Scenario Analysis for a Sustainable Funding Model

Final Report

December 12, 2023

SUITE 1200, 242 HARGRAVE STREET, WINNIPEG, MB, R3C 0T8

T. 204.775.4531 F: 204.783.8329 **MNP.ca**

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Executive Summary

The City of Brandon ("Brandon" or "the City") engaged MNP to conduct scenario analysis to assist the City's work to develop a sustainable funding model to balance the ten-year financial plan. This report reflects the results of an opportunity analysis, which includes insights from Council and staff, a review of current sources of revenue, comparison with similar Canadian Cities, analysis of performance on Public Sector Accounting Board (PSAB) best practice metrics, and a ten-year financial scenario analysis to inform decisions to sustainably fund the City's operating and capital requirements.

While low taxes and efficient municipal operations were identified as strengths, there is clear indication that tax increases have not been sufficient to reflect inflation and have resulted in diminished reserves at a time when Brandon requires significant reinvestment in infrastructure. Cost recovery from fees and charges has notably dropped in planning and development and water and sewage. COVID-related declines in revenue in 2020 and 2021 are also evident in Recreation and Culture and Transportation.

Brandon's existing capital plan outlines the need for $680 million in spending from 2024 to 2033, including $347 million for utilities-related projects and $333 million for non-utility capital projects. The City's budgeted reserve appropriations and withdrawals are projected to reduce the City's reserves to $53.7 million at the end of 2023, down from $74 million at the start of 2019. With reserves at their current levels, debt will be required to fund up to 32% of the total capital plan over the next decade.

The drawdown of reserves and the additional debt outlined in the City's 5-year capital plan will negatively impact the City's liquidity, measured by the current ratio. Holding all other variables constant from 2022 and only reducing reserves and increasing debt per the 5-year capital plan, the City's current ratio would drop below 0.1, reducing the City's budget flexibility and sustainability. This result shows that the existing funding and taxation plan will not sustainably fund capital growth and renewal, even in the near term.

The City of Brandon was compared to other similar sized Canadian cities: Fredericton, Grande Prairie, Medicine Hat, North Bay, and Prince Albert. Brandon had the lowest residential property tax revenue per capita at $610 per person, which is 47% below the average of the compared municipalities. On a compounded, cumulative basis, property taxes for the average homeowner in Brandon have only increased by 3.9% since 2017, compared to an average increase of 13.8% among the sampled cities.

Brandon also has the second lowest operating expenditure per capita. While some of this may reflect operating efficiencies, it may also indicate a reduced level of service compared to other municipalities. Of the compared municipalities, Brandon currently recovers the highest percentage of its operating expenditures from own source revenue. This is significantly impacted by revenues from protective services. Analysis by department showed Brandon's expenditure recovery rate at-or-below average in solid waste management, transportation, and water and wastewater services.

The Public Sector Accounting Board introduced the Statements of Recommended Practice (SORPs) to enhance public sector decision-making and accountability through consistent and accurate financial reporting. SORPs present performance metrics that outline the financial sustainability, vulnerability, and flexibility of governments. A 5-year historical review of these metrics show that Brandon has reduced its sustainability, increased its vulnerability to funding from outside governments, and reduced its flexibility due to increased debt. These results may not yet present an immediate dire situation for the City, but each category is trending in an unfavourable direction.

For long term sustainability, when considering the options of increasing revenues through user fees, Federal and Provincial funding and property taxes, the most significant opportunities are to offset capital requirements with contributions from other levels of government, and increase property taxes. Contributions from other levels of government would increase vulnerability according to SORP metrics, and need to be balanced with capacity for increased property tax revenue. Multi-year budgets that anticipate a full 10-year capital plan will be important for Brandon to enable long term financial sustainability.

Revenue generating options were weighed and further research was conducted into areas of opportunity with the Administration. New revenues recommended for implementation include:

- **Development Cost Charges (DCCs):** A third-party review of the City's DCCs is ongoing, but early estimates assume that the City could increase DCCs by a 4x – 7x multiple. Assuming a minimum 4x multiple, the increase will generate an additional $1.01 million annually in DCCs.
- **Utilities:** The October 2023 PUB approval for rate increases from 2023 – 2026 has been included in the 10-year plan. In addition, it is assumed the City can generate an additional $1.64 million annually from a 2023 deficit rate rider and new debt recovery rider for the water treatment facility loan.
- **Drainage Fees:** The inclusion of drainage fees on residential and commercial properties starting in 2025 is estimated to generate an additional $2.5 million annually.
- **Sanitation Revenue:** The landfill is estimated to generate an additional $200,000 per year from new business ventures, including the sale of composting material, concrete, and bulk wood grindings.

Scenario analysis included initial evaluation of the City's existing capital forecast, addition of the new revenue sources, and the associated hypothetical tax increase to fund the City's operating needs and capital forecast. Under this scenario, extraordinarily high tax increases would be required, beginning in 2024. An adjusted scenario using phased-in tax increases was developed. This scenario requires capital project management to prioritize and smooth out capital expenditures. Using the current Council's term as the initial phased-in tax period, the City could fund its near-term capital and operating needs with a 13% tax increase per year from 2024 to 2027, followed by a 3% increase per year from 2028 to 2033. If a ten-year flat tax is preferred, the required tax increase would be 9% per year, but this option involves further delaying capital projects from the first five years into the last five years of the plan.

Results from both the initial and adjusted scenario analysis make it clear that a significant increase in municipal taxes is required for the City to fund its operating and infrastructure needs over the next decade. However, the scenarios assume that the capital plan is implemented as stated. Projects could be delayed, cancelled, or re-scoped based on the City's financial situation and the perceived appetite from rate payers for tax increases. Project costs could also be offset by funding from other sources.

The scenarios assume that reserves will be significantly depleted to fund the capital plan. In these scenarios the reserves are serving their intended purpose, but consideration should be given to an increased general operating reserve which would improve the City's financial assets-to-liabilities ratio, thereby improving the City's sustainability and capacity to weather unexpected events.

Introduction

Objectives

The City of Brandon ("Brandon" or "the City") engaged MNP to assist with scenario analysis to support development of a sustainable funding model to balance the City's ten-year financial plan. Our scope of work was divided into two parts:

- Phase 1a – Current State and Revenue Opportunity Analysis
- Phase 1b – Sustainable Ten-Year Plan.

This document reflects the results of both Phase 1a and 1b into a combined report. It includes analysis of Brandon's financial plans and statements, including PSAB metrics, leadership insights, and a comparative analysis to an agreed-upon set of Canadian cities. Revenue options were further discussed with the management team, and an analysis prepared of required revenue to fund both future operations and the capital plan. Increases in utility rates, user fees, property tax, government transfers, and development cost charges are included in this analysis. Two options are presented, including with and without smoothing property tax increases and the capital plan.

Methodology

The work-plan for this two-phased project included in Phase 1a:

1. Gathering detailed information from the City of Brandon including financial plans and statements with departmental detail, details and assumptions regarding unfunded wage, expense and debt commitments, a summary of current own-source revenue by department specifying type (e.g., user fees, leases, fines, levies, etc.), and any analysis that has been done to date on opportunities to increase revenues, any existing bylaws related to own source revenues, and the gap to expected requirements.
2. An analysis of Brandon's performance based on sustainability, vulnerability, liquidity, and flexibility metrics identified in the Public Sector Accounting Board (PSAB) statement of recommended practices.
3. Interviews with City Councillors to understand their perspectives on the current situation, concerns and preferences with various types of revenue opportunities.
4. Comparative research with five municipalities to gather financial data and insights on their strategies and relative success related to own source revenues. The analysis includes a comparison of
    - Own source revenues as a percentage of operating expenditures, in total and by department
    - Operating cost per capita by department
    - Capital plans, sources of funding (e.g., debenture, grants, reserves, etc.) and debt ratios
    - Descriptive analysis of the various type of revenues by each municipality
    - Calculate PSAB Statement of Recommended Practices Indices

5. A concise report reflecting the results of all data collection for discussion with Brandon, highlighting the areas of opportunity for further analysis, the maximum revenue that could be generated in each area on a benchmark basis, and confirming next steps to prepare an analysis to balance the ten-year plan.

In phase 1b we took information gathered and narrowed the focus on the most viable revenue generating options:

6. Further research into details as agreed by Brandon in areas of opportunity including specific fee schedules and other comparable details.
7. Working sessions with the departmental management team to evaluate options for increased revenue.
8. Analysis, by department, of the type and amount of potential revenue considered, and the associated change in tax-support requirements. Identified any associated changes that would be required to current bylaws.
9. Analysis of the impact of options for infrastructure financing, including debt service requirements.
10. A draft report on a ten-year, phased-in funding pathway, including budgeting recommendations per GFOA best practice and recommendations for next steps for a Phase 2 Sustainable Operational Services Plan and Phase 3 – Sustainable Critical Infrastructure Financial Plan.

The combined work of phase 1a and 1b are contained in this Phase 1 report.

Current State Analysis

Council Interviews

The Mayor and all members of City Council were interviewed between July 31st and August 8th, 2023. The purpose of the half-hour interviews was to understand each person's perspective on the current fiscal situation, as well as their concerns and preferences with various types of revenue opportunities. The following represents the themes arising from those interviews.

Perceived Strengths

Efficient – There is general agreement the City is running as efficiently as possible and still provides a good balance of services.

Low Taxes – The ability to keep taxes low during the pandemic was seen as a strength and helpful to residents.

Confidence in Administration – Council expressed confidence in the City Manager and believe Council and the Administration and Council are aligned in wanting to provide the best services to residents.

Perceived Weaknesses

Tax Increases Have Not Matched Inflation - There was general agreement the budgeting process is not yielding the tax increases necessary and the current process can create some animosity between the Administration and Council instead of encouraging the two groups to work together. There is an understanding that inflation and capital project overruns have impacted the budget along with some reluctance to set user fees at the necessary level for cost recovery on related services. There is an understanding that either taxes need to increase, or services need to be reduced.

Access to Capital – There was general agreement the City has limited remaining financing options. Reserves have been depleted in part due to not increasing taxes sufficiently over the last eight years. Some Councillors felt the Administration hesitates to give Council a full picture of issues the City is facing, and has made unilateral decisions to shelve certain projects, or tap specified reserves for other uses.

Many indicated the Administration needs to prioritize and highlight the most critical capital improvements, and more fully utilize Provincial and Federal dollars for infrastructure projects. Council is asking for more facts and possible solutions to make informed decisions.

Development – It was felt by some that the City is not being sufficiently proactive in pursuing development. Not being shovel-ready constrains industrial development, and more investment in social support and recreation options would help the City in the long term.

Concern was expressed with the lowest bid approach for capital projects, which may not provide the best overall value to the City. Greater accountability is desired for project overruns.

Identified Opportunities

Prioritized Capital Plan – There was strong agreement that a multi-year projection of capital spending priorities needs to be developed (e.g. for capital projects, infrastructure, and programming).

Increasing Taxes – There was unanimous agreement that taxes need to be increased through a multi-year (at minimum four-year) plan. All agreed that this tax plan should make sure the capital plan can be achieved and nearly all agreed that reserve funds should be replenished.

