2018-2022 Historical Analysis and 2023-2028 Financial Framework

Presented by:

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<u>CONFIDENTIAL</u>

December 11, 2023

Mr. Martin Houde
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Subject: 2018-2022 Historical Analysis and 2023-2028 Financial Framework

Dear Mr. Houde,

We are pleased to submit our report regarding the above-mentioned matter. We hope that our findings will help you achieve your goals.

We thank you for your trust by allowing us to present this proposal. We are available at any time for any further assistance or to support you in your efforts to reach your goals.

For more information, please contact the undersigned at 514 954-4633.

We hope we will have the opportunity to share your challenges,

Yours truly,

Raymond Chabot Grant Thornton & Co L.L.P.

Nicolas Plante, PMP, MGP
Partner – Management Consulting

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Definitions of acronyms used in this report

Acronym Definition Table	
Term	Definition
GHG	Greenhouse gases
MMAH	Ministry of Municipal Affairs and Housing
GAAP	Generally Accepted Accounting Principles
CIP	Three-year Capital Investment Plan
RCGT	Raymond Chabot Grant Thornton
RFU	Standardized Property Wealth
TRIENNIAL ROLL	Property assessment valid for three years
SQ	Sûreté du Québec
AAGR	Average annual growth rate
TECQ	Quebec Gas Tax and Contribution Program

Context and understanding of your needs

Context and understanding of your needs

Context

The Town of Hudson (hereinafter the “Town") wishes to develop its 2023-2028 financial framework, considering the importance of the future investment projects and the evolution of its expenditures. The financial framework will have to take into account those various upcoming investment projects.

Long-term strategic financial planning provides elected officials and municipal managers with a shared vision of the Town's priorities and challenges. It also provides a clear picture of operating costs, necessary investments and impacts on the Town's debt and, by extension, on residents' tax bills. This shared vision of projects ultimately encourages the Town to be proactive in developing the best tax strategies for its residents. Above all, beyond the fact that it encourages efficient resources management, it has the great advantage of transparent management of municipal public finances.

Your needs

Develop the Town’s five-year financial framework in order to obtain a picture of the financial impacts, determine the best strategies to implement and ensure sound management of public funds.

Limitations

The template was prepared by RCGT for the sole purpose of the mandate. No representations or warranties (express or implied) are made with respect to it. No responsibility is taken or accepted by RCGT with respect to the relevance, completeness or accuracy of the financial model or the assumptions on which it is based and, therefore, any liability is expressly excluded.

2018-2022 Historical Analysis

The data used in the historical analysis, as well as in the calculation of the ratios, are based on the results published by the Town on the website of the Ministry of Municipal Affairs and Housing (MMAH).

Average annual revenue growth of 3% (1 of 2)

Revenue

Evolution of real incomes

In $, 2018 to 2022

Investment income is excluded from the analysis.

	2018	2019	2020	2021	2022	AAGR
Property taxes	11 057 661	11 603 830	11 819 509	1 11 897 489	12 468 725	3,0 %
Payments in lieu of taxes	134 403	162 797	170 105	160 307	188 255	8,8 %
Transfer duties	2 1 201 016	551 205	864 968	358 404	121 173	-43,6 %
Services rendered	382 489	456 353	224 546	192 120	295 430	-6,3 %
Imposition of duties	1 025 093	1 122 903	3 2 124 836	1 903 844	2 176 401	20,7 %
Other revenues	4 295 874	786 084	369 942	393 501	611 734	19,9 %
	14 096 536	**14 683 172**	**15 573 906**	**14 905 665**	**15 861 718**	**3,0 %**
Annual growth		**4,2 %**	**6,1 %**	**-4,3 %**	**6,4 %**	

1

Property taxes

The revenue increases in 2019 and 2022 were mainly due to the growth in value caused by the assement roll. There was also an increase in pricing between 2021 and 2022.

2

Transfer duties and services rendered

Transfer revenues are particularly high in 2018 given that the TECQ was considered ($853.1K).

In 2020, the Townreceived $505K in COVID-19 funding.

3

Imposition of duties

The real estate market was booming in 2020, which explains the significant increase in transfer tax revenues, and this growth continues for subsequent years.

4

Other revenues

A contribution from promoters of $407.3K explains the increase in other revenues in 2019. In addition, higher than expected interest income was received in 2022 ($579.6K compared to $252.5K in 2021).

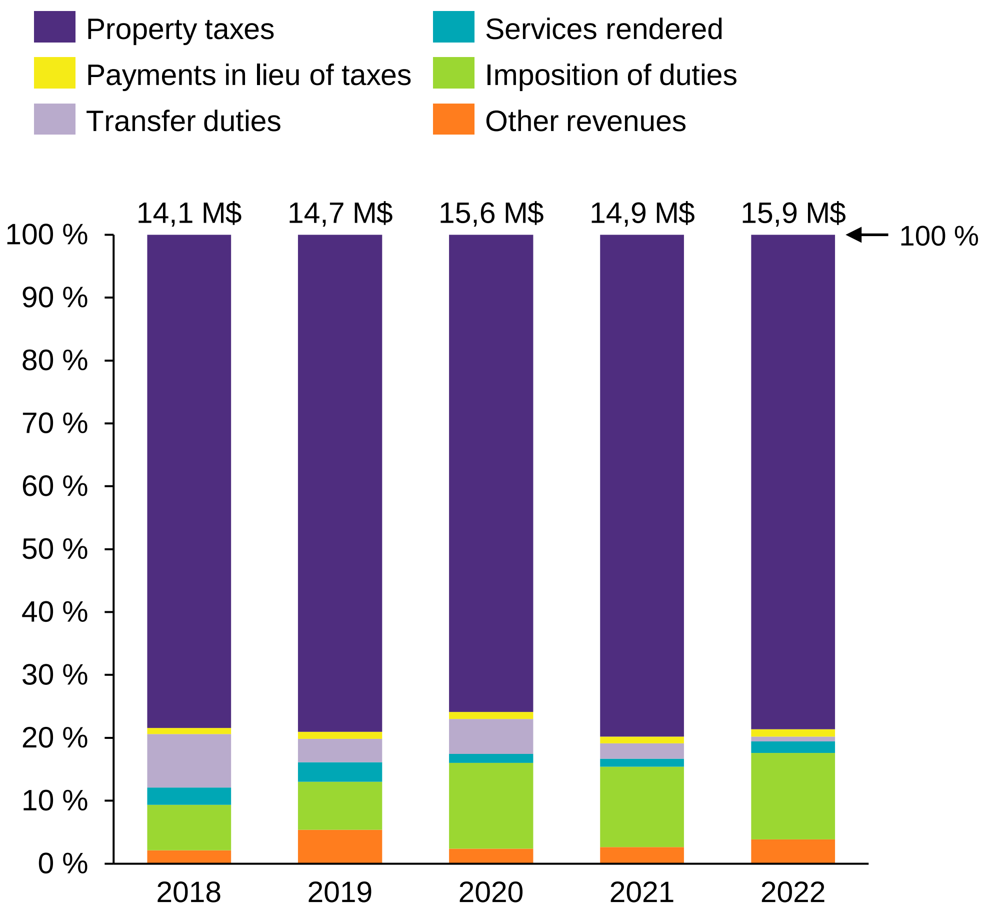
Source: The data in the table comes from Appendix S16 of the financial reports published by the Town on the website of the Ministry of Municipal Affairs and Housing, https://www.mamh.gouv.qc.ca/repertoire-des-municipalites/fiche/municipalite/71100/

Average annual revenue growth of 3% (2 of 2)

Revenue

Evolution of the distribution of real incomes

% 2018 to 2022



The increase in transfer taxes leads to a decrease in the share of property taxes.

Highlights

The share of tax revenues peaked in 2019 (79%), given reduced transfer revenues. In fact, they fell from 8.5% in 2018 to 3.8% in 2019, a decrease of 54.1% in the amounts from transfers, given that the TECQ is no longer considered in 2019. The proportion of revenue coming from the imposition of duties has steadily increased, ranging from 7.3% in 2019 to 13.7% in 2022, which can be explained by the turmoil of the real estate market in recent years.

Overall, the proportion of tax revenues continues to be between 75% and 79% of the Town's total revenues, followed by fee revenues. The remaining revenues were approximately 14.3% in 2018 and now represent 7.7% in 2022, due in part to a decrease in transfers and services rendered.

Average annual growth in operating expenditures of 2.3%

Expenditures

Evolution in Actual Spending

In $, 2018 to 2022

	2018	2019	2020	2021	2022	AAGR
General Direction & Council	1 2 066 596	1 817 946	1 596 088	1 796 390	2 062 321	-0,1 %
Public Security	2 980 168	3 252 165	2 322 769	2 442 441	3 602 224	2 4,9 %
Transportation	2 354 608	2 696 673	2 337 247	2 279 912	2 509 375	1,6 %
Public works	1 314 244	1 499 369	1 654 797	1 615 017	1 913 257	3 9,8 %
Health & Welfare	70 066	71 387	72 561	69 371	70 067	0,0 %
Urban Planning & Development	625 049	684 465	815 400	664 224	784 529	5,8 %
Culture & Recreation	1 444 352	1 215 579	845 595	1 175 564	1 255 180	4 -3,4 %
	10 855 083	11 237 584	9 644 457	10 042 919	12 196 953	3,0 %
Financing costs	807 492	793 234	787 646	735 219	792 309	-0,5 %
Principal repayment	1 054 200	816 500	773 115	1 308 397	933 761	-3,0 %
Total expenses	**12 716 775**	**12 847 318**	**11 205 218**	**12 086 535**	**13 923 023**	**2,3 %**
Annual Growth		**1,0 %**	**-12,8 %**	**7,9 %**	**15,2 %**	

Note that cities tax on a cash budget basis and not on GAAP. For this reason, cities do not tax depreciation (expense under GAAP), but rather capital repayment.

1 General Administration & Council

Some employees were temporarily laid off due to COVID-19, resulting in savings in wages and benefits.

2 Public Security

Spending on public safety was up 4.9%. Indeed, the major floods of spring 2019 and a provision for contesting the SQ's bill in 2022 justify this growth.

3 Public Works

In 2020, the privatization of the management of water and wastewater plants resulted in additional expenses, including severance pay. Waste collection expenses and contract costs also increased.

4 Culture & recreation

Spending decreased by 3.4% between 2018 and 2022. The COVID-19 pandemic has disrupted recreational and cultural activities, including the closure of skating rinks and parks.

