

Report To:	Chairman and Members of the Administration and Finance Committee
From:	J.E. MacCaskill, Commissioner of Corporate Services & Regional Treasurer Mitch Zamojc, P. Eng. Commissioner of Public Works and Engineering Services
Date:	October 28, 2008
Report No. - Re:	CS-73-08/PWE31-08 - 2008-2021 Infrastructure Staging Plan and Development Financing Plan Framework

RECOMMENDATION

1. THAT the 2008-2021 Infrastructure Staging Plan and Development Financing Plan Framework as set out in CS-73-08/PWE31-08 be approved subject to the approval of the 2009 Regional Budget;
2. THAT Report CS-73-08/PWE31-08 be forwarded to the Towns of Oakville and Milton with a request to provide recommendations on their preferences for the 2008/9 conditional allocation of 9,505 single detached equivalent (SDE) units to specific developments consistent with the overall program as set out in Report CS-73-08/PWE31-08 and that staff provide a presentation to Oakville and Milton Councils, if requested;
3. THAT staff hold a landowner meeting in December, 2008 to outline the 2008-2021 Infrastructure Staging Plan and Development Financing Plan Framework and the 2008/9 conditional allocation of 9,505 SDE to Milton and Oakville, as set out in Report CS-73-08/PWE31-08;
4. THAT upon receiving the recommended conditional allocation of units from the Towns of Oakville and Milton, staff be authorized to negotiate with the developers the terms of the Financial/Allocation agreements based on the principles set out in Report CS-73-08/PWE31-08;
5. THAT upon completion of the negotiation with the developers, staff present the recommended 2008/9 Financial and Implementation Plan including Financial/Allocation agreement terms to Council for approval.

REPORT

The Region's Official Plan requires that an Infrastructure Staging Plan, including a financial and implementation plan be prepared to Council's satisfaction prior to development proceeding. A detailed, multi-step process is being undertaken to fulfil this requirement. The following outlines

the critical steps required to complete an acceptable financing plan:

- Best Planning Estimates (approved by Council in May 2007)
- W/WW Master Plan (endorsed by Council in February 2008)
- Transportation Master Plan Update (endorsed by Council March 2008)
- W/WW Annual Monitoring Report (PPW51-08 to Council in May 2008)
- DC By-law (approved by Council in May 2008)
- Allocation Policy (to be considered by Council Nov.19, 2008)
- Infrastructure Staging Plan
- Financial and Implementation Plan
- Developer Agreements
- Implementation

The purpose of this report is to seek Council approval of the 2008-2021 Infrastructure Staging Plan and the Financing Plan Framework and to authorize staff to negotiate development financing agreements with the developers. Following successful completion of these negotiations and approval of the Region's 2009 Budget, staff will report back to Council with the final Financial and Implementation Plan for approval.

BACKGROUND

This section of the report provides Council a brief background concerning the steps of the process that have been completed and previously reported to Council.

2007 Best Planning Estimates

The 2007 Best Planning Estimates (BPEs) were presented in Report PPW73-07 and endorsed by Regional Council in May, 2007. The BPEs were presented to Local Municipal Council's in April/May, 2007 (Milton: Report PD-028-07, Halton Hills Report PD-2007-0030, Oakville Report PD-33-07 and Burlington Report PL-40/07). The BPEs provide population, household and employment projections to 2021 and were developed as a result of the joint effort of the Regional and Local planning staff.

The 2007 updated BPEs include an additional 36,600 population assigned to the Town of Milton. The updated BPEs were the basis from which both the Transportation and Water/Wastewater Master Plans as well as the Development Charges By-law were prepared.

	Population Growth (2006 - 2021)			
	2006 Population	2021 Population	Difference	
				%
Burlington	164,415	182,000	17,585	11%
Oakville	165,613	229,500	63,887	39%
Halton Hills	55,289	70,000	14,711	27%
Milton	53,939	147,400	93,461	173%
Halton Region	439,256	628,900	189,644	43%

Infrastructure Master Plans

In 2007/2008 the infrastructure master plans were updated to reflect significant cost increases due to the construction market conditions and the infrastructure to support the updated 2007 BPEs.

The South Halton Water and Wastewater Master Plan Update was endorsed by Council through Report PPW09-08 in February, 2008. The MPU was placed on public record for 45 days commencing June 13, 2008 and extensions were granted to specific stakeholder groups with the last extension lapsing on September 30, 2008. Final clearance has been requested in writing from the Ministry of Environment.

In March 2008, the Transportation Master Plan was updated through PPW36-08.

Water and Wastewater Capacity Annual Monitoring Report

Report PPW51-08 entitled “South Halton Water Supply and Wastewater Treatment Capacity Annual Monitoring Report (2007)” was presented to Planning and Public Works Committee in May, 2008. The annual monitoring report provides an analysis of capacity uptake for the previous year from development and provides an estimate of available uncommitted capacity. PPW51-08 was based upon the development uptake, water production and wastewater treatment records to December 31, 2007.

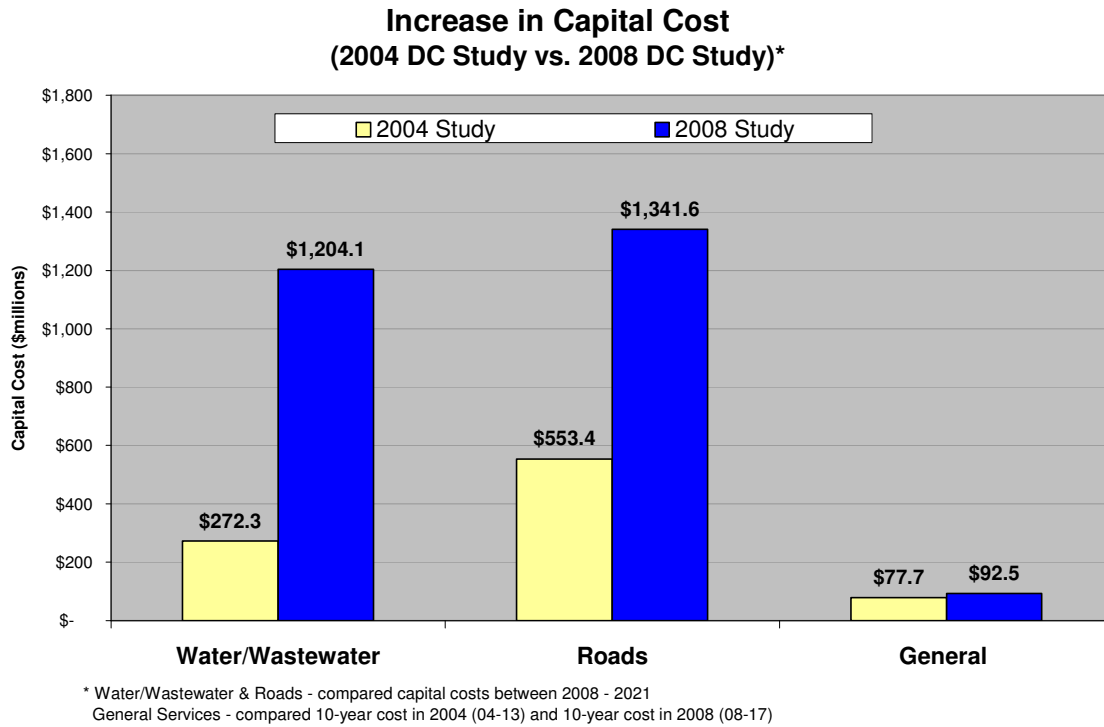
The Monitoring Report concluded that there are approximately 9,200 SDE that could be released for the 2008 residential allocation program in Oakville and Milton. This 9,200 SDE represents the water capacity available after protecting for five-year residential growth in non-allocation areas and five-year ICI growth in both non-allocation and allocation areas as forecasted in the 2007 BPE. The 9,200 SDE available is associated with the new Burloak WPP.

Development Charges Study

The Region undertook the 2007/2008 Development Charges (DC) Update process based on the updated BPE and infrastructure master plans, which resulted in the approval of the by-law in May 2008. Development Charges are a key source of financing for the Region’s infrastructure program.