Increasing Other Revenues – In addition to tax increases, most agreed user fees should come closer to covering the costs of running the programs. Some stated sanitation should be run like a utility, and many mentioned there is an issue with out-of-towners and industrial users taking advantage of the low fees charged by Brandon's landfill. In general, it was felt non-residents should pay more for City services and recreation.

Most mentioned the City needs to have the Provincial and Federal governments pay their fair share of infrastructure projects and a full-time grant and/or lobbyist should be hired so opportunities for funding are not missed.

Many mentioned development charges need to be increased. Some stated the fees should be charged over time to continue to encourage development.

Lastly, it was mentioned utility fees should be on a pre-approved, steady increase to prevent necessary, large increases that are tougher for residents to absorb.

Decreasing Service Levels - A couple noted that services such as garbage and/or recycling pick-ups could be changed to bi-weekly.

Communicating a Vision - Most felt that developing a vision for the future of Brandon will help to communicate the need to increase taxes. It was felt that residents need to understand the current situation and most agreed that showing the value of how the tax increases will be used and how the money will be an "investment" in the community will help make the necessary tax increases more understandable.

Management Interviews

Following interviews with Council, interviews were conducted with the General Manager of Development Services, the General Manager of Operations, and the Director of Public Works in October 2023. The purpose was to gather feedback on findings from the Phase 1a, to discuss revenue opportunities, ideas on how to prioritize capital spending, and ideas on an asset management program.

Key takeaways from management interviews included:

- Transportation tax should come out of the mill rate and go directly to transportation infrastructure. The city needs to move towards multi-use pathways to facilitate active transportation. It could be argued that gas tax should be used exclusively for transport and that a half a percent to 2% tax over a set number of years should be implemented.
- A drainage levy should be implemented. The levy should be a mechanism for cost recovery of drainage infrastructure and maintenance costs. Pricing of the levy should consider the size of a lot,

whether land is permeable vs impermeable, and provide a credit back to the owner for permeable surfaces.

- Development cost charges (DCCs) should be priced at market rates and re-evaluated every three to four years. The City is currently undergoing a third-party review of its existing DCCs that is expected to deliver new pricing recommendations by the end of 2023.
- Permit fees are reviewed annually with increases based on inflation and rates in comparative cities. However, there is a need for a detailed review to re-establish rates to ensure they reflect full cost recovery of the associated administrative costs.
- Water and sewer rates had not kept up with utilities cost increases. New rates approved by the Public Utilities Board (PUB) in October 2023 will help in the near-term, but an additional application will be required to cover the impending operating deficit for the 2023 year. Also, an additional debt rate rider must be added for the new $15 million debt associated with the water treatment facility. More detail on the rate increases is provided in the Water and Sewage own-source revenue analysis.
- Landfill revenue opportunities include the sale of composting material, sale of concrete blocks, and wood grindings. Sanitation fees could be analyzed to determine how much each ton of waste costs the city, with information used to determine future fee structure.
- An eight-point scorecard should be used for prioritizing all upcoming capital expenditures.
- Reserves should mirror the capital asset categories so one department does not pull from another.

Own-Source Revenue Analysis

The following section analyzes Brandon's ability to generate own-source revenues by calculating the ratio of own-source revenues to total operating expenditures by department. Capital and reserve considerations are excluded from this calculation.

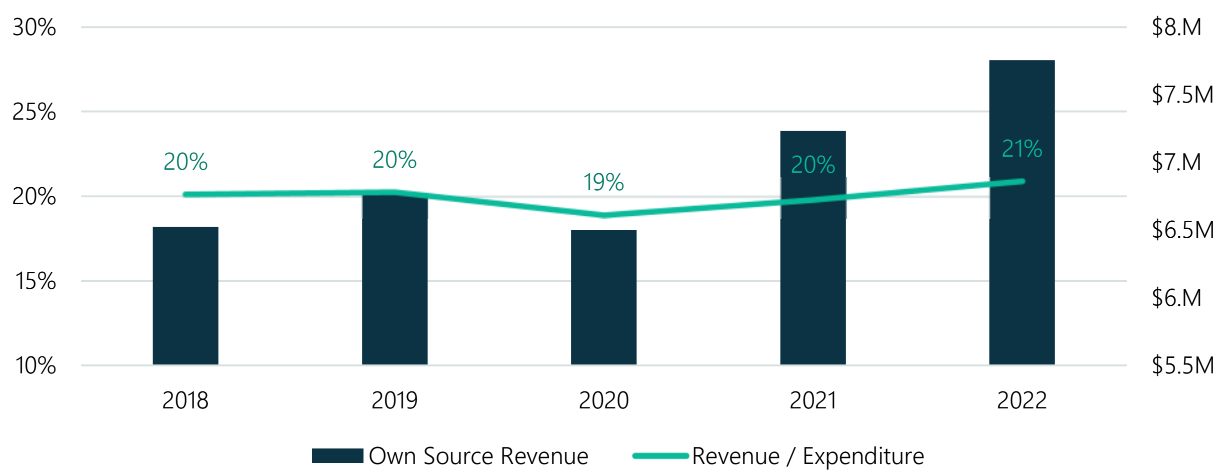
Protective Services

Protective Services includes revenues and expenditures for police, fire, and emergency response services.

Figure 1 shows the changes in Brandon's own-source revenue and expenditures over five years. From 2018 to 2022, the city's revenue from Protective Services has steadily risen, increasing from $6.5 million to $7.8 million. Most of this revenue (94%) comes from user fees, with the remaining 6% sourced from permits, licenses, and fines.

An additional observation is that the communication (911) and ambulance fees for local distances, as well as the search fees charged by the police department, saw the highest increase in revenue in 2022, at around 3%, 25%, and 23%, respectively, resulting in a total increase of $654,855.

Figure 1: Own Source Revenues and Expenses in Protective Services, 2018-2022



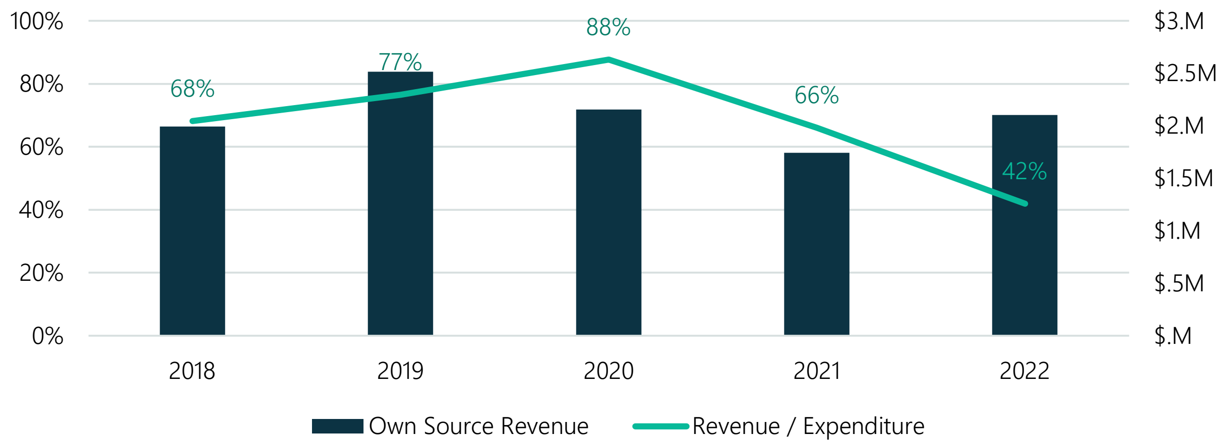
Planning and Development

Planning and Development generates revenues and expenditures related to planning and zoning, urban renewal, urban area weed control, and development charges.

Figure 2 shows that the revenues for Planning and Development have generally increased from 2018 to 2022, except for the decrease of $412,584 occurring between 2020 and 2022. This is due to a fall of 21% in the permits, licenses, and fines component during these years. According to the city's yearly report, COVID-19 significantly impacted the operations of businesses throughout the municipality. The report notes that closures, quarantine and isolation measures, travel restrictions, and public facility shutdowns have all contributed to business disruptions.

Meanwhile, there has been a considerable decrease of around 26% in the ratio of revenues to expenditures from 2018 to 2022. This decrease is mainly attributed to the increase of $1.7 million in urban renewal expenses related to the Brandon Downtown Development Corporation and other downtown revitalization initiatives.

Figure 2: Own Source Revenues and Expenses in Planning and Development, 2018-2022

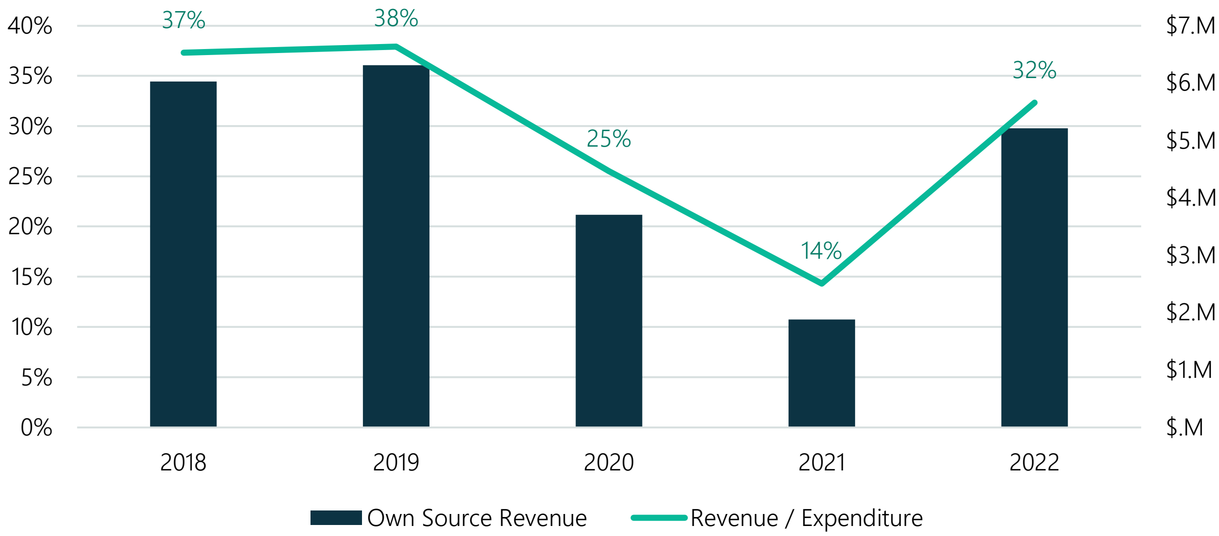


Recreation and Culture

The Recreation and Culture department includes income and expenses associated with recreation facilities and services. These include administration, community centers and halls, swimming pools and beaches, golf courses, skating and curling rinks, parks and playgrounds, museums, libraries, and other cultural facilities.

The Recreation and Culture Department's own-source revenues declined significantly in 2020 and 2021 due to the pandemic. Revenue hit its lowest point in 2021, dropping to $1.9 million, accounting only for 14% of expenditures. Revenue in 2022 had not yet recovered to pre-pandemic levels, with 32% cost recovery in 2022 versus 38% in 2019.