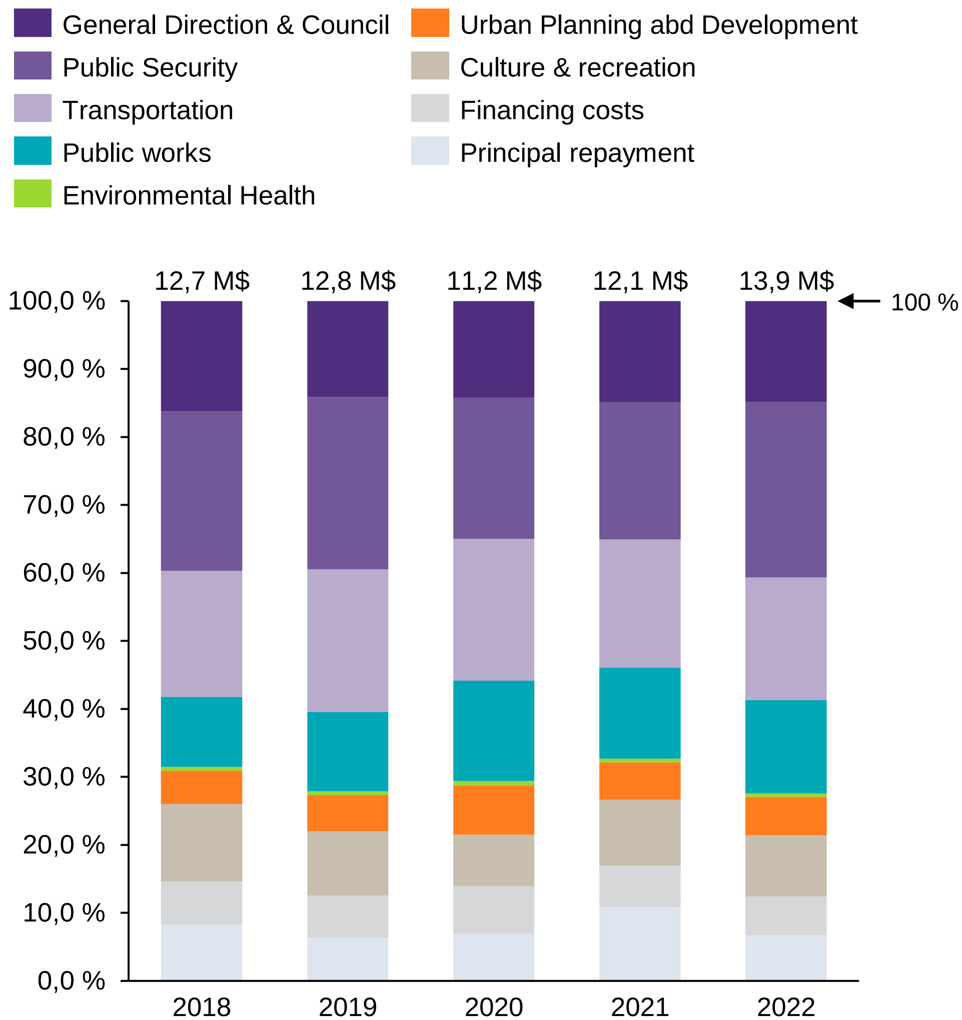
Source: The data in the table comes from Appendix S16 of the financial reports published by the Town on the website of the Ministry of Municipal Affairs and Housing, https://www.mamh.gouv.qc.ca/repertoire-des-municipalites/fiche/municipalite/71100/

Recreation and Culture, as well as Transportation are the Town's largest operating expenditures

Expenditures

Distribution of Actual Spending

% 2018 to 2022



Highlights

Overall, the Town distributes its budget in a similar manner from year to year. It can be seen from the graph that public safety expenditures require the most resources compared to other Town services.

Spending on Recreation and Culture has decreased since 2018, particularly due to the pandemic in 2020, which forced the cancellation of programming for this service (3.4% on average per year). In addition, general administration expenditures decreased slightly over the period (-0.1% on average per year). Expenditures on Environmental Health, Land use Planning and Development increased by 9.8% and 5.8% respectively. It should be noted that the growth in Environmental Health expenditures is mainly due to the increase in the costs of the contract for the collection of waste, bulky items and recycling, as well as the costs of the contract for the management of water treatment and sewer plants. For the rest of the budgetary expenditures, it remains insignificant.

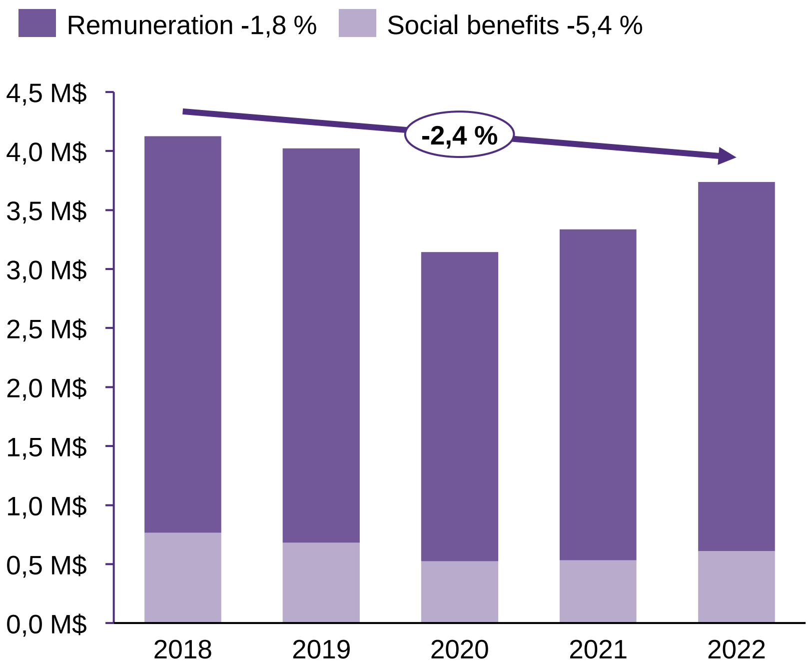
Compensation and payroll taxes decreased by an average of 2.4% per year over the period

Expenditures

Evolution of remuneration and payroll taxes

In $, 2018 to 2022

	2018	2019	2020	2021	2022	AAGR
Remuneration	3 361 528	3 341 553	2 618 103	2 804 411	3 125 560	-1,8 %
Social benefits	764 364	681 033	524 804	531 764	611 313	-5,4 %
Total	**4 125 892**	**4 022 586**	**3 142 907**	**3 336 175**	**3 736 873**	**-2,4 %**



Remuneration

Remuneration has been gradually decreasing since 2018. Indeed, it reached a low point in 2020, given the temporary suspension of Recreation and Cultural services, as a result of the pandemic as well as the temporary layoff of certain resources for some services. This expenditure has not returned to 2018 levels as the Town is struggling to recruit and retain staff in the context of a labour shortage. Note that this decrease translates into an increase in subcontracting expenses (e.g., contracts with SQ, Aquatec and Robert Half).

Source: The data in the table comes from Appendix S19 of the financial reports published by the Town on the website of the Ministry of Municipal Affairs and Housing, https://www.mamh.gouv.qc.ca/repertoire-des-municipalites/fiche/municipalite/71100/

The Town invested $15.5 million in infrastructure between 2018 and 2022

Investments

Evolution of investments

In $, 2018 to 2022

	2018	2019	2020	2021	2022	Total	Part (2022)
Infrastructures	1 913 482	1 544 391	2 210 784	3 482 342	3 131 612	12 282 611	1 81,8 %
Buildings	355 086	-	10 479	411 303	-	776 868	0,0 %
Vehicles	-	-	57 193	-	91 303	148 496	2,4 %
Office furniture & Equipment	46 501	48 009	57 750	102 776	102 764	357 800	2,7 %
Machinery, tools, equiment & miscellaneous	79 886	424 587	136 343	363 964	290 550	1 295 330	2 7,6 %
Lands	92 953	179 005	131 731	-	212 300	615 989	3 5,5 %
Total	**2 487 908**	**2 195 992**	**2 604 280**	**4 360 385**	**3 828 529**	**15 477 094**	**100,0 %**

1

Infrastructures

Various infrastructure upgrade and improvement projects have taken place, including:

- Reconstruction of Main Road from Oakland to Beach, Carmel Road and Bridle Path Road, among others;
- Rehabilitation of Main Road storm sewers;
- Reconstruction of Main Road and Bellevue Road.

2

Machinery, tools, equipment and miscellaneous

Several pieces of equipment were replaced for the Public Works and Parks Department, including the acquisition of a multi-purpose tractor.

3

Lands

The transfer of a lot in the Alstonvale area as a park fee, which will be used for the construction of a park or natural area ($212.3K) largely explains the growth.

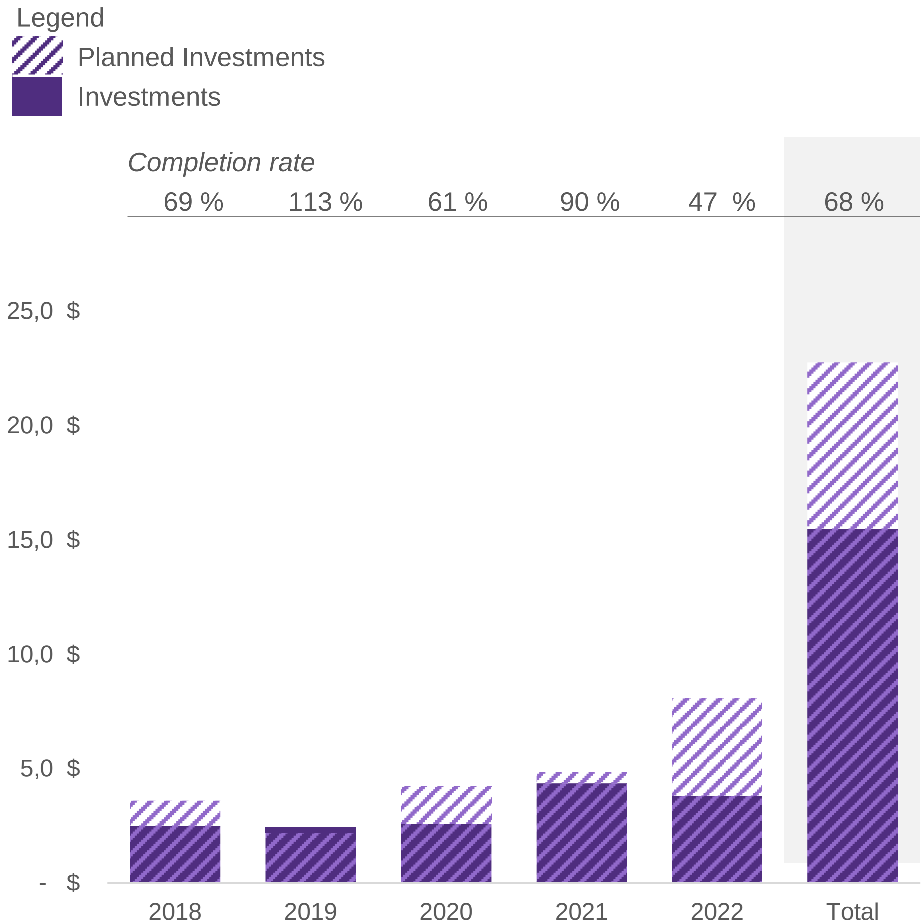
Source: The data in the table comes from Appendix S36 of the financial reports published by the Town on the website of the Ministère des Affaires municipales et de l'Habitation, https://www.mamh.gouv.qc.ca/repertoire-des-municipalites/fiche/municipalite/71100/

Investments under the CIP have been carried forward to future years

Investments

Completion of investments

In millions of dollars, 2018 to 2022



Source: The completion rate is calculated by dividing the investments made in Schedule S36 of the financial report divided by the investments planned in the Town's ITP.