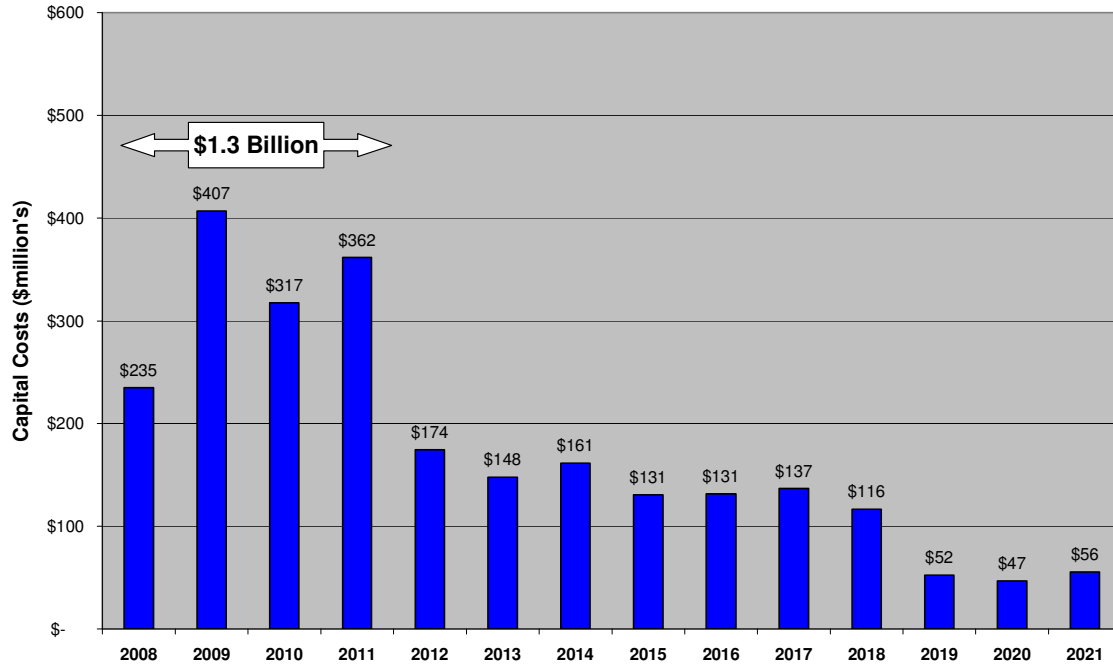
There are currently 5 development charge appeals outstanding which will be addressed at a preliminary OMB hearing in December 2008.

The following chart illustrates the significant cost increases between the 2004 and the 2008 DC Studies.



The DC Background Study also identified that of the \$2.5 billion infrastructure program, \$1.3 billion is required in the next four years to support growth in Halton. The financing plan will need to address this challenge. This is shown in the following chart.

**Halton Region Capital Infrastructure Costs - Total \$2.5 Billion
for Water/Wastewater and Transportation between 2008 and 2021**



Allocation Policy

In Report PPW165-07/CS100-07, Regional Council directed that the Allocation Policy be reviewed prior to the next allocation program. This review is complete and will be considered in Report LPS26-08 at the Planning and Public Works Committee on November 12, 2008.

INFRASTRUCTURE STAGING PLAN 2008

The Infrastructure Staging Plan (ISP) identifies the critical path of water and wastewater projects required for the treatment, distribution and conveyance of available capacity to the Allocation Areas in Milton and Oakville. The ISP builds on previous work described above, including the Best Planning Estimates, Water/Wastewater and Transportation Master Plans, Water/Wastewater Monitoring Report and the Development Charge By-law, and principles as follows:

- Refines timing of projects to reflect growth estimates by year, rather than the five year growth intervals used in previous studies
- Refines timing of projects to reflect realistic timing of future uptake of units
- Identifies opportunities to optimize the use of existing infrastructure for interim solutions
- Identifies opportunities to fast-track implementation of projects
- Updates the coordination of water/wastewater and transportation projects

The key changes recommended in the Infrastructure Staging Plan from the Water/Wastewater Master Plan are:

- Advancement of infrastructure to support Milton Phase 3 west of Sixteen Mile Creek
- Utilization of existing pipes for the Rebecca crossing of Bronte Creek
- Advancement of the Dundas crossing of Bronte Creek
- Advancement of the Burloak Zone 1 WM
- A revised servicing strategy for Business Park 2 in Milton.

The impacts of the changes recommended in the Infrastructure Staging Plan are:

- the amount of allocation available prior to the next expansion of the Burloak WPP was increased from 9,200 SDE as reported in the Annual Monitoring Report to 21,207 SDE. This increase is related to the ability to transfer excess capacity from the Burlington side of Bronte Creek to the Oakville/Milton side based on the improved staging of infrastructure crossing Bronte Creek.
- \$15 million in savings on the total cost of the Water and Wastewater program related primarily to the Rebecca crossing of Bronte Creek and the revised servicing strategy for Business Park 2.
- While the Infrastructure Staging Plan reflects the advancement of infrastructure for Milton Phase 3, the actual timing of this infrastructure is contingent on the completion and approval of the Secondary Plan for this area by the Town of Milton. The Town of Milton identified the requirement for the acceleration of Phase 3 in Milton, through report PD-059-08 relating to the consulting requirements for the Secondary Plan. In accordance with the Region’s policy and practice, allocation will not be provided to Phase 3 Milton until the Secondary Plan as been approved.

Based the Infrastructure Staging Plan there is 21,207 SDE of water and wastewater capacity available to allocate to the Milton and Oakville allocation areas prior to the expansion of the Burloak Water Purification Plant. To meet the BPE for occupancies prior to 2021, an additional 7,645 SDE will be required from the expanded plant. Given constraints related to the delivery of key infrastructure, the following table contains the timing of the recommended allocation programs. It should be noted that the table also includes the 1,500 SDE units allocated to Mattamy in 2007 through PPW165-07/CS100-07 as these units are part of this financing plan.

Summary of Proposed Allocation Programs (SDEs)			
Proposed Allocations	Milton	Oakville	Total
2008 Allocation:			
2007 release	1,500	-	1,500
2009 release	500	3,145	3,645
2010 release	3,605	2,255	5,860
Sub-total	5,605	5,400	11,005
2011 Allocation	5,748	5,954	11,702
2013 Allocation	5,376	2,269	7,645
Total	16,729	13,623	30,352
Previous Allocation Unused	5,037	4,206	9,243
Projected Total Take-up to 2021	21,766	17,829	39,595

There are three releases identified for the 2008 allocation program. The timing of the releases reflects the expected timing of delivery of required infrastructure. The 2011 and 2013 allocation programs will also require multiple releases based on infrastructure timing.

The table reflects a preliminary division of allocation between the Town of Milton and the Town of Oakville. This division reflects preliminary indications from the Local municipalities related to their requirements as well as technical constraints associated with delivering the servicing. The Town of Oakville Council resolution of August 5, 2008 endorsed Oakville staff report PD-103-08, Region of Halton- Draft Water and Wastewater Allocation Policy. The staff report indicated that approximately 5,400 SDEs are required in Oakville as part of the 2008 Allocation Program. This request is accommodated in the proposed allocation program.

The projects associated with each allocation program are summarized in the following table. It should be noted that each allocation program has been carefully planned to ensure that the infrastructure required to support the allocation is included within the program and that EA and design work to support continued planning is also accommodated. It is important that each allocation be independent from future programs in case there is insufficient demand to proceed with any future allocation programs in accordance with the timetable proposed.

Allocation Programs (\$753.4M)		
2008 \$286.9M	2011 \$272.5M	2013 \$194.0M
Rebcc. St. WM	Appleby Z3 PS	Burloak WP (C)
Kitchen Z3 & 5 PS	Burloak WM (C)	Mid-Hlt Otfll (C)
Appleby/Dundas WM	Z4 Rsrvor & WM	Milt Ph3 E (D&C)
2nd Feed (N & S)	RR#25 WWM (C)	Distribution
W/WW PS @ N. Prk	Burloak WP (D)	
Zone 5 Rsrvr	Mid-Hlt WWTP (C)	
Burloak WM (D)	Mid-Hlt Otfll (D)	
RR#25 WWM (D)	Milton Ph 3 W	
Burloak WP (EA)	Milton Ph 3 E (D)	
Mid-Hlt WWTP (D)	Distribution	
Distribution		

The list of water/wastewater projects based on the recommended Infrastructure Staging Plan is detailed in Appendix “A”.

The Transportation program was also reviewed in the context of the Infrastructure Staging Plan. The advancement of development in Milton Phase 3 as requested by the Town of Milton has significant implications for the road network in the Town of Milton. Specifically there is a requirement to accelerate both Tremaine Road/Regional Road 22 (Main Street to Highway 401

and Derry Road to Britannia Road) and Britannia Road/Regional Road 6 (Tremaine Road to Ninth Line). This advances \$146.8 million of costs into the first 5 years of the program.

Other changes to the road program based on the Infrastructure Staging Plan include

- Acceleration of sections of Dundas Street/Regional Road 5 (Bronte Road to Proudfoot Trail, CN Rail crossing and Bronte Creek crossing) (\$36.7 million advanced into first 5 years of the program),
- Acceleration of Neyagawa Boulevard/Regional Road 4 (Dundas Street to Highway 407) (\$17.8 million advanced into the first 5 years of the program) and
- Acceleration of Regional Road 25 (Highway 407 to Britannia Road) (minimal impact).

The acceleration of these projects is required to more effectively meet the needs for transportation infrastructure within the allocation areas.

DEVELOPMENT FINANCING PLAN FRAMEWORK 2008-2021

Council approved CS-52-08 (2009 Budget Directions) in September 2008 which set out a development financing plan framework for the preparation of development financing plans. The key principles of the development financing plan framework include:

- the development financing plan will not impact the 2009 or subsequent years forecasted tax and rate increases
- the development financing plan will not require the Region to exceed its own debt capacity levels
- the repayment assumptions for Regional interim financing will assume a conservative “slow growth” scenario to ensure that economic conditions do not create unexpected impacts to the Region
- all growth-related costs that can be recovered under the DC by-law from growth will be recovered
- Halton’s strong financial position and financial planning principles will not be compromised

The development financing plan framework will build on the principles used in previous Regional development financing plans approved by Council.