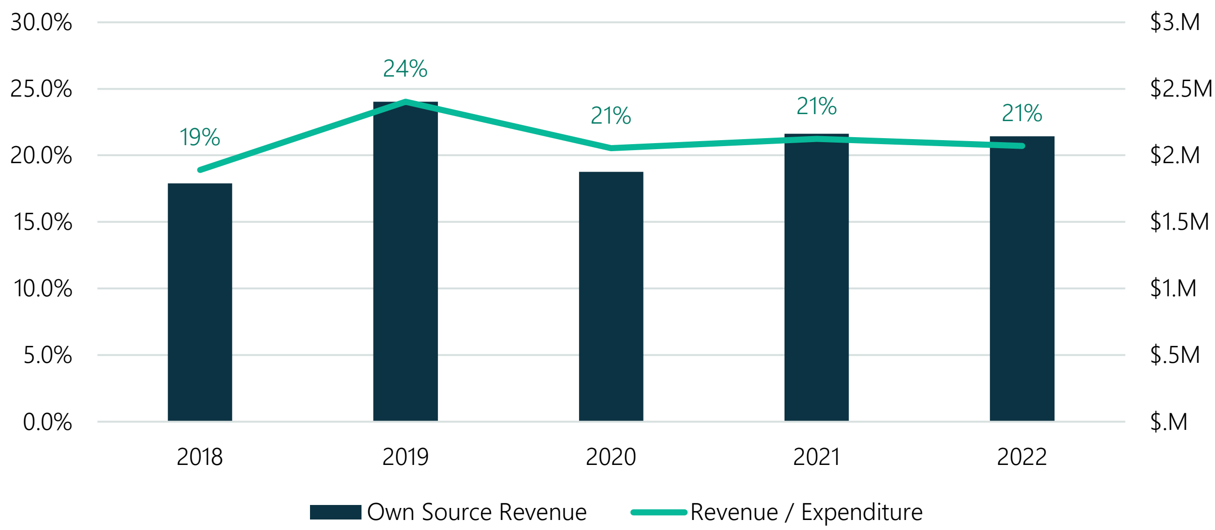
Figure 3: Own Source Revenues and Expenses in Recreation and Culture, 2018-2022



General Government

General Government encompasses the income and expenses of legislative, general administrative, and corporate services. From 2020 to 2022, the General Government department's own source revenues to expenditures ratio remained nearly the same at around 21%. In 2019, expenses decreased by 18%, leading to an increase in the ratio, but source revenues rose by a higher percentage, reaching the indicator's best performance over five years. When comparing 2018 to 2022, there is a noticeable increase in specific components contributing to the overall ratio. Specifically, legislative services started at $2,394 in 2018 and have since climbed to $28,271 in 2021 and $33,590 in 2022. Additionally, a new source of revenue called community wellness has been integrated in 2022, adding $17,900 to the own source user fees category.

Figure 4: Own Source Revenues and Expenses in the General Government Department, 2018-2022

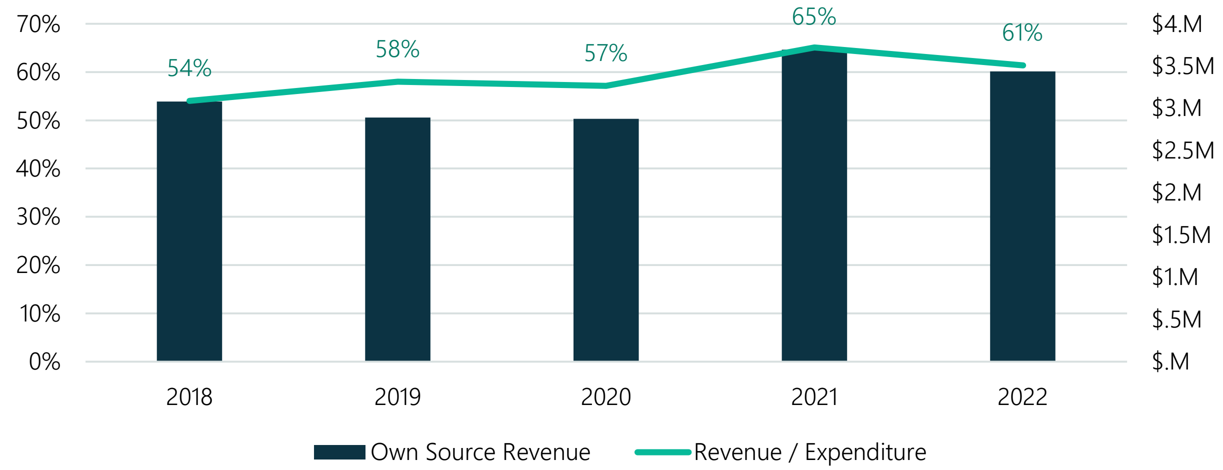


Environmental and Community Health Services

Environmental and Community Health Services include revenues and expenditures for waste collection and disposal, recycling, public health, medical care, social assistance, and other related services. Generally, user fees and waste collection, disposal, and recycling are the most representative components of revenues and expenses, accounting for approximately 88% of each category.

From 2018 to 2022, the City of Brandon's revenue sources are trending generally upward and now represent more than 50% of the Environmental and Community Health Department's total expenditures. Revenue grew on average by 4% while expenditures remained relatively flat. In 2021, revenues showed significant growth of 29% compared to 2020 with expenditures rising by only 13% during the same year. However, the ratio decreased in 2022 compared to 2021 due to various factors: Sanitation fee receipts fell by $135,936, and cemetery columbarium sales dropped by $68,191. In addition, total expenditures increased to a greater extent than revenues by $167,314.

Figure 5: Own Source Revenues and Expenses in Environmental and Community Health Services, 2018-2022



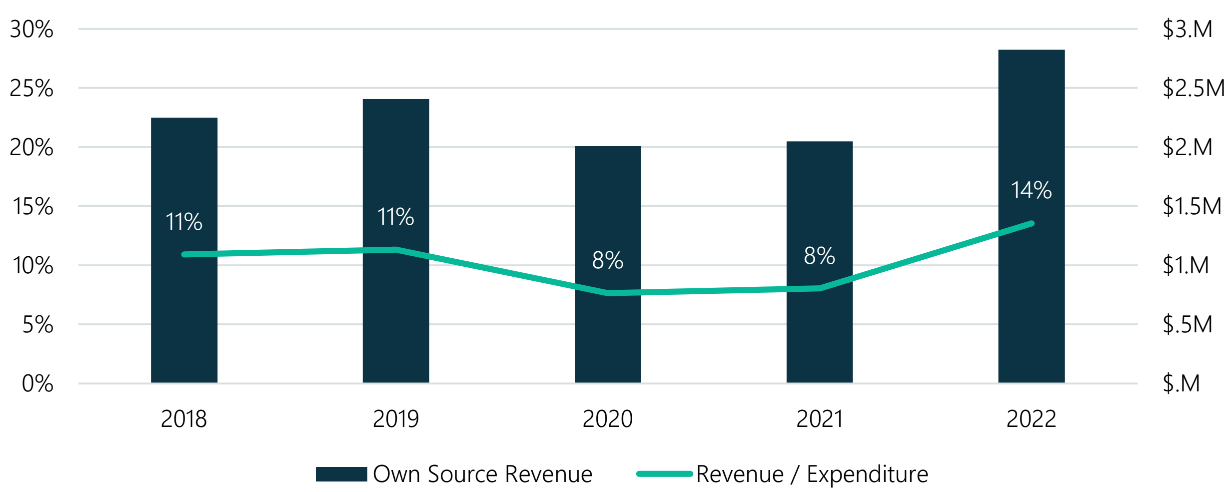
Transportation

Transportation includes various sources of income and expenses such as parking meters, permits, licenses, fines, road transportation, air transportation, and public transportation.

When comparing 2022 to the pre-pandemic years of 2018 and 2019, there has been a consistent increase from $2.2 million in 2018 to $2.8 million in 2022. Expenditures only experienced a slight growth from $20.6 million in 2018 to $20.8 million in 2022. Additionally, revenue to expenditures increased to 14% in 2022, representing a gain over the 11% recorded in 2018 and 2019.

It's worth highlighting that while transportation revenues for 2022 haven't quite reached pre-pandemic levels, they have improved from the past two years. The most significant changes can be seen in the airport improvement fees and bus media sales revenues, which contributed to a total increase of $331,559 in own source of revenue.

Figure 6: Own Source Revenues and Expenses in Transportation, 2018-2022

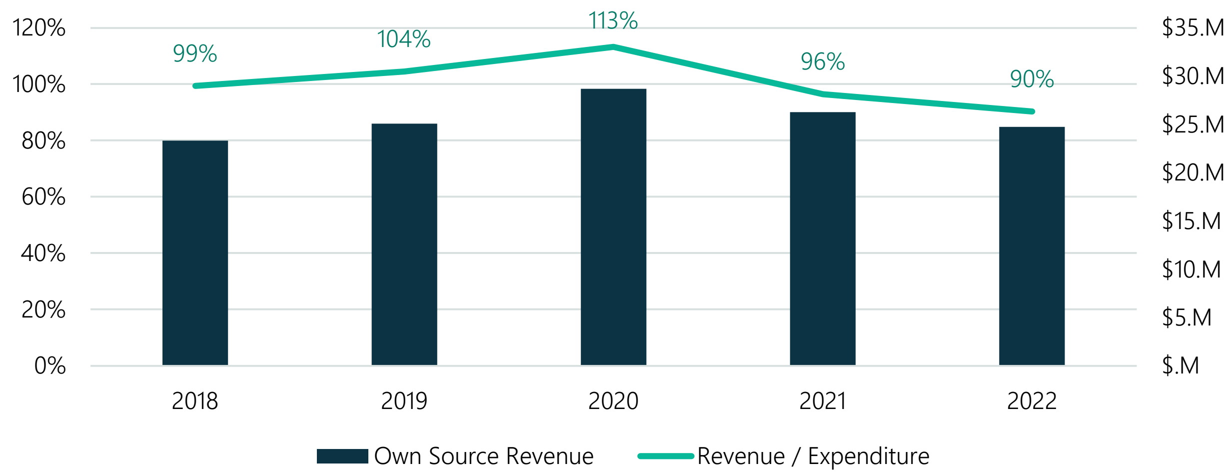


Water and Sewage

Water and Sewage covers the revenues and expenses related to water and sewer provisions and water treatment costs. The own-source revenues consist of water and sewer user fees, while the expenditures are mainly driven by general expenses, water treatment, and sewer, accounting for 70% of total expenses on average.

When comparing the Water and Sewage Department to other analyzed services, it shows an overall positive revenue trend. On average, revenues represent 101% of total expenditures over five years. In 2020, the highest level of own-source revenues was recorded at $28.7 million, contributing to 113% coverage of the total expenses of that year. In 2021 and 2022, however, there has been a downward trend in the own-source revenue and expenditure ratio due to a decrease in water and sewer revenues and a significant increase in the year's general and sewer expense components.

Figure 7: Own Source Revenues and Expenses in Water and Sewage, 2018-2022



To counteract the declining expense recovery rate in utilities, the PUB approved the following rate increases for the 2023 to 2026 period:

1. The implementation of a deficit rate rider of $0.19 per cubic meter for water and $0.21 per cubic meter for wastewater. This is required to recover $15.9 million in aggregate operating deficits from 2015, 2016, 2017, 2020, and 2021.
2. Revised water and wastewater rates. The updated commodity charges from water and wastewater are projected to increase from $18.5 million in 2022 to $33.7 million in 2026 (Figure 8). This increase in fees, coupled with the deficit rate rider, will increase the operating expense recovery ratio to 127% by 2026 (Figure 9), assuming a 5% increase in annual operating expenses from 2023 to 2026 in line with the average increase from 2018 to 2022.

