

FINAL DRAFT REPORT

PREPARED BY HEMSON FOR THE CITY OF RICHMOND HILL

FINANCIAL MASTER PLAN

March 4, 2026



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EXECUTIVE SUMMARY

A. BACKGROUND AND CONTEXT

Hemson has been engaged to assist the City of Richmond Hill in developing a Financial Master Plan (FMP) to pull together work completed to date and the City's continued efforts toward long-term fiscal sustainability, including but not limited to its capital and operating budgets and forecasts, development charges and community benefits charges studies, parkland dedication studies, and Financial Sustainability Strategy. This FMP Report is one of two key deliverables as part of the FMP, and accompanies the Excel-based Fiscal Impact Model.

This report provides an assessment of the financial health of the City in the context of its demographic and economic environment, municipal financial benchmarks, and current and forecast spending and revenues. The results of a 10-year (2026-2035) forecast are presented and discussed.

B. RICHMOND HILL'S CURRENT FINANCIAL POSITION

Richmond Hill is in a strong financial position. However, like most municipalities in Ontario and across the country, the City has been facing increasing financial pressures associated with increasing costs, aging infrastructure, and limited tools available to fund both growth- and non-growth-related projects. Despite these challenges and pressures, the City has historically been fiscally efficient, with affordable tax and rate increases, and no use of debt to date. While the City does not currently use debt, it maintains a strong Corporate Debt Policy and the available room within both the Provincially mandated and municipally imposed debt limits will allow the City to take on strategic investments while avoiding sudden tax rate spikes. The City also manages its expenditures through maintenance of a number of reserves at healthy levels. The City has also remained on top of its asset management needs, with funds dedicated for this purpose through continued use of the CAS levy.

C. KEY MODEL FINDINGS

The FMP Fiscal Impact Model provides a financial forecast for Richmond Hill based on the City's current operating budget, capital budget and 9-year forecast, development forecasts based on the most recent DC background study, and other relevant documents as well as existing financial policies and practices. It is noted that the Fiscal Impact Model does not

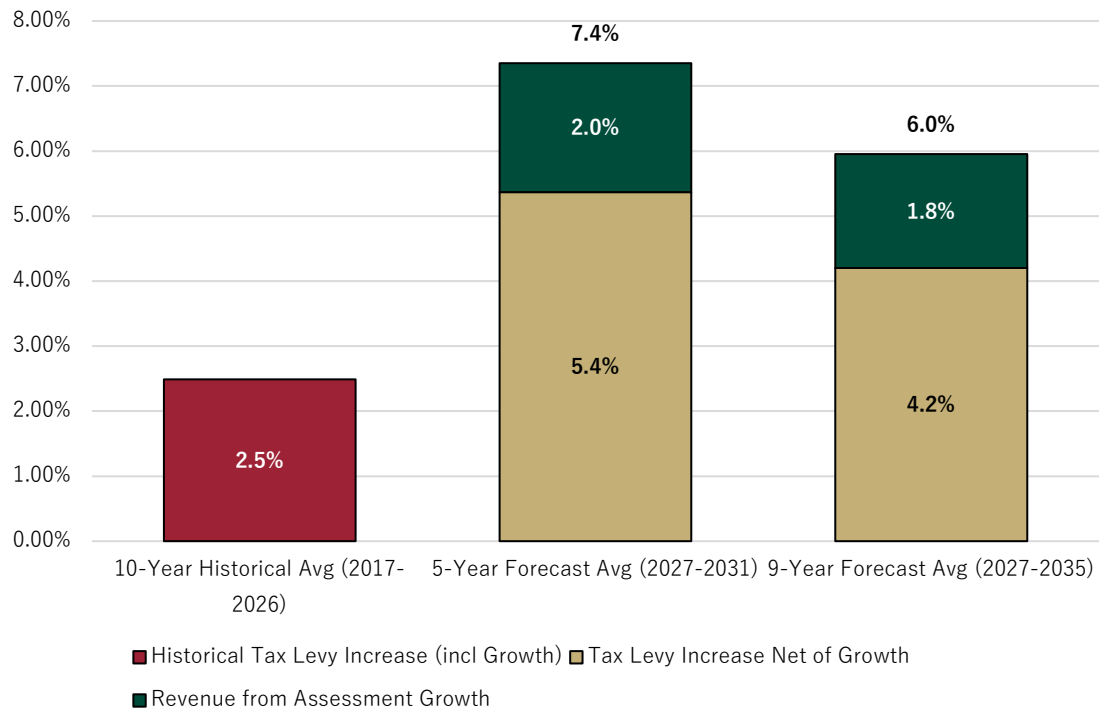
currently consider inflation; as such, all costs in this report are represented in constant 2026 dollars.

The outputs of the Fiscal Impact Model reflect the scale of the City's 2027-2035 capital forecast, which represents a capital spending rate of 1.8 times the 2026 capital budget and 3.6 times the City's 5-year historical annual capital expenditures (in constant 2026 dollars). In order to achieve implementation of the capital forecast while managing tax rate spikes as much as possible and maintaining adequate reserve balances, significant debt financing has been introduced in the Fiscal Impact Model.

As shown in Figure 1, the resulting forecast annual tax levy increases are expected to exceed historical increases over the 10-year period. Over the first five years of the forecast period, annual tax levy increases are projected to average 7.4 per cent (5.4 per cent net of assessment growth). Over the longer term to 2035, the increases are slightly lower on average, at 6.0 per cent annually (4.2 per cent net of assessment growth). This includes continued provisions for the annual Capital Asset Sustainability (CAS) levy increases at 1.5 per cent, as per current practice, to fund the City's asset management needs.

It is recognized that the City's capital forecast does not represent a sustainable level of spending, and will be refined over time through its annual capital budgeting processes. A reduction in the scale of the capital program would be necessary to mitigate the forecast tax levy increases as well as reduce the need to take on debt over the course of the forecast period. The Fiscal Impact Model can be used by staff on an ongoing basis to model the impacts of any significant changes to the City's budgets.

Figure 1 – Historical vs. Forecasted Average Real Tax Levy Increase



Note: 2009 to 2023 based on FIR, 2024 based on City's actuals. 2025 and 2026 based on budget. All values adjusted to constant 2026 dollars.

D. POLICY RECOMMENDATIONS

The FMP policy recommendations are based on the findings of the Fiscal Impact Model, as well as a review of the City’s existing policies and prevailing practices. Key policy recommendations are summarized as follows:

- Consider the Strategic Use of Debt Financing for Major Capital Investments:** While Richmond Hill has a strong Corporate Debt Policy and maintains internal debt financing limits, the City does not currently use any external debt financing. The City should consider the use of debt for strategic growth-related projects within long benefitting horizons to allow the City to implement these initiatives while managing annual cash flow and maintaining service levels as the population grows. Further, this would improve intergenerational equity by matching the long-term benefits of these projects with long-term cost recovery. The City may also consider debt funding critical state-of-good repair needs, as appropriate, to address the infrastructure gap while managing CAS levy increases.
- Establish a Reserve and Reserve Fund Policy:** Richmond Hill maintains a number of capital and operating reserves to help smooth out expenses, surpluses, and

deficits related to various accounts. While maintenance of these reserve and reserve funds is guided by individual by-laws, the City does not currently have an overarching reserve and reserve fund policy in place. It is recommended that the City consolidate its existing by-laws into a Reserve and Reserve Fund Policy establishing overall guidelines related to the maintenance of reserves, including considerations for ongoing financial stabilization and appropriate reserve levels by reserve type. The FMP Fiscal Impact Model will serve as a valuable tool to monitor overall reserve levels on an ongoing basis.

- **Consider Increasing the CAS Levy to Meet Asset Management Needs:** The City currently increases its Capital Asset Sustainability (CAS levy) on an annual basis, based on a 1.5 per cent tax rate equivalent. Proceeds from the CAS levy are used to fund state-of-good repair projects. To implement the City's current 10-year capital plan and most recent Asset Management Plan, the FMP Fiscal Impact Model calculates that in order to maintain the CAS levy increases at 1.5 per cent, nearly \$380 million in debt financing is required over the forecast period to 2035. Without debt financing, a CAS levy increase to 7 per cent would be required to fully fund the state-of-good-repair capital program. In the absence of debt financing or alternative revenue sources, reserves would be depleted given the capital needs. It is recommended that the City consider an incremental CAS levy increase to 3 per cent, coupled with prioritization of state-of-good repair projects and the identification of projects that may be delayed beyond the 2035 horizon, as well as debt financing where needed to undertake critical works. The CAS levy increases could then be re-examined at the time of the City's next Asset Management Plan update in 2030.

E. CONCLUSIONS

The FMP process has resulted in a comprehensive understanding of the City of Richmond Hill's current and forecast financial position, how its current financial policies and practices are performing, and how fiscal policies can be used to support the City's long-term financial sustainability. The Fiscal Impact Model will be an important tool to support continued efforts toward long-term fiscal sustainability.

While the intention of the model is not to replace the City's annual budgeting processes, it can inform any long-term financial planning decisions. A comprehensive update of the model generally should be undertaken approximately every five years. The model allows for sensitivity testing, without the need for a comprehensive update, on an as-needed basis.

1. INTRODUCTION

The City of Richmond Hill engaged Hemson to assist in the development of a Financial Master Plan (FMP). This report is one of the key deliverables as part of the FMP. It provides an assessment of the financial health of the City in the context of its demographic and economic environment, municipal financial benchmarks, and current spending and revenues. The results of a 10-year financial forecast are presented and discussed, incorporating the City's 10-year capital budget and forecast, master servicing plans, asset management plan, DC study and other relevant documents. Finally, guidance is provided related to the City's financial policies and practices.

A. STUDY BACKGROUND AND CONTEXT

The City of Richmond Hill has experienced rapid population and employment growth over the last few decades, with more gradual but steady growth in recent years. The City's current population is estimated at approximately 224,000, and based on current and projected trends is anticipated to reach 260,000 in the next 10 years (by 2035).

Richmond Hill has a stable and diverse economy with employment growth anticipated to remain stable into the future. Employment associated with non-residential building space in the City is currently estimated at approximately 68,000. Over the 10-year planning period to 2035, employment is expected to reach approximately 75,000.

Richmond Hill is a lower-tier municipality within York Region. Within its two-tier government structure, the City of Richmond Hill is responsible for the delivery of certain local services. These include fire and emergency services, libraries, parks and recreation, public works, transportation and snow clearing, waste management, local water, wastewater, and stormwater management services, infrastructure repair and replacement, maintenance of City facilities, City planning and development services, by-law and compliance and building standards. To plan for these services, the City undertakes a detailed annual budgeting process.

The City has strong fiscal policies in place and has remained fiscally sustainable through increasing financial pressures. As the City continues to evolve and mature, and both development-related and infrastructure renewal needs grow, this comprehensive review of the Richmond Hill's current and forecasted financial position will support continued financial health and sustainability. The City launched the FMP study to assess the following:

- Long-term financial health and sustainability;

- Financial impact of growth and development;
- Prioritization of program and infrastructure needs;
- Impact of service level changes;
- Funding requirements for infrastructure replacement needs;
- Demonstration of the need for financial policy changes; and
- Guide Council on fiscal best practices and strategic decision-making.

The objective of the FMP is the development of a long-term plan that is a living document, made up of two key deliverables:

1. Financial Master Plan (this report)

- Focus on financial viability, management, flexibility and sustainability;
- Identification of measurable goals, targets and objectives;
- Overview of financial history and current status;
- Overview of key model findings (10-year forecast);
- Identifications of risk, challenges and opportunities; and
- Key directions and policy recommendations to guide the City toward financial sustainability.

2. Fiscal Impact Model

A tool for staff to:

- Assess the current financial position of the City;
- Forecast the future financial position of the City over the next 9 years (or more);
- Identify overall capital and operating needs;
- Assist in the annual budgeting process;
- Undertake sensitivity testing to understand the impact of major new initiatives, changes or scenarios; and
- Provide information and data for ongoing updates to the FMP.

Both deliverables are living documents that build upon the past and future long-term planning of the various City departments. The model may be updated every three to five years by City staff to account for actual outcomes and Richmond Hill's changing economic and fiscal environment. Similarly, this report may be updated every three to five years to reflect changes as a result of various economic impacts on the long-term plan.

B. THE FMP SUPPORTS FINANCIAL SUSTAINABILITY OBJECTIVES

The FMP will be used by staff and senior management to examine, in financial terms, the strategic priorities of Council to assist them in making informed decisions. The FMP tools will allow the City to identify fiscal pressure points and assist in developing, and testing, strategies to achieve Council's priorities and objectives. In this regard, consideration for Richmond Hill's complete fiscal position is included as part of the FMP so that the financial sustainability of the City can be examined over a longer timeframe than the annual budget cycle. All tax supported capital and operating cost impacts are analyzed.

The FMP provides tools for the City to measure, monitor and achieve long-term financial targets and objectives. In this way, the City can make financial decisions in the context of their effects on long-term asset management, the adequacy of reserve funds, debt levels and debt capacity, and property tax rates. A key component of the FMP is a comprehensive Fiscal Impact Model, developed in Excel, and designed for use by City staff in subsequent years.

The timing of the FMP is prudent as it builds upon important work completed by the City in recent years, and is being completed in advance of significant anticipated growth and development.

C. KEY GUIDING DOCUMENTS, STUDIES AND POLICIES

The basis of the FMP is a detailed review of municipal financial documents, including but not limited to the following:

- 2026 consolidated capital and operating budgets and forecasts;
- 2024 Development Charges Background Study;
- Parkland Dedication and Payment-in-Lieu reports and policies;
- 2022 Community Benefits Charge Strategy;
- 2025 Asset Management Plan and related data;
- Financial information returns;
- Other existing financial policies and practices (including debt, funding of asset lifecycle costs, etc.); and
- Financial Sustainability Strategy and other relevant staff reports.

D. REPORT STRUCTURE AND CONTENT

Following this introduction, the FMP Report is divided into the following sections:

- **Section 2** presents the demographic and economic context, including forecast of residential and non-residential growth to 2035; the City's current fiscal position, taking into account a range of key financial indicators; and a preliminary assessment of strengths, weaknesses, opportunities and threats;
- **Section 3** provides an overview of the FMP Model and main assumptions;
- **Section 4** presents the various outputs and key findings of the model;
- **Section 5** includes a review of key policies and recommendations; and
- **Section 6** concludes with a high-level overview of the key takeaways from the FMP process and next steps.

