
Members of the public may attend the meeting in person, or may observe the meeting proceedings by viewing the [livestream](#). A recording of the meeting will also be available on the [City's website](#) following the meeting.

	Page
1. Roll Call	
2. Disclosure of Interest	
3. Delegations	

Members of the public looking to provide a verbal delegation to Members of Council for items listed under Section 4 of the agenda, may do so either in person, or through a virtual audio telephone connection into the meeting. For more information, and to register as a delegate, visit www.pickering.ca/delegation, and complete the on-line delegation form or email clerks@pickering.ca.

The list of delegates who have registered to speak will be called upon one by one by the Chair in the order in which they have registered. A maximum of 10 minutes shall be allotted for each delegation.

Please be advised that your name and address will appear in the public record and will be posted on the City's website as part of the meeting minutes.

4. Matters for Consideration

- | | |
|--|---|
| 4.1 Director, Finance & Treasurer, Report FIN 02-23 | 1 |
| 2023 Pre-Current Budget Approval for Consulting Services for a Fiscal Impact Study for Future Growth | |

Recommendation:

1. That Council approve the following recommendations related to pre 2023 Current Budget approval;
2. That Council approve the hiring of Watson & Associates Economists Ltd., in accordance with Purchasing Policy Item 10.03 (c), as the assignment is above \$50,000.00;

3. That the fee proposal submitted by Watson & Associates Economists Ltd., to develop a Fiscal Impact Study in the amount of \$73,290.00 (HST excluded) be accepted;
4. That the total gross project cost of \$82,817.70 (HST included) and the total net project cost of \$74,579.90 (net of HST rebate) be approved;
5. That Council authorize the Director, Finance & Treasurer to finance the total net project cost of \$74,579.90 from Property Taxes;
6. That Council authorize the Director Finance & Treasurer to pursue and obtain Third Party Funding for this consulting engagement from interested parties; and,
7. That the appropriate officials of the City of Pickering be authorized to take the necessary actions as indicated in this report.

5. Confirmation By-law

6. Adjournment

From: Stan Karwowski
Director, Finance & Treasurer

Subject: 2023 Pre-Current Budget Approval for Consulting Services for a Fiscal Impact Study for Future Growth
- File: F-2300-001

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 7. That the appropriate officials of the City of Pickering be authorized to take the necessary actions as indicated in this report.
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Executive Summary: There is an urgent need to undertake a high level Fiscal Impact Study (FIS) to reflect the proposed City Centre, Bill 23 financial negative impacts, Seaton and Cherrywood development. All of these major events, at a minimum, fall within the five year time period of 2023 to 2027 and to some degree are inter-related from a financial resource and debt capacity perspective. Senior staff and Council have to consider the medium and long term financial impacts of 2023 capital budget decisions to ensure that any of these decisions does not result in a negative financial constraint for the City in future years. The proposed FIS should also identify any funding gaps related to new Cherrywood development and this information will be of benefit to the City when considering future development applications with the appropriate development community representatives.

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Financial Implications: At this current time, the cost of the study is currently being funded 100% by the City. However, Recommendation #6 provides the Treasurer the authority to pursue and obtain either partial or full recovery of the consulting engagement costs. The Treasurer will communicate with Members of Council regarding the success of obtaining third party funding.

Discussion: The City last undertook a Fiscal Impact Study (or FIS) in 2013 for the development of the Seaton Community. The FIS was conducted by Watson & Associates Economists Ltd. and the results of their work identified a fiscal gap or funding shortfall related to the Seaton development. In the City's negotiations with the Seaton Landowners Group, senior City staff presented the fiscal gap information and the Seaton Landowners agreed to make an additional payment whenever a residential building permit is issued.

Senior City staff are recommending that Watson & Associates Economists be awarded the consulting engagement for the following reasons:

1. This firm completed the City's Development Charge and Community Benefit Charge Study for the City and the capital financial plan related to growth from these studies will be incorporated into the FIS.
2. This organization also completed the Seaton FIS and they will employ, to some degree, the same approach and high level modelling.
3. The Municipality of Durham uses this firm for their Development Charge Studies and some of this information will be used in the development of our proposed FIS.
4. This firm completed the five year financial & operating plan for the City for the years 2022 to 2026 and this information will be used for the City's proposed FIS.
5. This organization also recently completed a Durham Region Municipal Review study and this information, where applicable, will be used to develop the City's FIS.