Figure 8: Water and Wastewater Commodity Fees, 2019 to 2026

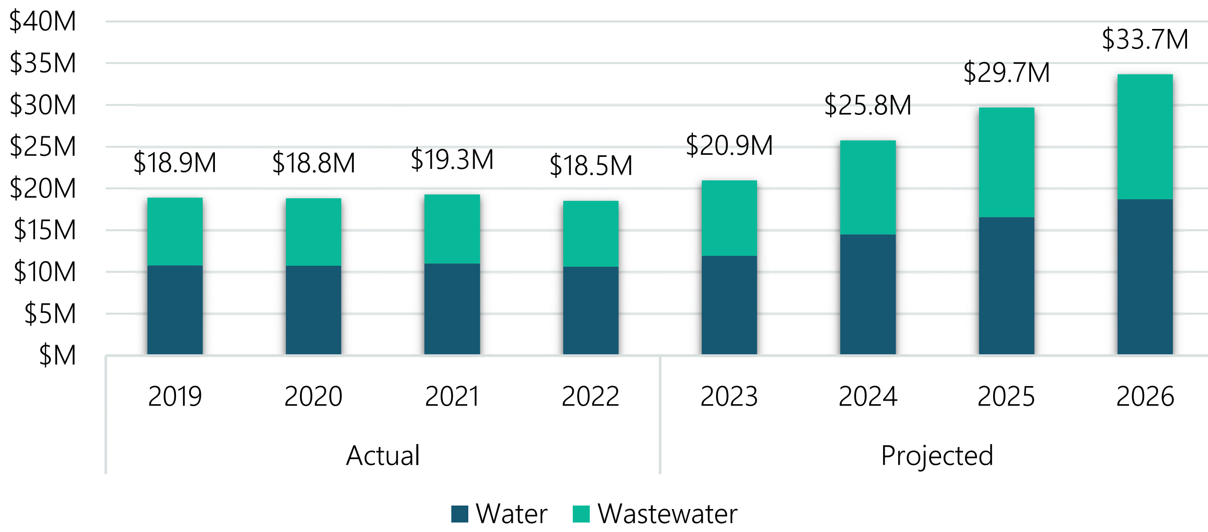
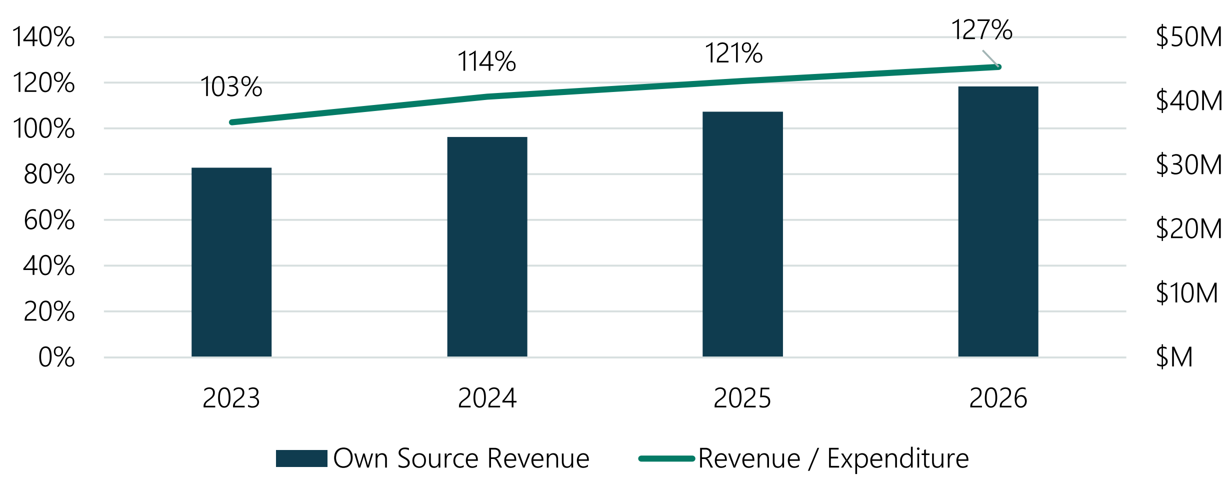


Figure 9: Projected Water and Wastewater Own Source Revenues, 2023 - 2026

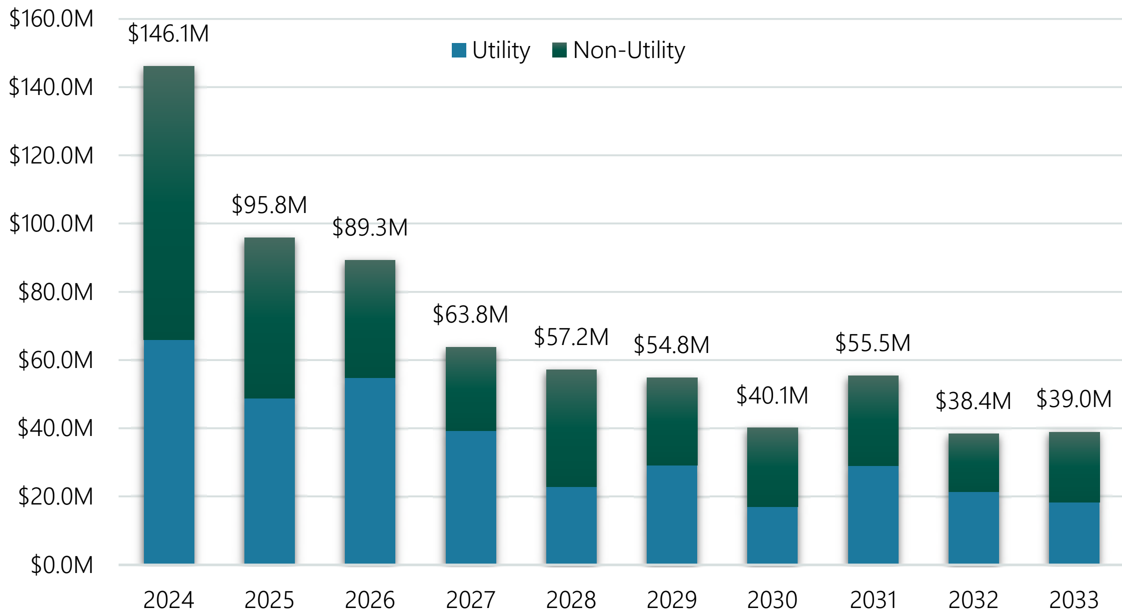


Capital Planning

Capital Expenditure Program

Brandon's current 10-year capital plan budgets for $680 million in spending, including $347 million for utilities-related projects and $333 million in non-utility projects. The plan is heavily front-loaded, with expenditures for the Water Treatment Facility Expansion and the Southwest Lift Station accounting for approximately $185 million of the utilities project costs from 2024 to 2027.

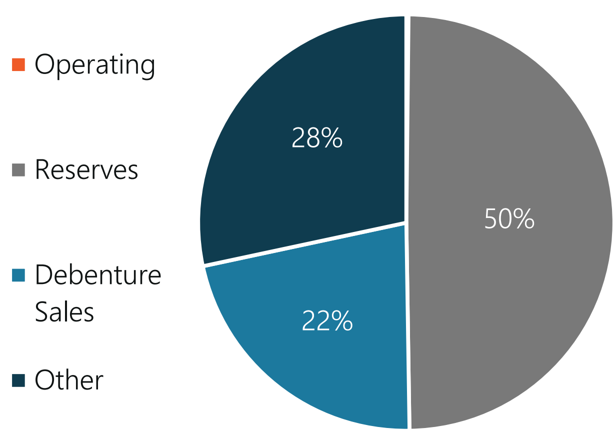
Figure 10: Total Capital Expenditure Program, 2024-2033



Sources of Funds

The City has outlined funding sources for the 2024 to 2028 period in its financial plan. Analysis beyond this period is not reliable as Federal and Provincial funding is only recorded in the plan once committed. Per Figure 11, the primary source of funds for the capital plan is reserves, comprising 50% of the total. Other funds (primarily government and other grant funding) contribute 28%, and debenture sales account for 22%. Transfers from operating account for less than 1% of capital funding.

Figure 11: Planned Sources of Funds for Capital Expenditure Program



Reserves

The historical change in reserve fund balances is listed in Table 1. Budgeted reserves usage is projected to reduce the balance to $53.7 million by the end of 2023, down from $74.3 million at the start of 2019.

Table 1: Change in Reserve Funds, Thousands, 2019 - 2024

Year	2019	2020	2021	2022	2023
Actual / Budget	Actual	Actual	Actual	Actual	Budget

Reserve balance - start of year	74,337	73,282	62,922	67,624	63,617
Reserve appropriations	25,422	18,826	17,437	12,989	10,666
Withdrawals	(26,477)	(29,186)	(12,734)	(16,996)	(20,568)
Reserve balance – end of year	**73,282**	**62,922**	**67,624**	**63,617**	**53,715**

The drawdown of reserves and the additional debt outlined in the City's 5-year capital plan will negatively impact the City's liquidity, measured by the current ratio. Holding all other variables constant from 2022 and only reducing reserves and increasing debt per the 5-year capital plan, the City's current ratio would drop below 0.1, resulting in a significant reduction in budget sustainability and flexibility as the City will need to service significant debt obligations through the operating budget. This result shows that the existing funding and taxation plan will not sustainably fund capital growth and renewal, even in the near term.

An adjusted projection of reserve appropriations, withdrawals, and debt issuances to sustainably fund the City's capital plan for the next decade has been developed in the Ten-Year Financial Analysis section.

Comparison to Other Municipalities

This section presents a summary comparative analysis of the City of Brandon and five other similar sized cities. Table 2 outlines several high-level statistics of the comparison municipalities.

Table 2: Comparative Towns Reviewed

Town	Land Area (sq. km)	Population (2021)	Population (2006)	15-Year Population Growth	Total Property Tax Revenue per Capita (2022)	Residential Property Tax Revenue per Capita (2022)
Brandon	79.04	51,313	41,511	23.61%	$922	$610
Fredericton	133.93	63,116	50,535	24.90%	$1,884	$1,407
Grande Prairie	132.71	64,141	47,076	36.25%	$1,900	$1,089
Medicine Hat	111.97	63,271	56,997	11.0%	$1,176	$753
North Bay	315.53	52,662	53,966	-2.4%	$1,925	$1,365
Prince Albert	67.17	37,756	34,138	10.60%	$1,325	Not available

Sources: (Statistics Canada, 2023)*;* (Statistics Canada, 2007)*; Municipal Annual Reports; Audited Financial Statements; Financial plan provided by the City of Brandon; and public information available on the five comparative towns' websites.*

Figure 12 outlines property tax revenue per capita, showing that Brandon collects the least in property taxes per person of these cities, and only half the amount collected by North Bay, Grande Prairie, and Fredericton.