2. THE CITY'S OVERALL FINANCIAL POSITION

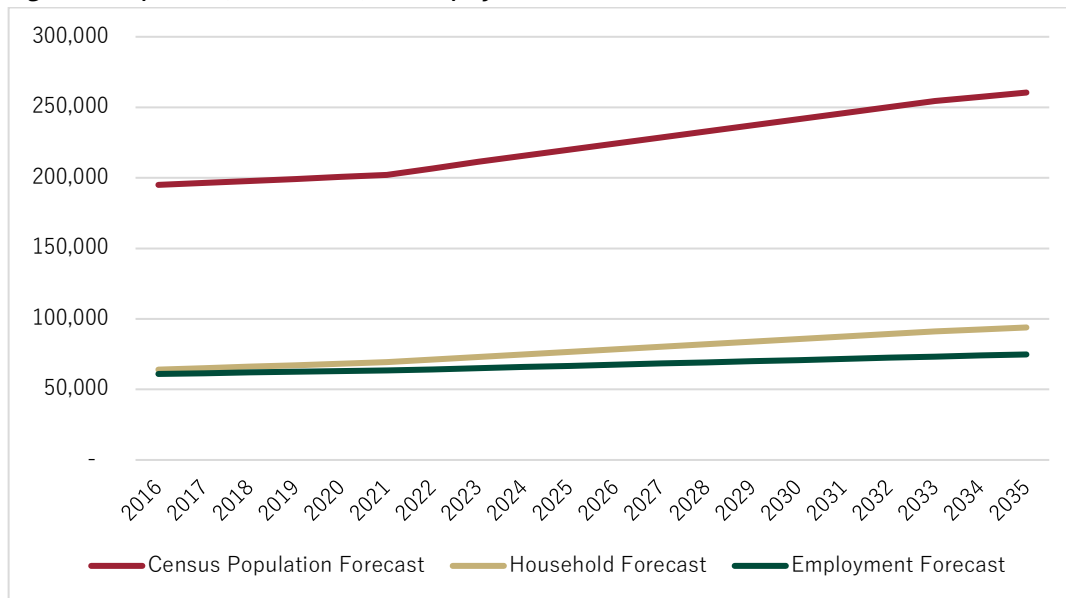
This section provides context regarding the forecast of residential and non-residential growth, the City's current fiscal position, taking into account a range of key financial indicators, and a preliminary assessment of strengths, weaknesses, opportunities, and threats.

A. RESIDENTIAL AND NON-RESIDENTIAL GROWTH FORECAST

The City of Richmond Hill has experienced steady population growth and development in recent years, with Census population growth of approximately 9 per cent between 2011 and 2021. The City expects similar trends to continue over the next 10 years.

As seen in Figure 2 below, the City anticipates steady population, household and employment growth to continue over the 10-year FMP planning period to 2035. Richmond Hill's population is expected to grow to approximately 260,000 by 2035, from an estimated 224,000 in 2026. Employment associated with non-residential building space is anticipated to reach nearly 75,000, up from the current estimated 68,000. The City is also expected to add 15,000 new households to its current 79,000, reaching 94,000 dwellings in 2035.

Figure 2 - Population, Households, and Employment to 2035



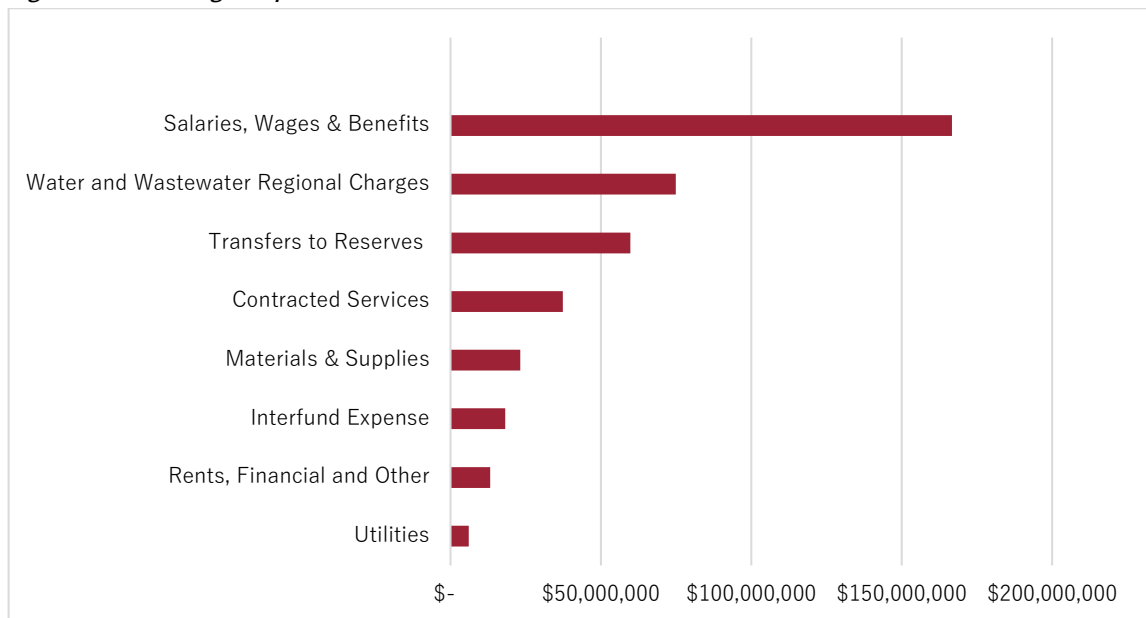
B. CURRENT FISCAL POSITION

This section provides a general overview of the City of Richmond Hill’s current fiscal position, including revenues and expenditures along with key financial indicators of the FMP model. While the City is in a strong financial position, as it continues to mature and the nature and type of development evolves, it is an appropriate time to undertake a comprehensive financial impact assessment, including an examination of current policies and practices.

i. 2026 Budget: Revenues & Expenditures

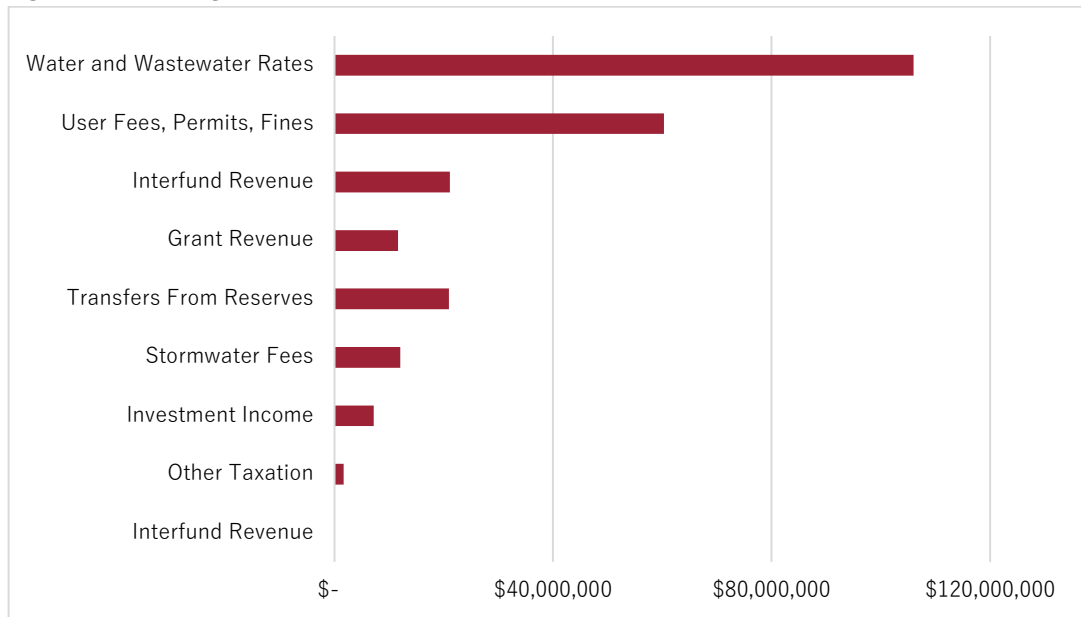
Figure 3 provides the City’s breakdown of 2026 total expenditures by expenditure type, including both the tax- and rate-supported budgets. As is common in most municipalities, the largest component of the City’s expenditures is attributed to salaries, wages and benefits. This represents 42 per cent of the City’s total expenditures of \$399.5 million in 2026.

Figure 3 - 2026 Budget Expenditures



Like most municipalities, the City derives the largest share of its revenue through property taxation, which totals approximately \$158.5 million in 2026. The remaining revenues, as shown in Figure 4, total \$240.9 million. This includes \$118.0 million in water, wastewater, and stormwater rate revenues, representing 49 per cent of the total. User fees, fines and permit revenue across various departments totals \$60.3 million or 25 per cent. Grants and subsidies total \$11.6 million, or 5 per cent of total non-tax revenues.

Figure 4 - 2026 Budget Non-Tax Revenues



ii. Key Financial Indicators

The following provides a brief overview of Richmond Hill’s financial position compared to other similar municipalities of relative size and location.

a) Tax Affordability

Table 1 depicts total residential taxes per capita and non-residential taxes per employee across comparable GTA municipalities, based on 2021 Financial Information Return (FIR) data in order to align with the available 2021 Statistics Canada Census data. Both lower-tier and upper-tier taxes are included. The City of Richmond Hill’s total residential taxes of \$1,378 were relatively in line with, but slightly above the average of roughly \$1,266 per capita across the municipalities reviewed. The City’s total non-residential taxes of \$508 per employee are below the estimated average of \$690 per employee across the municipalities reviewed. When comparing to the other York Region municipalities, residentially Richmond Hill’s taxes are slightly higher than both Vaughan and Markham, while non-residentially Richmond Hill’s taxes are slightly lower than those neighbouring municipalities.

The reasoning behind differences in property taxes across municipalities is complex and cannot be easily explained. Tax levels are a function of numerous factors including service provided, service levels, state-of-good repair needs, assessment values, tax ratios, and many others. Richmond Hill’s tax levels are well within the GTA norms and reflect the City’s strong financial policies and practices.

Table 1 - Taxes per Capita and Employee (2021): Select GTA Municipalities

	Residential Taxes per Capita			Non-Residential Taxes per Employee		
	Lower-Tier	Upper-Tier	Total	Lower-Tier	Upper-Tier	Total
Richmond Hill	\$551	\$827	\$1,378	\$157	\$352	\$508
Vaughan	\$484	\$827	\$1,311	\$236	\$352	\$587
Markham	\$392	\$827	\$1,218	\$165	\$352	\$517
Mississauga	\$486	\$573	\$1,059	\$365	\$410	\$775
Brampton	\$595	\$573	\$1,169	\$495	\$410	\$905
Oakville	\$795	\$585	\$1,380	\$356	\$343	\$700
Burlington	\$762	\$585	\$1,347	\$497	\$343	\$840
Average	\$581	\$685	\$1,266	\$325	\$366	\$690

Source: Financial Information Return (FIR), 2021; Statistics Canada, 2021

b) Residential and Non-Residential Shares of Weighted Assessment

Non-residential development is typically subject to higher tax rates than residential development, and as such can help to absorb tax levy increases and minimize their impact on residential property owners. Richmond Hill’s non-residential share of weighted assessment, at 10%, is lower than the average of 20% across the select GTA municipalities, as shown in Table 2, though more comparable to neighbouring Markham at 16%. This reflects slightly lower activity rates as well as non-residential taxes. As a result, Richmond Hill is slightly more reliant on the residential tax base than other municipalities which may make it more difficult to absorb significant tax levy increases.

It is noted that non-residential development markets are complex and it would be difficult for the City to undertake any meaningful action to increase the non-residential share of weighted assessment. Further, with relatively low non-residential tax ratios of approximately 1.3 times the residential rate in York Region’s municipalities, the positive financial impact of increasing the non-residential tax base in the City would be relatively minor compared with the municipalities surveyed outside of York Region, where non-residential tax ratios are 2 or more times the residential rate. As such, this information is intended only to highlight pressures on the residential tax base that are largely outside of the City’s control.

Table 2 – Residential and Non-Residential Share of Weighted Assessment (2023): Select GTA Municipalities

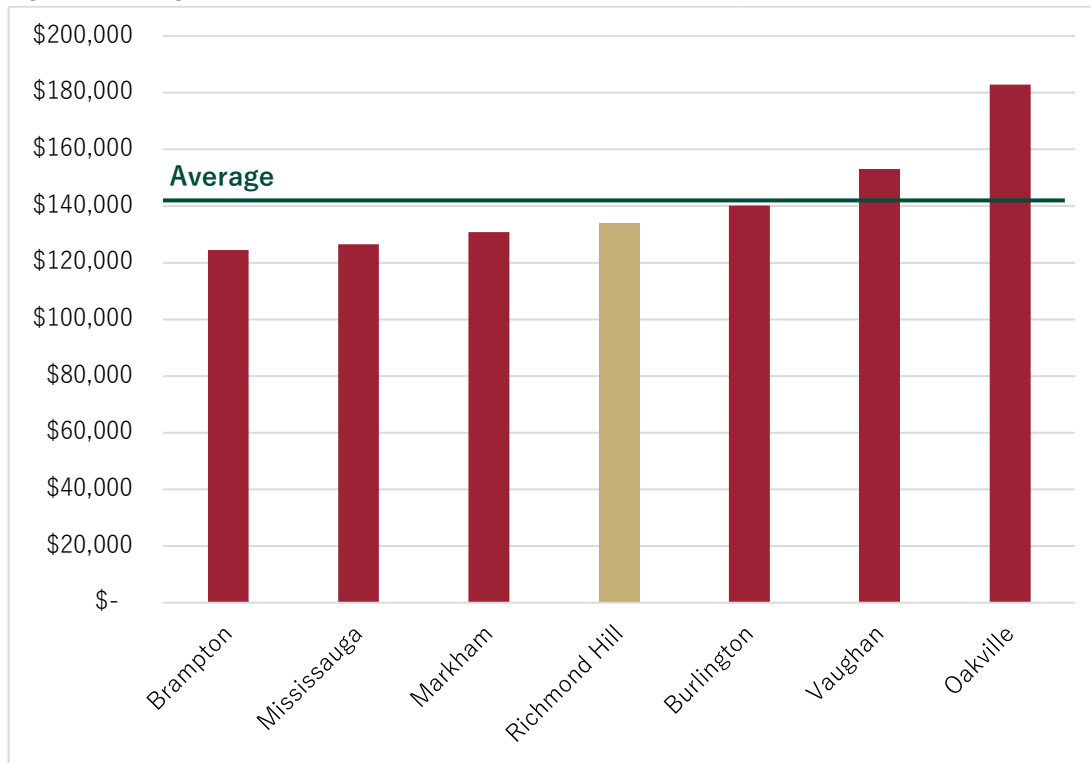
	Residential	Non-Residential
Richmond Hill	90%	10%
Vaughan	76%	24%
Markham	84%	16%
Mississauga	70%	30%
Brampton	80%	20%
Oakville	84%	16%
Burlington	79%	21%
Average	80%	20%

Source: Financial Information Return (FIR), 2023

c) Household Income

Figure 5 presents a comparison of average household income across several GTA municipalities using 2021 Census data on the average total income of households in 2020. Richmond Hill’s average household income of \$134,000 was in line with, and marginally below the average of the municipalities reviewed (approximately \$141,700). Compared to the neighbouring York Region municipalities, household income in Richmond Hill is lower than that of Vaughan but slightly higher than Markham.