The FIS will consider the capital cost of projects (including City Centre, Seaton, Cherrywood, and the investments to maintain the City's existing infrastructure) over a multi year period taking into consideration funding sources such as development charge funding, City reserve and reserve funds. This Study will be completed over a short period of time (four weeks) in contrast to the Seaton FIS which was a multi-year staff exercise. The end result is that the FIS should identify at a high level, any financial constraints and issues. Upon completion of the FIS, the next step will be for City staff to develop a strategy to address these opportunities and challenges.

It is important to highlight that a key aspect of any large development is the requirement that the development does not create a financial burden on the City or Region with respect to facilities, services and infrastructure. In other words, **Growth Should Pay For Growth.** As such, the results of this high level FIS should also identify any potential financial issues such as debt constraints related to the next five years and/or fiscal shortfalls specifically related to Cherrywood. This information will be used by senior staff to develop appropriate

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financial strategies to address any negative events or funding shortfalls. In other words, the financial information from the FIS will direct senior City staff actions and, as it relates to Cherrywood, this development must meet the minimum financial threshold of "Growth Should Pay For Growth".

Attachments:

1. Financial Impact Study Proposal dated January 3, 2023

Prepared By:

Original Signed By:

James Halsall
Division Head, Finance

Approved/Endorsed By:

Original Signed By:

Stan Karwowski
Director, Finance & Treasurer

Recommended for the consideration
of Pickering City Council

Original Signed By:

Marisa Carpino, M.A.
Chief Administrative Officer

Memorandum

To	Stan Karwowski
From	Andrew Grunda
Date	January 3, 2023
Re:	Pickering Fiscal Impact Study

Fax Courier Mail Email

Further to our conversation of December 16, 2022, please accept this memorandum as our proposal to undertake the above reference project. The City of Pickering (City) has requested a proposal from Watson & Associates Economists Ltd. (Watson) to prepare a fiscal impact assessment for the Cherrywood Lands. The following summarizes our understanding of the project, work plan, and proposed budget for the City's consideration.

Understanding of the Project

The City is seeking to have an assessment completed to measure the fiscal impacts on the City associated with the development of the Cherrywood Lands. Similar to the analysis undertaken by Watson for the City in 2013 respecting the development of the Seaton Lands, the fiscal impact assessment will consider:

- the anticipated development for the Cherrywood lands, and the associated population and employment; and
- estimate capital and operating costs of service demands, and the impacts on the City's capital funding sources, user fees and property taxes.

The fiscal impact assessment will be measured relative to the City's baseline financial forecast for the period 2023-2041.

The City requires the fiscal impact assessment to be complete by the end of January 2023. The work plan provides for weekly project updates with the City Project Lead (Stan Karwowski) commencing the week of January 9th. Moreover, preliminary findings will be presented to the City's Senior Management Team on January 27, 2023, at its weekly budget meeting. A report will be prepared for delivery to the City on January 31, 2023, incorporating comments received from the City's Senior Management Team. Presentation of the final report to Council is anticipated to occur after January 31, 2023.



Watson will be available to work with the City on further updates to the fiscal impact assessment, and consultation on the matter, upon completion of this assignment under a separate contract.

Project Work Plan

The following work plan has been developed to undertake and report on the fiscal impacts associated with the development of the Cherrywood Lands:

1. Review background materials. The following information is requested to initiate the project:
 - Anticipated development for the Cherrywood Lands, including any reports or background materials on anticipated capital needs for the development lands;
 - 2022 or draft 2023 Operating Budget (excel format);
 - 2022 or draft 2023 Capital Budget and 5-Year Forecast (excel format), including anticipated funding sources;
 - City's Parks Plan, if separate from the Parks and Recreation Master Plan, and historic information on parkland dedication transactions within the City (i.e. land conveyance, cash-in-lieu, parkland purchases);
 - Information on any front-end financing contributions or development charge (D.C.) credit agreements that are in place or anticipated;
 - Updated capital costs, operating costs and revenue assumptions for the City Centre Project (i.e. City Centre financial options strategy prepared by KPMG);
 - Current or projected 2022 year-end reserve and reserve fund balances;
 - Outstanding debt and repayment schedules, itemized by project;
 - Current Annual Repayment Limit;
 - The City's most recent Asset Management Plan and asset inventories for City-wide infrastructure, including construction year, historical cost, replacement cost, and useful life;
 - City estimates for other revenue sources, including "gaming" revenues, fundraising, etc; and
 - Other materials that may be relevant to the undertaking.