The following table highlights the development financial planning principles that will be used in the development of the financing plans for residential-led, employment, intensification/infill related water and wastewater infrastructure and for roads. Regional financing and interim financing requirements will be incorporated in the 2009 Budget and Forecast.

	Development Water & Wastewater			Roads
	Green Field		Intensification	
	Employment Lands	Residential-led		
Cost Shares	\$85.5M	\$753.4M	\$276.2M	\$1,280.7M
Residential	Region Up-Front Financing	Allocation Residential Up-front Financing	Residential DC	Res DC & Acceleration Up-front Fin.
Non-res - Recoverable		Region Interim Financing		
Non-res - Non-recoverable	Allocation Residential - Non-recoverable Contribution			
Oversizing	Region Interim Financing			
Non-growth	Regional Financing			

The following table provides a summary of the financing of the \$2.4 billion in infrastructure cost based on the development financing principles.

**Summary of Development Water/Wastewater & Roads Financing
for Period 2008-2021 (In \$2008, \$million's)**

	Development Water & Wastewater				Roads	Total
	Res-Led	Employment	Intensification	Sub-total		
Residential Developer Financing:						
Residential DCs	\$ 459.0	\$ -	\$ 88.2	\$ 547.2	\$ 667.4	\$ 1,214.6
Non-recoverable Contrib.	35.4	4.6	10.3	50.2	88.3	138.5
Sub-total	\$ 494.4	\$ 4.6	\$ 98.5	\$ 597.5	\$ 755.7	\$ 1,353.2
Regional Interim Financing:						
Revolving Funds:						
- Non-res. Recovrbl	\$ 156.8	\$ -	\$ 45.5	\$ 202.3	\$ -	\$ 202.3
- Oversizing	96.7	-	7.5	104.2	-	104.2
Debt - Employment Land	-	80.9	-	80.9	-	80.9
Capital Reserve	-	-	-	-	330.0	330.0
Sub-total	\$ 253.5	\$ 80.9	\$ 53.0	\$ 387.4	\$ 330.0	\$ 717.4
Regional Financing:						
Debt - Non Growth	\$ 5.5	\$ -	\$ 46.8	\$ 52.3	\$ -	\$ 52.3
Capital Reserve	-	-	-	-	195.0	195.0
Sub-total	\$ 5.5	\$ -	\$ 46.8	\$ 52.3	\$ 195.0	\$ 247.3
Subsidy	\$ -	\$ -	\$ 78.0	\$ 78.0	\$ -	\$ 78.0
Total	\$ 753.4	\$ 85.5	\$ 276.2	\$ 1,115.1	\$ 1,280.7	\$ 2,395.8

The next sections of the report further describe the financing summarized in the table above.

Residential Development Financing

The total residential development financing identified in the chart above is \$1.353 billion. This includes \$1.215 billion of development charges and \$138.5 million of non-recoverable contributions to be paid by the developers.

- The residential-led development in the allocation areas in Milton and Oakville will require a Development Financing Agreement to address front-end financing of the \$459 million of water and wastewater costs. This is discussed in more detail later in the report.
- The residential cost of \$88.2 million for water and wastewater related to primarily intensification areas of Burlington (\$41.8 million) and Halton Hills (Acton and Georgetown \$21.1 million). These projects include the expansion and improvements to the Skyway Wastewater Treatment Plant, and reservoir and plant improvements in Acton and Georgetown. Generally the residential share of projects in the intensification areas are financed from residential development charges collected at subdivision agreement. Given however the magnitude and the timing of these projects there will not be sufficient cashflow from residential development charges to finance these costs. Specific financing plans related to the financing of the residential share costs of these projects will need to be addressed in more detail once EA/designs and planning approvals are completed. The financing plans must be approved by Council prior to projects proceeding to tender. It is possible that additional interim financing from the Region will be required. This possibility is addressed later in this report in the section Finance Risk Analysis. The balance of the residential intensification costs relate to development water and wastewater studies that would be financed from collection of residential DCs at subdivision agreement
- The residential cost of \$667.4 million for roads will be financed from collection of residential development charges at subdivision agreement. Residential led development will also be responsible for payments related to the accelerated program which will be addressed in the Development Financing Agreement. This is discussed in more detail later in the report.
- As part of the Development Financing Agreement residential developers will also be responsible for a contribution of \$138.5 million related to non-recoverable nonresidential costs. Non-recoverable non-residential costs include mandatory development charge exemptions as required in the *Development Charges Act* and discretionary development charge exemptions and discounts incorporated in the Region's Development Charges By-law. In the 2005 Development Financing Plan the Region implemented a charge for greenfield residential development under Section 110 of the *Municipal Act*. This charge recovered some of the water and wastewater capital costs that were unrecoverable under the *Development Charges Act*. Recent changes to the *Municipal Act* allow the Region to continue to obtain developer contributions to recover all (water, wastewater and transportation) of these costs from residential developers. This reduces the impact of the

non-recoverable, non-residential costs on tax and rate payers and consistent with the objective to minimize the impact of growth on exiting taxpayers.

Regional Interim Financing

Regional Interim Financing relates to non-residential and oversizing costs that will ultimately be recovered from development charges. The Region uses a combination of external debt and internal borrowing primarily from the Infrastructure Investment Revolving Fund (Revolving Fund) and the tax capital reserve to interim finance these costs. The annual Regional Budget ensures all of these costs which can be recovered from development charges are recovered from future development charge collections (including carrying costs). This financing is a strategic investment for the Region as the infrastructure is required to support economic growth in the Region.

As per the table above, the total requirement for Regional interim financing for the updated infrastructure program is \$717.4 million. The 2008 Budget identified that debt financing the revised program would result in significant increases in Regional debt, above Regional debt guidelines, as a result of the magnitude of the revised capital program. To address the significant requirements of the revised capital program and provide the required financial capacity in accordance with the Region's development financing principles, the 2009 Budget Direction (CS-52-08) set out the key financing measures recommended for the 2009 enhance the Region's internal borrowing capacity from the Revolving Fund. This included the annual transfer of expected ODSP savings (\$10.6 million per year), the annual transfer of base budget funding for GO Transit (\$3.2 million per year) and the one time transfer of \$22 million in Provincial Infrastructure Grants to the Revolving Fund.

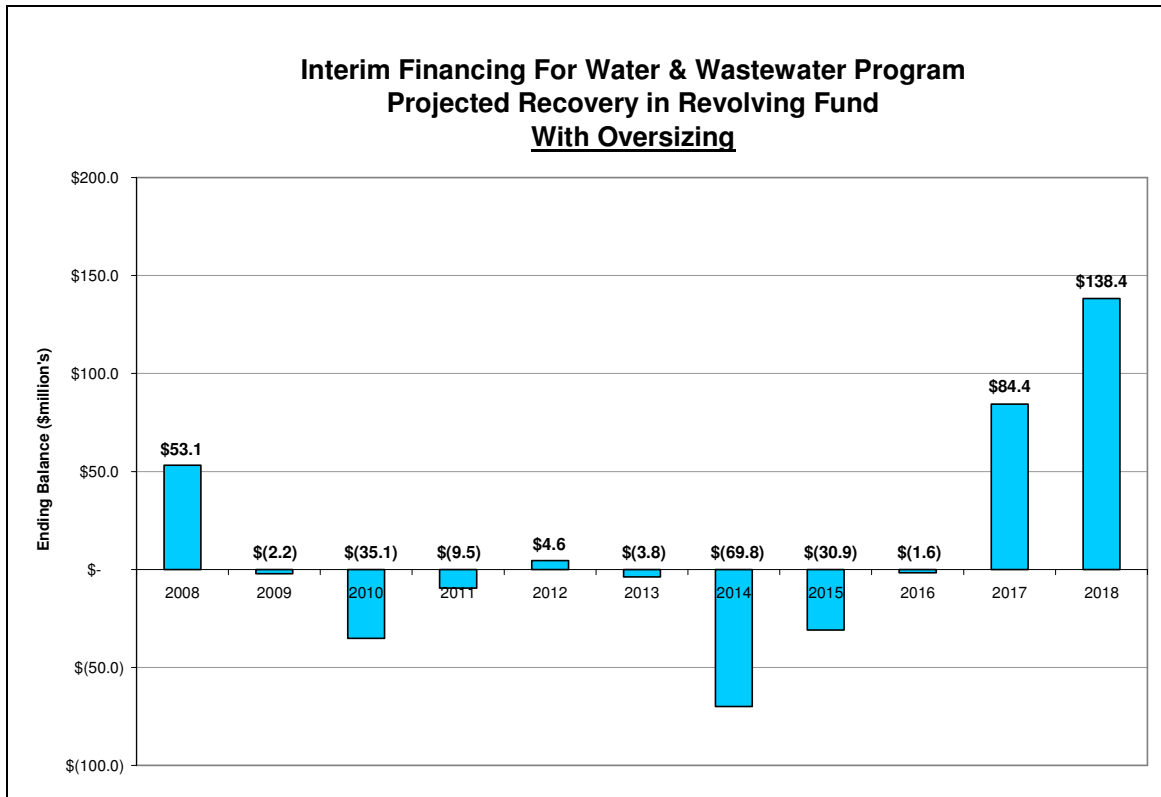
The Infrastructure Investment Revolving Fund

The Revolving Fund will provide \$306.5 million to interim finance the ICI share of recoverable non residential costs related to residential led development (\$156.8 million) and intensification development (\$45.5 million) as well as oversizing costs of \$104.2 primarily related to the Water and Wastewater program. These costs are paid from the revolving fund and recovered (including carrying costs) from future ICI development charges which are reinvested as continued interim funding.