Figure 5 - Average Household Total Income (2020): Select GTA Municipalities



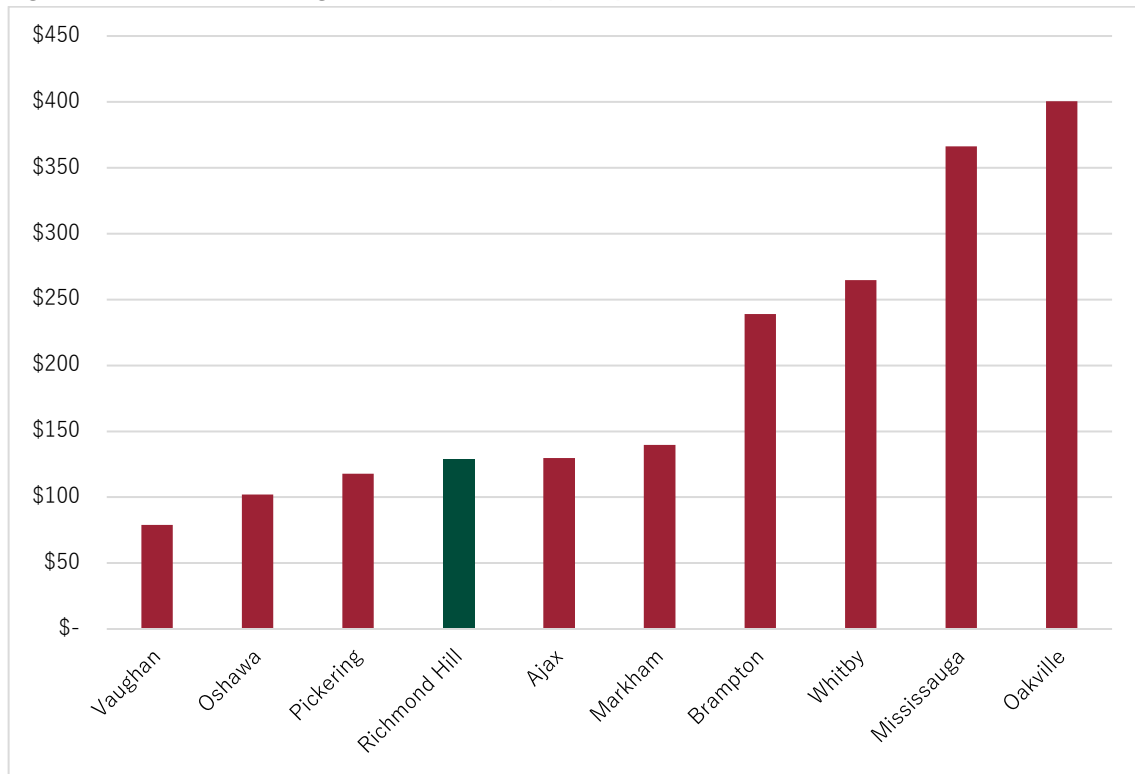
Source: Statistics Canada 2021

d) Asset Management Contributions

Asset management contributions are required over the long-term to maintain the regular repair and replacement of municipal infrastructure and assets. Figure 6 shows annual tax funded capital contributions for state of good repair per capita (plus rate funded stormwater)¹. Based on 2025 budget information, the City of Richmond Hill’s annual contribution of about \$129 per capita is on the mid- to lower- end of comparable Ontario municipalities. This may, in part, reflect newer infrastructure as compared with other municipalities. Richmond Hill’s state of good repair investment needs will likely grow in future years, as reflected in the City’s capital forecast and Asset Management Plan.

¹ Stormwater rate funded contributions are included to compare with municipalities that fund stormwater through taxation.

Figure 6 – Annual Asset Management Contributions per Capita



Source: 2025 Municipal Budgets and Associated Documents (Operating Budgets, Reserve Overviews, Asset Management Plans, etc.)..

Note: Best efforts have been made to ensure comparability across municipalities. Contributions reflect best estimates of tax funded transfers to capital asset management reserves including reserves for non-DC eligible shares of growth projects.

e) Debt

The City of Richmond Hill does not currently use any debt, and has significant debt capacity available. As shown in Table 3, on average, the municipalities reviewed used 10 per cent of the Provincial limit of 25 per cent of own source revenues, and total debt charges represent an average of 2.4 per cent of own source revenues (excluding grants).

Table 3 - Use of Debt (2023): Select GTA Municipalities

	Total Debt Charges as % of Own Source Revenue	Debt Capacity Used (% of Provincial Limit)
Richmond Hill	0.0%	0%
Vaughan	1.2%	5%
Markham	0.2%	1%
Mississauga	5.0%	20%
Brampton	1.5%	6%
Oakville	2.6%	10%
Burlington	6.3%	25%
Average	2.4%	10%

Source: Financial Information Return (FIR), 2023

C. SWOT ANALYSIS

This section provides a summary of some of the key strengths, weaknesses, opportunities and threats considered as part of the development of the LRFP.

i. Strengths

- Central location within the GTA
- High rates of immigration; steady population and employment growth
- Well-developed transportation network with major highways, and an improving transit network
- Fiscally prudent with strong fiscal policies, low debt levels, and healthy reserves
- Competitive non-residential taxation levels
- Tax funded capital financing through an infrastructure levy provides more consistent funding for state of good repair
- Commitment to full cost recovery for water, wastewater and more recently stormwater services

ii. Weaknesses

- Fiscal pressure to maintain assets in state of good repair – significant infrastructure gap identified for tax funded services in 2025 AMP
- Relatively low non-residential assessment base
- Lack of freight rail infrastructure which can limit attraction of employment land (industrial) development

iii. **Opportunities**

- Opportunity to introduce debt funding for strategic projects to support intergenerational equity while controlling debt levels through updated debt management policy
- Significant available debt capacity can also provide flexibility and resiliency in the event of an unforeseen financial crisis or shock
- City's good fiscal practices can be formalized into a reserve and reserve fund policy to ensure commitment for long-term state of good repair needs
- Multiple highway accesses provide significant economic opportunities

iv. **Threats**

- Ongoing Provincial legislative changes, including new limitations on development charges, will impact growth funding tools (less revenue) putting pressure on property tax and utility rates
- Increasing transportation congestion
- Competition from similarly positioned GTA municipalities
- Increasing asset management obligations
- Significant needs identified through 10-year capital plan that are higher than historical spending levels

3. FISCAL IMPACT MODEL AND KEY ASSUMPTIONS

This section provides an overview of the Fiscal Impact Model as well as the main assumptions used in completing the analysis. The Fiscal Impact Model provides estimates over a 10-year horizon, extending from 2026 to 2035. The City’s 2026 capital & operating budgets and 9-year capital forecast inform the capital and operating forecasts included in the analysis.

The intention of the FMP is not to represent a proposed budget for the City. Rather, it is a forecast based on the capital and operating program needs anticipated at this time.

A. ALL TAX SUPPORTED PROGRAMS ARE INCLUDED

The financial model includes capital and operating estimates for all tax- and rate-supported services which have been categorized for modelling purposes. While the model categories may differ slightly from the annual budget, the categories are intended to better align with forecast growth assumptions and are service based. The categories are as follows:

- Mayor and Council Offices
- Corporate and Financial Services
- Fire, Emergency and Protection Services
- Library Services
- Parks
- Recreation
- Roads and Related
- Building Services
- Waste Management
- Stormwater
- Wastewater
- Water
- Planning Services
- Development Engineering
- COR Admin
- IES Admin
- OCM Admin

B. THE FMP FINANCIAL FORECAST IS DERIVED FROM A SERIES OF PRICE AND VOLUME DRIVERS

The City’s 2026 operating budget forms the basis of the operating forecast. Beyond 2026, the application of a series of price and growth or volume drivers are used to inform the analysis. Generally, the growth forecast informs the volume drivers and include growth in population, employment, households, or some combination thereof. Volume drivers also include “capital induced operating” impacts: where new facilities, vehicles, or infrastructure are planned through the capital forecast, an operating impact is incorporated into the model to account for additional staffing needs, maintenance costs, and other operating costs.

The model includes price drivers, allowing for costs to be increased beyond inflation and volume drivers. However, these price drivers are currently not being applied in the model (set to zero) as the analysis is undertaken in constant 2026 dollars.

The Fiscal Impact Model allows for easy adjustment of all price and volume drivers, as needed.

C. WATER, WASTEWATER AND STORMWATER SERVICES ARE FULLY FUNDED FROM RATES

These services will continue to be funded fully through the City's water, wastewater and stormwater rate revenue and are not funded through taxation. The model assumes that the City would continue to adjust utility rates to meet full-cost recovery under any incremental increases to the costs of operating these systems, following the principles of the City's approved 2024 Water and Wastewater Financial Plan, and the 2024 Stormwater Management Financial Plan, which includes recommendations to increase rate-supported capital reserve fund contributions.

D. INFLATION IS EXCLUDED FROM THE MODEL

The financial forecast does not currently consider inflation; all costs are in constant (2026) dollars. The model allows for the easy addition of a constant inflation rate, if required. Even at a moderate inflation rate of 2 per cent, the cumulative impact of inflation on costs would be significant. Inflation will have a corresponding effect on the assessment base and resulting property tax revenue.

E. THE CAPITAL FORECAST INCLUDES GROWTH-RELATED CAPITAL AND PROVISIONS FOR CAPITAL RENEWAL AND REPLACEMENT

The capital forecast focuses on both growth-related capital and provisions for capital renewal and replacement over the next 9-year period, based on the City's 2027-2035 capital forecast. Funding for the capital program is provided from a combination of development charges, community benefits charges, parkland dedication or cash-in-lieu, the City's various capital reserves and reserve funds, grants and other contributions, and the introduction of long-term debt.

F. THE FORECAST IDENTIFIES THE NEED FOR FUTURE DEBT FINANCING

Debt financing has been assumed over the forecast period to ensure that capital projects can be undertaken when they are needed based on the capital program and to ensure that reserve levels and tax rates remain stable over the forecast period. For the analysis debt financing has been assumed over a 20-year term at 4.5% interest rate.

G. ASSESSMENT IS FORECAST IN RELATION TO GROWTH IN NEW HOUSING AND NON-RESIDENTIAL FLOOR SPACE

Forecasted assessment increases in the City are in relation to the growth forecast as per the City's most recent DC Background Study with adjustments to the initial years of the forecast. The assessment forecast is prepared for each property class so that the appropriate weighting and discount factors are applied. Only net taxable assessment is included in the forecast.

The assessment of new buildings tend to have higher values than existing buildings, and therefore the assessment value assumptions are based on the average of a sample of buildings constructed over the past five years. The basis of the residential forecast is average assessed values for new dwellings by type (e.g. singles and semis, multiples and apartments). The average assessed value per square metre of new building space by property type (e.g. Industrial, Retail Commercial, Non-Retail Commercial, Institutional) are the basis of the non-residential forecast.

The assessment forecast does not account for market value changes over time, reflective of the approach in the financial forecast based in constant 2026 dollars, although the model allows for easy adjustment of assessment values as needed. It is also recognized that the Province has postponed re-assessments for an indefinite period of time and continue to reflect phased-in 2016 assessment values, which was the time of the last Provincial re-assessment.

4. KEY MODEL FINDINGS

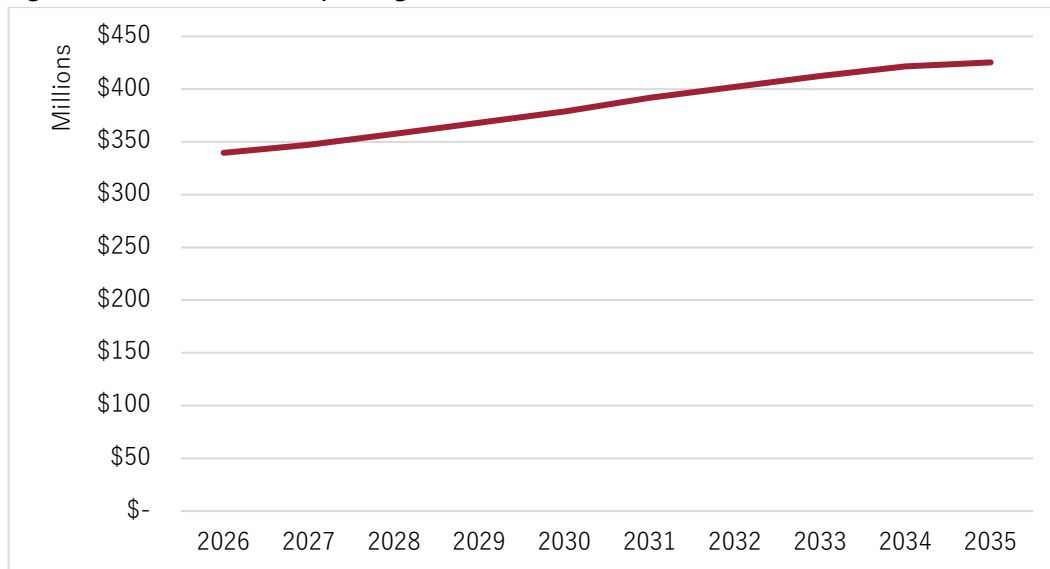
This section summarizes the outputs of the Fiscal Impact Model, including:

A.	Operating Expenditures
B.	Capital Forecasts
C.	Reserves and Reserve Funds
D.	Debt Management
E.	Assessment Growth
F.	Taxation Forecast
G.	Non-Tax Revenues
H.	Rate Requirements

A. OPERATING EXPENDITURES

Figure 7 provides a summary of the annual forecast of gross operating costs for the 2026-2035 period, with the first year of the forecast in 2027. In summary, general operating costs amount to about \$339.6 million in 2026 growing to about \$425.4 million by 2035. This increase is attributed to continued growth in the City over the forecast period and the corresponding increase in costs to maintain services.

Figure 7 – Forecast of Gross Operating Costs



Note: General operating costs include cost such as Salaries, Benefits, Contracted Services, Utilities (Electricity, Natural Gas & Water), Materials and Supplies, Rents and Financial Expenses, Interfund Expenses, Water and Wastewater Regional Charges. Excludes debt payments and transfers to/from reserves.

B. CAPITAL FORECAST

Like many municipalities, Richmond Hill has a detailed capital plan in place for a 10-year period from 2026 to 2035, while less information is available regarding longer-term servicing needs. The City's capital budget includes both growth and non-growth related capital projects.

Many municipalities in Ontario, including Richmond Hill, impose development charges to pay for growth-related infrastructure. The Development Charges Act provides the authority to impose these charges and provide strict limitations on their calculation. The City manages spending of this growth-related capital through its development charge reserve funds. In addition to development charges, funding sources for growth-related capital includes community benefits charges, parkland dedication and cash-in-lieu, grants, tax sources for non-development charge eligible shares of projects and developer contributions.

For non-growth related capital, the City utilizes its reserves and reserve funds to ensure capital can be undertaken when needed. These reserves and reserves funds are funded from various sources including taxation, utility rates, the Capital Asset Sustainability (CAS) levy, and other tax funded contributions to reserves.