Highlights

Between 2018 and 2022, the CIP projected average investments of $4.6 million per year. The Town spent less than the total budgetary envelope on capital projects, with the exception of fiscal year 2019.

In fiscal year 2022, the completion rate was below 50 %, as major projects were deferred. It should be noted that the steps for their realization have already been undertaken.

- Wetland Development – Pine Lake;
- Pavement rehabilitation of Main Road between Quarry and Bellevue and rehabilitation of Lakeview Road;
- Repaving of other Roads according to the five-year plan.

The Town ensures that it respects the overall envelope provided for in the CIP, but there may be a time lag between the year in which the project is planned and the year in which it is carried out.

Real estate wealth is increasing by an average of 7.4% annually thanks to the increase in value

Real estate wealth

Evolution of property wealth

In $, 2018 to 2022

Triennial Roll

	2018	2019	2020	2021	2022	AAGR	Part (2022)
Residential	1 065 838 526	1 108 643 669	1 118 105 287	1 129 151 240	1 418 152 859	7,4 %	94,9 %
6 units or more	8 492 200	8 506 200	8 506 200	8 337 500	10 627 400	5,8 %	0,7 %
Vacant lots	-	2 793 600	3 167 900	3 310 200	5 525 100	s.o.	0,4 %
Commercial	43 735 274	45 731 231	46 341 013	47 061 560	53 489 941	5,2 %	3,6 %
Agricultural and forestry	4 451 100	4 224 100	4 298 000	4 292 800	5 964 280	7,6 %	0,4 %
Total Property Wealth	**1 122 517 100**	**1 169 898 800**	**1 180 418 400**	**1 192 153 300**	**1 493 759 580**	1 **7,4 %**	**100 %**
Annual Growth		2 **4,2 %**	**0,9 %**	**1,0 %**	**25,3 %**		
Annual Groth without roll assessment in %		**0,8 %**	**0,9 %**	**1,0 %**	**1,2 %**		
Annual Groth without roll assessment in $		**9 301 080**	**10 177 183**	**11 352 925**	**13 910 645**	**11 185 458**	

1

Growth in property wealth

The Town's real estate wealth has increased by an average of 7.4% annually, mainly due to the growth in value due to the revaluation of existing units at the time of the 2019 and 2022 roll filing.

2

Growth in developments

The growth in real estate wealth can be explained by two variables. On the one hand, the increase generated by the addition of value represents an average of $11.2 million annually, for a cumulative total of $44.7 million over the period. On the other hand, the increase in the value of real estate wealth amounts to $317.7 million between 2018 and 2022. It should be noted that the largest increase in value occurred between the day before the 2022 filing and the day after the filing, an increase of 24.1%.

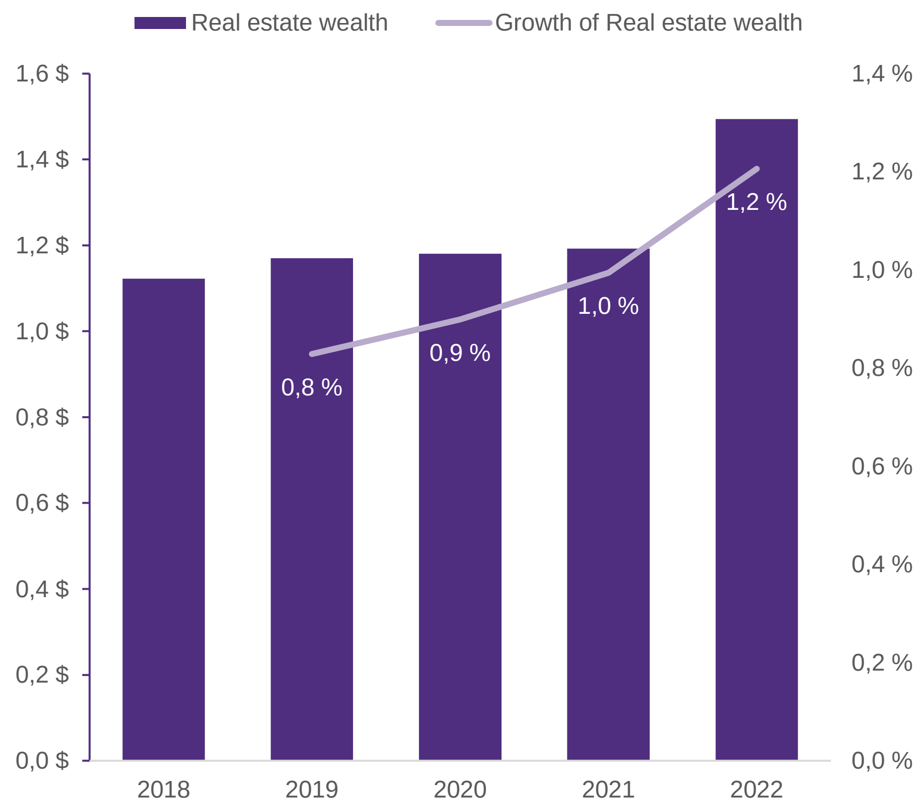
Source: The data in the table is from the 2018 to 2022 Property Assessment Roll summaries provided by the Town.

Without the effect of the assessment roll, property wealth increases by an average of 1%

Property wealth

Evolution of property wealth

In millions of dollars, 2018 to 2022



Highlights

For the purposes of developing the financial framework, the effect of the assessment roll is ignored, hence the calculation of the real estate wealth growth without the effect of the assessment roll. The assumptions of real estate wealth creation will be supported by historical developments, given that the Town is committed to containing the growth of real estate wealth over the next five years. Indeed, no new developments are expected in the forecasts.

The tax burden has increased by 2.2% annually over the past five years

Tax Burden

Evolution of the tax burden for an average home

In $, 2018 to 2022

	2018	2019	2020	2021	2022	AAGR
Average Home Valuation 1	475 366	491 434	491 434	491 434	606 730	6,3 % (1)
Residential Tax Bill	4 095	4 282	4 229	4 285	4 464	2,2 % (2)
Growth in the tax burden		4,6 %	-1,2 %	1,3 %	4,2 %	

Triennial Role

1 The average assessment used to calculate the tax burden was determined using the average value of a residential unit.

1

Significant value growth in 2022

The average home value grew by an average of 6.3% over the period. Although the Town lowered its tax rate in 2022, it resulted in an increase in the tax burden of more than 4.2%.

2

Overall Growth in the Tax burden

Overall, the tax burden on residents increased by 2.2% per year over the period of analysis. This growth is mainly due to the increase in the tax burden in 2022.

Source: The data for the assessment of an average home are based on the average value of non-condominium residential units reported in Section 5 of the Roll Summary. The 2018 assessment of an average house comes from the 2018 roll summary on the eve of the filing, the 2019 assessment corresponds to the average assessment after the filing of the roll for 2019 and the average home value for 2022 is the one entered on the 2022 roll summary.

Total net debt increased by 5.3% per year

Indebtedness

Evolution of debt

In $, 2018 to 2022

	2018	2019	2020	2021	2022	AAGR
Long-term debt balance						
Debt to the whole	14 571 077	13 743 046	15 615 144	15 328 545	19 518 275	7,6 %
Debt borne by a secteur	7 099 000	6 971 500	8 306 221	7 234 763	7 081 729	-0,1 %
Debt borne by the government	4 583 923	3 945 454	3 124 635	2 328 692	1 574 996	-23,4 %
Total long-terme debt	**26 254 000**	**24 660 000**	**27 046 000**	**24 892 000**	**28 175 000**	**1,8 %**
Total long-terme net debt	**21 670 077**	**20 714 546**	**23 921 365**	**22 563 308**	**26 600 004**	1 **5,3 %**
Total Net Debt/Revenues 2	**153,7 %**	**141,1 %**	**153,6 %**	**151,4 %**	**167,7 %**	
Debt to the whole/Revenues	**103,4 %**	**93,6 %**	**100,3 %**	**102,8 %**	**123,1 %**	
Debt service						
Debt service	1 861 692	1 609 734	1 560 761	2 043 616	1 726 070	-1,9 %
Net debt service/Expenditures	**14,6 %**	**12,5 %**	**13,9 %**	**16,9 %**	**12,4 %**	

1

Growth

Total long-term debt grew by an average of 1.8 per cent annually. Total debt increased by 7.6 per cent, but this increase was moderated by a decrease in the government's debt.

2

Ratio analysis

The total net debt-to-income ratio increased from 153.7% in 2018 to 167.7% in 2022, reflecting overall debt growth. The debt-service-to-expenditure ratio decreased from 14.6 per cent to 12.4 per cent. This is due to the decrease in debt servicing. The Town remains in control of this ratio.

Source: Debt balance data is from Schedule S37 and debt service is comprised of financing costs from Schedule S27 and debt repayment from Schedule S17 of the financial reports published by the Town on the Ministry of Municipal Affairs and Housing website, https://www.mamh.gouv.qc.ca/repertoire-des-municipalites/fiche/municipalite/71100/

The ratio of surpluses to financial reserves has been growing steadily since 2018

Financial surpluses and reserves

Evolution of surpluses and financial reserves

In $, 2018 to 2022

	2018	2019	2020	2021	2022	AAGR
Unallocated surplus	2 318 381	2 726 372	6 223 321	8 049 289	8 355 078	37,8 %
Allocated surplus	1 519 345	1 919 648	1 509 870	1 885 351	1 485 945	-0,6 %
Financial reserves and reserved funds	1 968 815	5 721 189	5 820 477	5 752 496	5 610 399	29,9 %
Total surplusesand financial reserves	**5 806 541**	**10 367 209**	**13 553 668**	**15 687 136**	**15 451 422**	**27,7 %**

Ratio analysis

	2018	2019	2020	2021	2022
Total surplusesand financial reserves	41,2 %	70,6 %	87,0 %	105,2 %	97,4 %
Unallocated operating surpluses	16,4 %	18,6 %	40,0 %	54,0 %	52,7 %
Allocated surplus/revenus	10,8 %	13,1 %	9,7 %	12,6 %	9,4 %
Total undepreciated capital cost	49 153 025	49 680 061	50 524 819	53 236 917	55 287 813
% of total undepreciated capital cost	4,0 %	11,5 %	11,5 %	10,8 %	10,1 %

1

Growth

Unallocated operating surpluses and financial reserves and reserved funds grew by an average of 27.7% per year. The most significant increase was in unallocated operating surpluses, from $2.3 million in 2018 to $8.4 million in 2022, or 37.8% on average per year.

2

Ratio analysis

The totals of surpluses, financial reserves and segregated funds represent 105.2% and 97.4% of revenues in 2021 and 2022 respectively.

Unallocated operating surplus divided by revenues represents more than 50% of revenues.