Given the project timeline, we would appreciate receiving the requested information by as soon as project approval.



2. Prepare Baseline 2022-2041 growth forecast and scenario for development of Cherrywood Lands

- Prepare an annualized Baseline growth forecast for the period 2022-2041. The Baseline growth forecast will be based on the City's D.C. Background Study estimates with consideration of the Region's Municipal Comprehensive Review.
- Allocate Baseline growth forecast between Seaton Community and remainder of the City.
- Baseline forecast will be allocated by tenure (rental, ownership) and affordability (affordable, market) to allow for the assessment of capital funding implications (e.g. D.C., community benefit charges (C.B.C.) and parkland dedication).
- Provide annual population and employment projections for the Baseline growth forecast over the 2022-2041 period by area.
- Prepare a growth forecast for the Cherrywood Lands, estimated to occur during the 2025-2034 period. The forecast will consider development type, tenure, and affordability. The Cherrywood Lands forecast that will be added to the Baseline forecast to reflect the potential higher growth scenario.
- Present the Baseline and Cherrywood Lands growth forecasts to the City Project Lead, as other City staff as appropriate, for review and comment before finalizing.
- Watson will undertake a survey of property assessment by property type and tenure to apply to the Baseline and Cherrywood Land growth forecasts to develop 2022-2041 annual market assessment projections. Annual market assessment forecast will be adjusted based on the City's 2022 tax ratios, with sensitivity analysis for any potential changes, to determine the projected weighted annual assessment for property tax purposes. The Baseline assessment forecast will include assumptions on the potential impact of shutdown of the Pickering Nuclear Generating Station during the forecast period.

3. Prepare 2022-2041 Baseline Capital Plan and scenario for Cherrywood Land development

- Prepare a 2022-2041 Baseline capital needs forecast. The capital plan will consider growth-related needs based on the City's D.C. Background Study, City Centre Financial Options Strategy, C.B.C. Strategy, and parks plan. Non-growth related capital needs will be informed by the City's 5-year Capital Budget and Forecast, as well as asset management plan.
- Develop a capital funding plan for the Baseline capital needs forecast, informed by the above noted documents, as well as projecting the impacts for capital



funding under the *More Homes Built Faster Act*. Measure the sustainability of D.C., C.B.C., Parkland Dedication, and other tax-funded capital reserves.

- Model other capital funding sources (e.g. grants, subsidies, contributions) to determine annual net levy capital funding impacts and impacts on the City's indebtedness (i.e. Annual Repayment Limit).
 - Develop a capital needs forecast for the Cherrywood Lands development forecast, based on assessment of Baseline levels of service, review of related background materials provided by the City and discussions with City staff.
 - Prepare a capital funding plan for the growth-related needs and assess the impacts on current D.C., C.B.C. and parkland dedication funding sources and reserve sustainability. Determine the need for upfront funding of growth-related capital needs based on the sustainability of growth-related funding sources.
 - Present the Baseline and Cherrywood Lands capital funding plans to the City Project Lead for review and comment before finalizing.
4. Prepare 2022-2041 Baseline Operating Budget Forecast and scenario incorporating Cherrywood Land development
- Prepare a 2022-2041 Baseline operating budget forecast. The forecast will be based on per capita/per employee levels of service reflected in the City's 2022 Operating Budget (or draft 2023 Operating Budget, if available), with projections for Baseline growth forecast. Adjustments to the Baseline forecast will be made for service level adjustments arising from discussions with City staff.
 - Baseline forecast will consider Operating Budget and Forecasts, incremental operating expenditures for additional assets acquired or conveyed to the City, City Centre Financial Options Strategy, and potential needs for increase in lifecycle funding identified in the City's asset management plan (if available).
 - Baseline operating budget forecast will project non-tax revenues to determine net operating expenditure forecast for the period. Non-tax revenues will be projected on per capita/per employee basis based on the City's Operating Budget (or draft 2023 Operating Budget, if available). Adjustments to the Baseline forecast will be made for user fee or other contribution adjustment arising from discussion with City staff.
 - The Baseline operating budget forecast will be updated to reflect the anticipated growth and capital need assumptions for the Cherrywood Land scenario. The Cherrywood Land scenario will reflect the increase in population and employment demands, incremental assets acquired or conveyed to the City, projected service levels, and non-tax revenues.