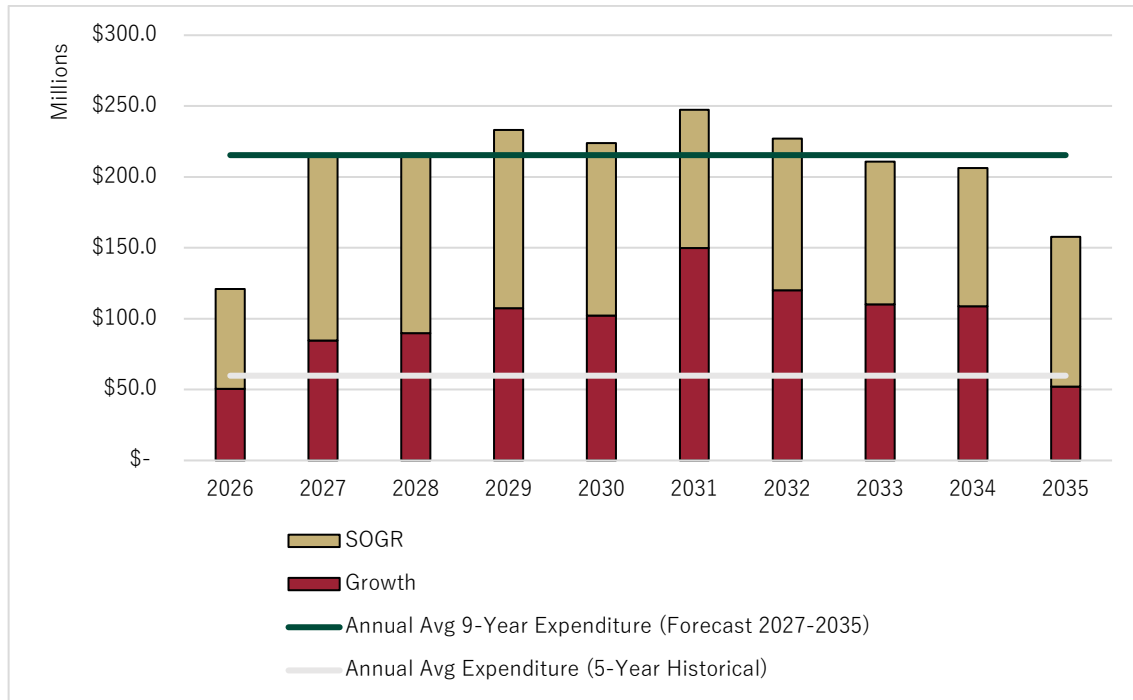
The total capital expenditure forecast is \$2.06 billion for the 2026-2035 period.² Figure 8 outlines the annual growth and state-of-good-repair capital expenditures for the planning period. There are some key observations:

- Historically, the City's annual capital expenditure has averaged \$59.8 million (2020-2024, in constant 2026 dollars). For 2026, the total capital program projection amounts to about \$121.1 million. This is in contrast to expected expenditures averaging \$215.4 million annually from 2027 to 2035, representing annual spending of nearly 1.8 times the current budget and 3.6 times the 5-year historical annual capital expenditures.
- A significant portion of the capital program is related to growth and expected to be largely funded from development charges and other growth funding tools. This also includes growth-related capital not eligible for development charge funding. This

² Includes parkland acquisition costs in addition to the City's 2026-2035 capital forecast, as shown in Figure 8.

amounts to about \$975.9 million or nearly half of the total capital program of \$2.06 billion.

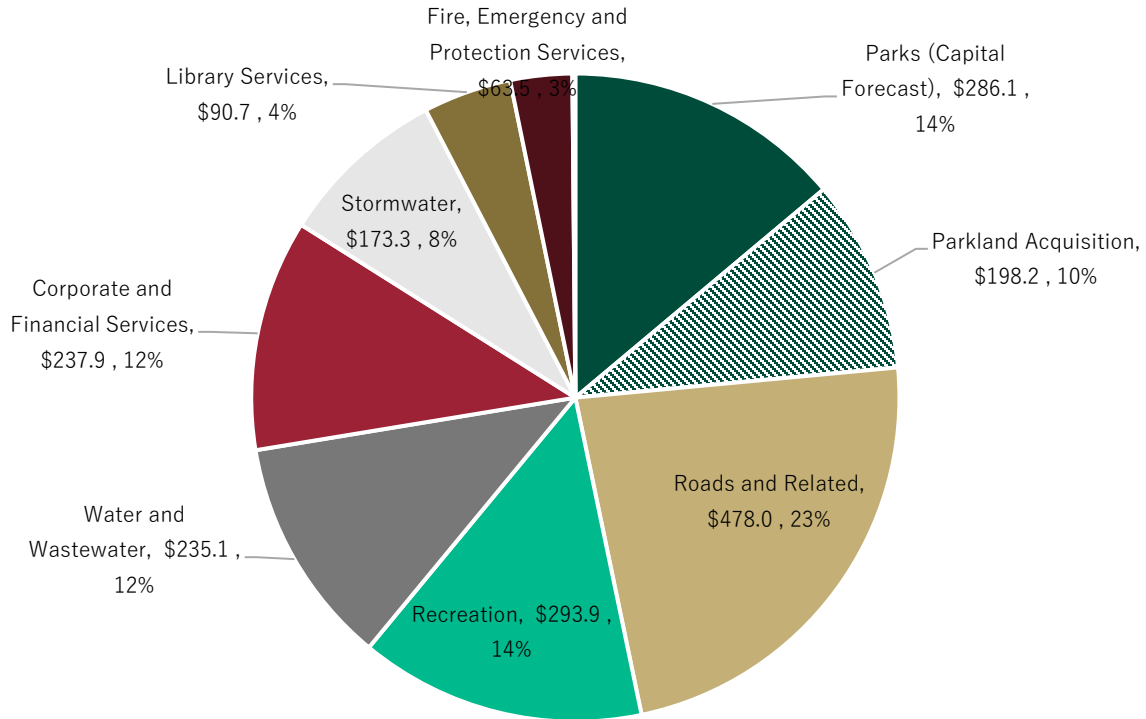
Figure 8 – Forecast of Capital Expenditures (Growth and State of Good Repair)



Note: Growth also includes shares of growth-related capital that is not eligible for development charge funding.

Figure 9 provides a breakdown of the 2026-2035 capital program by service. Parks capital spending represents the largest share, at \$484.3 million or 24% (including anticipated parkland acquisitions in addition to the 2026-2035 capital forecast), with Recreation accounting for another \$293.9 million or 14%. A large component is also attributed to Roads and Related services, at \$478.0 million or 23%.

Figure 9 – 10-Year Capital Program by Service (\$Millions)



Note: Parkland acquisition costs are included in addition to the City's \$1.9 billion 2026-2035 capital forecast. Corporate and financial services includes capital projects associated to facilities and IT which could are not categorized to a specific service area.

C. RESERVES AND RESERVE FUNDS

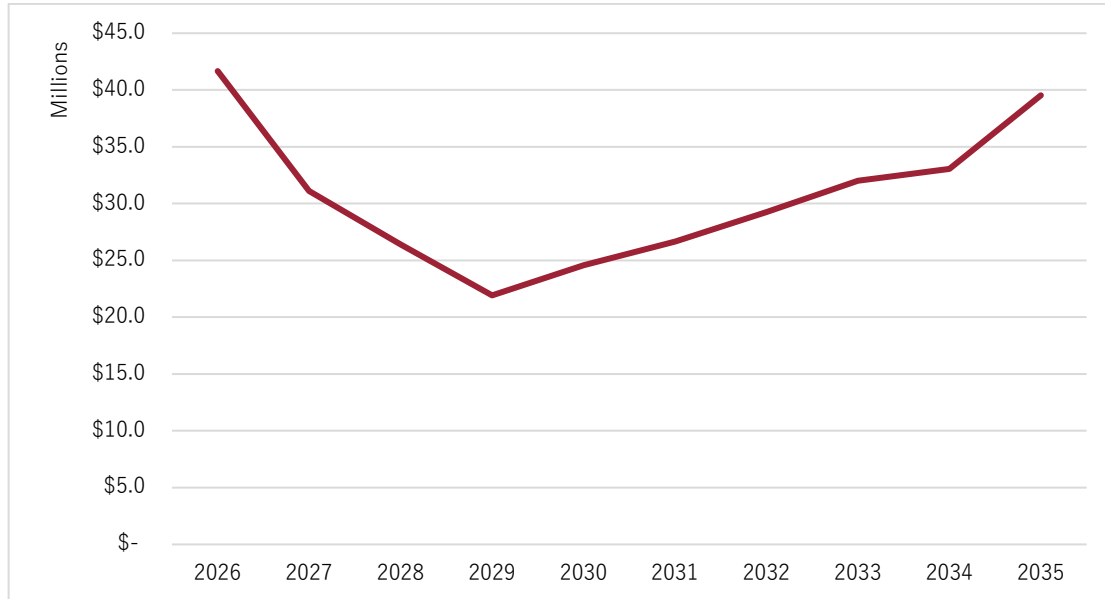
Given the capital expenditure needs outlined in section B and calculated contributions to reserves, a forecast of reserve balances has been undertaken. Reserves and reserve funds have been categorized consistent with the City's policies and to facilitate forecasting in the model. The following outlines a discussion on the outcomes for the major reserves the City manages.

Tax Supported Repair & Replacement Reserve Funds

This set of reserves includes the Infrastructure R&R, Transportation Network Repair, 225 EBC R&R, Capital Asset Continuity, and Cash to Capital reserves. Figure 10 shows the forecast of the Tax Supported R&R reserve fund ending balance to 2035. The estimated ending balance in 2026 amounts to about \$41.7 million, decreasing to about \$22.0 million by 2029, only recovering to current levels by 2035. The main driver of this trend is the City's state of good repair capital forecast and shares of growth-related projects that are non

eligible for development charge funding which creates fiscal pressures in the early years of the forecast.

Figure 10 – Forecast of Ending Balance for Tax Supported R&R Reserve Funds

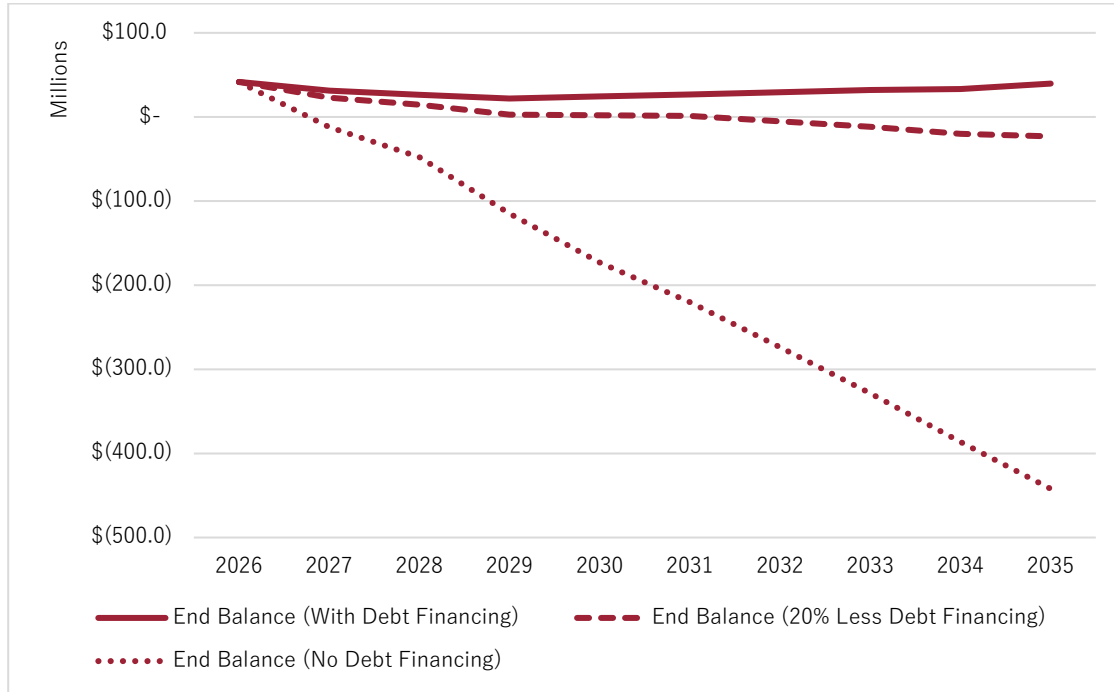


To achieve the outcomes presented in Figure 10, several considerations have been made:

- Funding for Tax Supported R&R Reserve Funds continues to be consistent with existing practices with budgeted transfers to reserves maintained at current levels. In addition this includes continuation of the prevailing annual CAS levy increases of 1.5 per cent, which over time build incremental funding for these reserve funds. The CAS levy continues to be the primary funding source for tax supported capital.
- Noting the continued need for the CAS levy, to maintain adequate reserve levels over the 10-year period, debt financing has been utilized. About \$377.3 million in tax funded debt financing has been assumed to maintain the reserve fund levels shown in Figure 10.
- As shown in Figure 11, if debt financing was to be reduced by 20% or about \$75.5 million, insufficient funding and financing would be available to undertake the tax funded capital needs to 2035, which would result in reserve funds being depleted by 2032. Alternatively, if no debt financing was utilized reserve funds would be depleted over the short-term.
- Figure 11 illustrates a notional reserve outlook, it would not be prudent for the City to undertake capital works above and beyond funding levels available. However, it is illustrative that without alternative funding sources, additional tax funding with debt

financing as a fiscal tool may be necessary to undertake the tax funded capital program. In the absence of these options, capital projects in the initial years of the capital program may need to be deferred.

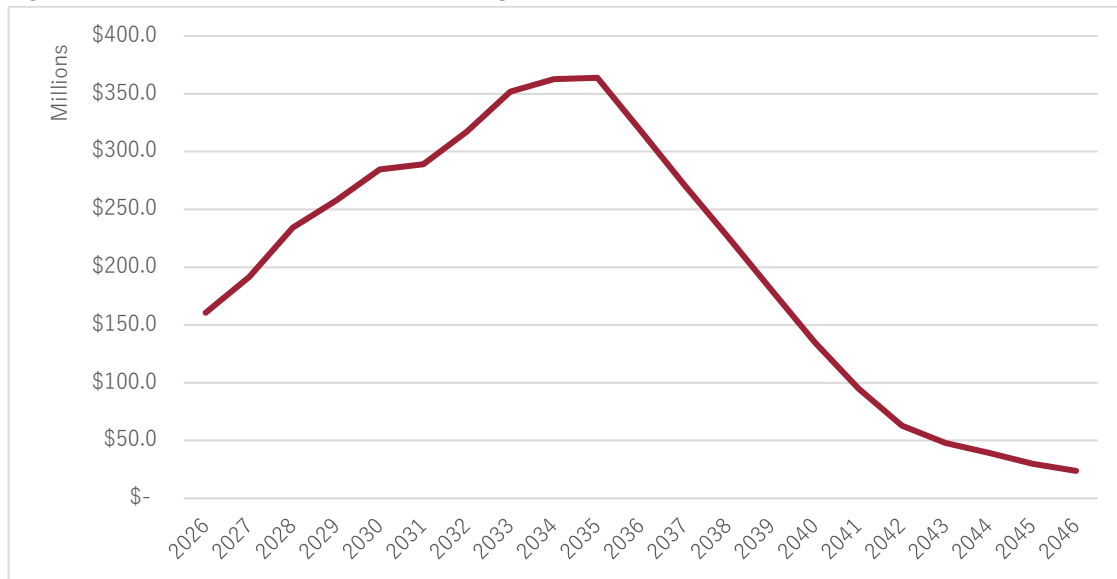
Figure 11 - Tax Supported R&R Reserve Funds - Debt Financing Scenarios



The City's growth-related capital program is largely made up of infrastructure needed to service new development which is largely funded from development charges. Development charge revenues are driven by the development forecast. Recognizing the timing of development, development charge collections and timing of capital is not necessarily aligned, the development charge reserve funds are considered over a longer time period of 20 years. DC revenues are expected to fund about \$654.0 million in the first 10-year period. Of this amount about \$345.1 million is assumed to be debt financed. Beyond the 10-year period provisions for growth-related infrastructure have also been assumed, noting that the needs are less certain at this time.

Figure 12 shows the cumulative development charge reserve fund balances. In the initial years reserve levels are projected to increase given development charge revenues and debt financing. However, over time DC reserves would begin to decline in order to service growth-related debt and future growth-related projects.

Figure 12 – Cumulative DC Reserve Fund Ending Balance over 20 Years



Note: Includes all City development charge reserve funds.

The City has identified significant parkland development and acquisition needs totalling about \$517.9 million over 20-years. This includes an additional \$440.4 million above and beyond the City’s projected capital budget parkland development projects to 2035 that have been identified through the City’s parkland studies. Given the magnitude of the parkland acquisition costs these costs have been assumed over a 20-year period requiring about \$126.8 million in debt financing to 2035. It is noted that given the projections additional debt financing may be needed beyond the 10-year planning period.