Source: The data in this table and the table on the following page are taken from Appendix S23 of the financial reports published by the Town on the website of the Ministère des Affaires municipales et de l'Habitation, https://www.mamh.gouv.qc.ca/repertoire-des-municipalites/fiche/municipalite/71100/

The unallocated operating surplus and the reserved funds have more than doubled in recent years

Financial surpluses and reserves

Details of financial surpluses and reserves

In $, 2018 to 2022

	2018	2019	2020	2021	2022	AAGR
Unallocated surpluses						
General Direction & Council	2 318 381	2 726 372	6 223 321	8 049 289	8 355 078	37,8 %
	2 318 381	**2 726 372**	**6 223 321**	**8 049 289**	**8 355 078** 1	**37,8 %**
Allocated operating surpluses						
By-Law 504	853 830	866 163	879 953	864 804	776 346	-2,4 %
By-Law 505	605 748	584 579	55 928	33 298	28 376	-53,5 %
Tree planting	-	-	-	18 300	145 626	s. o.
Taxation surplus	26 786	26 786	-	-	-	-100,0 %
By-Law 581	11 616	19 668	23 503	27 346	31 189	28,0 %
By-Law 554	21 103	27 452	29 686	12 963	4 408	-32,4 %
Liability	262	-	-	-	-	-100,0 %
Parks and playground	-	-	-	150 000	150 000	s. o.
Following fiscal year	-	395 000	520 800	528 640	100 000	s. o.
Floods	-	-	-	100 000	100 000	s. o.
Infrastructures	-	-	-	150 000	150 000	s. o.
	1 519 345	**1 919 648**	**1 509 870**	**1 885 351**	**1 485 945**	**-0,6 %**
Financial reserves and reserved funds						
Working Capital Fund	590 709	815 330	914 618	775 581	626 984	1,5 %
Balances available on closed by-law loans	1 378 106	4 905 859	4 905 859	4 976 915	4 976 915 2	37,9 %
Election reserved funds	-	-	-	-	6 500	s. o.
	1 968 815	**5 721 189**	**5 820 477**	**5 752 496**	**5 610 399**	**29,9 %**
Total surpluses and financial reserves	**5 806 541**	**10 367 209**	**13 553 668**	**15 687 136**	**15 451 422**	**27,7 %**

1

Unallocated operating surpluses

This surplus increases by 37.8% from 2018 to 2022. The most significant increase starts from 2020.

2

Financial Reserves and Reserved Funds

The available balances of closed loan settlements are increasing by an average of 37.9% per year, particularly starting in 2019. These funds will be used for the early repayment of long-term debt.

The Town is at the top of the scale with higher debt ratios compared to other comparable municipalities

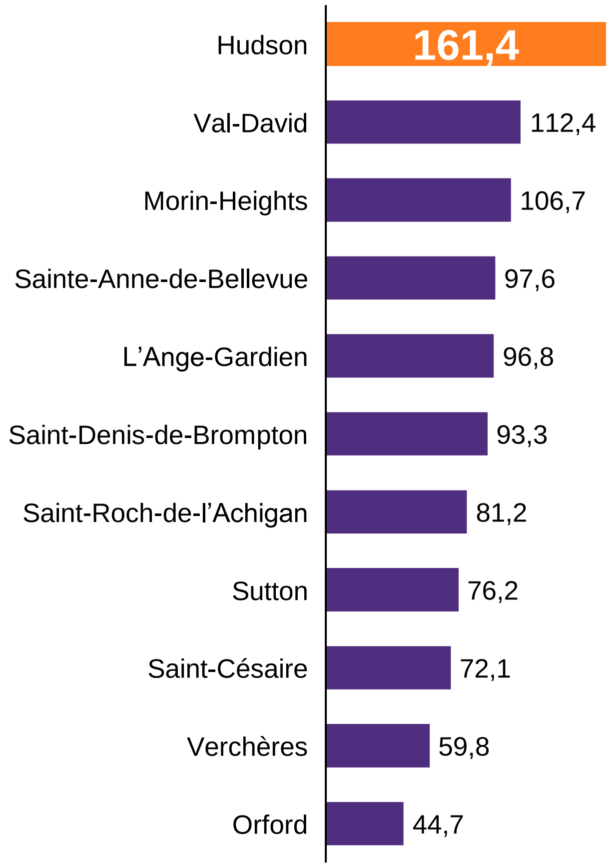
Financial Health Indicators from 2022 Financial Reports

Benchmarking based on population size, total RFU and comparable tax base

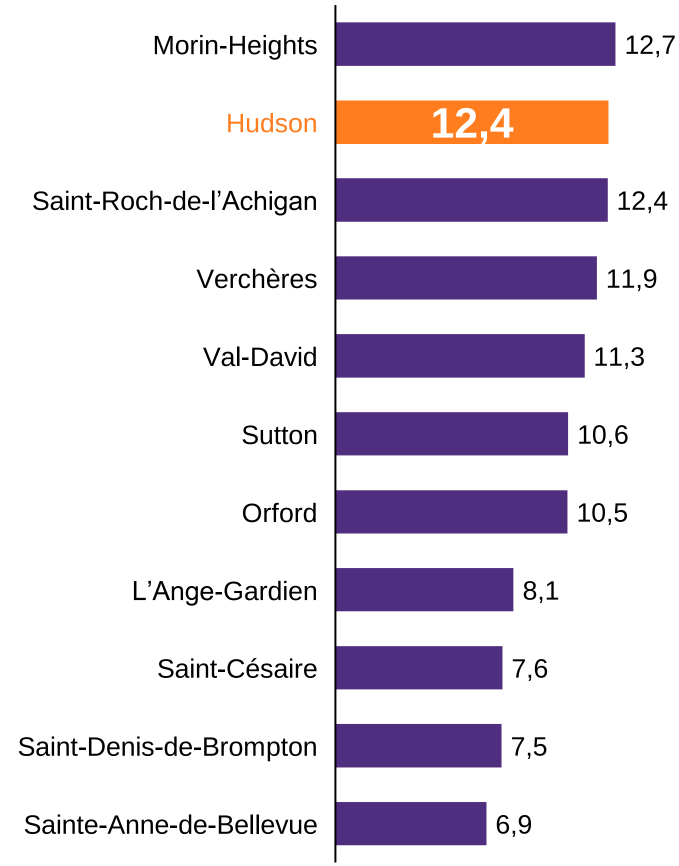
Total net debt includes debt to the whole, debt to industry, debt owed to the government and its enterprises, plus investment activities to be financed minus the accumulated surplus allocated to the repayment of long-term debt. This calculation includes only the long-term debt of the municipal government.

Net debt service is calculated as long-term debt financing costs and debt repayment divided by total expenses.

Total Net Debt/Revenues



Net Debt Service/Total Expenditures



Once the long-term debt of $3.9 million is repaid in 2023, the total net debt-to-income ratio decreases to 137.8%.

The Town is at the top of the scale with higher debt ratios compared to other comparable municipalities

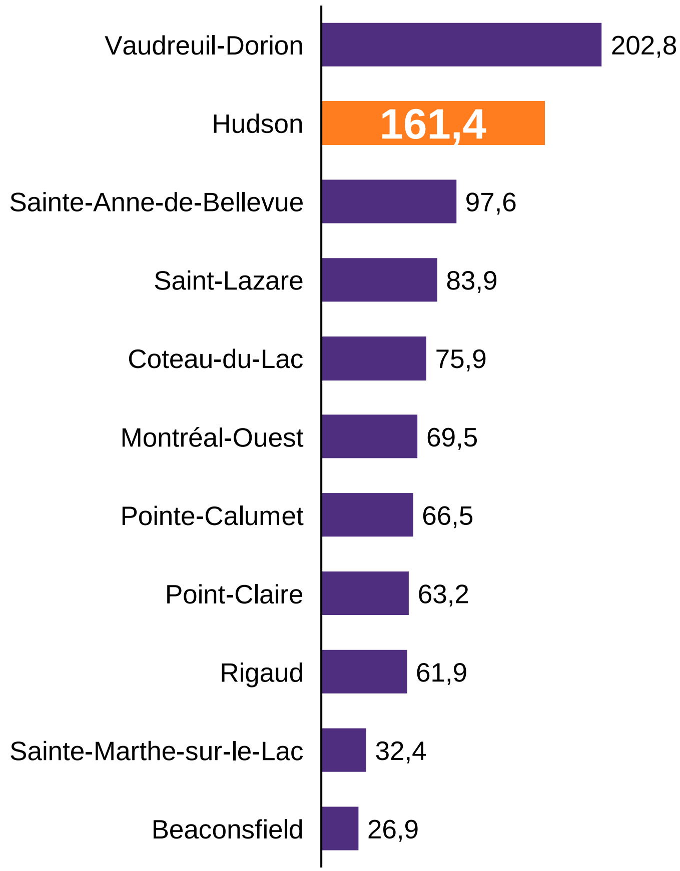
Financial Health Indicators from 2022 Financial Reports

Tagging based on geographical proximity

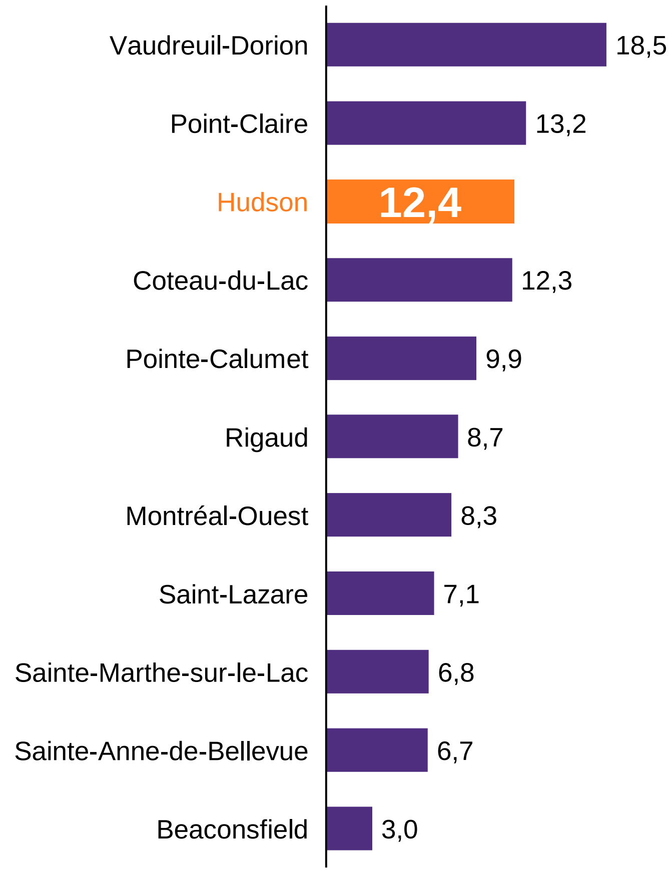
Total net debt includes debt to the whole, debt to industry, debt owed to the government and its enterprises, plus investment activities to be financed minus the accumulated surplus allocated to the repayment of long-term debt. This calculation includes only the long-term debt of the municipal government.

Net debt service is calculated as long-term debt financing costs and debt repayment divided by total expenses.

Total Net Debt/Revenues



Net Debt Service/Total Expenditures



Once the long-term debt of $3.9 million is repaid in 2023, the total net debt-to-income ratio decreases to 137.8%.