The chart below summarizes the expected cashflows for the Revolving Fund. The chart illustrates that within the 10 year forecast, the Region will begin to be repaid its investment into the program. Given that the Regional financing primarily supports economic development and the ICI sector in Halton, and that the investment is expected to be repaid over a reasonable timeframe, this is a very strategic investment for the Region.

The cashflow for the Revolving Fund is dependent on the pace of ICI growth in Halton. The cashflow in the chart below is based on the approved 2007 BPE (an average of 4.5 million sq. ft. per year). While the analysis assumes that the total BPE will be achieved by 2021, the growth estimates early in the forecast have been reduced to reflect the current economic conditions and to

present a conservative cashflow. Analysis of the sensitivity of the cashflow to the ICI growth assumptions is presented later in this report



It should be noted that the balance of the Revolving Fund is projected to be negative throughout much of the forecast. This is considered reasonable given:

- Approximately \$50 million of the costs in the first 5 years relate to oversizing. A majority of these costs will be included in the development charge in the next DC By-law update and will therefore be recovered from development charges.
- The non-residential growth projection in the first 5 years has been reduced to provide a conservative cashflow.

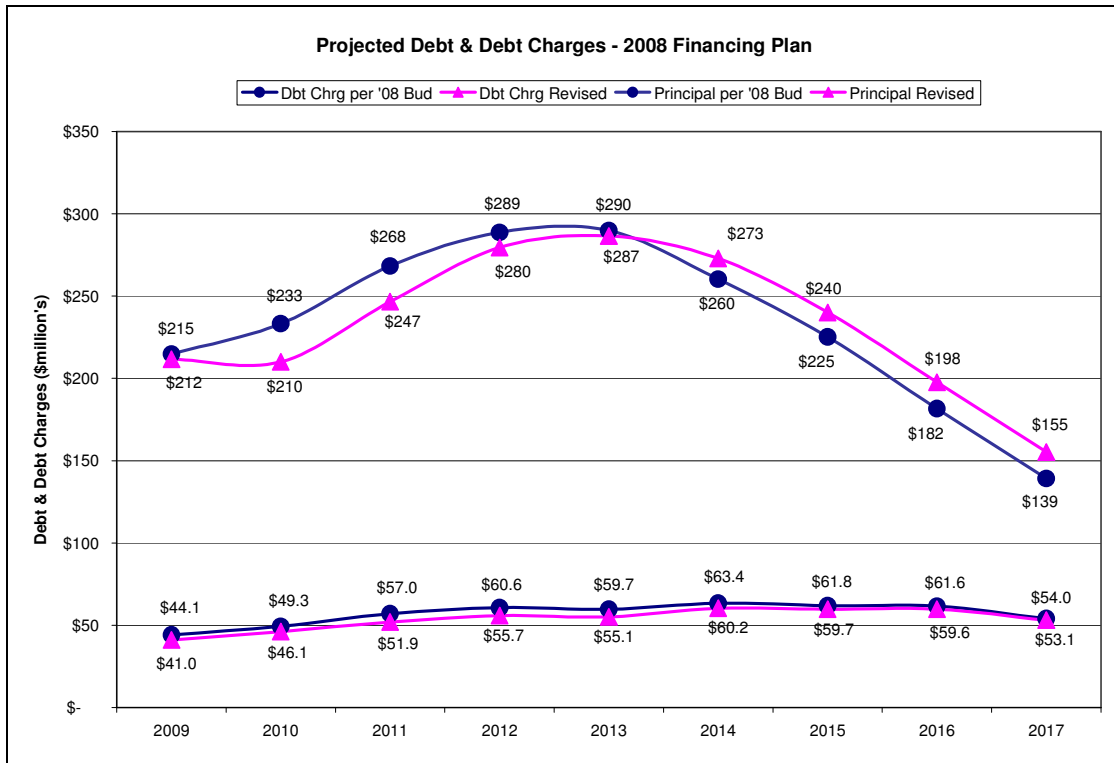
Regional Debt

As set out in the 2009 Budget Directions (CS-52-08) it is recommended that the Region provide front-end financing for servicing employment lands. Serviced employment lands are one of the most effective investments the Region can make to promote economic growth in Halton. This strategy is supported by the Region’s Comprehensive Economic Development Strategy approved by Council in 2006 and the Competitiveness Study of Halton Region for Non-Residential, Non-Retail Development” prepared by Metropolitan Knowledge International for the Region of Halton as part of the Development Charges update process in January 31, 2008.

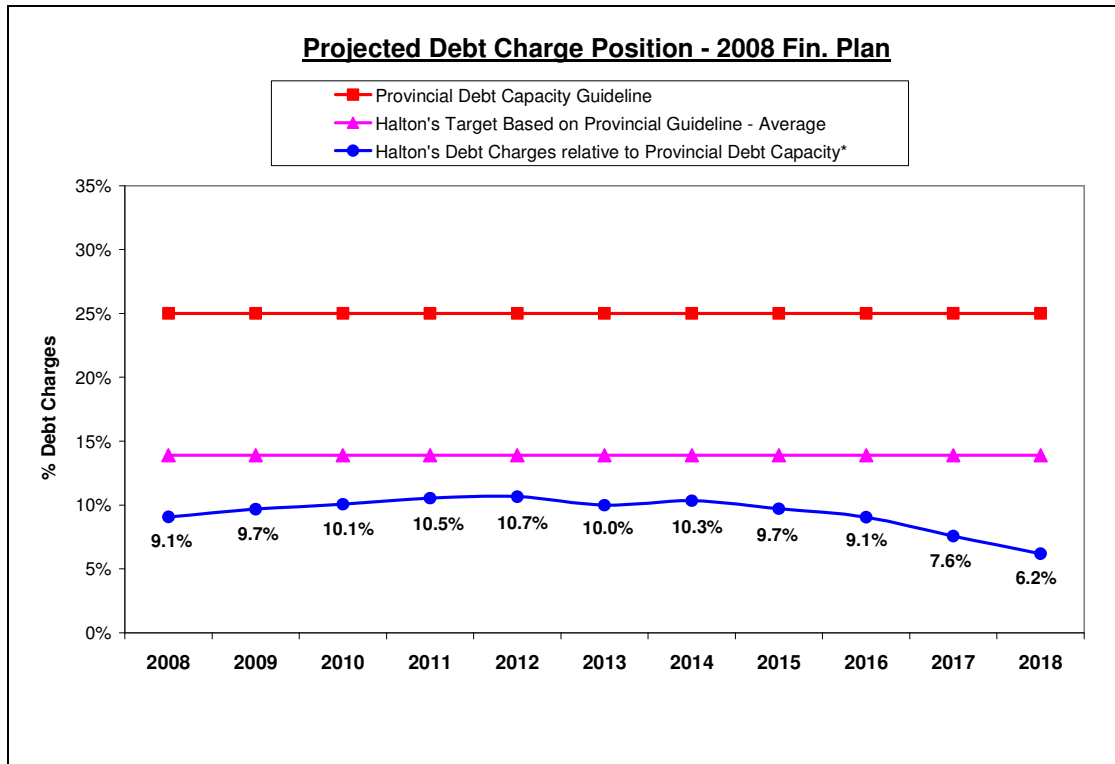
It is recommended that the \$80.9 million of employment land servicing costs be front-end financed by the Region through the issuance of debt over the 2008-2021 period. The debt charges incurred will be financed from the Revolving Fund to ensure that there is no unexpected impact to

the taxpayer as a result of this debt. The Revolving Fund will be repaid as related development occurs. While it is recommended that the general principle of Regional front-end financing of employment lands be adopted, the servicing of specific employment lands will require a Council approved financing plan prior to proceeding.

The following chart provides the Region’s total outstanding debt profile based on the recommended Financing Plan Framework as compared to the outstanding debt profile in the Region’s 2008 Budget. The planned debt has been somewhat delayed in the Financing Plan Framework, primarily due to delays in the currently approved capital program, but the outstanding debt continues to peak at approximately \$287 million.



The Region’s debt capacity, a key measure of the Region’s financial flexibility, based on the Financing Plan Framework, remains consistent with the projection in the 2008 Budget.