D. DEBT MANAGEMENT

Provincial regulations set limits on the amount of debt a municipality can carry to ensure continued operations in a fiscally sound manner. In Ontario, the Municipal Act mandates that a municipality’s annual debt repayment limit must not exceed 25 per cent of annual own-source revenues. The City of Richmond Hill also has its own debt limit of 10 per cent of own source revenue, and an additional limit for DC-funded debt equal to 25 per cent of the total development charges revenue projected in the City’s 10-year capital forecast.

While debt can fund a range of municipal costs, for equity purposes, it is best for projects that provide benefits over a longer timeframe to distribute the burden of capital costs between the current taxpayer and future ratepayers. Richmond Hill does not currently use debt financing. However, through the Fiscal Impact Model process it was determined that debt financing would be required over the 10-year forecast period in order to stabilize annual tax rate increases and balance against projected development charge revenues while meeting the increased spending needs associated with the City’s capital forecast.

Figure 13 provides the City’s’s total projected debt payments by 2035 for both tax/rate and growth-funded debt. By 2035, total debt payments would amount to \$59.8 million per year. The following observations can be made:

- Total debt payments are driven by the need to undertake capital over the 10-year forecast period. The capital needs are extensive; therefore \$377.3 million in tax-supported debt financing is assumed. A further \$21.5 million in stormwater funded internal financing is assumed for state-of-good-repair projects while an additional \$471.9 million in debt financing is assumed for growth-funded capital needed to ensure that the DC and parkland reserves remain in a positive position to 2035.
- By 2034, the City’s total debt payments would reach the City’s municipal debt limit of 10% of own source revenues and would exceed the limit by 2035, yet well below the Provincial limit of 25% of own source revenue and generally in line with many comparable municipalities’ current debt levels.
- The identified debt financing needs, representing the outlook of the capital program, amount to about \$870.7 million to 2035 at this point in time. Changes to the capital program to manage extensive projects or increased funding from other sources would result in changes to the need for capital financing.

Figure 13 – Forecast of Debt Payments vs Limits

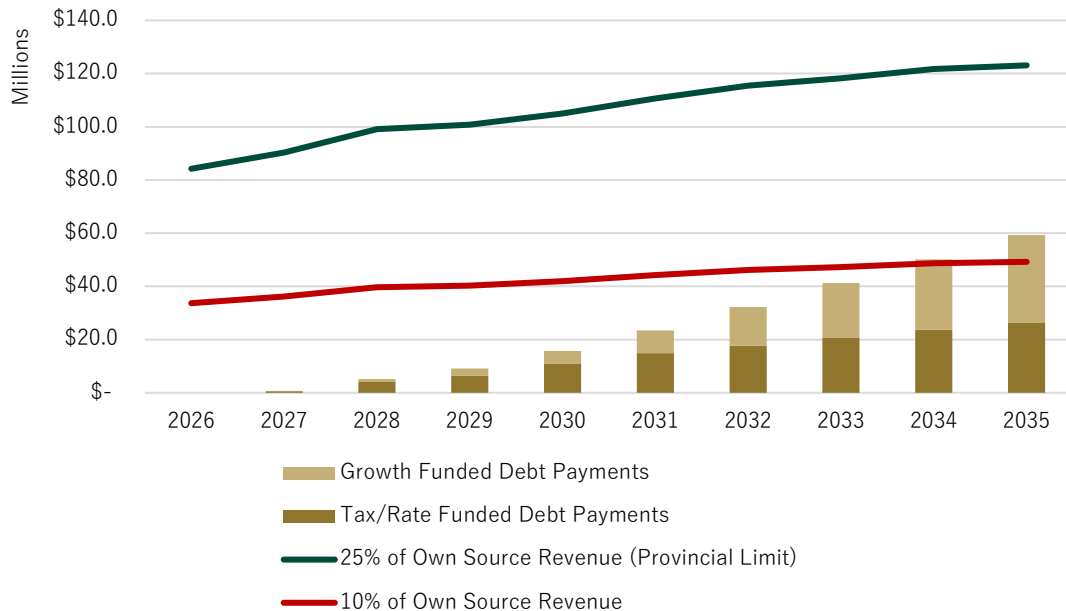


Figure 14 shows the forecast of DC-funded debt required to fund the growth-related capital forecast while ensuring the City’s DC reserves remain in a positive position over the

forecast period, relative to the City’s internal DC debt limitation of 25 per cent of the total DC revenues. While Richmond Hill’s DC debt limit is tied to the 10-year capital forecast, for the purposes of this illustration, a long-term forecast of annual DC revenues was prepared using the development forecasts available within the City’s most recent DC Background Study. DC-funded debt payments are projected to exceed the limit of 25% of DC revenues by 2033, and 61 per cent of DC revenues by 2035 (it is noted that the sudden drop in DC revenues shown in 2034 results from a drop in the annual growth forecast reflected within the City’s DC Background Study). Once again, it is noted that changes to the capital program or changes to DC revenues from varying development activity over time would result in changes to the need for capital financing.

Figure 14 – Forecast of DC Debt Payments Relative to Projected DC Revenues

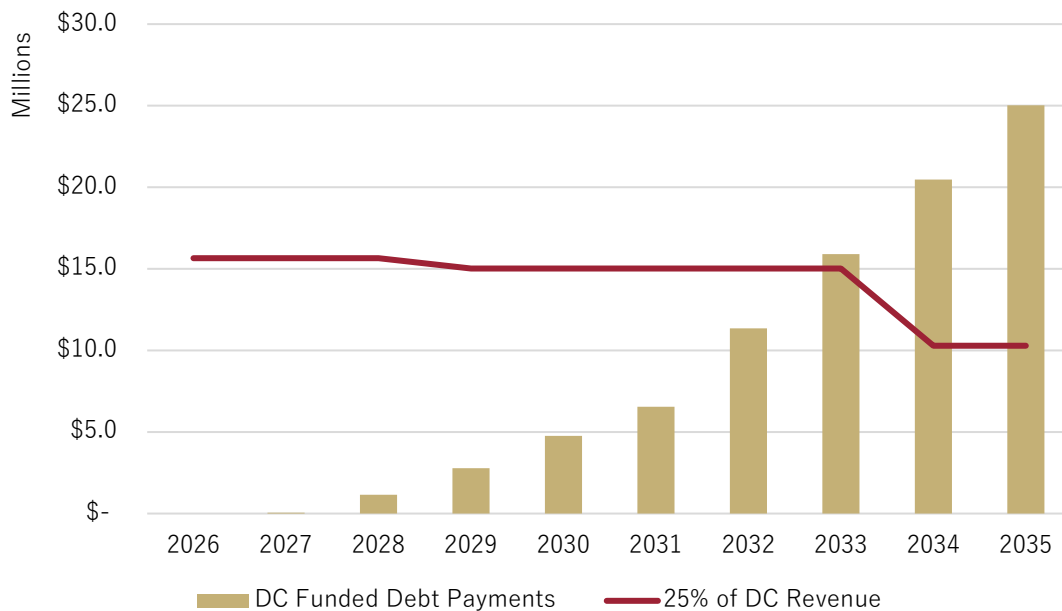
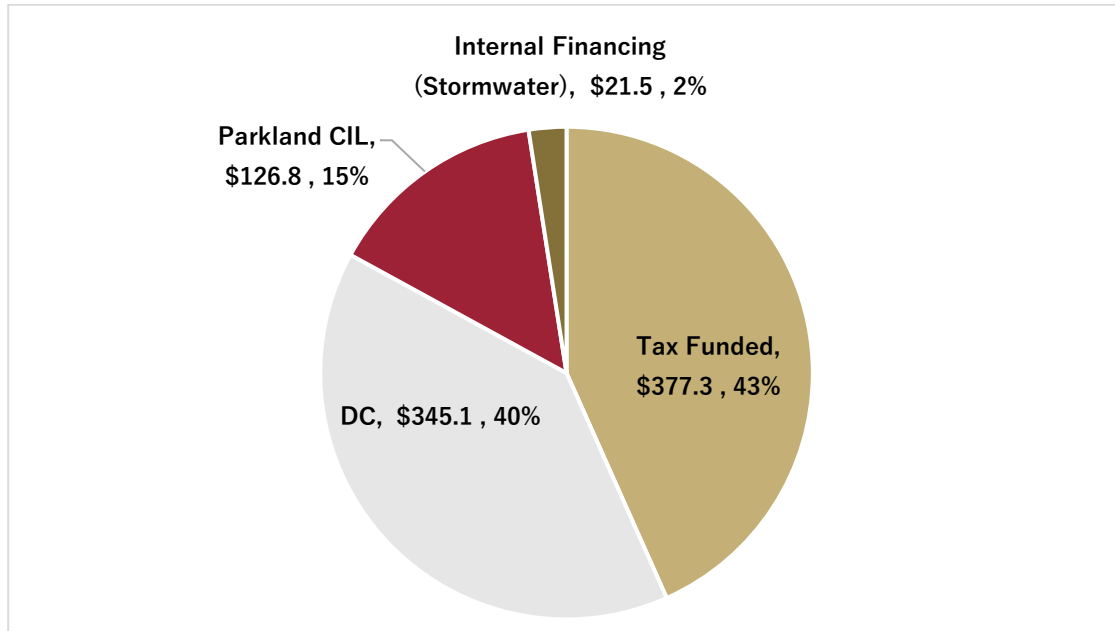


Figure 15 summarizes the breakdown of the \$870.7 million in total debt financing over the forecast period by funding source. The figure shows:

- The greatest share, at 43 per cent, is attributed to tax-funded debt. The debt payments associated to this debt is related to tax supported capital related to state of good repair and shares of growth-related capital non eligible for development charge funding. The debt payments would be funded through the tax levy.
- DC-funded debt closely follows at 40 per cent. This debt would be paid over-time through future development charge collections.

- Cash-in-lieu of parkland related debt financing amounts to about 15%. Recognizing the significant need for parkland acquisition, debt financing has been assumed to be funded from cash-in-lieu of parkland revenues.
- The remaining 2% is made up of internal financing for stormwater projects which would be funded from stormwater rates.

Figure 15 - Breakdown of \$870.7M in Debt Financing by Funding Source



E. ASSESSMENT GROWTH

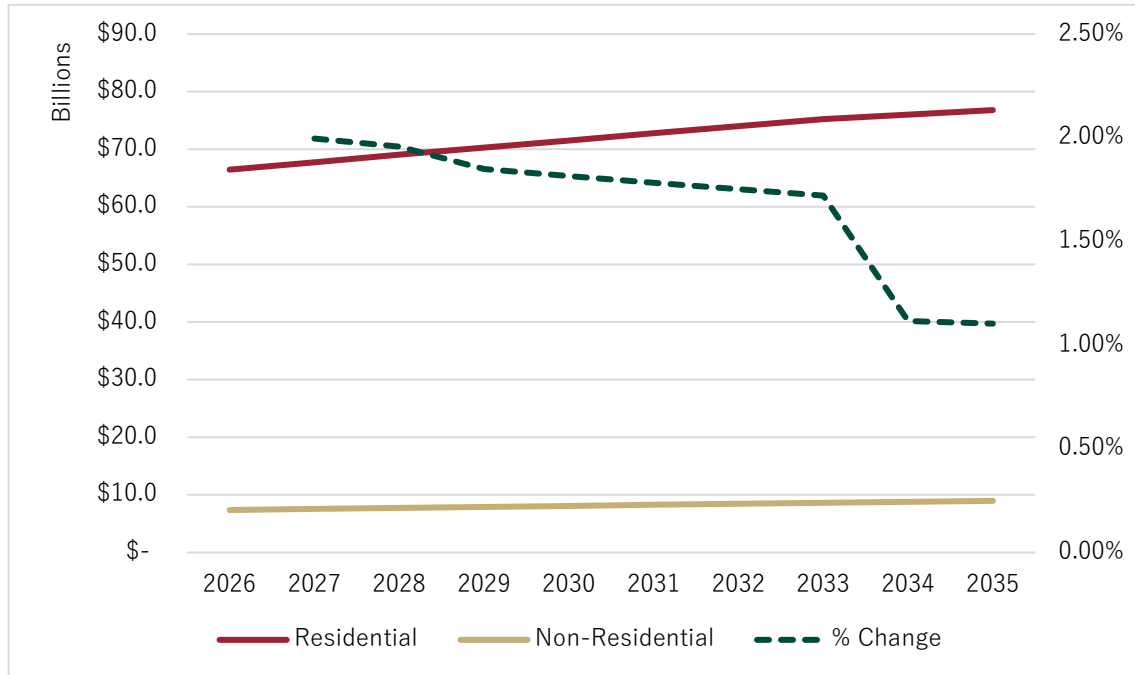
The basis of property taxes in Ontario is the assessed value of real property (land and improvements). The diversity and “richness” of the assessment base are indicators of a municipality’s financial strength and flexibility. In particular, a high non-residential assessment share is an indicator of fiscal strength given that non-residential properties tend to place less demand on municipal services than residential properties and typically pay proportionally higher taxes.

The City of Richmond Hill currently has a total weighted assessment value estimated at approximately \$73.8 billion (for 2026), including a residential assessment value of about \$66.5 billion and a total non-residential assessment value of \$7.4 billion.³ The forecast anticipates these assessment values growing at an average rate of about 1.7 per cent

³ The forecast uses weighted taxable assessment. The total weighted assessment for the base year of 2026 has been estimated. For this report, any references to assessment refers to weighted taxable assessment.

annually over the period 2027 to 2035, as shown in Figure 16. Assessment growth is expected to slow later in the period, reflecting the somewhat front-loaded forecast of development as per the City’s most recent DC Background Study. The ratio of residential to non-residential assessment remains constant over the forecast period at about 90:10, respectively.

Figure 16 – Forecast of Weighted Taxable Assessment



F. TAXATION FORECAST

Before considering the forecasted tax increases based on the Fiscal Impact Model, it is important to compare them in the context of historical tax levy increases. Figure 17 shows the historical real tax levy increases in the City, when considering only the City’s portion of the overall tax bill (i.e. excluding Regional and School Board taxation requirements).⁴ Over the period, the annual average increase hovers around 2.5 per cent.

Figure 17 shows that annual real increases are expected to exceed historical increases over the period. Over the first five years of the forecast period, annual tax levy increases are projected to average 7.4 per cent per year. Over the longer term to 2035, the increases are slightly lower on average, at 6.0 per cent annually. This includes continue

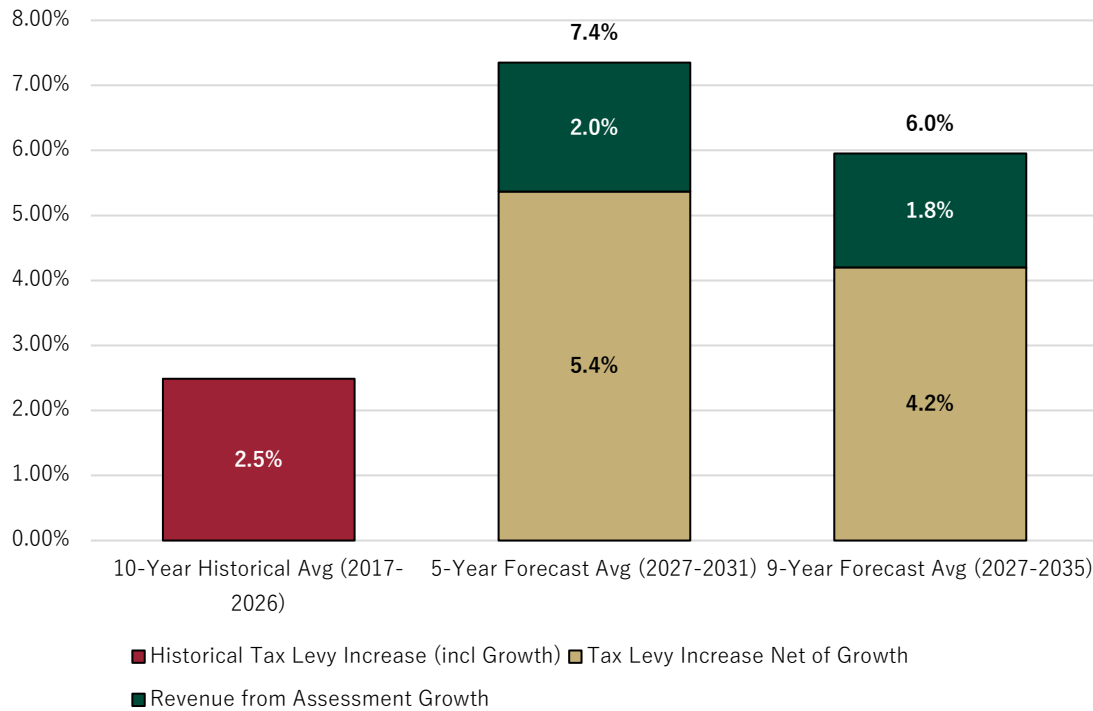
⁴ Historical tax levies based on previous years’ FIRs have been adjusted to constant 2026 dollars.

d provisions for the annual Capital Asset Sustainability (CAS) levy increases at 1.5 per cent, as per current practice and debt financing funded from taxation as discussed in the previous sections. It is noted that the tax levy does not include the first-round capital costs of growth-related infrastructure funded through development charges and other growth funding tools.