Diagnosis resulting from historical analysis

Actual Results and Financial Framework 2018-2022

The historical analysis makes it possible to assess past decisions and helps to contextualize the assumptions made in the 2023-2028 financial framework.

It is also important to note that, during this period, the COVID-19 pandemic has created issues that have had a significant impact on the Town's finances, including:

- The growth in transfer tax revenues caused by the effervescence of the real estate market has generated flexibility for the Town;
- The significant increase in inflation has increased the costs of contracts for collecting and transporting residual materials, among other things;
- The labour shortage in recent years and the Town's difficulty retaining staff have also increased the Town's subcontracting expenses;
- The temporary layoff of some employees for some services and the cancellation of Leisure and Culture activities resulted in cost savings;
- Several projects have been postponed since 2020, mainly due to labour shortages.

All these circumstances allowed the Town not only to maintain the tax burden on residents at **2.6%,** but also to increase its surpluses, more specifically the unallocated reserved funds ($8.4 million) as well as the balances available on closed loans ($5.0 million). As a result, the Town was able to pay down long-term debt, diversify CIP funding sources, and reduce the use of long-term debt.

Financial framework

Assumptions Supporting the Fiscal Framework

Preliminary long-term financial picture

- Evolution of land wealth
- Evolution of investments
- Evolution of investment financing
- Financial Projections
- Trends in debt and debt servicing
- Evolution of the tax burden
- Indicators
- Sensitivity analysis

Assumptions were determined in consultation with the Town (1 of 3)

Assumptions

Baseline data
The 2023 budget estimates are the starting point for the projections.

Evolution of revenues

- The Town levies a special property tax to reimburse annuities, capital, interest on the debt to the whole and for the repayment of working capital. The rate charged to residents corresponds to the debt service and the repayment of the working capital for the year divided by the total land wealth.
- Revenues from tariffs are indexed by 2% (water, waste collection, sewers, among others).
- Revenues from the fiscal pact are estimated at $286.9K for 2024 according to the MMAH website. This amount includes $87.7K that was missed in Budget 2023. An additional growth of 1% per year was also applied from 2025 to 2028.
- Other services rendered were indexed by 2.5%.
- Transfert duties have been reduced by 20% compared to the 2023 budget, taking into account the slowdown in the real estate market as a result of interest rate increases.
- A growth of 2% annually is applied to revenue from fines and penalties.

Evolution of expenditure

- Expenses have been indexed by 4%, according to the Town's estimates and taking into account the inflationary environment. According to Desjardins' economic and financial forecasts published on October 19, the overall inflation rate for Quebec is estimated at 6.7% in 2023, 4.5% in 2024 and then a return of inflation to the 2% target starting in 2025, resulting in an average annual indexation of about 2% between 2024 and 2025. This is in line with the 2% inflation rate experienced in the years before the pandemic.
- Public safety spending will decrease by $250K starting in 2024, justified by the adjustment resulting from the dispute with the SQ.

1 Source: Based on forecasts on the website of the Ministère des Affaires municipales et de l'Habitation, https://www.mamh.gouv.qc.ca/finances-et-fiscalite/information-financiere/preparation-du-budget-2024/municipalite/?tx_mamrotrepertoire_pi5%5Bcode%5D=71100&cHash=e38b017cb7c943c651654854408f1371#c25250

2 Source: based on economic and financial forecasts published by Desjardins on October 19, 2023, page 6, https://www.desjardins.com/content/dam/pdf/fr/particuliers/epargne-placements/etudes-economiques/previsions-economiques-financieres-octobre-2023.pdf

Assumptions were determined in consultation with the Town (2 of 3)

Assumptions

Assignments

- The Town plans to reimburse working capital as follows:

2024	2025	2026	2027	2028
$259.4K	$356.0K	$344.3K	$397.2K	$413.0K

- The Town will inject $125K into the funds allocated to balance the budget in 2024.
- Financial reserves and earmarked funds are expected to evolve as shown in the table below.

	2024	2025	2026	2027	2028
Regulation 403	-	-	($145.6K)	-	-
Regulation 429	-	-	($113.3K)	-	-
Regulations 615 and 616	($586.6K)	-	-	-	-
Reserve – Elections	($6.5K)	$19.5K	($6.5K)	($6.5K)	($6.5K)

RCGT's financial forecasting model does not anticipate any surplus. Section 474.1 of the Cities and Towns Act states that the budget of the municipality for the next fiscal year must have revenues at least equal to expenditures.

Investments

- The investments planned for the 2023-2024-2025 CIP have been integrated into the fiscal framework. The Town allocates a budgetary envelope for subsequent years. The most up-to-date information regarding costs and timelines was considered.
- A source of funding has been identified specifically for each investment. The sources used are long-term borrowing, cash payment, working capital, unrestricted surplus, financial reserves and grants.
- The subsidy from the TECQ amounts to $0.6 million over the period. A grant of $2 million has also been considered for 2026 to finance the upgrade of the automation system.
- The interest rate on long-term borrowing is 5.5% from 2023 to 2024, based on the latest bonds issued by the government. It then decreases by 0.25% per year to stabilize at 4.75% in 2027.
- A budget of $5.7 million has been taken into account starting in 2026 for future investments. Funding for 2026 will be allocated as follows: 47.6 per cent for 20-year aggregate debt, 45.6 per cent for grants, 6.2 per cent for working capital and 0.7 per cent for sector debt. For 2027 and 2028, the overall debt will be 82.6% and 10.5% for grants, and other types of financing will remain the same as 2026.

Assumptions were determined in consultation with the Town (3 of 3)

Assumptions

Debt and Debt Service Projections

- Debt service costs have been projected based on repayment schedules by type of payor (overall, sector and government-charged) adjusted for the $3.9 million debt repayment made possible by the available balances of closed loan settlements.
- The available balance on closed debt settlements of $586K will be used to repay a portion of the debt to the project that matures in 2024.
- Work during 2022 for projects related to by-laws 735-2021 ($180.3K) and 755-2022 ($395.3K) was also included in debt service.

Property Wealth

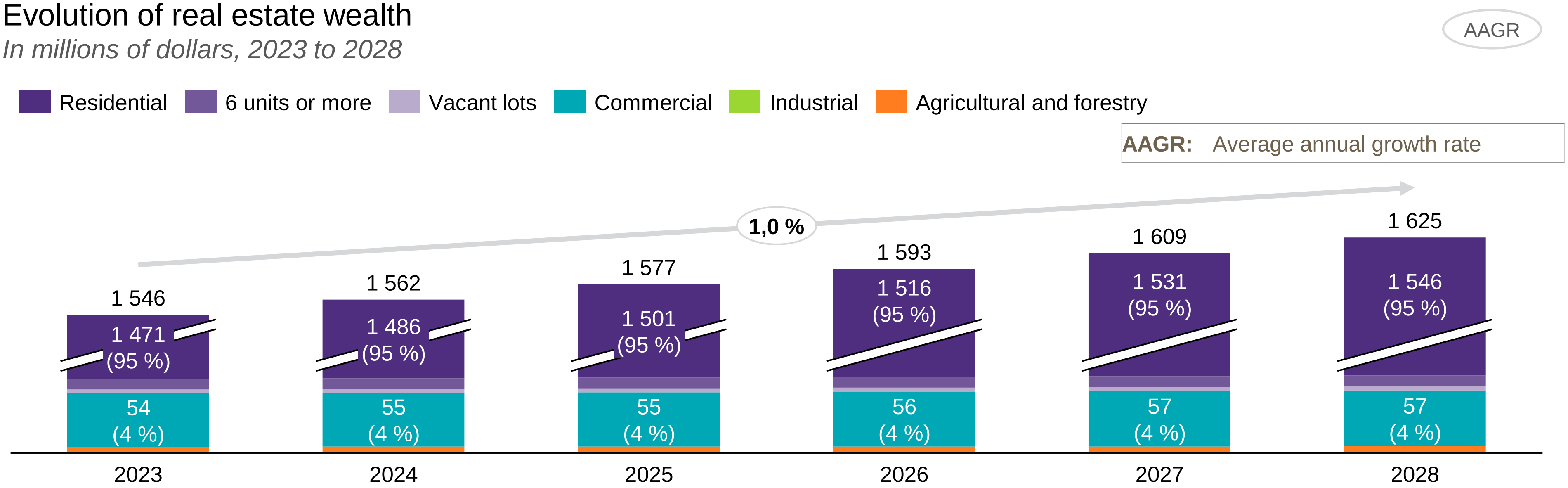
- Although the historical analysis reflects an average annual growth in property wealth of 7.4% justified by the effervescence of the real estate market in recent years, it was prudently decided not to add property wealth to these forecasts given the low availability of white zones and the current interim control regulations. The historical growth of 1% generated by value addition has been retained as a conservative assumption in the current environment. In the event of a future development, this would only have a positive impact on the Town's finances.

Real estate wealth will grow by an average of 1% per year

Real estate wealth

Evolution of real estate wealth

In millions of dollars, 2023 to 2028



Growth in real estate wealth

The growth in real estate wealth will come only from the renovation and expansion of existing units.

No new developments in five years

The Town does not anticipate any new development in the next few years, as mentioned in the assumptions, given the low availability of white areas at this time. As a result, the growth in real estate wealth induced by the addition of units will be zero.

The Town will invest $34.8 million over the next five years

Investment Planning

Evolution of investments

In $, 2023 to 2028

	2023	2024	2025	2026	2027	2028	Total	Proportion
Category								
Infrastructures - Roads & Sewer	3 235 686 $	2 110 000 $	4 050 000 $	2 940 000 $	2 940 000 $	2 940 000 $	18 215 686 $	52,3 %
Infrastructures - Water infrastructure	2 210 000 $	380 000 $	900 000 $	1 163 334 $	1 163 334 $	1 163 334 $	6 980 002 $	20,0 %
Other investments & equipment	410 000 $	1 150 000 $	900 000 $	819 999 $	819 999 $	819 999 $	4 919 997 $	14,1 %
Buildings	170 000 $	900 000 $	400 000 $	490 000 $	490 000 $	490 000 $	2 940 000 $	8,4 %
Vehicles	199 000 $	580 000 $	105 000 $	294 667 $	294 667 $	294 667 $	1 768 001 $	5,1 %
Total	**6 224 686 $**	**5 120 000 $**	**6 355 000 $**	**5 708 000 $**	**5 708 000 $**	**5 708 000 $**	**34 823 686 $**	**100,0 %**

Infrastructures – Road & Sewer

The largest growth in investments is in this category, mainly due to:

- The reconstruction of Lakeview Road which requires a sum of $4 million, $2 million in 2024 and $2 million in 2025.
- The reconstruction of Main Road (East and Beach in Quarry Point) will require $3.3 million between 2023 and 2025.
- The Town considers that an envelope of $2.9 million will be required from 2026 to 2028.

Infrastructures – Water Infrastructure

- Upgrading PLCs in water treatment plants will require an investment of $1.1 million.
- In addition, $0.6 million will be invested in improving the water treatment system.
- An investment of $0.5 million will be allocated for the development of Pine Lake wetlands. An amount of $0.1 million and another $0.4 million will be required in 2024 and 2025 respectively.
- A budget of $1.2 million has been set aside for this purpose from 2026 to 2028.