Figure 12: Total Property Tax Revenue Per Capita, 2022

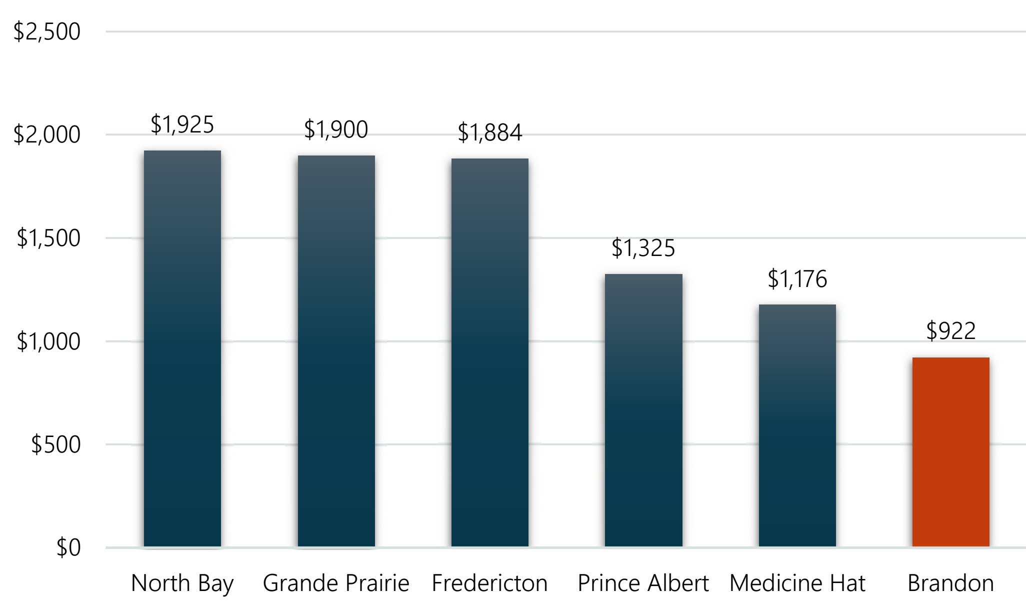
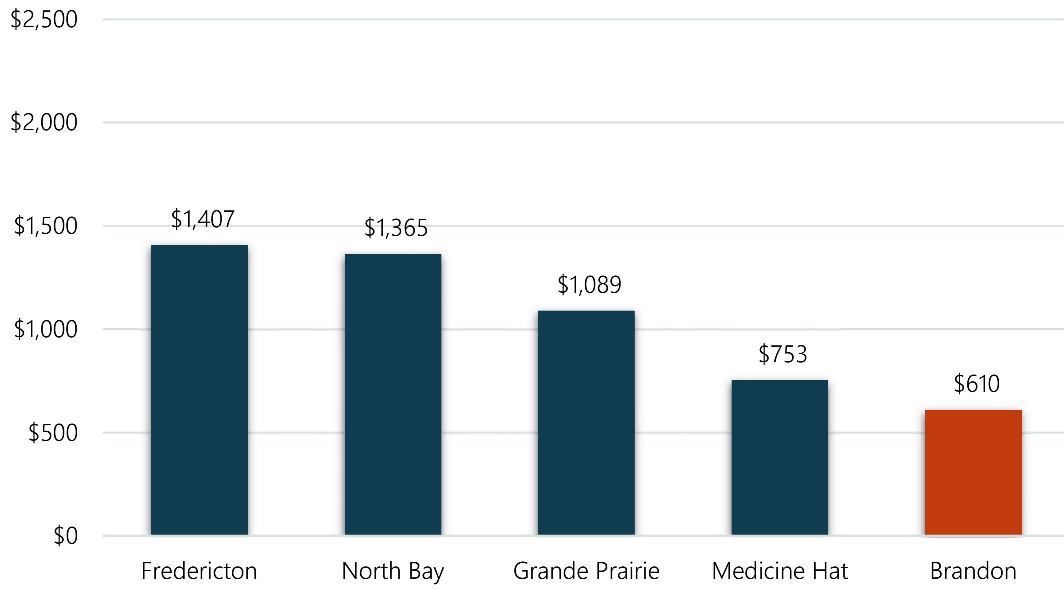


Figure 13 provides the comparison of property tax revenue per capita for residential properties. Brandon is still the lowest, with $610 per person collected in residential property tax. The variance between total tax and residential-only tax collected shows that the other cities collected on average $568 per person from non-residential sources, compared to only $312 for Brandon.

Figure 13: Residential Property Tax Revenue per Capita, 2022



Change in Property Taxes in Comparison Cities

Table 3 shows the annual percentage change in property taxes for the average residential dwelling in seven comparison cities: Brandon, Medicine Hat, Grande Prairie, Fredericton, North Bay, Prince Albert, and Winnipeg for a Manitoban city comparison. The table covers a six-year period from 2018 to 2023.

The table also reveals that Brandon had the second lowest cumulative, non-compounded, increase over the six-year period at 3.93%. Grande Prairie had the lowest change due to a -4.1% decrease in 2019, followed by a tax freeze during the pandemic years 2021 and 2022. Fredericton had the highest tax increase, mainly due to the average home assessment value increasing from $221,255 to $292,502 (32%) between 2020 and 2023[1]. The average total increase per city for this six-year period was 12.95% and the average tax increase across all cities in any year was 2.16%, showing Brandon was below average in each year except for 2019 (2.73%).

[1] https://www.fredericton.ca/en/your-government/budget-finance/property-tax-information

Table 3: Annual Property Tax Change in Comparison Cities

	Brandon	Medicine Hat	Grande Prairie	Fredericton	North Bay	Prince Albert*	Winnipeg**
2018	-1.01%	3.25%	2.00%	0.00%	-1.49%	1.53%	1.98%
2019	2.73%	1.70%	-4.10%	1.35%	3.14%	3.90%	1.99%
2020	-0.65%	0.00%	1.25%	0.95%	1.80%	3.19%	2.05%
2021	-0.85%	0.00%	0.00%	1.33%	2.61%	3.41%	2.01%
2022	2.13%	3.40%	0.00%	10.85%	3.25%	2.88%	2.02%
2023	1.58%	3.90%	1.69%	10.10%	2.79%	2.54%	6.53%
Total	**3.93%**	**12.25%**	**0.84%**	**24.58%**	**15.04%**	**17.45%**	**16.59%**

**Prince Albert's change in average taxable assessment unavailable for 2022 and 2023. Rate of increase for these years based on a taxable assessment of $200,000 and may be understated.*

***Winnipeg's rate of increase includes changes in street renewal taxes in 2023. Excluding street renewal taxes, Winnipeg's change in municipal taxes increased by 3.53% in 2023.*

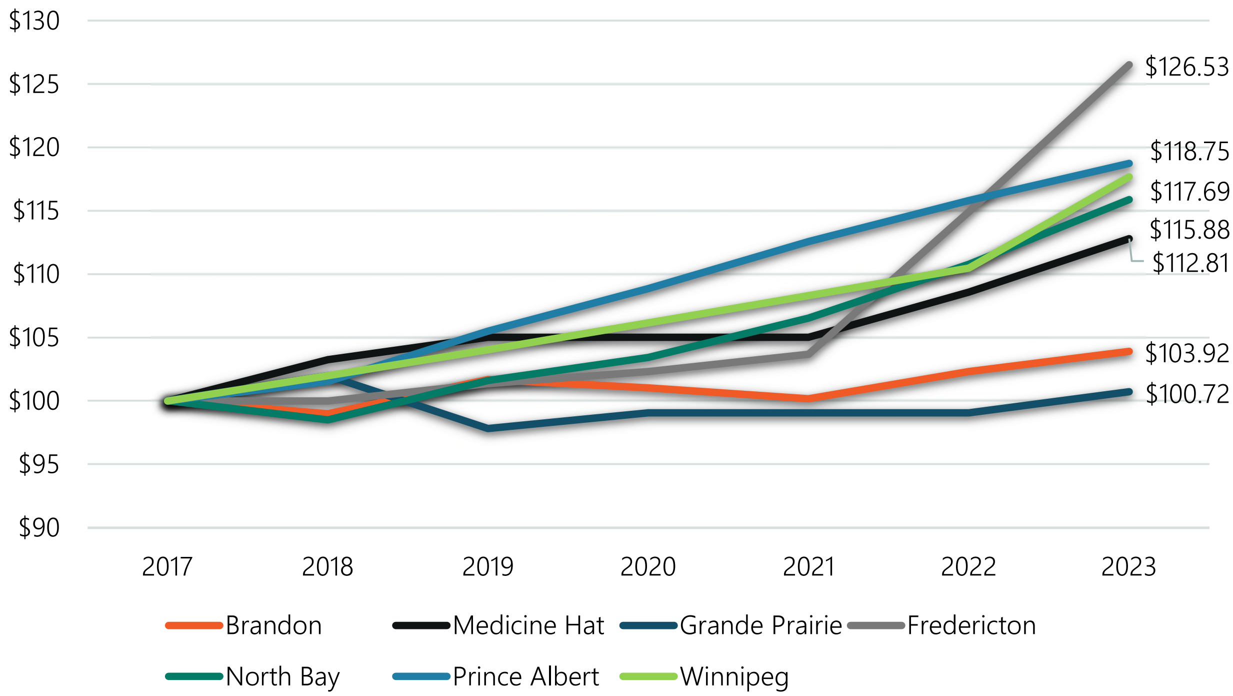
Figure 14 shows the change in taxes on a cumulative, compounded basis, using a baseline of $100 in property taxes in 2017. The figure illustrates how much more or less the average homeowner would pay in 2023 compared to 2017 in each city. For example, the average homeowner in Brandon paid $103.92 in property taxes in 2023 for every $100 paid in 2017.

The figure shows that Brandon has the second lowest cumulative change in property taxes among the seven cities, with Grande Prairie coming in lower at $100.72. In contrast, the highest cumulative change in property taxes is Fredericton, where a homeowner who paid $100 in 2017 would pay $126.53 in 2023, an increase of $26.5%.

Focusing on Manitoba, the average homeowner in Winnipeg paid $117.69 in 2023 for every $100 paid in 2017, with a steeper increase in 2023 due to the increase in street renewal taxes.

The average cumulative change in $100 in property taxes since 2017 across all sampled cities is $113.76 with a standard deviation of $8.24. Brandon is $9.84 below average in 2023, outside a full standard deviation from the mean.

Figure 14: Cumulative Change in $100 in Property Taxes since 2017



Insights from Interviews

Interviews were completed with Senior Administration staff from Grande Prairie, Medicine Hat, Fredericton, and North Bay. The followings findings outline key aspects that each municipality highlighted regarding their fiscal processes, unique characteristics, and financial sustainability planning.

Budgeting

- Grande Prairie follows a priority-based budgeting process in which their 4-year operating budget and 5-year capital budget are tied to the levels of service the City chooses to maintain. Council approves the first year of the 4-year budget and the other years are approved in principle. Priority-based budgeting uses a scoring matrix for each service, including elements such as legislative requirements, community demand, and third-party providers or competition. The scoring system allows the City to better align budget and strategy.
- Medicine Hat follows a 2-year budget cycle for operating and capital, with an additional 8-year forecast for capital (10-year total capital budget) and a 2-year forecast for operating (4-year total operating budget). This cycle is intended to respect the 4-year Council cycle. For example, a 2-year budget prior to an election year includes the previous Council's final year and the new Council's first year, so that the new Council is not responsible for approving a budget in their first year of office.
- Medicine Hat started a long-range capital forecasting model in 2022 with the intent of forecasting the City's capital needs for up to 30 years. To do so, they treated each operating entity or department as an economic model and worked with management to forecast future revenues and expenditures. The model

is still in its infancy, but they've found their departments were open to the process and wanted better insight into their long-term planning.