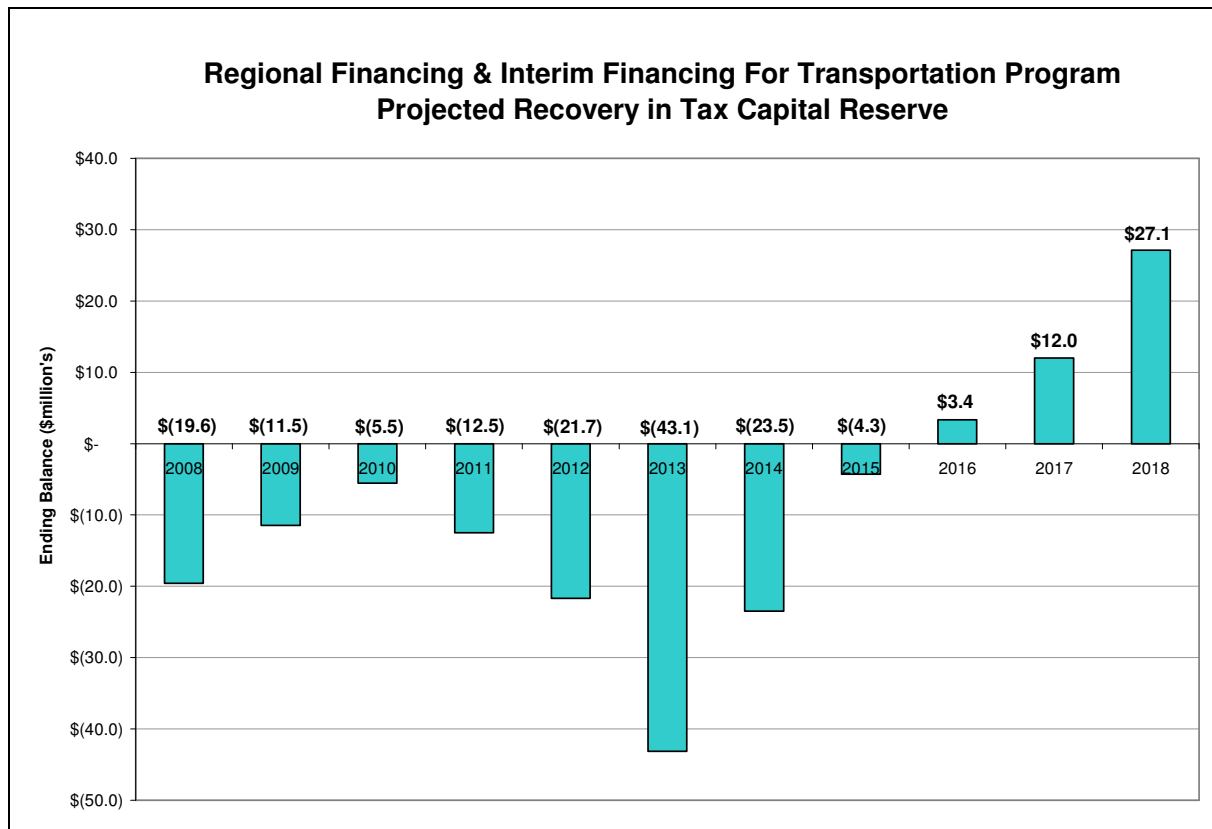
Tax Capital Reserve

The Tax Capital Reserve has historically been used to provide both interim Regional financing for the ICI share of the Transportation program and to fund the non-growth share of costs for the Transportation program. The financing of the updated Transportation program from the Tax Capital Reserve requires the following as recommended in the 2009 Budget Directions report:

- the re-investment of saving related to the elimination of non-residential development charge discounts estimated at \$7 million per year.
- use of additional pooling savings of \$2 million in 2009 and continued use of gas tax revenue of \$3.9 million.

The cashflow required for the interim financing of the ICI development charges is borrowed from funding in the Tax Capital Reserve ultimately required to support other Regional tax supported programs. The balance of the Tax Capital Reserve at December 31, 2007 was \$73.5 million. As illustrated in the chart below, the Transportation program borrows from the Tax Capital Reserve but contributes to the reserve before the end of the 10 year forecast. The contribution to the Tax Capital reserve incorporates savings related to the elimination of the development charge discounts.

The transportation cashflow has been prepared based on the same growth assumptions as used in the Revolving Fund analysis. The sensitivity of the growth assumptions are further analyzed later in this report.



Regional Financing

Regional financing relates to the non-growth (benefit to existing taxpayers) share of the development program. The water and wastewater non-growth costs are financed by debt. The resulting debt charges are financed from water and wastewater rates.

In addition to the non-growth share of the development program, the Region must also fund the on-going repair and replacement capital program. The 10-year Budget totals \$600.1 million and is funded through a combination of debt, operating transfers to the Rate Capital Reserve and gas tax revenues as recommended in the 2009 Budget Directions report.

Regional financing of the non-growth related share of the Transportation capital program are funded from operating contributions to the Tax Capital Reserve.

Subsidies

The DC Background Study identified \$78 million in subsidy related to the Skyway Wastewater Treatment consistent with funding to other municipalities associated with the Hamilton Harbour Remedial Action Plan. The impact to the Region if this subsidy is not received is evaluated later in this report.

Financial Risk Analysis

Financing the \$2.4 billion infrastructure program presents a significant challenge for the Region due to both the timing and magnitude of the required expenditures. The Development Financing Plan Framework has been developed, in accordance with the principles established by Council, to address this challenge while minimizing risks to the Region. The following elements of the program are critical to managing risk to the Region:

- residential development financing must be received before capital projects are tendered;
- requirement for Council approved financing plans prior to development occurring and capital projects proceeding;
- use of internal borrowing to limit the Region's commitments and exposures to external markets;
- investment in infrastructure that supports economic development in Halton;
- the provision for the repayment of the Region's investments including carrying costs.

The following sections of the report review the sensitivity of the Development Financing Plan Framework with respect to economic conditions, specifically the pace of growth, and the potential of additional financing requirements specifically related to projects in the Intensification Areas identified previously in the report and the impact of not receiving the subsidy planned for the Skyway Plant.

Slow Growth

The Development Financing Plan Framework relies on future development charge revenues. The cash flows are therefore highly dependent on the pace of growth in Halton and therefore to economic conditions. A fundamental principle in the Development Financing Plan Framework however is that the infrastructure program does not proceed until Council has approved an acceptable financial and implementation plan and the Region has secured the residential development charge financing related to the projects. Slow residential growth, therefore would not present the Region with risks related to the Financial and Implementation Plan.

The Region does however have exposure with respect to the pace of non-residential development. The financing plan depends on future non-residential development charges revenues to re-pay Regional interim financing. If non-residential development does not occur at the expected rate, the Region's repayment to the Revolving Fund and the Tax Capital Reserve will be delayed.

There are however several elements of the Development Financing Plan Framework which mitigate this risk:

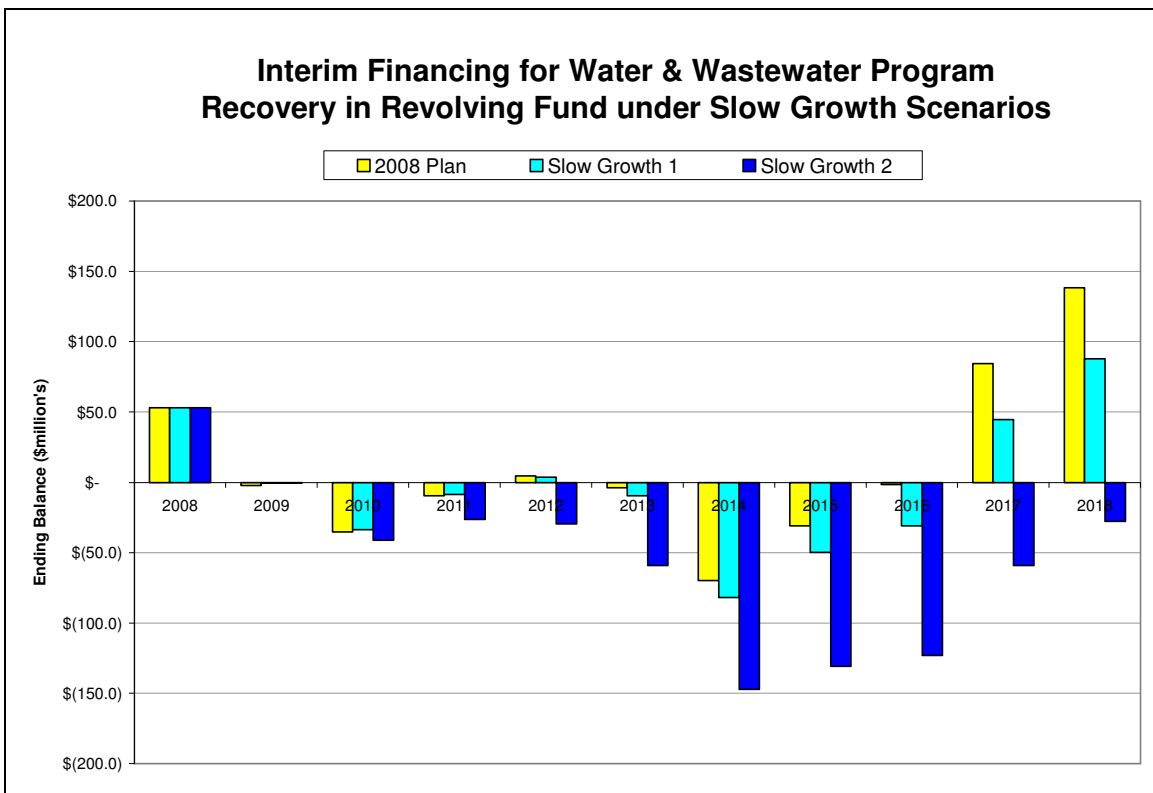
- a majority of the non-residential costs are tied to residential-led development. If residential growth is slowed, the infrastructure will not proceed and the costs will not be incurred.
- an acceptable financing plan for each employment area is required before the Region proceeds to invest in any of these areas. An acceptable plan would require a reasonable expectation of development occurring before proceeding.