Other Investments & Equipment

- The increase in investments in this category comes in particular from the evaluation study of the pool that took place in 2023, at a cost of $50K. Then, $1 million will be split 50% between 2024 and 2025.
- A total of $0.6 million will be allocated to park and green space improvements.
- An amount of $0.3 million will also be allocated to the rehabilitation of the footbridges.
- As for the rolling stock, the dump truck will be replaced in 2024 ($0.4 million).

In total, 61% of the investments will be financed by long-term debt

Financing of investments

Sources of Funding

In $, 2023 to 2028

	2023	2024	2025	2026	2027	2028	Total	Proportion
Category								
Debt to the whole	3 815 686 $	1 750 000 $	3 535 000 $	2 716 666 $	4 716 666 $	4 716 666 $	21 250 684 $	61,0 %
Unallocated surplus	1 500 000 $	2 000 000 $	2 000 000 $	- $	- $	- $	5 500 000 $	15,8 %
TECQ Grant	600 000 $	600 000 $	600 000 $	2 600 000 $	600 000 $	600 000 $	5 600 000 $	16,1 %
Working Capital Fund	269 000 $	630 000 $	180 000 $	351 334 $	351 334 $	351 334 $	2 133 002 $	6,1 %
Sector Financing	40 000 $	40 000 $	40 000 $	40 000 $	40 000 $	40 000 $	240 000 $	0,7 %
Reserve - Parks and Green Spaces	- $	100 000 $	- $	- $	- $	- $	100 000 $	0,3 %
	6 224 686 $	**5 120 000 $**	**6 355 000 $**	**5 708 000 $**	**5 708 000 $**	**5 708 000 $**	**34 823 686 $**	**100,0 %**

The Town benefits from significant grants and subsidies

Although nearly 61% of the investments will be financed by debt to the whole, 16.1% of them will be subsidized by TECQ grant, generating no impact on the tax burden of the residents. Over the analysis period, $3.6 million will be received for the TECQ by 2028 as well as $2 million in other grants and subsidies.

The Town uses the unallocated surplus from the surpluses accumulated in recent years

The accumulation of funds in the unallocated surplus allows the Town to diversify its sources of funding. By drawing funds from unallocated surpluses, the Town avoids impacting residents' tax bills. However, the Town estimates that there will be no unallocated surplus as of 2025.

The pressure on the Town's finances comes from increased operating expenditures, debt service and allocations (1 of 2)

Financial Projections

	2023	2024	2025	2026	2027	2028	AAGR
Revenues							
Property taxes	13 199 900 $	14 038 235 $	14 391 901 $	15 583 271 $	15 830 548 $	16 636 385 $	4,7 %
Payments in lieu of taxes	188 200 $	174 370 $	183 212 $	186 214 $	199 392 $	200 398 $	1,3 %
Transfer duties	166 100 $	448 078 $	450 441 $	452 833 $	455 190 $	457 594 $	22,5 % 1
Services rendered	293 800 $	301 145 $	308 674 $	316 390 $	324 300 $	332 408 $	2,5 %
Imposition of duties	1 900 000 $	1 513 085 $	1 513 085 $	1 513 085 $	1 513 085 $	1 513 085 $	-4,5 %
Fines and Penalties	75 200 $	76 704 $	78 238 $	79 803 $	81 399 $	83 027 $	2,0 %
Interest revenus	516 400 $	516 400 $	516 400 $	516 400 $	516 400 $	516 400 $	0,0 %
Other revenues	5 000 $	5 000 $	5 000 $	5 000 $	5 000 $	5 000 $	0,0 %
Total revenus	**16 344 600 $**	**17 073 017 $**	**17 446 950 $**	**18 652 996 $**	**18 925 314 $**	**19 744 296 $**	**3,9 %**
Revenues evolution		**4,5 %**	**2,2 %**	**6,9 %**	**1,5 %**	**4,3 %**	
Expenses							
General Direction & Council	2 748 400 $	2 858 336 $	2 972 669 $	3 091 576 $	3 215 239 $	3 343 849 $	4,0 %
Public Security	3 268 900 $	3 149 656 $	3 275 642 $	3 406 668 $	3 542 935 $	3 684 652 $	2,4 %
Transportation	2 915 400 $	3 032 016 $	3 153 297 $	3 279 429 $	3 410 606 $	3 547 030 $	4,0 %
Public works	2 168 700 $	2 255 448 $	2 345 666 $	2 439 493 $	2 537 072 $	2 638 555 $	4,0 %
Health and Welfare	70 900 $	73 736 $	76 685 $	79 753 $	82 943 $	86 261 $	4,0 %
Urban Planning & Development	988 100 $	1 027 624 $	1 068 729 $	1 111 478 $	1 155 937 $	1 202 175 $	4,0 %
Culture & recreation	1 541 300 $	1 602 952 $	1 667 070 $	1 733 753 $	1 803 103 $	1 875 227 $	4,0 %
Financing costs	41 100 $	41 100 $	41 100 $	41 100 $	41 100 $	41 100 $	0,0 %
Total expenses before debt service	**13 742 800 $**	**14 040 868 $**	**14 600 859 $**	**15 183 249 $**	**15 788 935 $**	**16 418 848 $**	**3,6 %** 2
Expenses evolution		**2,2 %**	**4,0 %**	**4,0 %**	**4,0 %**	**4,0 %**	
Debt service							
Net principal	(1 318 800) $	(1 318 791) $	(1 372 369) $	(1 510 648) $	(1 334 654) $	(1 470 796) $	2,2 %
Interest	(780 000) $	(985 885) $	(1 137 183) $	(1 349 429) $	(1 398 066) $	(1 435 174) $	13,0 %
Total expenses including debt service	**(2 098 800) $**	**(2 304 676) $**	**(2 509 551) $**	**(2 860 077) $**	**(2 732 719) $**	**(2 905 970) $**	**6,7 %** 3
Allocation							
Total allocation	(503 000) $	(727 472) $	(336 540) $	(609 670) $	(403 660) $	(419 477) $	-3,6 % 4
Surplus (deficit)	**- $**	**- $**	**- $**	**- $**	**- $**	**- $**	

Note that cities tax on a cash budget basis and not on GAAP. For this reason, cities do not tax depreciation (expense under GAAP), but rather capital repayment.

Pressure on the Town's finances comes from increased operating expenditures, debt service and allocations (2 of 2)

Analysis of financial projections

The financial forecast picture results in a revenue increase of **3.9%** over the analytical period.

1

Transfers

Revenues from transfers will increase by 22.5 per cent as a result of the increase in transfers due to the fiscal compact, which will reduce the tax burden on residents.

2

Operating Expenses

The vast majority of expenses were indexed by 4,0 % based on the Town's forecasts. This growth is mitigated by the decrease in public security spending by $250K from 2024 to 2028 and by the decrease in transfer taxes by $286.9K starting in 2024. Overall, spending is expected to increase by an average of 3.6% per year between 2023 and 2028.

3

Debt Service

Debt growth is consistent with the major investments planned for the next few years.

4

Assignments

Allocations decreased by 3.6%. However, there is an increase of $224.5K in 2024 which is offset by decreases in other years.

Total net debt will increase by 1.7% annually

Evolution of indebtedness

Evolution of debt

2023 to 2028

	2022	2023	2024	2025	2026	2027	2028	AAGR
Long-term debt balance	**Réel**	**Budget**	**Prévisions**	**Prévisions**	**Prévisions**	**Prévisions**	**Prévisions**	
Debt to the whole	19 518 275 $	22 196 361 $	21 246 070 $	22 941 200 $	24 258 118 $	26 453 613 $	27 640 288 $	4,5 %
Debt borne by a sector	7 081 729 $	6 900 529 $	4 406 029 $	4 286 929 $	4 176 029 $	4 156 529 $	4 039 729 $	-10,2 %
Debt borne by the government	1 574 996 $	686 632 $	650 276 $	613 239 $	575 054 $	573 825 $	534 734 $	-4,9 %
Total principal and interests	**28 175 000 $**	**29 783 522 $**	**26 302 374 $**	**27 841 368 $**	**29 009 201 $**	**31 183 966 $**	**32 214 751 $**	**1,6 %**
Total long-terme net debt	**26 600 004 $**	**29 096 890 $**	**25 652 098 $**	**27 228 129 $**	**28 434 147 $**	**30 610 141 $**	**31 680 017 $**	**1,7 %**
Total Net Debt/Revenues	**161,2 %**	**178,0 %**	**150,2 %**	**156,1 %**	**152,4 %**	**161,7 %**	**160,5 %**	
Debt to the whole/Revenues	**123,1 %**	**135,8 %**	**124,4 %**	**131,5 %**	**130,0 %**	**139,8 %**	**140,0 %**	
Debt service								
Debt service	1 726 070 $	2 987 164 $	2 341 032 $	2 546 588 $	2 898 262 $	2 772 133 $	2 946 290 $	-0,3 %
Net debt service	1 726 070 $	2 069 548 $	2 279 156 $	2 485 894 $	2 838 295 $	2 712 891 $	2 888 092 $	6,9 %
Net debt service/expenses	**12,4 %**	**13,1 %**	**13,9 %**	**14,5 %**	**15,7 %**	**14,6 %**	**14,9 %**	

Total Net Debt/Revenues

The ratio peaks in 2023 at 178 %. It decreases significantly in 2024 thanks to the anticipated principal repayment of $3.9 million that will take place in the last quarter of 2023. It rises from 2025 onwards, which is mainly due to the increase in the use of long-term debt to financing the large investments to come in 2023 and 2024.

The debt to the whole / revenues ratio decreases from 135.8% in 2023 to 124.4% in 2024, which is justified by the $3.9 million prepayment in 2023 and another $0.6 million in 2024.

Net Debt Service/Expenditures

The ratio increased from 13.1% to 14.8%. While this is a significant increase, the Town remains in control of this ratio. However, the Town may wish to consider implementing a policy of using surpluses and balances from closed by-laws to reduce the use of debt financing.