- Fredericton follows an annual budget cycle for operating but has a long-term financial plan with a nested 10-year capital plan. The City establishes a target allocation for capital between 20-25% of revenue, and allocates this capital budget to 4 types of capital:
    i. Capital renewal – 75%
    ii. Non-tangible capital – 10%
    iii. New capital – 10% (new assets within legacy neighbourhoods)
    iv. Growth capital – 5% (new assets within new subdivisions)

  Fredericton has a self-imposed debt-servicing cap (debt ceiling) of 8% of revenues, while the Province of New Brunswick allows up to 20%. The City will always allocate 8% of its budget to debt-servicing costs, regardless of the actual expenditure. If this budget allocation is not used for debt-servicing, the funds may be reallocated to one-time projects or capital purchases that are important to Council.

- North Bay follows an annual operating budget cycle and has a 10-year capital plan, with Council approving the first year of the 10-year capital plan each year. The City would like to implement multi-year budgeting in the future. North Bay also has a lower self-imposed debt servicing limit, as the Province of Ontario requires 25% but the City of North Bay has set a limit of 15%.

  North Bay funds its tax stabilization reserve from operating surpluses. Prior to 2023, the City had a contingency line item in its budget, but Council chose to eliminate this budget line as they felt having both reserves and a contingency was "doubling up".

User Fees

- Grande Prairie is planning on shifting storm infrastructure into its own utility model which will implement its own utility fees but reduce municipal taxes.
- Medicine Hat and Grande Prairie generate revenue from photo radar, a service that Brandon City Council would like to implement but is not one of the municipalities permitted to use photo radar under current provincial regulations. The department of Manitoba Transportation and Infrastructure must be lobbied to change the existing regulation. Medicine Hat would like to link this revenue to improving road safety features, but for the time being it is added to general revenue.
- Fredericton is currently implementing a policy that identifies the CPI as the benchmark for user fee increases, as historically user fees have not been adjusted for inflation. The City also plans on conducting a full review of user fee structures to eliminate for-profit subsidization by 2026. For example, discussions are taking place about whether non-profit and for-profit groups should pay the same fees for arena rentals.
- Fredericton also charges an "outside user fee" to rural communities to have to pay for their citizens to access recreational facilities in the City, so that the City's tax payers are not subsidizing recreation for users not contributing to the tax base. The fee is charged directly to the neighbouring municipalities and the City generated $680,000 from these charges in 2022. However, it has created a source of political

tension with the rural municipalities, and it is not certain what will happen with this fee when the agreements expire in 2026.

- North Bay generally sets their user fees on a 4-year schedule. Fee increases are factored into this 4-year schedule, for example, factoring a 2% per year increase per year, before the schedule is reviewed at the end of the 4-year cycle. The percentage increase selected is a combination of CPI and a review of other jurisdictions to ensure pricing remains reasonable.

Tax Changes

- Generally, Grande Prairie tracks tax increases against CPI, however, the cumulative change in tax rates from 2019 to 2023 resulted in a tax decrease of 1.24% for the owner of an average assessed single family home.
- Medicine Hat tries to align property tax increases to inflation, as well as with other mid-size population centres in Alberta to remain competitive. The City has multiple business units providing funding (e.g. self-operated power supply and distribution), but still tries to fund typical municipal services from taxes. They also noted that when referencing inflation they look at "municipal inflation" which comprises only the costs that a municipality incurs (e.g. labour, capital, etc.) and not typical consumer CPI.
- Fredericton only reduced mill rates in the last couple years, mainly due to a historic correction in market assessment changes which resulted in increased taxes. New Brunswick overall has experienced a significant catchup in housing values compared to the Canadian market since the onset of the pandemic, which has bolstered the City's taxable assessment base. The Administration is pushing for a policy in the long-term financial plan that market-based assessment increases go towards funding existing services and municipal cost inflation, while new taxable assessments go towards funding FTE growth, rather than using the growth from new assessments to fund inefficiencies in the existing system.

Other Notable Strategies

- Grande Prairie has been more strategic with their borrowing, stepping away from the Provincial lender and using the banks for more competitive loan conditions. However, the City undertook a debt restructuring several years ago at historically low interest rates so this strategy may not be replicable today.
- Medicine Hat, Grande Prairie, North Bay, and Fredericton have all established a role for a full-time grant writer or "Revenue Development Officer", with Grande Prairie's grant writer starting in 2023 and Fredericton currently in the process of hiring for the role. Medicine Hat has seen success with this role with the position effectively self-funding itself through grant awards, and primarily focusing on competitive grants. North Bay's grant writer sits within their Community Services department and is responsible for facilitating and coordinating grant applications with assistance from the administration of the departments affected by the potential grant.
- Grande Prairie and Medicine Hat both have lobbyists, which has proven particularly important in Alberta dealing with oil and gas resources, and for Medicine Hat in dealing with the political aspects of regulations for operating their utilities.

- Both Medicine Hat and Grande Prairie have undertaken redesigns of their Transit systems in recent years, implementing elements such as a transit on-demand app and the use of smaller buses for lower demand routes.
- Medicine Hat and Prince Albert were recipients of the 2021 Canadian Award for Financial Reporting from the Government Finance Officers Association (GFOA)[2], which recognizes municipal governments with high quality financial reports.

Comparison by Department

Comparative Analysis Qualifier

This analysis attempts to compare the revenues and expenses of Brandon's municipal departments to those of comparable cities in Canada. Some assumptions have been made to summarize services by type, as each municipality has its own method of accounting for public services and certain services are not accounted for within the same department across cities. For example, Prince Albert includes revenues and expenses for planning and development services within its General Government departmental reporting, whereas other cities report a separate Planning and Development department. Best efforts have been made to distinguish the financial results of individual services within each city relying on publicly available information. Only operating expenses have been included in the comparative analysis.

Table 4 outlines the services categorized under each department for analysis purposes.

Table 4: Breakdown of revenue and expenditure by department

Department	Services
Protective Services	Police, fire, and emergency Services
Planning and Development	Planning, zoning and development services, urban renewal, urban weed control, business transformation office
General Government	Council, corporate services, and services provided to other governments
Recreation and Culture	Cultural development, libraries, museums, parks and playgrounds, Swimming pools and beaches, community centres and halls, golf courses, sports fields, and other recreational facilities
Transportation	Transportation services, parking meters, public transit, investment income, vehicle auction proceeds, chartered busing, parking lots and garages, and airport funds.

[2] https://www.gfoa.org/2021-canfr-winners1

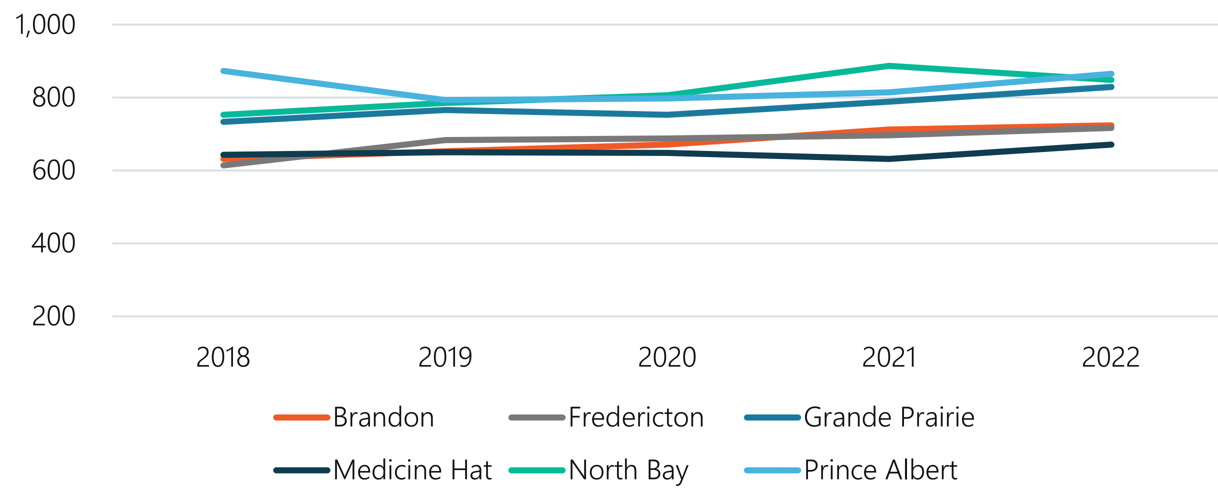
Department	Services
Environmental and Community	Waste collection and disposal, recycling, public health, social assistance, and community development
Water and Wastewater	Water and sewage treatment, engineering and environmental services, and water utilities

Protective Service

Expenditure per Capita

When comparing Brandon to other municipalities, it can be seen in Figure 15 that Brandon is middle of the pack. Total expenditure per person has risen over the past five years in all compared cities except the City of Prince Albert, which experienced a decline of 0.92% between 2018 and 2022. Despite this, Prince Albert still has the highest expenditure per person, averaging $828. Meanwhile, the City of Brandon has maintained a steady upward trend from $632 in 2018 to $724 in 2022.
In 2022, the average expenditure per capita for the six municipalities was $776. Brandon's expenditure per capita was $724 or 7% below the average.

Figure 15: Total Protective Services Expenditure per Capita by Municipality, 2018-2022

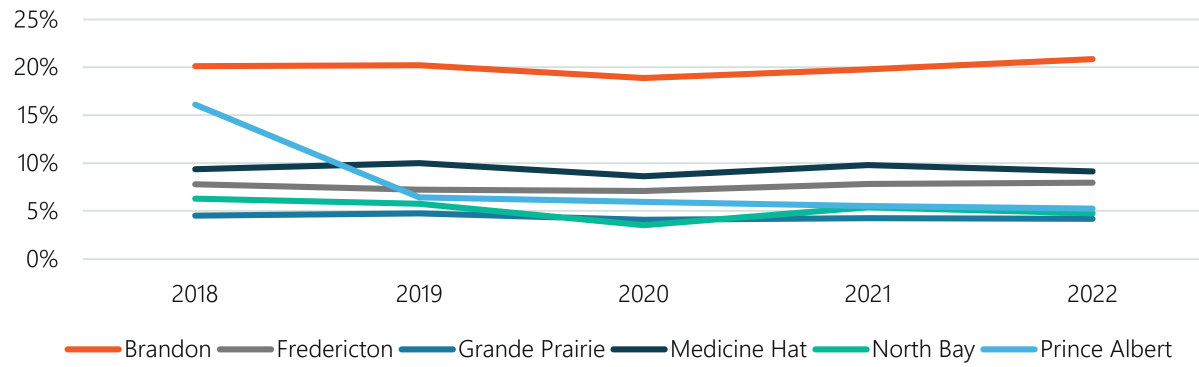


Own-Source Revenue

In general, the protective services expenditures of Brandon and other municipalities are not fully covered by the revenues generated by this department. According to Figure 16, Brandon had the best performance over the past five years, with an average of 20% of its expenses covered by its revenues. This is due to Brandon's 911 communications division generating over $2 million in revenue from outside sources annually. Prince Albert previously had revenues from an emergency communications centre which was transferred out of City control in 2019, leading to the drop in own-source revenue from 2018 to 2019.