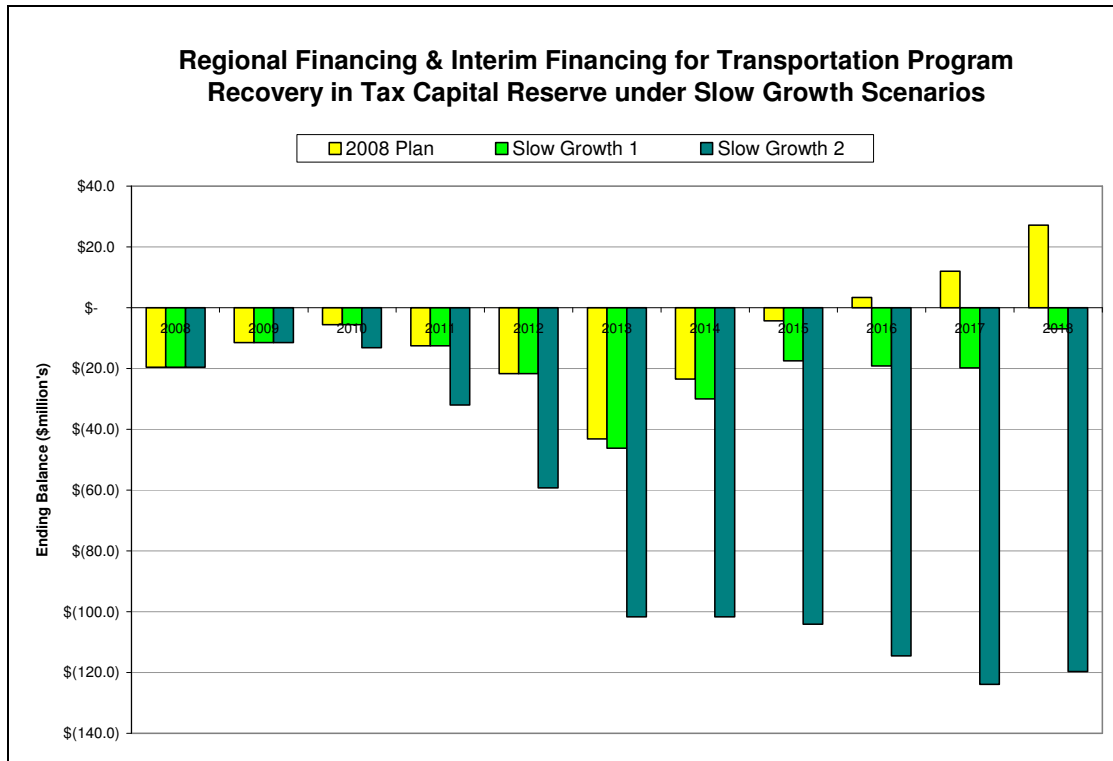
- Council has the opportunity to evaluate its investment in ICI (non-residential) infrastructure with each financing plan.

To illustrate the sensitivity of slower non-residential growth, two alternate scenarios are presented. In each case, it is assumed that the infrastructure program proceeds as planned.

- Base Case - 4.5 million sq. ft. per year of non-residential growth. It is assumed that the growth in the first 5 years will be slower however than the last 5 years. This is the basis of the Development Financing Plan Framework.
- Scenario 1 - an average of 3.6 million sq. ft. per year and
- Scenario 2 - an average of 2.0 million sq. ft. per year. This is consistent with the Region’s experience in the early ‘90s.

The impact on the Revolving Fund and the Tax Capital Reserve, as illustrated in the following charts, is that the repayment to the Region of its investment would be delayed in Scenario 1 however the cash flows are sufficient to finance the infrastructure program. In Scenario 2 the delay in repayment of the Revolving Fund and Tax Capital Reserve is significant and the cash flows are unable to sustain the program. In this scenario, the infrastructure program or the financing of the infrastructure program could not proceed as planned.





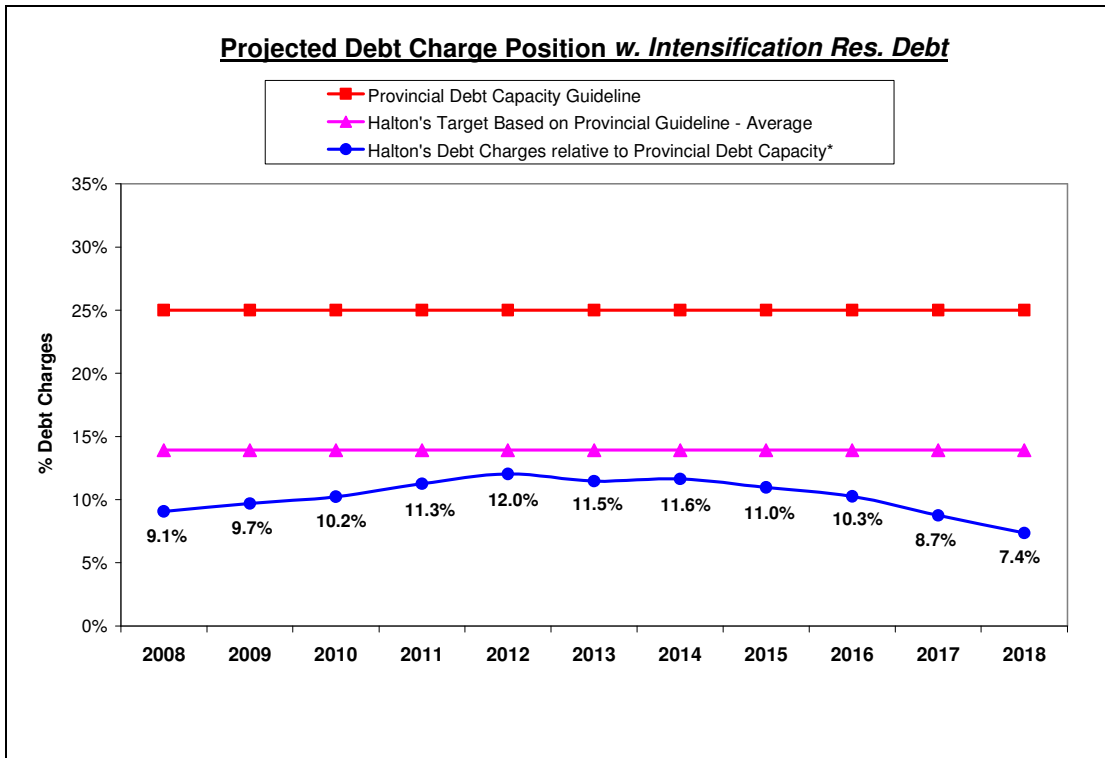
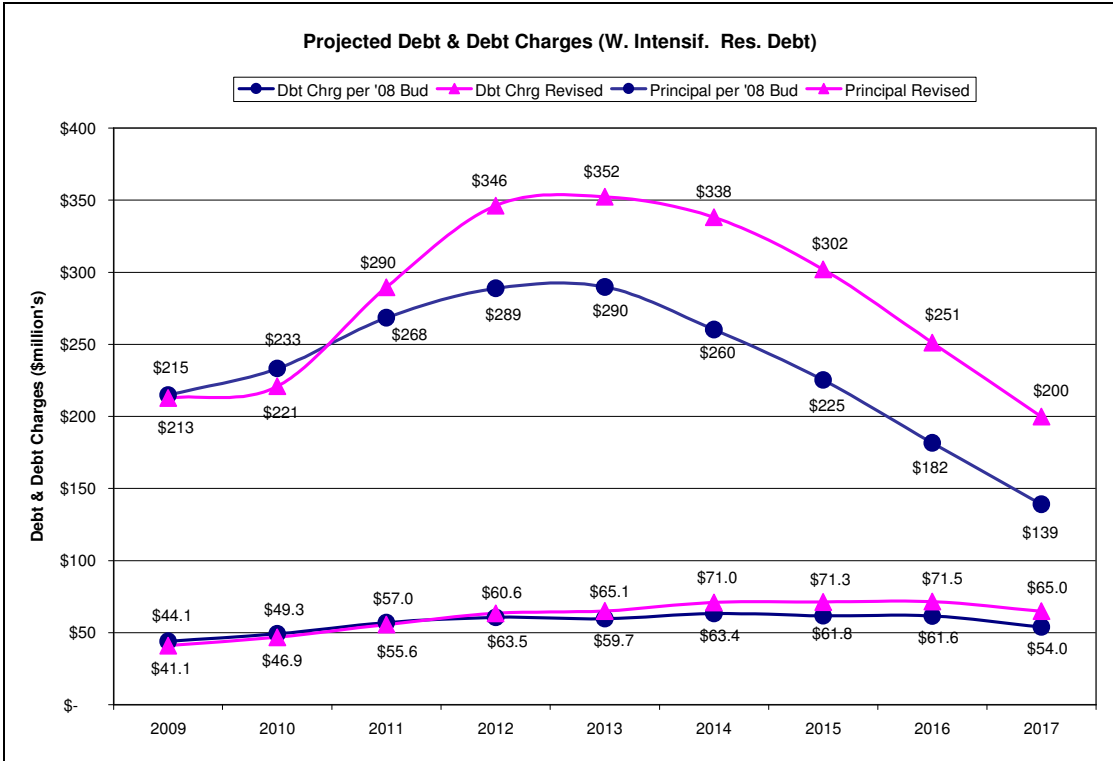
Intensification Areas Program Risk

As noted previously in the report, based on the timing and magnitude of the projects included in the intensification program, particularly the Skyway, Georgetown and Acton Plants, interim financing for the residential share of this program would be required. The Development Financing Plan Framework assumes that the sufficient development charge revenues would be available to finance these projects.