A portion of the tax levy increases will be offset by assessment growth related to new development over the forecast period. Excluding any revenues from assessment growth, the tax levy increases are projected to average 5.4 per cent over the first five years of the forecast period and 4.2 per cent to 2035. These increases are equivalent to the real tax rate increases, therefore, it is noted that if assessment growth was to occur to a lower level than projections tax rate increases would be higher than forecast.

Figure 17 reflects the extent of the City’s capital forecast to 2035, including provisions for debt financing as described above. In the absence of debt financing and given the significant capital needs identified in the forecast, the forecasted tax levy increases would be more severe. To mitigate the projected tax increases, in addition to the strategic use of debt the City may choose to prioritize capital projects and/or phase in certain operating expenses, such as staff additions.

Figure 17 – Historical vs Forecasted Average Real Tax Levy Increase



Note: 2009 to 2023 based on FIR, 2024 based on City's actuals. 2025 and 2026 based on budget. All values adjusted to constant 2026 dollars.

In the absence of tax rate increases, the City would accumulate a significant funding gap over time. As shown in Figure 18, this funding gap would grow to \$438.8 million by 2035. Under a 2 per cent annual tax rate increase, the cumulative funding gap would grow to \$270.1 million by 2035. This indicates that the City would need to cut \$270.1 million in capital and/or operating spending over the 10-year forecast period in order to maintain a 2 per cent annual tax rate increase (before inflation).

Figure 18 - Forecast Tax Levy vs. Tax Levy Under 0% Tax Rate Increase: Notional Cumulative Funding Gap

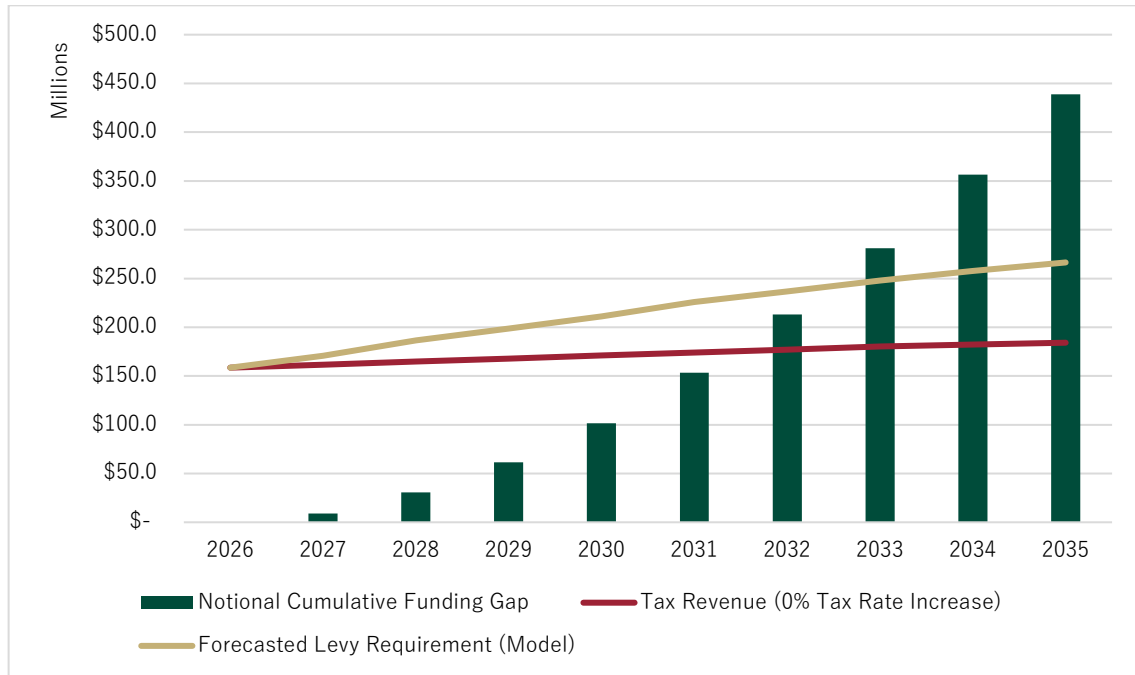
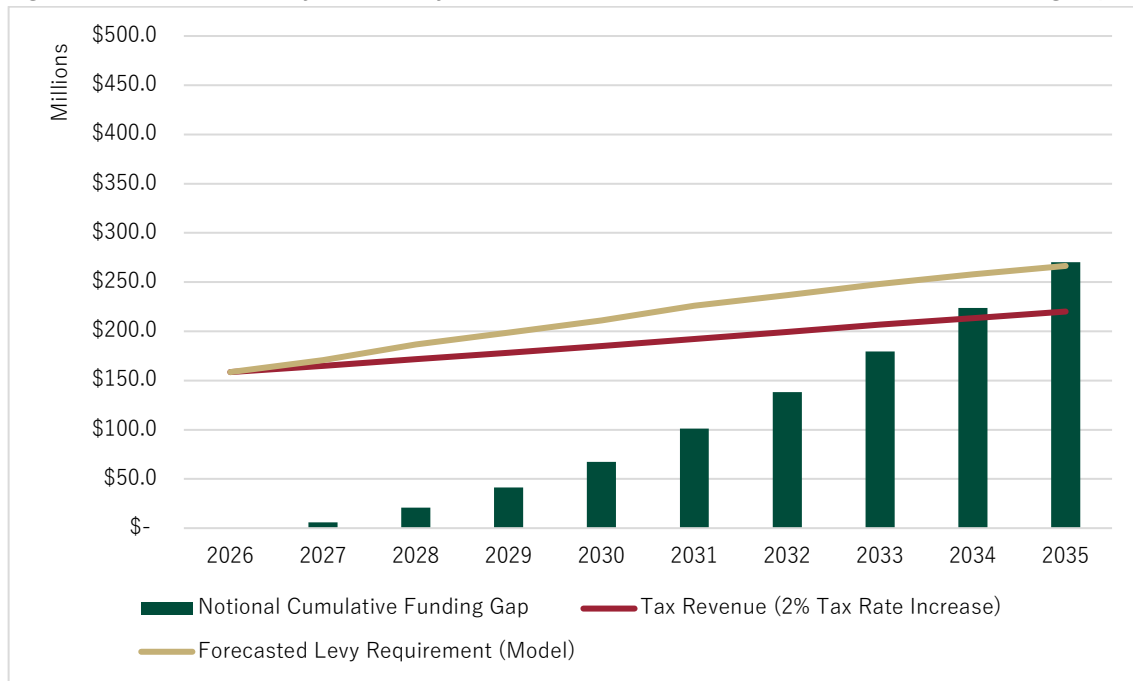


Figure 19 - Forecast Tax Levy vs. Tax Levy Under 2% Tax Rate Increase: Notional Cumulative Funding Gap



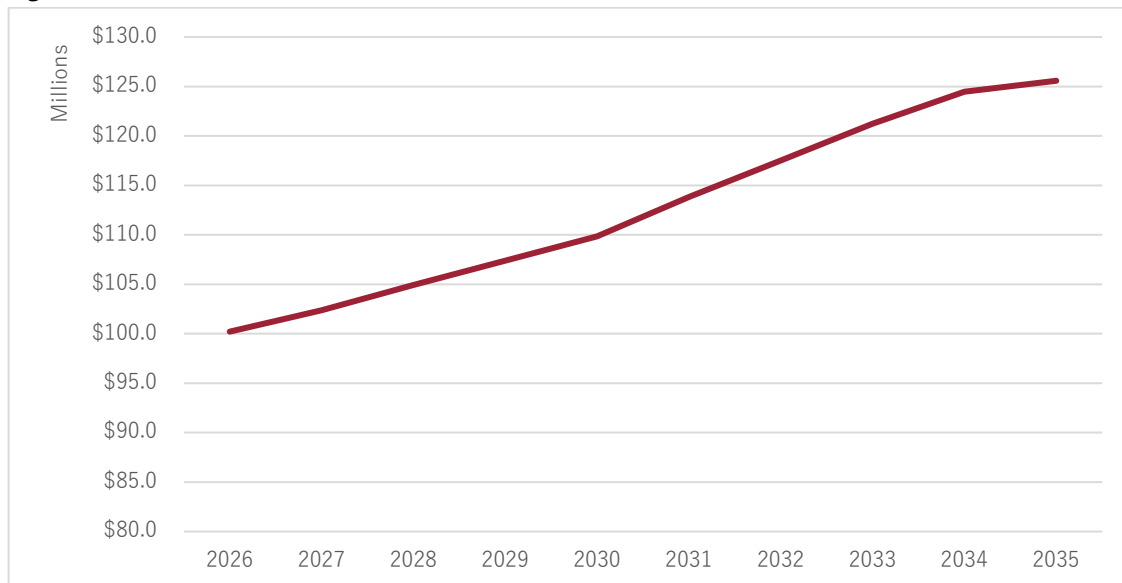
The City should consider several potential risks that could lead to future tax rate pressures. These include:

- An extensive capital program, with significant expenditures identified over the 9-year forecast period well exceeding historical spending patterns;
- Long-term asset repair and replacement needs, beyond what can be funded from the CAS levy;
- Decreased DC revenues as a result of changing legislation and slowing development activity;
- Capital costs for new development-related facilities may exceed permissible funding from DCs;
- Operating cost increases (e.g. salaries and utilities) exceeding CPI increases;
- Lower-than-anticipated assessment growth and taxation revenue due to slowing development activity. This would result in some reduction in capital needs and reduced growth in operating costs; however, additional tax rate pressures may still arise; and
- The overall economic climate of today which has brought on a continued increase to interest rates, above “average” inflation from several factors including tariffs and supply shortages. Cumulatively, the City will need to manage these cost pressures as they persist, which can be expected to remain strong in the near term.

G. NON-TAX REVENUES

Municipalities, including the City of Richmond Hill, have limited revenue-raising tools available. The main source of funding is through property taxation revenues. User fees and service charges, investment income and grants and subsidies are some of the other resources the City has available as a means to raise revenue. Figure 20 depicts the non-tax revenue forecast for the period 2026-2035. The largest source of revenue for the Town outside of taxation and utility rates are user fees. User fees are a reliable source of non-tax revenues for the City to help relieve pressure from the overall tax base. Like the operating expenditure forecast, the non-tax revenue forecast is driven by volume and capital induced drivers.

Figure 20 – Forecast of Non-Tax Revenues



Note: Includes User Fees, Permits, and Fines; Grant Revenue; Investment Income; Local Improvement; and Interfund Revenue.

In addition to the above, payments in lieu of taxes and supplementary taxes make up a small share of overall revenues totalling about \$1.7 million in 2026. This amount is assumed to remain constant over the planning period.

The City also collects revenues related to water, wastewater, and stormwater rates. Further detail is provided below.

H. RATE REQUIREMENTS

The City collects utility rates for its share of water, wastewater, and stormwater servicing requirements. In 2026, the rate requirement is about \$107.0 million for water and

wastewater and another \$12.1 million for stormwater. The FMP model assumes that these services would continue to be fully funded from utility rates and have no tax impact.

The forecasts of rate requirements are based on the City's 2024 Water and Wastewater Financial Plan and Stormwater Management Financial Plan with adjustments made over the planning period.

- Water and wastewater rates are projected to increase over the coming years by about 6% in 2026 to 2029, with increases levelling off in 2030 and onward to about 3% per year, based on the City's Water and Wastewater Financial Plan.⁵
- Stormwater rates are expected to increase over the coming years. Based on the Stormwater Management Financial Plan an increase of about 50% in the rates is expected in the short-term while the increases are expected to moderate to 10% in the mid-term and 3% over the long-term to 2035.⁶
- It is noted that the rate increases recommended in the City's 2024 Financial Plans include inflation.

The FMP model developed for this exercise allows for sensitivity testing on water, wastewater and stormwater outcomes as it relates to the financial state of the City as a whole for areas such as debt capacity, the capital program and reserve and reserve funds. The City's Water and Wastewater Financial Plan and Stormwater Management Financial Plan should continue to be reviewed on a regular basis to determine the rate impacts of the rate funded service needs while the FMP model can leverage these results to look at the financial forecast of the City as a whole.

⁵ Based on 2024 Water and Wastewater Financial Plan recommended in Staff Report for Committee of the Whole Meeting May 29, 2024 (Table 5) and adjustments from staff.

⁶ Based on 2024 Stormwater Management Financial Plan Scenario 2 recommended in Staff Report for Committee of the Whole Meeting November 6, 2024 and adjustments from staff.

5. POLICY REVIEW AND RECOMMENDATIONS

This section provides an overview of the policy review undertaken as part of the FMP. The policy recommendations are based on the analysis developed in the previous sections and the findings of the FMP modelling process, as well as a review of the City's existing policies and prevailing practices, particularly related to capital planning, reserve fund management, and the use of debt.

A. POLICY CONTEXT

Through this FMP, Hemson has assisted the City in undertaking a review of Richmond Hill's financial policies with a particular focus on capital reserves, asset management, and debt management. A benchmark review of policies with other municipalities was undertaken to compare the existing City policies and ensure that the City is consistent with best practices. In general the following observations can be made:

- The City's debt policies are consistent with those of other jurisdictions, ensuring that guidance is provided for financial decisions to maintain fiscal sustainability. The City's debt limit is comparable to, and on the lower end of comparable municipalities indicating Richmond Hill's commitment to fiscal management. However, to date, the City has not used debt. There may be opportunities to strategically use debt to fund significant projects with long-term benefits, and/or to address infrastructure lifecycle cost funding gaps, while avoiding any sudden tax or rate spikes.
- While reserves and reserve funds are currently guided by individual Council-approved by-laws, the City does not currently have an overarching reserve and reserve fund policy and can benefit from formalizing parameters around the use of reserves and appropriate minimum, maximum and target balances by reserve type. The Fiscal Impact Model can be used moving forward to manage the forecast of reserve balances through budget prioritization and the use of debt, where appropriate.
- The prevailing CAS levy, at 1.5 per cent annual tax levy increases, is insufficient to fund the City's 10-year forecast of state-of-good-repair needs, without the introduction of significant debt financing or alternative sources of revenue. The City should consider increasing the CAS levy in the near term, and/or prioritizing asset repair and replacement projects.