The Town's debt service is on the rise due to the increase in investments to be made (9.3%)

Debt service to be borne by the Town

Evolution of debt service

2023 to 2028

Change from 2023 to 2028

	2023	2024	2025	2026	2027	2028	AAGR
Principal repayment							
Debt to the whole	1 137 600 $	1 201 091 $	1 253 269 $	1 399 748 $	1 204 254 $	1 334 496 $	3,2 %
Debt borne by a sector	181 200 $	117 700 $	119 100 $	110 900 $	130 400 $	136 300 $	-5,5 %
Debt borne by the government	888 364 $	36 356 $	37 037 $	38 185 $	39 414 $	40 320 $	-46,1 %
Total repaid principal	**2 207 164 $**	**1 355 147 $**	**1 409 406 $**	**1 548 833 $**	**1 374 068 $**	**1 511 116 $**	**-7,3 %**
Interest paid							
Debt to the whole	462 827 $	737 122 $	862 999 $	1 046 260 $	1 118 790 $	1 165 496 $	20,3 %
Debt borne by a sector	287 921 $	223 243 $	250 527 $	281 387 $	259 448 $	251 800 $	-2,6 %
Debt borne by the government	29 252 $	25 520 $	23 657 $	21 782 $	19 828 $	17 879 $	-9,4 %
Total paid interest	**780 000 $**	**985 885 $**	**1 137 183 $**	**1 349 429 $**	**1 398 066 $**	**1 435 174 $**	**13,0 %**
Total principal and interest	**2 987 164 $**	**2 341 032 $**	**2 546 588 $**	**2 898 262 $**	**2 772 133 $**	**2 946 290 $**	**-0,3 %**
Total debt service to the whole	**1 600 427 $**	**1 938 214 $**	**2 116 268 $**	**2 446 008 $**	**2 323 044 $**	**2 499 992 $**	**9,3 %**

Financing

- While the Town pays particular attention to using diversified sources of financing to finance its investments, it finances 61% of its investments through long-term debt.
- This is reflected in a steady increase in debt service over the period, particularly with regard to debt to the whole (9.3%, principal and interest).
- The government's debt is decreasing by an average of 46.1 per cent per year. The repayment for debts 504 ($140.5K) and 505 ($712.6K) matures in 2023.

The impact of the Town's decisions affects financial health indicators

Financial Health Indicators

Evolution of financial health indicators

2023 to 2028

	2023	2024	2025	2026	2027	2028	AAGR
Ratios							
Revenues per 100 $ of property taxes	0,854 $	0,899 $	0,912 $	0,978 $	0,984 $	1,024 $	3,7 %
Expenditures per 100 $ of property taxes	0,939 $	0,962 $	0,998 $	1,038 $	1,068 $	1,099 $	3,2 %
% Property taxes/total revenues	80,8 %	82,2 %	82,5 %	83,5 %	83,6 %	84,3 %	0,9 %
% Net debt service (Net debt service/Expenses)	13,1 %	13,9 %	14,5 %	15,7 %	14,6 %	14,9 %	2,7 %
Total Net Debt/Revenues	178,0 %	150,2 %	156,1 %	152,4 %	161,7 %	160,5 %	-2,1 %
Debt to the whole/Revenues	135,8 %	124,4 %	131,5 %	130,0 %	139,8 %	140,0 %	0,6 %
Debt to the whole/Property taxes	1,4 %	1,4 %	1,5 %	1,5 %	1,6 %	1,7 %	3,5 %
Residential tax account	5 194 $	5 462 $	5 546 $	5 949 $	5 949 $	6 253 $	3,8 %
Commercial tax account	7 892 $	8 307 $	8 429 $	9 070 $	9 070 $	9 541 $	3,9 %

Highlights

- Tax revenues per $100 of real estate wealth increase by an average of 3.7% annually. This growth is caused by the increase in tax revenues resulting from the increase in the tax rate.
- Expenditures per $100 of property wealth are growing at a slower rate than tax revenues per $100 of property wealth, at 3.2%.
- Tax revenues account for more than 80% of total revenues. The lack of diversification of the Town's revenues results in the Town's heavy dependence on tax revenues. In fact, 95% of the tax revenue comes from the residential tax.
- The Town spends between 13% and 15% of its expenses on debt service payments.
- The Town's net debt/revenues decrease from 2024 to 2026 as a result of debt repayment. However, this ratio will rise again in 2027 as a result of the new debt contracted to finance new investments. The debt-to-whole ratio follows the same trend, as the vast majority of debt-to-pool is used to finance ITP projects.
- The debt to the whole was between 1.4% and 1.7% of real estate wealth over the period.
- The tax burden for the residual and commercial categories increased by an average of 3.8% and 3.9% respectively over the period.

The tax burden will grow by an average of 3.8% annually over the period

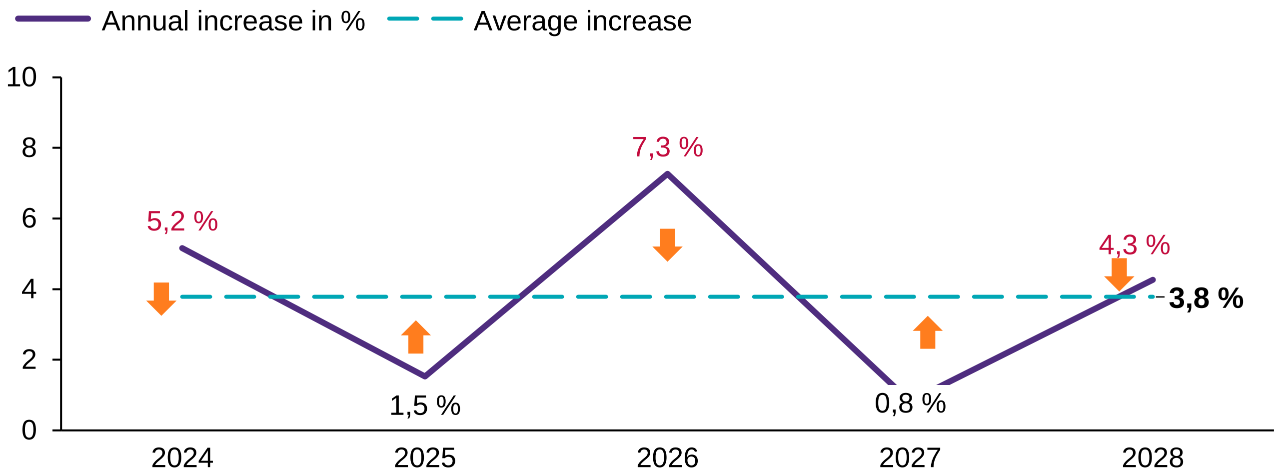
Tax Burden

Evolution of the tax burden, residential

2022 to 2028

Does not include the credit of $0.0247 per $100 of property wealth granted in 2023.

	2023	2024	2025	2026	2027	2028	AAGR
Average Home Valuation	606 730 $	606 730 $	606 730 $	606 730 $	606 730 $	606 730 $	
Taxation							
General property tax	0,6164	0,6024	0,5970	0,6418	0,6526	0,6812	
Debt burden	0,0856	0,1407	0,1567	0,1751	0,1690	0,1792	
	0,7020	0,7431	0,7537	0,8169	0,8216	0,8604	
	4 259 $	**4 509 $**	**4 573 $**	**4 956 $**	**4 985 $**	**5 220 $**	**4,2 %**
Tariff							
Aqueduct	240 $	245 $	250 $	255 $	260 $	265 $	
Waste, recycling & organic waste	335 $	342 $	349 $	356 $	363 $	370 $	
Sewage	360 $	367 $	375 $	382 $	390 $	397 $	
	935 $	**954 $**	**973 $**	**992 $**	**1 012 $**	**1 032 $**	**2,0 %**
Tax burden	**5 194 $**	**5 462 $**	**5 546 $**	**5 949 $**	**5 997 $**	**6 253 $**	**3,8 %**
Annual Growth in $		**268 $**	**83 $**	**403 $**	**451 $**	**304 $**	
Annual Growth in %		**5,2 %**	**1,5 %**	**7,3 %**	**0,8 %**	**4,3 %**	



The increase in 2024 is due to the cumulative effect of spending indexation, debt service growth and higher allocations.

Increases fluctuate from year to year. The most important are in 2024, 2026 and 2028 as a result of the major investments to come.

The implementation of financial strategies will aim to control the increase in the tax burden and avoid significant variations.

A sensitivity analysis makes it possible to see the impact of the implementation of projects on the tax bill

Assumptions

Completion rate of the CIP

Three scenarios considering different project completion rates were evaluated in order to visualize the impact that this would have on the tax burden of the residents. The scenarios are described below.

Description of the scenarios

Scenario 1	Scenario 2	Scenario 3
• The completion rate of planned investment projects is 68% based on the historical average of the last five years.	• The implementation rate of planned investment projects is 80%.	• The implementation rate of the planned investment projects is 100%, i.e. all the projects provided for in the PTI will be carried out.

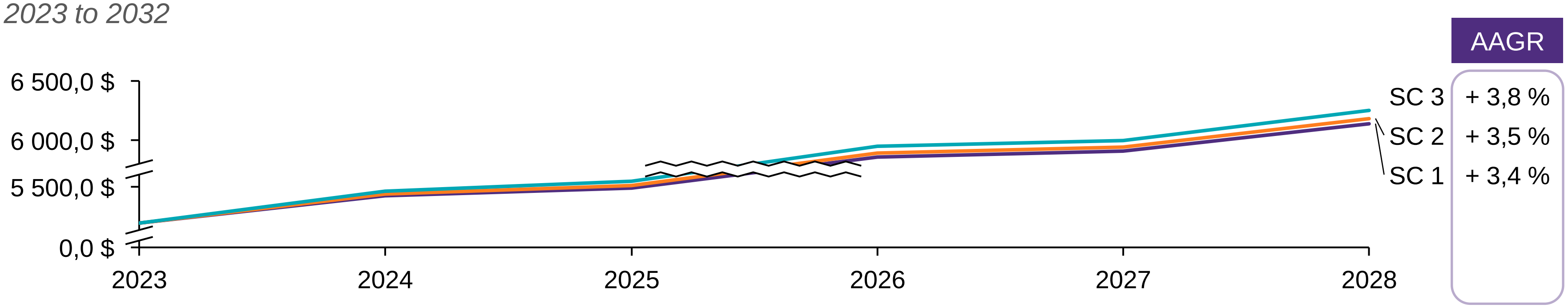
The results are presented on the next page.

The rate of completion of planned investment projects will have a similar impact on the average growth of the tax burden

Sensitivity analysis – impacts on the average tax bill

Evolution of investments by scenario

2023 to 2032



Impact on the average – residual tax account

	2023	2024	2025	2026	2027	2028	% variance
Tax bill							
SC 1	5 194 $	5 423 $	5 489 $	5 858 $	5 908 $	6 139 $	3,4 %
SC 2	5 194 $	5 438 $	5 511 $	5 892 $	5 941 $	6 182 $	3,5 %
SC 3	5 194 $	5 462 $	5 546 $	5 949 $	5 997 $	6 253 $	3,8 %
Annual average increase							
SC 1		4,4 %	1,2 %	6,7 %	0,8 %	3,9 %	
SC 2		4,7 %	1,3 %	6,9 %	0,8 %	4,0 %	
SC 3		5,2 %	1,5 %	7,3 %	0,8 %	4,3 %	

The average annual growth of the tax bill over the period is similar, regardless of the scenario considered. A 68% completion rate would increase the average tax bill by 3.4%, while a 100% completion rate would increase it by 3.8%. Rather, the challenge is in terms of annual tax rate growth, particularly in 2024, 2026 and 2028. Regardless of the scenario, there is greater pressure on the tax burden on residents, given the significant investments. To control this increase, project prioritization could be put in place as a financial strategy.

Optimisation of the financial framework

Financial Strategies

Impact of the Implementation of Financial Strategies

Financial Strategies to Limit Large Fluctuations and Take Advantage of Opportunities (1 of 3)

Financial Strategies

Proposed strategy

The Town could implement the following financial strategies to limit the growth of the tax burden on residents in the coming years.