A scenario has therefore been developed to illustrate the impact on the Region's debt profile if the Region decided to provide the required interim financing for these projects using debt financing. This scenario will require an additional \$88.2 million in debt.

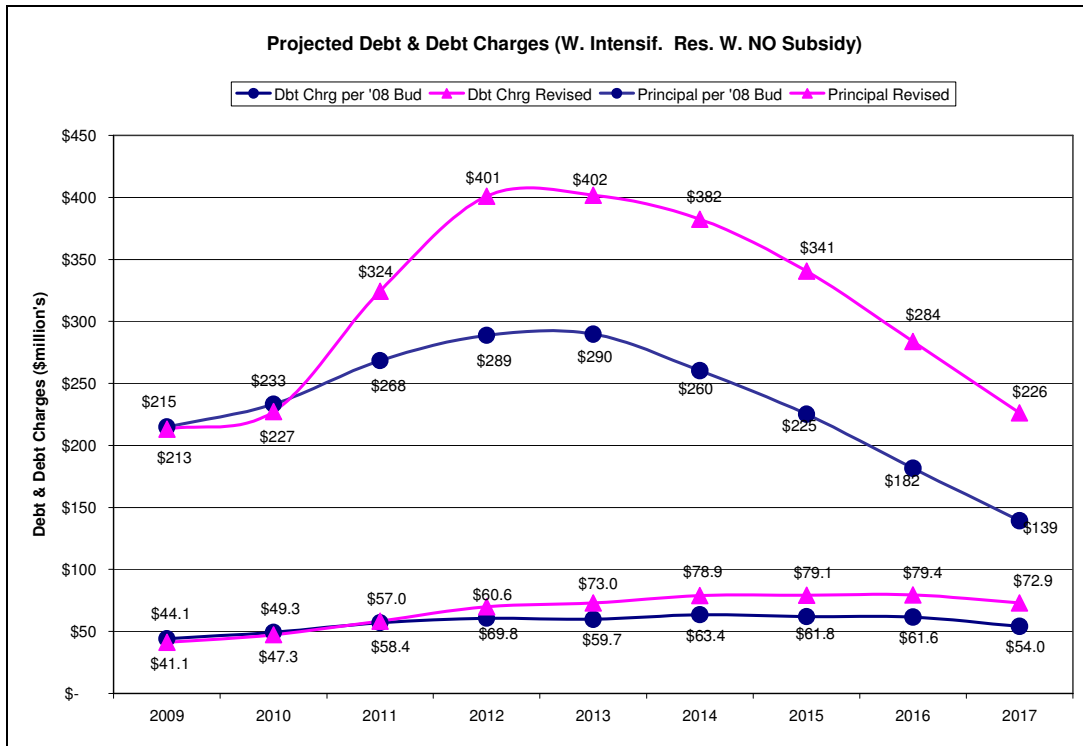
As per the following charts, this debt could be accommodated within the Region's debt capacity.

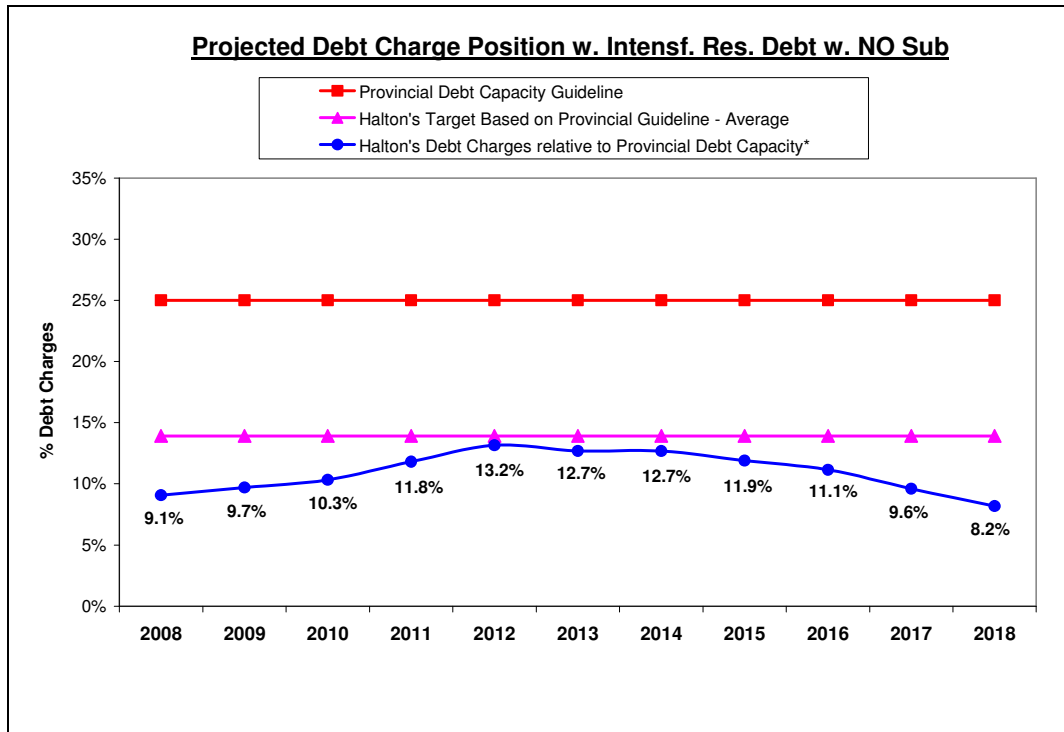
A financing plan will be required to finance these projects. The financing plan will address development and Regional financing. The financing plan would be required to demonstrate the extent to which development revenues would be available to offset the increased debt charges and any impact to the ratepayers.



Subsidy Risk

The Development Financing Plan Framework includes \$78 million of subsidy related to the Skyway Plant. As identified previously, this funding has not been confirmed. A scenario has been developed to demonstrate the impact to the Region of not receiving this subsidy combined with a decision for the Region to interim finance the residential share of the intensification area program through debt financing. This scenario requires an additional \$145.2 million of debt above the current financing framework. This is achievable within the Region's debt capacity limits however there are potentially significant impacts on debt charges which would need to be assessed in the financing plan for the Skyway Plant.





2008 FINANCIAL AND IMPLEMENTATION PLAN

A Financial and Implementation Plan for the 2008 Allocation Program of 9,505 SDE residential units to the Towns of Milton and Oakville will be prepared based on the infrastructure staging program and financial principles as set out in this report. The final Financial and Implementation Plan will be presented to Regional Council once the terms of the development agreements have been negotiated with the developers and the 2009 Budget and Forecast has been approved.

The following table provides a breakdown of the \$753.4 million residential-led water and wastewater infrastructure costs over the three allocation programs identified in the Infrastructure Staging Plan. The actual timing of these allocation programs will be based on the timing of planning approvals and the pace of development. It is important to note that although the 2008 allocation program totals 9,505 SDE units, the financial and implementation plan totals 11,005 SDE units to include the 1500 SDE units Council allocated to Mattamy in 2007. Council approved this allocation to Mattamy on the basis that they would be subject to the financial requirements set out in the 2008 Allocation program.

(Cost in \$2008, \$million's)	Allocation Programs			
	2008-2010	2011-2012	2013-2021	Gross
Water & Wastewater Infrastructure	Rebcc. St. WM Kitchen Z3 & 5 PS Appleby/Dundas WM 2nd Feed W/WW PS @ N. Prk Zone 5 Rsrvr Burloak WM (D) RR#25 WWM (D) Burloak WP (EA) Mid-Hlt WWTP (D) Distribution	Appleby Z3 PS Burloak WM (C) Z4 Rsrvr & WM RR#25 WWM (C) Burloak WP (D) Mid-Hlt WWTP (C) Mid-Hlt Otfl (D) Milton Ph 3 W Milton Ph 3 E (D) Distribution	Burloak WP (C) Mid-Hlt Otfl (C) Milt Ph3 E (D&C) Distribution	
Allocation Program Cost	\$ 286.9	\$ 272.5	\$ 194.0	\$ 753.4
Regional Financing	\$ 85.2	\$ 97.1	\$ 76.8	\$ 259.0
Residential Financing:				
Residential Share	\$ 187.9	\$ 162.5	\$ 108.7	\$ 459.0
Non-res Non-recovr. ¹	24.6	16.5	9.2	50.2
Total	\$ 212.5	\$ 179.0	\$ 117.8	\$ 509.2
SDEs Allocated ²	11,005	11,702	7,645	30,352
\$Financing per SDE:				
Res. Share	\$ 17,071	\$ 13,885	\$ 14,212	\$ 15,122
Non-Recvrbl Contrbt'n	1,656	1,656	1,656	1,656
Total	\$ 18,726	\$ 15,540	\$ 15,868	\$ 16,778
\$DC per SDE (HUSP)	\$ 14,725	\$ 14,725	\$ 14,725	\$ 14,725