- The City maintains strong policies and practices around annual budgeting but may strengthen these policies further by looking to other jurisdictions. The City should consider establishing a formalized Budget Policy to guide annual budget processes.

B. DEBT MANAGEMENT

The City's Corporate Debt Policy was established in 2015 and sets an annual limit at 10 per cent of the previous year's own source revenues, with an additional limitation for DC-funded debt at 25 per cent of the total DC revenue projected in the 10-year capital forecast. The debt policy sets out eligible capital works and guiding principles for the use of debt.

The City does not currently use debt financing, and as such has significant available debt servicing capacity under the Provincially mandated limit and the existing City policy limits. However, as shown in the previous section, the extensive 2027-2035 capital forecast presents a fiscal challenge for the City that would require additional debt financing to undertake while avoiding sudden, significant tax rate spikes and without alternative funding sources. While Richmond Hill strives to continue to limit its debt obligations, debt can be a highly effective tool to help manage annual cash flow, maintain service levels as the City grows, and match long-term benefits with long-term cost recovery.

While no changes to the existing Corporate Debt Policy are necessary at this time, it is recommended that the City consider the strategic use of debt, as appropriate, for major capital investments. The use of debt should be guided by considerations for affordability, equity and fairness, and fiscal flexibility and sustainability. The timing, type, and term of debt should be determined with the objective of minimizing long-term costs while aligning cost recovery with the long-term benefitting horizons of key projects to promote intergenerational equity. The FMP analysis results show that the City will likely need to use debt, if the capital plan remains unchanged, and the City's Debt Policy limits may be reached; it is recommended that the policy be reviewed in five years, if not sooner. In particular, the City may consider debt financing the following strategic projects:

- The North Leslie Community Centre;
- The Operations Centre Yard Expansion and Upgrade;
- Several significant Fire projects including the new Fire Station 8-7, the Fire Regional Training Centre enhancement, and the replacement of Fire Station 8-1;
- Implementation of the Library Facilities Master Plan; and

- Consideration for state-of-good repair needs to address the critical assets that make up the infrastructure backlog while managing CAS levy increases.

C. RESERVES & RESERVE FUNDS

Richmond Hill maintains a number of capital and operating reserves to help smooth out expenses, surpluses, and deficits related to various accounts. While the reserve balances are currently healthy, the FMP model has shown that the City's long term capital needs may result in new and emerging pressures. The City does not currently have a reserve and reserve fund policy in place to guide the use of these reserves.

It is recommended that the City establish an overarching Reserve and Reserve Fund Policy establishing guidelines related to the maintenance of reserves, including considerations for ongoing financial stabilization and appropriate reserve levels by reserve type.

The City should consider creating a Reserve Report for each existing and new reserve. The Reserve Report should set out:

- The name of the reserve;
- The source of funds;
- Authority for the expenditure of funds;
- Reserve level minimum, maximum, and target level;
- The term of the fund, along with the ultimate disposition of the funds; and
- Whether interest accrues to the reserve balance.

All Reserve Reports should be reviewed and updated as needed, and at a minimum of every five years.

The FMP Fiscal Impact Model will serve as a valuable tool to monitor overall reserve levels on an ongoing basis. In particular, it will help staff to identify whether there are any deficiencies in the City's overall annual operating transfers to capital reserves. Where low or negative balances are projected, the need for adjustments may be triggered (e.g. through debt funding or additional transfers from operating). Staff may then use the model undertake sensitivity testing and evaluate any potential tax rate impacts stemming from these adjustments.

Some examples of strong reserve and reserve fund policies, many of which include reserve target balances, are provided below:

- [Town of Oakville Reserve/Reserve Fund Procedure](#)
- [City of Guelph General Reserve and Reserve Fund Policy](#)
- [Town of Whitby Reserve and Reserve Fund Policy](#)
- Town of Ajax [Discretionary Reserve Administration](#), [Discretionary Stabilization Reserves](#), and [Discretionary Capital Reserves](#) policies
- [City of Waterloo Reserves and Reserve Fund Policy](#)

D. CAPITAL ASSET SUSTAINABILITY (CAS) LEVY

The City currently increases its CAS levy on an annual basis, based on a 1.5 per cent tax rate equivalent. Proceeds from the CAS levy are used to fund state-of-good repair projects. This is a similar practice to a number of municipalities, with some (e.g. Brampton, Mississauga) maintaining infrastructure levies of up to 3 per cent of the tax levy.

Many municipalities, including Richmond Hill, are increasingly challenged with meeting growing asset management needs as they mature and their infrastructure ages. To implement the Richmond Hill's current 10-year capital plan and most recent Asset Management Plan, the FMP Fiscal Impact Model calculates that in order to maintain the CAS levy increases at 1.5 per cent, \$377.3 million in tax-supported debt financing is required over the forecast period to 2035. Without debt financing, a CAS levy increase to 7 per cent (or more) would be required to fully fund the state-of-good-repair capital program in the 10-year period. This would still result in short-term pressure on the tax supported repair and replacement reserves over the short-term, but would achieve funding the state of good repair capital program over the long-term.

A more moderate approach involves calculating the funding need to ensure the average annual shortfall for non-rate supports services is addressed over the 10-year period. The City's 2025 AMP identifies that this annual average shortfall is about \$24.7 million per year

equivalent to a cumulative shortfall of \$247.2 million over 10 years.⁷ In order to fully fund this cumulative shortfall a CAS levy of about 4 per cent would be required.

It is recommended that the City consider an incremental CAS levy increase to 3 per cent, coupled with prioritization of state-of-good repair projects and the identification of projects that may be delayed beyond the 2035 horizon, as well as debt financing where needed to undertake critical works. While this recommendation is lower than the required amount, it provides a balance between maintaining reasonable tax rate increases and increasing funding for state of good repair over a longer time period. Municipalities across the GTA, and across the Country, are dealing with the same need to increase state of good repair funding and reserve contributions to address maintenance and renewal needs of aging infrastructure.

The City will continue to undertake comprehensive reviews of its infrastructure gap and asset management strategy through future Asset Management Plans. Any increases to the CAS levy may be reviewed at the time of the next asset management plan update in 2030, at which point reductions to the annual increases may be feasible and appropriate.

E. OTHER FINANCIAL AND BUDGETING POLICIES

The City has several policies in place and underway to guide annual budgeting, such as a capital budget monitoring policy, investment policy, surplus allocation policy, and collections policy. While not directly related to this FMP and Fiscal Impact Model, these policies and practices appear to be robust and consistent with best practices found in other municipalities.

Although Richmond Hill's annual budgeting practices and policies are strong, the City may continue to look to particularly useful practices in other municipalities to seek opportunities for potential refinement. Some examples are linked below. In particular, the City would benefit from a formalized Budget Policy.

- The City of Guelph's [Budget Policy](#) and [Budget Monitoring Policy](#)
- The City of Barrie's comprehensive [Financial Policies Framework](#) which covers a full range of budgeting and financial topics, guided by overarching principles

⁷ The 2025 AMP identifies that this annual average shortfall is about \$24.0 million per year which has been adjusted to 2026 dollars.

- The Town of Oakville's [Annual Budget Policy](#) and [Financial Control Policy](#)
- The City of London's [Capital Budget and Financing Policy](#)
- The Town of Aurora's [Budget Principles Policy](#)

6. SUMMARY OF RESULTS

This section summarizes the key FMP and Fiscal Impact Model findings, conclusions, and next steps.

A. SUMMARY OF FMP FINDINGS

i. **Richmond Hill is Currently in a Strong Fiscal Position**

Municipalities across Ontario are facing increasing financial pressures, which continue to grow particularly as they mature and their existing infrastructure ages, contributing to increasing asset renewal needs. The City of Richmond Hill has historically been fiscally efficient, maintaining affordable tax and rate increases despite these growing fiscal pressures over recent years. Unlike many comparable maturing municipalities, Richmond Hill has avoided the use of debt to date. However, the City maintains a strong Corporate Debt Policy and the available room within both the Provincially mandated and municipally imposed debt limits that will allow it to take on strategic investments while avoiding sudden tax rate spikes. The City also manages its expenditures through maintenance of a number of reserves at healthy levels. The City has also generally remained on top of its asset management needs, and has funds dedicated for this purpose through continued use of the CAS levy. Richmond Hill's proactive update of the Financial Master Plan, including financial policies and practices, will help ensure the City maintains its strong fiscal position.

ii. **The Current 10-Year Capital Forecast is Beyond the City's Financial Capacity**

The tax levy impacts forecasted as part of the Fiscal Impact Model exceed the typical annual increases the City has seen in recent years. Excluding inflationary impacts, which could be significant given the current economic climate, annual average tax levy increases on the City's portion of the overall tax bill average about 7.4 per cent in the short-term to 2031, or 6.0 per cent over the full forecast period to 2035.

These tax levy impacts are primarily related to the scale of the City's current 10-year capital plan, which far exceeds current and historical capital spending rates. The tax levy forecast maintains the 1.5% CAS levy but includes significant use of debt financing over the forecast period, reaching the City's policy debt limit of 10 per cent of own source revenue by 2034.

Notwithstanding the findings of the Fiscal Impact Model, it is recognized that the City will prioritize capital projects as part of its annual budgeting processes, consistent with

historical practices, and it is likely that not all capital projects in the forecast will occur within the 2027-2035 period. In addition to project prioritization, to mitigate sudden tax rate increases the City may also use debt, available reserves, and the phasing in of certain operating expenses (e.g. staff additions). The Fiscal Impact Model can be used on an ongoing basis to test the potential impact of various scenarios (e.g. removal or addition of projects, different funding scenarios, use of debt) and to help inform the City's annual budgeting processes as well as foresee any potential emerging fiscal pressures.

iii. The CAS Levy and Strategic Debt Financing are Critical Fiscal Tools that will Strengthen the City's Financial Position Moving Forward

Like municipalities across the GTA and the country, Richmond Hill is facing significant infrastructure capital funding challenges related to both delivering new infrastructure and maintaining assets in a state of good repair (asset management). Municipalities have a limited set of fiscal tools to address these funding challenges.

Municipal infrastructure gaps are significant, and in some cases growing, across the country. Addressing these existing infrastructure gaps can be challenging. Richmond Hill, along with many municipalities across the GTA and elsewhere, has implemented an infrastructure specific tax levy (CAS levy) as a means to increase capital reserves for funding asset management needs. It may be necessary for the City to increase the use of its CAS levy, whether temporarily or long-term, in order to fund a greater share of its asset management needs.

Increasingly, municipalities have looked to the strategic use of debt for critical infrastructure while remaining below Provincially mandated and municipally imposed debt limits. There are opportunities for the City to expand its use of debt, as appropriate, for capital projects with long benefitting horizons in order to help manage cash flow, mitigate sudden tax increases, and establish a nexus between those who benefit from and pay for key infrastructure. Debt can be used to fund development-related infrastructure with the funding of the debt payments coming from growth-funding tools, primarily development charges. Debt may also be appropriate for critical tax- and rate-funded state-of-good repair projects to avoid significant increases to the CAS levy.

The FMP model assumes additional debt to fund the City's capital forecast to 2035. However, with these additions, the City's debt capacity will reach its internal debt limit of 10 per cent by 2034. The City can keep debt levels low, and ensure it stays within its internal debt limits, by increasing the CAS levy along with strategically prioritizing both growth-related and asset repair and replacement projects through its annual budgeting processes.

iv. The City has been Proactive in Setting a Strong Policy Framework for Long-term Financial Sustainability

The FMP will allow the City to continue to work towards its objectives as it continues to grow over the coming decades. The City has strong financial policies and practices in place, which will be further strengthened with additional emerging policies and continued use of the Fiscal Impact Model. While existing policies are not recommended to be overhauled significantly, the City will benefit from a formalized reserve and reserve fund policy and the maintenance of reserve reports.

As the City grows and evolves, it should continue to invest in this important financial work, continue to monitor successes, challenges, and emerging issues as plans are implemented, and revisit its fiscal policies to ensure these needs continue to be addressed.

B. CONCLUSIONS AND NEXT STEPS

The FMP process has resulted in a comprehensive understanding of the City of Richmond Hill's current and forecast financial position, how its current financial policies and practices are performing, and how fiscal policies can be used to support the City's long-term financial sustainability.

Following the adoption of the FMP Report, it is recommended the assignment of appropriate staff to take ownership of the FMP Fiscal Impact Model. The model will be an important tool to support continued efforts toward long-term fiscal sustainability.

While the intention of the model is not to replace the City's annual budgeting processes, it can inform any long-term financial planning decisions. A comprehensive update of the model generally should be undertaken approximately every five years; the City may choose to have these updates coincide with Census years so that the impacts of the changing population, employment and household growth rates can be evaluated. The model allows for sensitivity testing, without the need for a comprehensive update, on an as-needed basis.

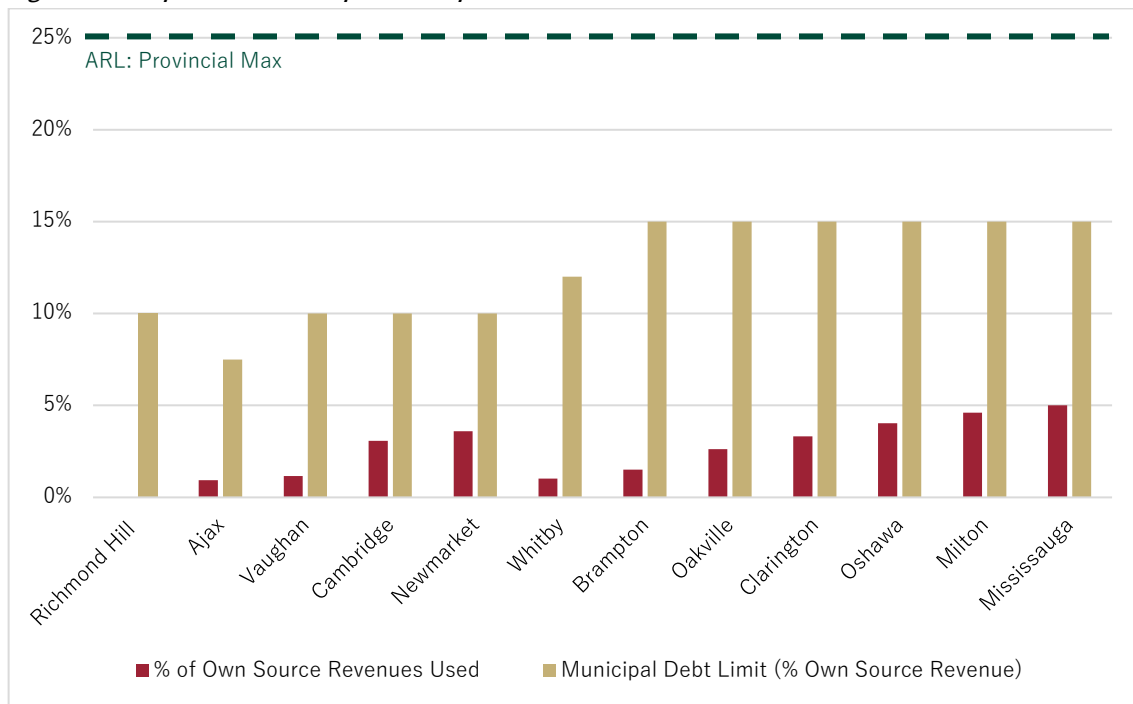
APPENDIX 1

BENCHMARKING REVIEW

A. DEBT MANAGEMENT

Richmond Hill has available debt capacity to undertake future capital works. Figure 1 compares internal municipal debt limits and annual debt payments across a number of municipalities. Richmond Hill’s municipal debt limit of 10 per cent of own source revenues is comparable to, and generally on the lower end of, the municipalities surveyed, with most falling within the 10 to 15 per cent range. With the exception of Richmond Hill, all municipalities surveyed currently use debt to some degree. Debt payments across each of these municipalities fall well within the municipal and provincial limits, and most commonly fall within the range of 1 to 5 per cent of own source revenues.