- The City's development application processing fees model will be used to project annual Baseline costs of service with the underlying development activity over the forecast period. The Baseline projections will be modified for the anticipated Cherrywood Lands development to measure the impact on staff resource levels and associated net operating expenditures.
 - Present the Baseline and Cherrywood Lands operating budget forecast to the City Project Lead for review and comment before finalizing.
5. Prepare draft Fiscal Impact Assessment for Baseline Forecast and Cherrywood Land scenario
- Summarize the fiscal impacts that the Cherrywood Lands present relative to the City's Baseline forecast. The Cherrywood Lands fiscal impact assessment, which may contain up to two potential scenarios, will summarize implications for capital funding sources, reserve sustainability and potential need for upfront financing, debt limit impacts, incremental operating expenditures and staff resources, net levy and property tax rates.
 - Baseline and Cherrywood Lands fiscal impact scenarios will identify the impact associated with the legislative changes under the *More Homes Built Faster Act*.
 - Present the Baseline and Cherrywood Lands fiscal impacts to the City Project Lead for review and comment before finalizing.
6. Present draft Fiscal Impact Assessment Findings to City's Senior Management Team
- Watson will prepare a PowerPoint presentation of the methodology, Baseline and Cherrywood Lands fiscal model projections, and findings of the fiscal impacts. The presentation will provide potential considerations to address the fiscal impacts that the Cherrywood Land may present to the City's Baseline financial position.
 - Presentation will be made to the City's Senior Management Team on January 27, 2023 at its weekly budget meeting. Input received from the Senior Management Team will be incorporate into the final report.
7. Prepare Final Fiscal Impact Assessment Report and Presentation to Council
- Final report will be prepared summarizing the methodology, findings and recommendation of the fiscal impact assessment. The report will include detailed model projections for the Baseline and Cherrywood Land forecasts.
 - The report will be provided to the City Project Lead on January 31, 2023.



- Final report will be presented to Council, in person, in February 2023.

8. Weekly Project Management Calls

- Watson will undertake weekly update meeting with the City Project Lead commencing the week of January 9th. These meeting will discuss the progress made relative to the project work plan, outstanding information requirements and identification of needs for scheduling discussions with other City staff members to inform assumptions. These meetings will also be used to review the draft findings for each of the elements identified in the project work plan before finalizing.

Proposed Project Budget

The following table summarizes estimated project budget to complete the project work plan by January 31, 2023. The proposed budget includes the Watson team members and their respective involvement in by project work plan task. The project budget is provided net of applicable taxes and will be invoiced monthly. The estimate includes a final report presentation to Council, one meeting with the City Senior Management Team, four meetings with the City Project Lead, and provision for discussions with other City staff members as required for clarification of information and validation of assumptions.

City of Pickering Cherrywood Lands Fiscal Impact Assessment Proposed Project Budget

Work Plan Task	Andrew Grunda, <i>Principal</i>	Nancy Neale, <i>Manager</i>	Majd Natout, <i>Analyst</i>	Jamie Cook, <i>Managing Partner</i>	Adam Fischer, <i>Senior Consultant</i>	Total Resources (Hours)	Total Budget
<i>Hourly Billing Rate</i>	\$ 320	\$ 235	\$ 145	\$ 320	\$ 190		
1. Review background materials	6	10	4	2	12	34	\$ 7,770
2. Prepare Baseline 2022-2039 growth forecast and scenario for development of Cherrywood Lands	8	12	6	14	40	80	\$ 18,330
3. Prepare 2022-2039 Baseline Capital Plan and scenario for Cherrywood Land development	16	24	10	-	-	50	\$ 12,210
4. Prepare 2022-2039 Baseline Operating Budget Forecast and scenario incorporating Cherrywood Land development	12	16	10	-	-	38	\$ 9,050
5. Prepare draft Fiscal Impact Assessment for Baseline Forecast and Cherrywood Land scenario	16	10	8	-	-	34	\$ 8,630
6. Present draft Fiscal Impact Assessment Findings to City's Senior Management Team	6	4	2	-	-	12	\$ 3,150
7. Prepare Final Fiscal Impact Assessment Report	16	12	2	4	8	42	\$ 11,030
8. Weekly Project Management Calls	4	4	-	-	-	8	\$ 2,220
Total Hours and Fees	84	92	42	20	60	298	\$ 72,390
Disbursements							\$ 900
Total Project Budget (excl. tax)							\$ 73,290



We hope this memorandum is aligned with the City's needs in this regard. Should any element of the of proposal require further consideration and revision we would be glad to discuss it with you further at your earliest convenience.