1. Represents Non-residential Non-recoverable share of total W/WW program costs (\$1.12B)

2. includes the Mattamy allocation of 1,500 SDEs

- Of the \$753.4 million, \$286.9 million is required in water and wastewater infrastructure related to the allocation of 11,005 SDE units.
- Of the \$286.9 million, the Region would be responsible for interim financing of \$85.2 million (\$22.2 million in oversizing, \$61.6 million ICI recoverable, \$1.4 million non-growth) based on the financing principles set out earlier in this report. The residential developers would be responsible their cost share of \$212.5 million consisting of residential share of \$187.9 million and non-residential non-recoverable share of \$24.6 million.
- The residential share cost per SDE of the 2008 Allocation program is \$17,071. This is greater than the \$14,725 residential DC. This reflects the significant infrastructure costs in the first four years of the capital program. The result is the requirement for a cash flow payment of \$2,345 in addition to the residential DC. It should be noted that the residential share cost per SDE in the 2011 and the 2013 Allocation programs are less than the residential DCs. If the capital program does not change significantly, this should provide for a recovery of the cashflow payments to the 2008 Allocation program participants.
- To fund the \$212.5 million, the developer would be required to pay based on the terms of the agreement (set out below) \$14,725 per SDE unit in development charges, cash flow payment of \$2,345 per SDE unit and \$1,656 per SDE unit for the non-residential non-recoverable cost share.

In addition to the water and wastewater financial requirements, the residential developers will be responsible for the following road financial requirements. The acceleration of the roads as identified in the Infrastructure Staging Plan result in the requirement for additional cashflow payments from developers. This requirement is illustrated in the following table.

Roads Capital Program	2009	2010	2011	2012	2013	Total 2008-2013	Total 2014-2021	Gross
2008 DC Study	\$ 110.0	\$ 106.9	\$ 109.6	\$ 111.5	\$ 115.1	\$ 553.0	\$ 694.4	\$ 1,247.4
Required Adjustments:								
2008 Allocation:								
Dundas (2016 to 2012)	\$ 0.7	\$ 2.8	\$ 5.1	\$ 29.7	\$ (1.7)	\$ 36.7	\$ (36.7)	\$ 0.0
Neyagawa (2022 to 2012)	-	0.8	4.3	12.7	-	17.8	(2.9)	15.0
RR#25 (2013 to 2011)	(0.0)	-	14.3	(3.9)	(10.4)	(0.0)	-	(0.0)
Milton Phase 3:								
Britannia (2022/21 to 2013)	1.4	2.9	(0.6)	6.1	62.2	72.1	(53.8)	18.2
Tremaine (2017/18 to 2013)	3.3	-	4.9	15.2	51.2	74.7	(74.7)	0.0
Sub-total	\$ 5.4	\$ 6.5	\$ 28.1	\$ 59.9	\$ 101.3	\$ 201.2	\$ (168.0)	\$ 33.2
Revised Program Costs	\$ 115.4	\$ 113.4	\$ 137.7	\$ 171.4	\$ 216.4	\$ 754.2	\$ 526.4	\$ 1,280.6

The resulting payments required from developers are therefore:

- \$11,924 per SDE unit development charges payable at subdivision agreement; and
- Cash flow payment related to the accelerated road program of \$4,982 per SDE unit and non-recoverable residential contribution of \$2,934 per SDE

The total developer payments required for the 2008 Allocation program are therefore summarized as follows:

Proposed per SDE Payment Under 2008 Allocation Program	
Charges	Amount Per SDE
W/WW DC	\$ 14,725
Roads DC	11,924
Non-res, Non-recoverable Contribution	4,589
W/WW Cash Flow Payment	2,346
Roads Cash Flow Payment	4,982
Total	\$ 38,566

AGREEMENT PRINCIPLES – RESIDENTIAL LAND DEVELOPMENT

The objective of each allocation program is to ensure residential development funds its share of the required infrastructure costs as outlined in the previous section. Development will not proceed until the Financial/Allocation agreements are executed and securities are received to the satisfaction of the Commissioner of Corporate Services and Regional Treasurer. Residential developers are required to enter into an agreement to finance projects that directly support the

allocation of units in this program. The benefiting land area related to the allocation program will be set out in the agreement.

Water and Wastewater:

- The residential developer's full cost share as set out in the Financial and Implementation Plan is equal to the water and wastewater DC rate, the non-recoverable non-residential share and the front-end amount (cash flow share) of the required water and wastewater infrastructure costs.
- The Region will require security (Letter of Credit (LC)) equal to 1/3 (one third) of the cashflow share upon execution of the agreement and the remaining amounts owing will be required to be secured (by LC) in stages related to the specific projects at the time those specific project(s) are tendered or at building permit, whichever is earlier.
- Water and wastewater DC credits will be provided at subdivision agreement at the then current rate.
- There is no recovery for the non-recoverable non-residential share.
- The outstanding cash flow amount will be recovered from subsequent allocation programs and flow through to the first allocation developers.

Roads:

- The residential developer's full cost share as set out in the Financial and Implementation Plan is equal to the road DC rate, the non recoverable non-residential share and the front-end amount (cash flow share) related to the accelerated program.
- The roads DC and the non recoverable non residential share will be paid a subdivision agreement at the then current rate.
- Under the terms of the agreement the Region will require the amount equal to the cash flow share to be secured (by LC) in stages related to the specific projects at the time those specific project(s) are tendered or at building permit whichever is earlier.
- There is no recovery for the non-recoverable non-residential share.
- The outstanding cash flow amount will be recovered from subsequent allocation programs and flow through to the first allocation developers.

Other requirements:

In addition to the above, other requirements to the Financial/Allocation agreements will include but are not limited to the following:

- The securities will be required to drawn down (monies paid) prior to the award of the specific project(s) tender.
- Letters of credit will be adjusted on a quarterly basis to reflect actual project costs.
- DC rates are subject to DC updates and indexing.
- The residential full cost share for water, wastewater and roads as set out in the Financial and Implementation Plan needs to be committed through the execution of Financial/Allocation Agreements prior to the Region proceeding with development.
- The cash flow share is based on the total number of SDE units allocated through the Financial and Implementation Plan. If the total number of SDE units allocated through the

agreements is less than the total allocated through the Financial and Implementation Plan then the cash flow share would have to be adjusted.

- Financial obligation of the benefiting owners (if required) would be defined during the negotiation process with the developers.
- In addition to the financial obligations outlined above, payments to fund costs to develop the agreement and administration costs will be required.
- The agreement could be in the form of a front-ending agreement under the DCA.

COMMUNICATIONS WITH THE DEVELOPER LIAISON COMMITTEE

A Special Halton Developer Liaison Committee Meeting was held on September 19, 2008 to present to the developers the critical elements of the allocation program. As part of the consultation process there were numerous subsequent technical meetings with the developers throughout September and October related to engineering, planning and financial issues, and which reviewed in more detail the infrastructure staging program and financial plan requirements.

Based on these meetings and comments received the Infrastructure Staging Plan was updated and presented to the developers at a Special Halton Developer Liaison Committee Meeting on October 23, 2008. It is important to note that in consulting with the development community staff were guided by the following principles when preparing the Infrastructure Staging Plan:

- 1) Servicing and financial risk to the existing residents and businesses of Halton will be minimized.
- 2) Servicing standards and infrastructure integrity will not be compromised.
- 3) Existing and new infrastructure will be optimized.
- 4) Local municipal requests for releases to allow for complete community development will be facilitated.
- 5) Opportunities for infrastructure delivery partnerships will be considered.
- 6) Information will be provided as quickly as possible to allow for industry responses in a timely fashion.
- 7) Further project refinement will be considered.

NEXT STEPS

As identified at the beginning of the report, this report is one step in the process toward completing an acceptable financing plan for development. The next steps include:

- Approval of the 2009 Budget.
- Host a Developer/Landowner information session in December 2008.
- Receive indication of preference of allocation from the Towns of Milton and Oakville (January 2009).
- Negotiate financial agreements with the developer/landowners.
- Council approval of the final Financial and Implementation Plan.
- Execution of the Financial Agreements.

It should be noted that for the Development Capital Program to proceed as currently scheduled, the approval of the Financial and Implementation Plan and the execution of the financial agreements and funding secured by the end of March 2009.

FINANCIAL IMPLICATIONS

This report has no financial implications. The financial implications of the Development Financing Plan Framework and the 2008/9 Allocation Program will be addressed in the 2009 Budget and Forecast and the Financial and Implementation Plan.

RELATIONSHIP TO THE STRATEGIC PLAN

This report supports the goals of the Strategic Plan to “preserve and enhance Halton Region’s strong fiscal foundation and administrative excellence”.

Respectfully submitted,



Mark Scinocca
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J. E. MacCaskill
Commissioner of Corporate Services and
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Approved by



Mitch Zamojc P.Eng.
Commissioner of Public Works and
Engineering Services



Pat Moyle
Chief Administrative Officer

If you have any questions on the content of this report, please contact: Mark Scinocca

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