Figure 1 – Comparison of Municipal Self-Imposed Limits & Debt Levels

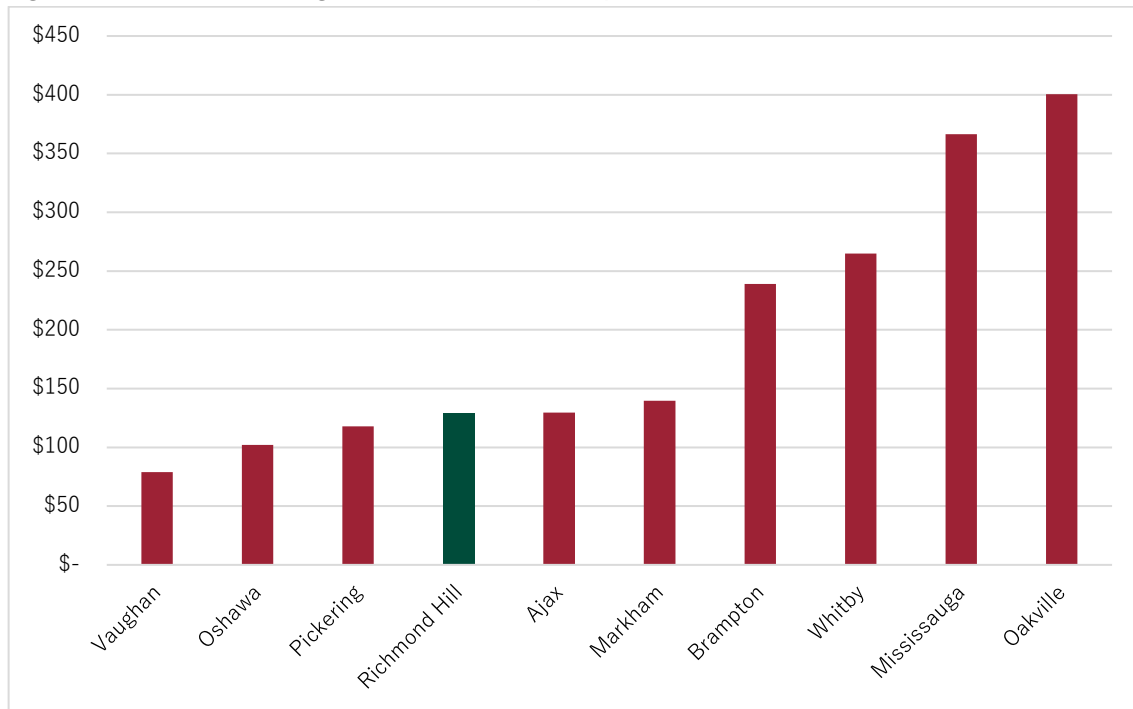


Source: Annual repayment limit calculation which is based on 2023 Financial Information Return data.

B. ASSET MANAGEMENT

Asset management contributions are required over the long-term to maintain the regular repair and replacement of municipal infrastructure and assets. Figure 2 shows annual tax funded capital contributions (plus rate funded stormwater for the City) for state of good repair per capita. The City of Richmond Hill contributes about \$129 per capita towards asset management based on 2025 budget information. This is on the mid- to lower- end of comparable Ontario municipalities. Note that stormwater rate funded contributions are included to compare with municipalities that fund stormwater through taxation.

Figure 2 – Annual Asset Management Contribution per Capita

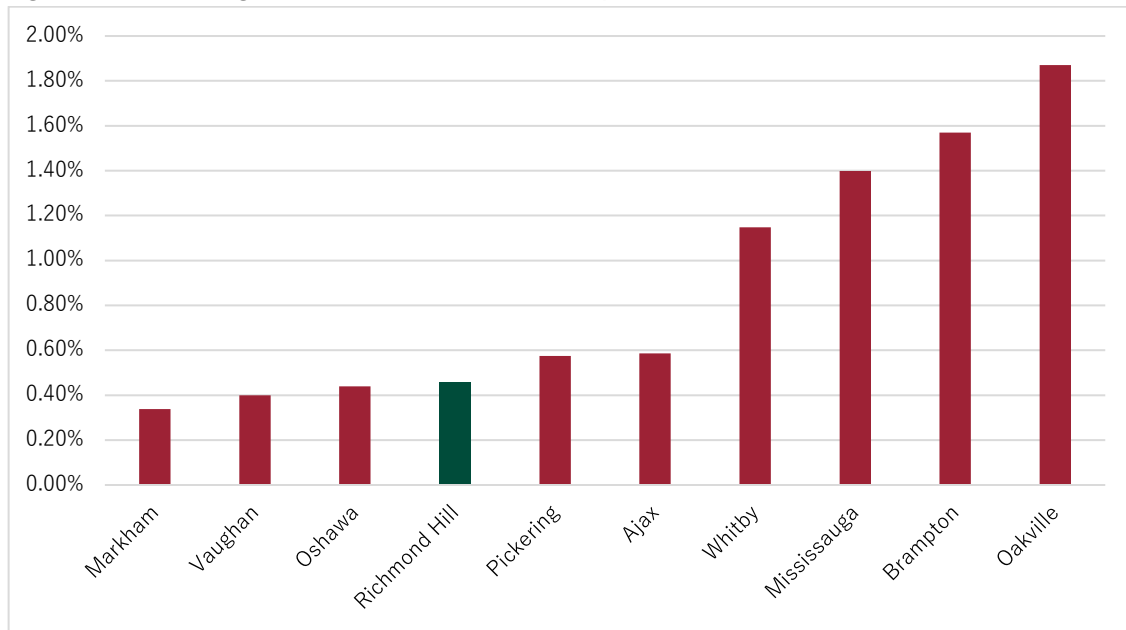


Source: 2025 Municipal Budgets and Associated Documents (Operating Budgets, Reserve Overviews, Asset Management Plans, etc.).

Note: Best efforts have been made to ensure comparability across municipalities. Contributions reflect best estimates of tax funded transfers to capital asset management reserves including reserves for non-DC eligible shares of growth projects.

Figure 3 shows the capital contribution towards state of good repair relative to the replacement value for tax funded infrastructure. The City’s yearly asset management contribution total about 0.5 per cent of asset replacement value. This is on the lower end of the municipalities surveyed; however, this may reflect newer infrastructure as compared with other municipalities. Richmond Hill’s state of good repair investment needs will likely grow in future years, as reflected in the City’s capital forecast and Asset Management Plan. This will place additional pressure on tax rates moving forward. Note that stormwater rate funded contributions and stormwater replacement value are included to compare with municipalities that fund stormwater through taxation.

Figure 3 – Asset Management Contribution Relative to Replacement Value



Source: 2025 Municipal Budgets and Associated Documents. Replacement values adjusted to current dollars where needed.

C. INFRASTRUCTURE LEVIES

Richmond Hill’s infrastructure levy (CAS levy) is comparable to practices in a number of other municipalities across the GTA who use dedicated tax levies to support asset repair and replacement, with some using these levies partly to fund growth-related infrastructure as well. As shown in Table 1, Richmond Hill’s 1.5 per cent CAS levy is within the typical range of 1 to 3 per cent across these municipalities. It is noted that some of these municipalities are planning to re-evaluate, and potentially reduce, their infrastructure levies in future years should improvement be seen in the infrastructure gap (e.g. Mississauga, Ajax). Future Asset Management Plans provide a good opportunity to undertake such a review.

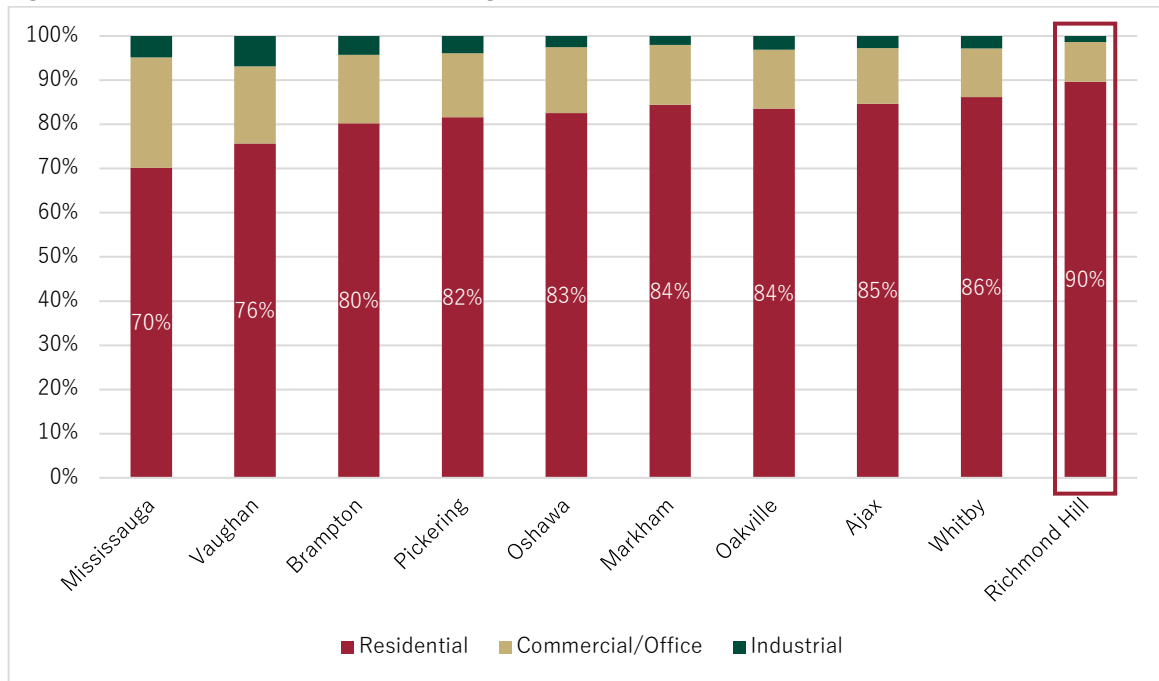
Table 1 – Comparison of Municipal Infrastructure Levies

Municipality	Infrastructure Levy %	Description/Notes
Richmond Hill	1.5%	<ul style="list-style-type: none"> Capital Asset Sustainability (CAS) levy increased annually based on a 1.5% tax rate equivalent (based on previous year’s general tax levy net of contribution to reserves)
Brampton	3%	<ul style="list-style-type: none"> Based on a percentage of the previous year’s tax levy 2% for all infrastructure 1% for transit (component for growth-related infrastructure)
Mississauga	3%	<ul style="list-style-type: none"> Capital Infrastructure & Debt Repayment Levy – helps to maintain infrastructure in state of good repair, as well as supporting investment in new infrastructure Based on a percentage of the previous year’s tax levy 2% used to finance debt principal and interest payments; 1% allocated to the capital budget Planned to continue at 3% for four more years before falling to 2%
Oakville	1%	<ul style="list-style-type: none"> Capital Levy for both infrastructure renewal and Town’s share of growth-related capital projects Initiated in 1996
Ajax	2%	<ul style="list-style-type: none"> Based on a percentage of the previous year’s tax levy Used for contributions to asset management reserves
Burlington	2%	<ul style="list-style-type: none"> Based on a percentage of the previous year’s tax levy

C. TAXABLE WEIGHTED ASSESSMENT

Figure 4 shows the break down of the City’s taxable weighted assessment as compared to other municipalities. Richmond Hill has a non-residential weighted assessment share of approximately 10 per cent. While the City has a stable and well-diversified local economy, this share is below the average of 18 per cent among the municipal comparators. As a result, Richmond Hill is more reliant on the residential tax base than other municipalities which may make it more difficult to absorb significant tax levy increases.

Figure 4 – Comparison of Non-Residential Weighted Assessment Bases



Source: 2023 Financial Information Returns.

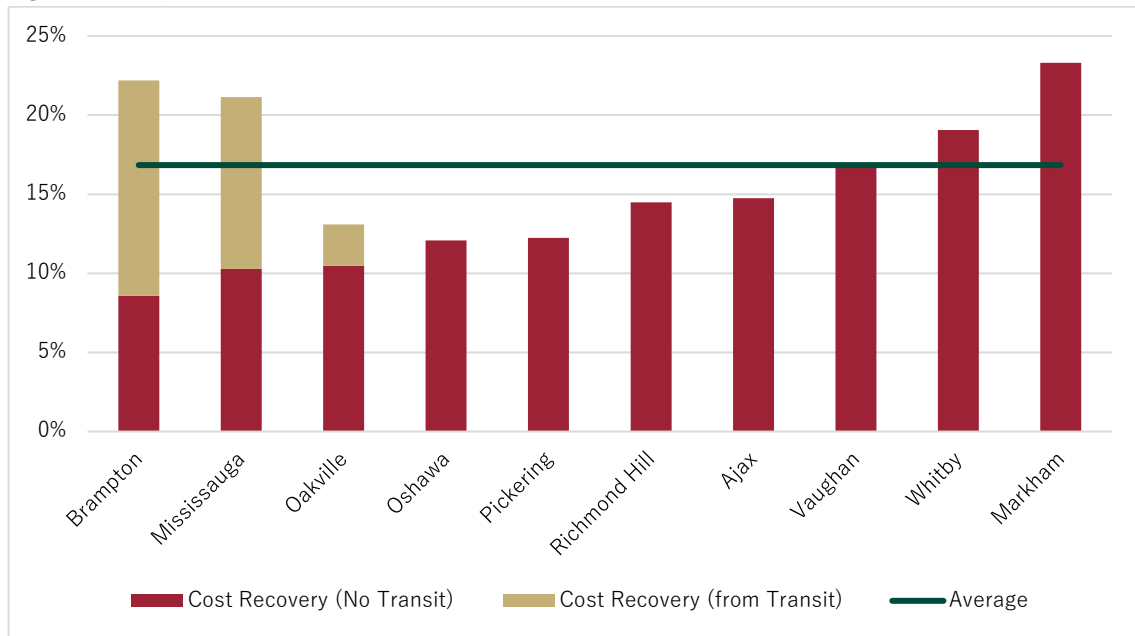
Note: Multi-residential, Farmland, and Managed Forests assessments are included with residential, but make up a small share of total.

D. USER FEE REVENUE RECOVERY

Municipalities charge user fees to cover or offset the costs of providing a variety of services including recreation, events, corporate services, wastewater services, sewer services, planning allowances, building permits, and public transportation, among others. Richmond Hill recovers 14.5 per cent of its total operating expenses through user fees. As Figure 5 displays, this is near the median value of comparator municipalities (excluding Transit fees) and only slightly below the average of 16.6 per cent.

The largest share of Richmond Hill’s user fee recovery is related to Parks and Recreation services. The City recovers approximately 21.5 per cent of its Parks and Recreation operating expenses through user fees, which is also in line with, and slightly below, the average of 23.6 per cent of the municipalities surveyed.

Figure 5 – Comparison of User Fee Recoveries



Source: 2023 Financial Information Returns (includes stormwater, but excludes water and wastewater).