Excluding the revenue from the 911 communications division, Brandon would still average 11% own-source revenue to expenditures in this category, indicating the City is maximizing cost-recovery and sets the benchmark for other cities to follow. Fredericton, Prince Albert, Grande Prairie, and North Bay have average results below 10%.

Figure 16: Own Source Revenues over Total Protective Services Expenses by Municipality, 2018-2022



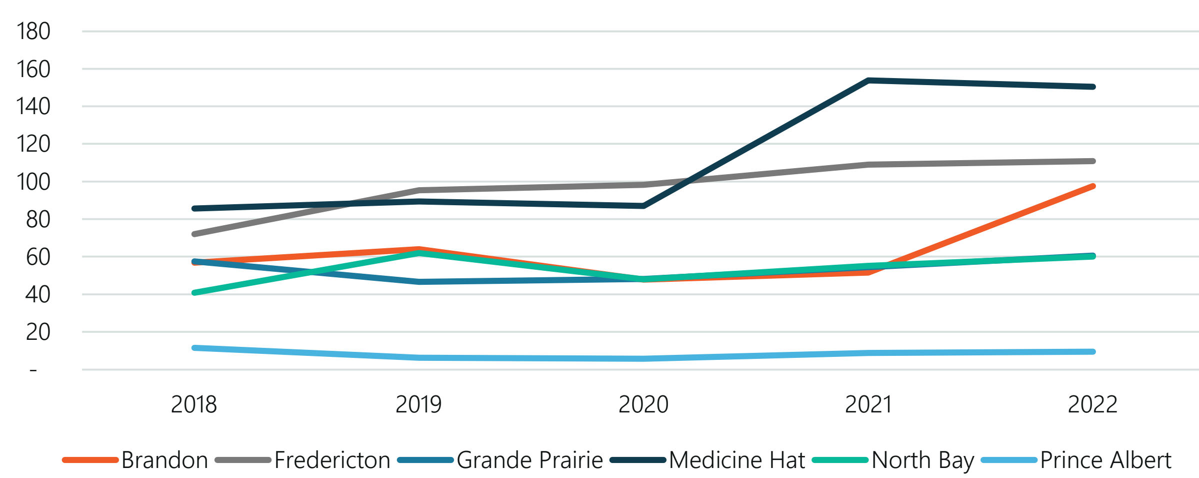
Planning and Development

Expenditure per Capita

Between 2018 and 2022, Brandon had a 72% increase in planning and development expenses per capita from $57 to $98. This was due to a rise in the department's operational expenses, which increased by $2.4 million in 2022 compared to 2021. When comparing Brandon to the performance of five other municipalities, Medicine Hat and Fredericton had the highest expenditure per population. In contrast, Prince Albert had the lowest level of expenditure, averaging $8 per capita over the five years.

The average expenditure per capita for the six municipalities 2022 was $82. Brandon's expenditure per capita of $98 is 20% above the average.

Figure 17: Total Planning and Development Expenditure per Capita by Municipality, 2018-2022

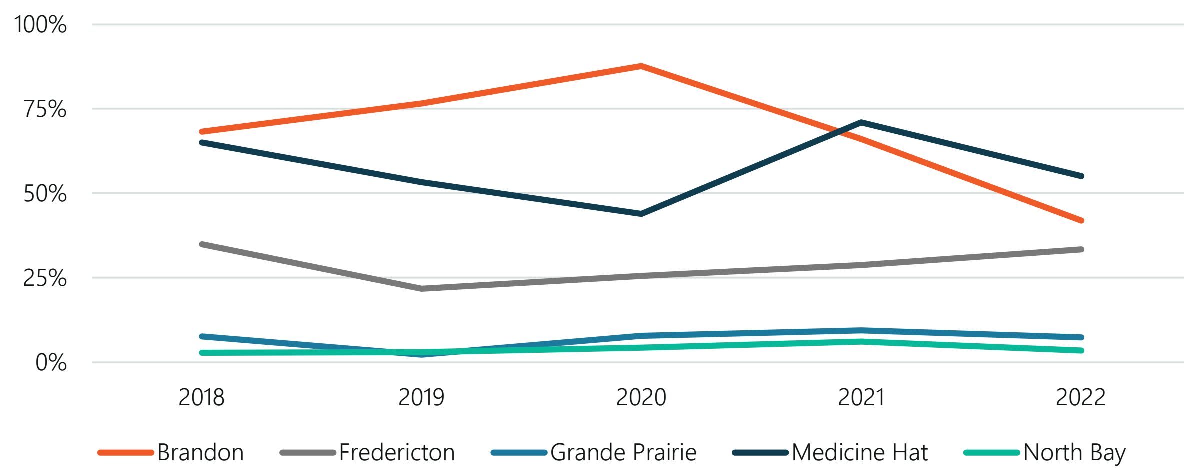


Own-Source Revenue

Compared with other municipalities, Brandon and Medicine Hat demonstrate an own-source revenue indicator above 50%, implying that they can cover half of their planning and development operational expenses with their own source revenues. North Bay and Grande Prairie exhibit results below 10%, likely due to certain planning and development revenues being reported under other departments. Prince Albert was not included in this analysis as its public financial reporting does not provide a separate breakdown of planning and development revenues and expenditures.

Brandon was the benchmark in own source revenues over total planning and development expenses as it maximized revenue from 2018 to 2020. Since that time, there has been a decrease in coverage.

Figure 18: Own Source Revenues over Total Planning and Development Expenses by Municipality, 2018-2022



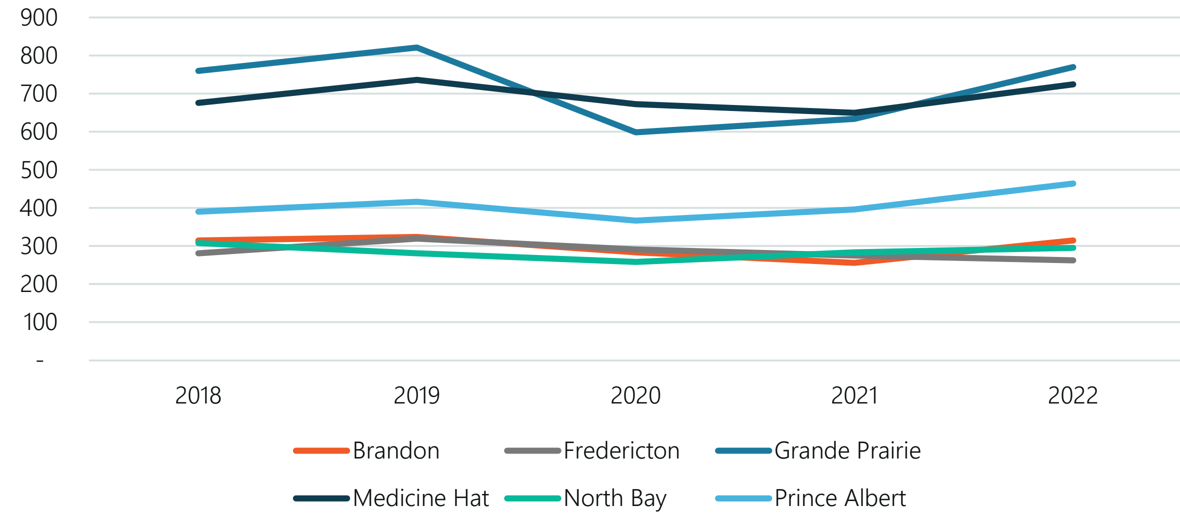
Recreation and Culture

Expenditure per Capita

Based on Figure 19, the Brandon's total spending on Recreation and Culture has decreased slightly overall from 2018 to 2022. The decrease in expenditures from $6 million in 2018 to $5.2 million in 2022, impacted the per capita indicator over the years. Compared to other cities, Fredericton and North Bay had the lowest proportion of expenses per capita each year, reaching $263 and $295 in 2022, respectively. Brandon is third lowest among the major cities. Grande Prairie has the highest average expenditure per capita of $716.

According to 2022 results, Brandon's per capita expenditure of $314 was 33% below the six-municipality average of $472.

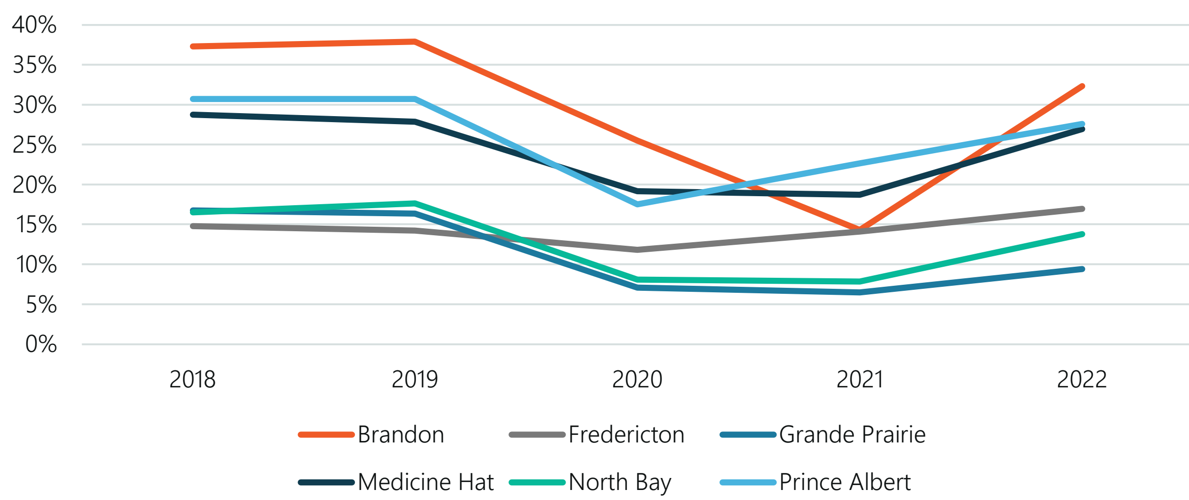
Figure 19: Total Recreation and Culture Expenditure per Capita by Municipality, 2018-2022



Own-Source Revenue

Brandon's Recreation and Culture department had the highest cost recovery in 2018 and 2019, averaging 37.5% prior to the pandemic compared to the next highest, Prince Albert, at 31%. Each city experienced a dip throughout the pandemic as recreation facilities were shuttered, followed by the start of a recovery in 2022, in which Brandon once again rose to the top with a 32% cost recovery. However, Brandon's high revenue-to-expense ratio is partially due to low recreation spending as noted in the expenditure per capita section above. Overall, user fees and service sales are the primary revenue sources in recreation for these municipalities, representing more than 90% of their revenues.

