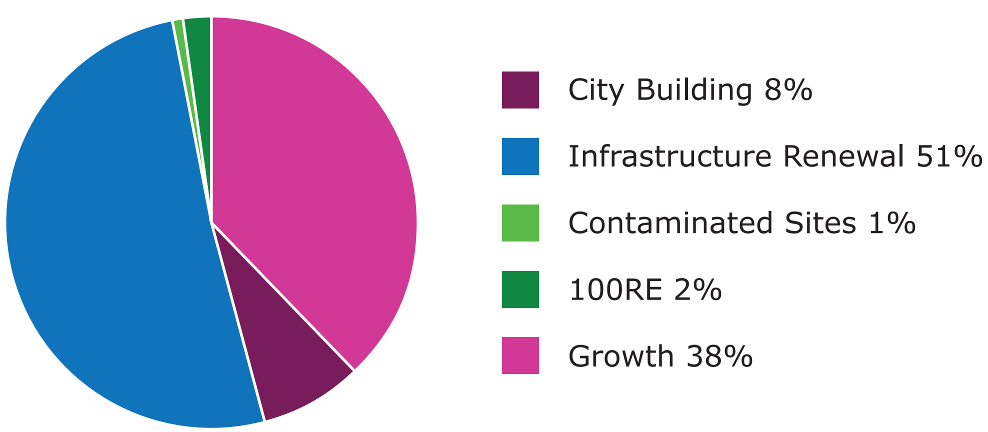
Growth revenue assumptions in the 2021—2030 budget and forecast

- The City has projected 1 per cent property tax assessment growth annually in the 2021–2024 budget (the average assessment growth over the past four years was 1.5 per cent). The potential for lower than expected growth is possible due to the current pandemic and availability of building materials, thus the slightly lower estimated growth of 1 per cent is fair based on the current climate.
- 2020 Official Plan amendments, zone changes and subdivisions are consistent with the five-year average and therefore growth has been assumed to be stable from this perspective.
- While 2020 building permits and development charge activity is trending at 60 per cent normal rate, the budget assumes pre-COVID collection rates through the 2021 to 2030 period given market interest as people move out of the Greater Toronto Area with the expected societal shift to a “work-from-home” lifestyle.
- It is expected that the non-residential sector will continue to slow in 2021 as that market is more unstable, which could impact development charges and building permit revenue for 2021, however, the strong residential growth is likely to continue and offset this slow down.
- 2020 site plan applications are at 80 per cent of the five-year average; however, the sites are more complicated to review with an increased number of infill sites and higher density, again resulting in a strong residential growth forecast.

Growth-related capital projects in the capital budget and forecast

Growth is a primary driver of the budget and can be demonstrated through the proportionate share of the long-term capital plan. Approximately 38 per cent or $741.3 million in capital spending is identified within the 10 years that increase the City’s infrastructure inventory to meet the demands of a growing community.

Chart 1 - 2021–2030 Capital Plan by Expenditure Type



Notable 2021–2030 projects related to growth include:

- Build South End Community Centre (RF0290).
- Part of the new Central Library as part of Baker District (LB0028).
- Continue new water supply exploration studies to support growth at Logan and Guelph South test wells (WT0002).
- Works related to Clair-Maltby Secondary Plan.
    - Clair-Maltby Road Reconstruction (RD0372).
    - Clair-Maltby Elevated Water Tower and Transmission Connection (WT0046).
    - Clair-Maltby Pumping Stations (ST0030).
- Transit Route expansions (TC0064).

Growth paying for growth—an operating budget perspective

From an operating budget perspective, each year new properties are added to the tax roll creating an increase in property tax revenue called property tax assessment growth. The same is true in terms of the water, wastewater and stormwater rate models—there are growth revenues incorporated to account for a growing community. This revenue should be used to offset the additional costs of providing City services to new residents and businesses. Some of these operating costs are driven by the addition of assets such as facilities and buses, while others are by services requirements such as maintaining response times to a growing population in Paramedic Services or increasing staff requirements in the Planning and Building department because of increasing permit and applications being received.

While assessment growth tends to be fairly stable overtime, the incremental costs of growth vary from year to year depending on the types of expansions and the tipping point for needing the cost expansion. Table 1 shows the City's forecasted tax assessment growth over the next four years as well as the related growth expenditure increases. Over the four years, there is a forecasted shortfall in assessment growth compared to the additional expenditures of approximately $5.0 million. Some of this difference may be due to timing difference—for example, growth expenses related to both the South End Community Centre and new central library are included in this period, while they are designed to accommodate growth over a 25-year period. Staff is are working to develop improved methods of tracing and aligning the growth revenues and expenses in order to ensure service expansions are keeping pace with a growing community rather than this revenue being used to mitigate inflationary pressures.

Staff is comfortable with the $355,775 available growth funding remaining in 2021 given that the local boards and shared services are ending in a net deficit growth position due to the annualization of growth-related Guelph Police Service expansions from 2020. The net growth deficit position at the end of 2024 includes $4.5 million of Transit Service growth impacts that will be reviewed throughout 2021 in advance of the 2022 budget development.

Table 1 - City growth revenues and costs

	2021	2022	2023	2024	Total 2021-2024
City Assessment Growth Available (net of allocation to Local Boards and Shared Services)	(1,724,250)	(1,797,324)	(1,911,954)	(2,067,652)	(7,501,180)
Summary Of City Growth Expense Requests					
Growth-related operating budget expansions	291,300	297,090	423,250	14,495	1,026,135
Tax Increment Based Grants		325,000			325,000
Infrastructure Renewal growth-related capital transfer	469,000	511,000	519,000	527,000	2,026,000
Growth impact from capital projects – Sustaining Our Future			429,900	44,800	474,700
Growth impact from capital projects - Navigating our Future		292,600	2,017,719	2,179,498	4,489,817
Growth impact from capital projects - Building our Future	608,175	939,836	942,856	1,654,883	4,147,781
Total Estimated City Growth Expenses	1,368,475	2,365,526	4,332,725	4,420,676	12,487,313
Net (Available)/ Shortfall in Growth Revenues	(355,775)	568,202	2,420,771	2,353,023	4,986,132