- Investment of short- and medium-term liquidity;
- Creation of a financial reserve.

Short- and medium-term cash investment

The Town estimates that the unallocated surplus will be approximately $8 million at the end of 2023. This amount takes into account the repayment of long-term debt of $3.9 million in 2023 and the financing of investment projects of $1.5 million for the same year. This cash could be invested in a one-year or two-year term guaranteed investment, which would allow you to take advantage of the advantageous interest rates currently available for this type of financial product before the policy rate starts to fall, and consequently, the interest rates of the bond market. Details of the unallocated surplus balance are presented below.

Anallocated surplus	2023	2024	2025	2026	2027	2028
Opening balance		7 955 993 $	5 369 392 $	3 369 392 $	3 369 392 $	3 369 392 $
Anallocated surplus	8 355 078 $					
Balances available on closed by-law loans	4 976 915 $					
Closing balance	13 331 993 $	7 955 993 $	5 369 392 $	3 369 392 $	3 369 392 $	3 369 392 $
Allocations						
CIP	1 500 000 $	2 000 000 $	2 000 000 $	- $	- $	- $
Capital repayment	3 876 000 $					
Use of available balances on closed by-law loans		586 601 $				
Closing balance	**7 955 993 $**	**5 369 392 $**	**3 369 392 $**	**3 369 392 $**	**3 369 392 $**	**3 369 392 $**

Financial strategies that help limit large fluctuations and take advantage of opportunities (2 of 3)

Financial Strategies

Short- and medium-term cash investment

In the event that the Town does not require a portion of the remaining unallocated surplus in the short term, the following funding strategy could be implemented over the period.

- **2024**: Invested $4 million at a fixed rate over two years. This investment would allow you to earn interest income equal to that in the bank account, given this year's high rates. It becomes especially interesting in 2025, when current account interest rates start to fall. Additional revenues of $105.2K would be generated.
- **2025-2028**: Offering of $2 million annually at a fixed rate over one year. The additional interest income generated by these investments would provide the Town with room for manoeuvre.

In the following table, additional interest income is estimated based on different assumptions based on information available as of November 2023.

Interest revenues	2023	2024	2025	2026	2027	2028
Term investments (1 year)						
One-year term investment	- $	- $	2 000 000 $	2 000 000 $	2 000 000 $	2 000 000 $
One-year term interest rates[1]	5,8 %	5,8 %	5,8 %	5,8 %	5,8 %	5,8 %
Interest rate of the savings account[2] (Current bank account interest rate)	5,7 %	5,7 %	3,9 %	4,0 %	4,3 %	4,7 %
Interest rates variance	0,10 %	0,10 %	1,82 %	1,74 %	1,41 %	1,06 %
Additionnal interest revenues		- $	36 391 $	34 754 $	28 203 $	21 117 $
Term investments (2 year)						
Two-year term investment	- $	4 000 000 $	4 000 000 $	- $	- $	- $
Term interest rates[1]	5,6 %	5,7 %	5,7 %	5,7 %	5,7 %	5,7 %
Interest rate of the savings account2 (Current bank account interest rate)	5,7 %	5,7 %	3,9 %	4,0 %	4,3 %	4,7 %
Interest rates variance	-0,05 %	0,00 %	1,72 %	1,64 %	1,31 %	0,96 %
Additionnal interest revenues		- $	68 783 $	- $	- $	- $
Total interest Revenues		**- $**	**105 174 $**	**34 754 $**	**28 203 $**	**21 117 $**

1 Source: Rate offered by the Town's bank for a non-redeemable or closed-end investment for one or two years. This information was provided by the Town.

2 Source: based on Canada bond yields with a two-year maturity, published in the economic and fiscal forecasts published by Desjardins on October 19, 2023, page 6, https://www.desjardins.com/content/dam/pdf/fr/particuliers/epargne-placements/etudes-economiques/previsions-economiques-financieres-octobre-2023.pdf

Financial strategies that limit large fluctuations and take advantage of opportunities (3 of 3)

Financial Strategies

Creation of a financial reserve

The Town's surplus would be fully utilized by the end of 2025. A financial reserve of $425K would be created in 2025 to fund ITP projects. This reserve would be used the following year at a rate of $150K. In 2027 and 2028, $250K and $75K will be reallocated to this reserve. These funds will be used to finance CIP projects or to pay down debt, which will maintain an annual growth in the tax burden that is closer to the average increase of 3.8%.

	2024	2025	2026	2027	2028
Financial reserve	-	($425K)	$150K	($250K)	($75K)

The impact of these strategies can be found on the next page.

The application of these measures makes it possible to smooth out the growth of the tax burden on residents

Impacts – Financial Strategies

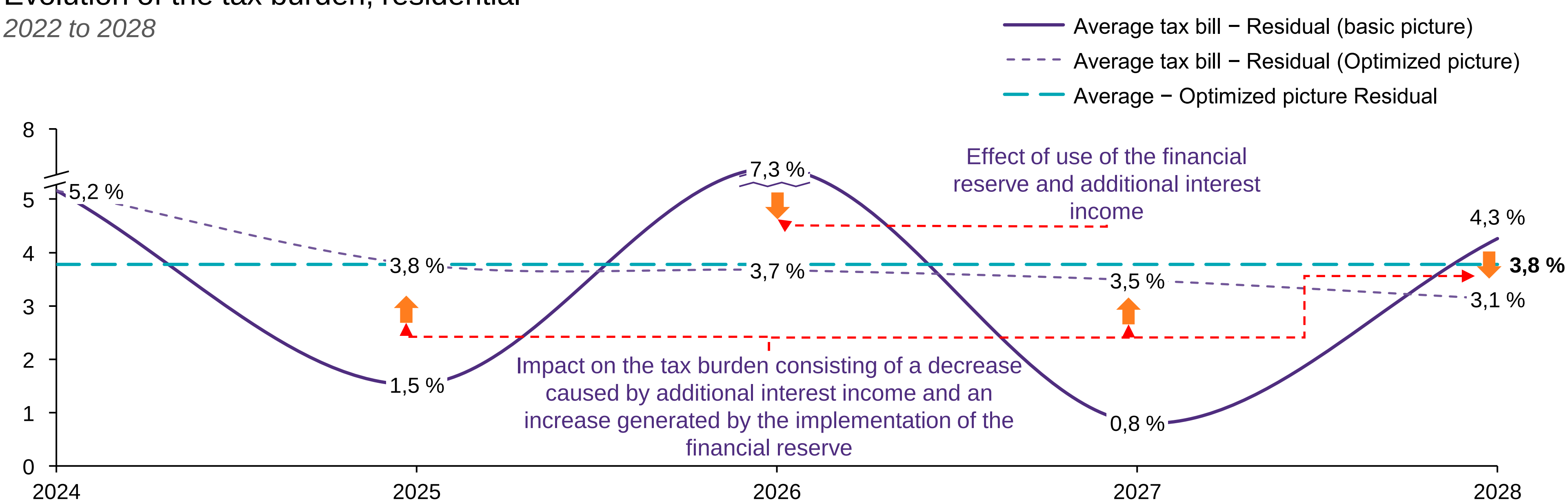
Overall, the tax burden increased by 3.8% per year over the period. Growth in 2026 peaks at 7.3%. However, significant decreases also take place in 2025 and 2027. The aim is to smooth out these variations to get as close as possible to the average annual growth.

Smoothing out the growth of the tax burden is possible through the establishment of the financial reserve. The tax burden is reduced in 2025 and 2027 by allocating the amounts to the reserve. In contrast, tax growth is brought closer to average in 2026 and 2028, either through the use of money in the reserve or additional interest income or a mix of both.

The fiscal framework provides a long-term vision of municipal finances and allows for the implementation of strategies to ensure sound management of public finances.

Evolution of the tax burden, residential

2022 to 2028



New sources of income

Other sources of income

Reminder of new sources of income

Legal reference

1 General power of taxation and fees

- Cities and Towns Act, sections 500.1 to 500.11

2 Development Fee

- Act respecting land use planning and development, sections 145.21 to 145.30

Source: RCGT analysis

Examples of initiatives implemented by other municipalities (1 of 2)

Municipality	Measure	Limits for the Municipality
General power of taxation		
Varennes **Victoriaville**	Tax on the land use coefficient in commercial or industrial areas	The Town does not have an industrial park.
Laval	• Tax on paved surfaces in the city centre • Tax on Oil-Fired Heating Appliances	• The Town does not have large parking lots that would allow for a tax on paved surfaces; • The tax on heating appliances generates low revenues.
L'Ange-Gardien	Tax on vacant lots over 10 acres **(The tax was challenged in court and the Town was successful. An appeal is pending, and the town has continued the taxation during the proceedings.)**	The land wealth related to the vacant lots in question represents less than 0.3% of the Town's real estate wealth.
Montreal	Parking Tax	The Town does not have large parking lots that would allow for a tax on paved surfaces.
General Regulatory Charge Authority		
Prévost	Levy on the sale and supply of containers, packaging and other items for single or individual use by certain traders.	This measure is intended to reduce the use of single-use containers . The sums collected are insignificant and are used to finance programs related to waste reduction.
Percé	Regulatory charge to help fund municipal tourism infrastructure **(The fee was challenged in court and the Town lost on form; it did not have the agreement of merchants to collect the levy.)**	The Town of Hudson is not a touristic city. This type of fee is not applicable.

Examples of initiatives implemented by other municipalities (2 of 2)

Town	Measure	
Act respecting land use planning and development		**Limit for the Town**
Saint-Colomban	• By-law concerning the payment of a contribution to finance all or part of an expenditure related to the addition, expansion or modification of municipal infrastructure or equipment	These measures can be put in place when municipalities have significant potential for real estate development. However, the Town's growth potential is limited. The implementation of such a measure would generate additional management costs and would not generate significant revenues.
Chambly		
Prévost		
Bromont		
Carignan		
Trois-Rivières	• By-law requiring a person who requires the issuance of some permits to pay a financial contribution	
Laval	• Greenhouse gas (GHG) offsetting	

Conclusion

Conclusion

Long-term planning aims to provide a shared vision for the general management and municipal elected officials.

The preliminary financial picture shows an average annual increase in the tax burden of 3.8%, without any financial strategy to reduce this increase. The Town's goal is to maintain this average growth, while avoiding significant variations from one year to the next. The Town will have to implement a smoothing strategy in order to bring significant annual changes closer to the annual average of 3.8%. In addition, a significant portion of the Town's budget spending is dependent on market conditions, which will evolve in response to inflation and labour shortages.

The additional interest income helps reduce the tax burden on the residents, but it accentuates the year-over-year variations. The establishment of the financial reserve makes it possible to counter this impact by reducing significant variations from year to year to get closer to the average growth in the tax burden of residents of 3.8%.

Should the Town wishes to further reduce the tax burden on residents, it will be necessary to abandon or postpone investments, or to implement an expenditure optimization plan. However, the Town is exposed to asset maintenance deficits or service cuts. On the other hand, the Town is counting on surpluses that will help contain the rise in the tax burden.

By adopting long-term financial planning, the Town is better equiped to effectively manage public funds and implement financial strategies.

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