Figure 20: Own Source Revenues over Total Recreation and Culture Expenses by Municipality, 2018-2022



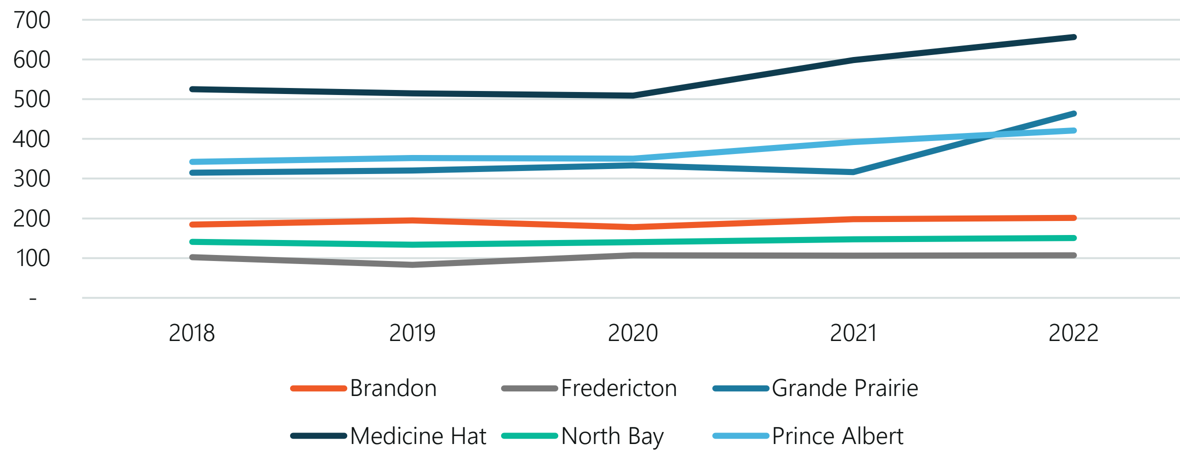
General Government

Expenditure per Capita

Between 2018 and 2022, the general government per capita costs of all six municipalities have been consistently trending upwards. The most significant changes were observed in Grande Prairie, Medicine Hat, and Prince Albert, with increases of 47%, 25%, and 23% respectively. These three cities have the highest expenditure, with an average of over $14 million annually. Brandon, Fredericton, and North Bay have relatively minor growth in expenditure at 9%, 5%, and 7%, respectively.

The average expenditure per capita of the six municipalities in 2022 is $334, while Brandon spent $202 per capita in the same year, indicating that Brandon is 40% below the average.

Figure 21: Total General Government Expenditure per Capita by Municipality, 2018-2022



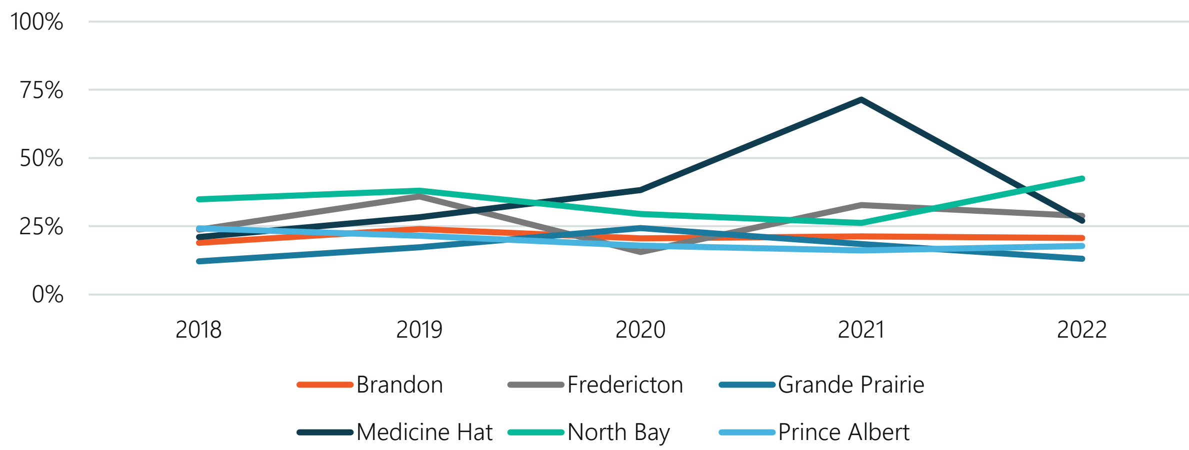
Own-Source Revenue

Our analysis focuses on the General Government Department's performance from two perspectives. Firstly, we assess how investment income affects the six municipalities' total own source revenue. Secondly, we evaluate revenue without considering the impact of investment income.

Investment income has positively impacted the overall results in Medicine Hat, representing on average 49% of the own source revenues of the department. However, based on Figure 22, Brandon experienced a downward trend in 2022 due to a decrease in revenue from permits, licenses, and fines. Grand Prairie had the smallest percentage at 12% in 2018, increasing to 13% in 2022.

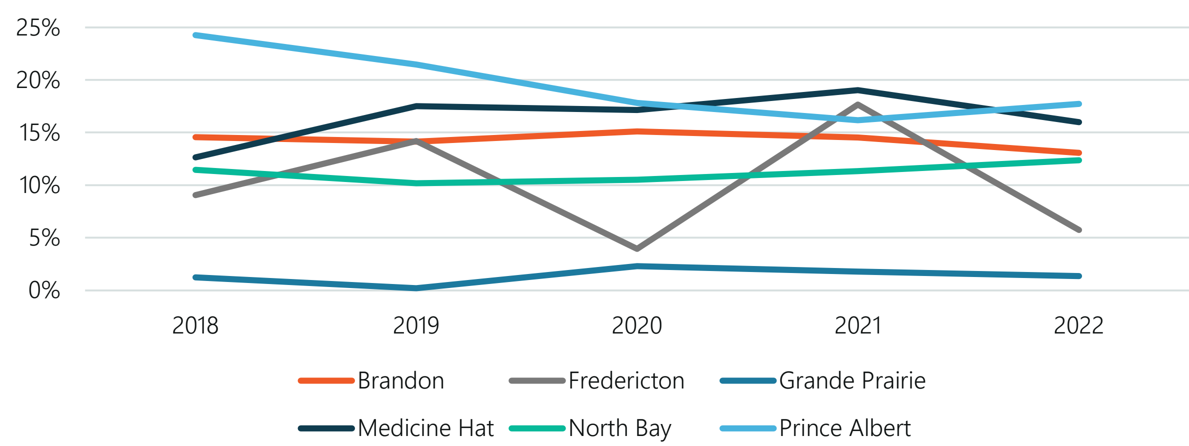
Municipalities varied in their ability to generate revenue from different sources. In Brandon, the most significant source of revenue comes from permits, licenses, and fines. In Prince Albert, user charges and fees are crucial, while in Fredericton, Grande Prairie, Medicine Hat, and North Bay, investment income is more important.

Figure 22: Own Source Revenues, including investment income over General Government Expenses by Municipality, 2018-2022



Excluding investment income, influenced heavily by the level of capital available for a municipality to invest, Prince Albert and Medicine Hat had the highest cost recovery ratio in 2022 at 18% and 16%, respectively and are trending upward. Brandon recovered, on average, 14% of General Government expenses through its own source revenue.

Figure 23: Own Source Revenues, excluding investment income over Total General Government Expenses by Municipality, 2018-2022



Environmental and Community Health Services

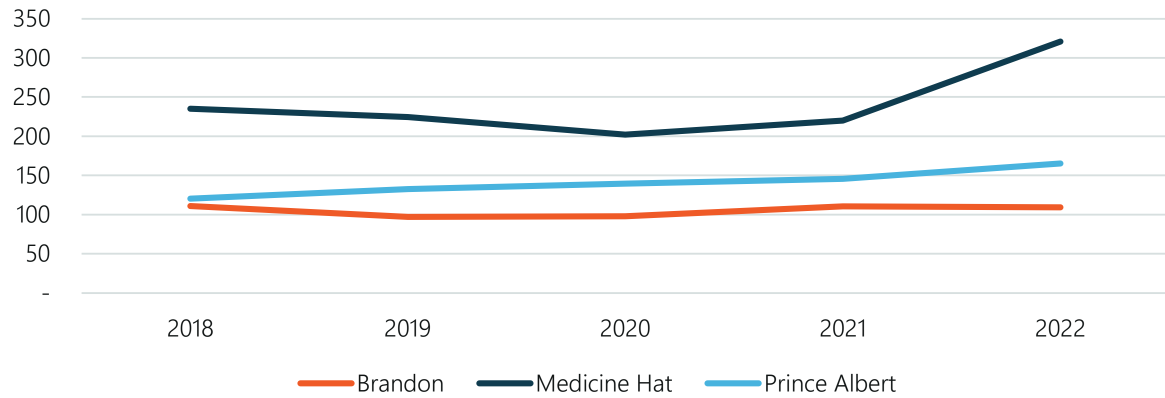
Expenditure per Capita

Figure 24 shows a noticeable contrast in the per capita expenditure between Medicine Hat and the other municipalities. Medicine Hat's average expenditure per capita over five years is $240. Brandon has the lowest per capita expenditure levels at $105.

Fredericton, North Bay, and Grande Prairie were not included in this analysis as their financial reports do not provide sufficient breakout of revenues and expenditures unique to Environmental and Community Health Services. Furthermore, Aquatera Utilities Inc., a municipal subsidiary that provides water, wastewater, and solid waste management services in Grande Prairie, does not break out revenues by service type in its financial reporting.

In 2022, the average expenditure per capita in the four municipalities analyzed is $198. However, Brandon's average expenditure is $109, 82% lower than the average.

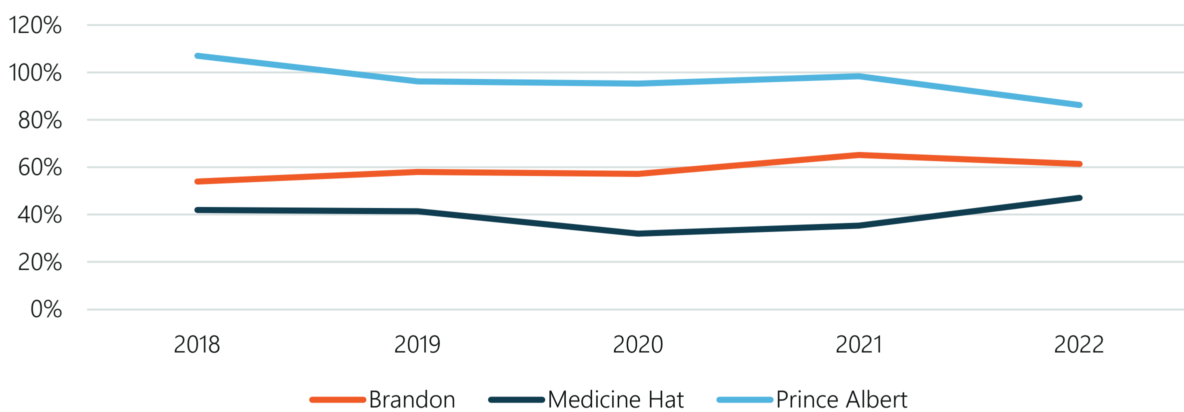
Figure 24: Total Environmental and Community Health Services Expenditure per Capita by Municipality, 2018-2022



Own-Source Revenue

Prince Albert had the highest revenue-to-expenditure ratio in 2022 at 86%, followed by Brandon at 61%. Prince Albert has an 84.2% interest in the North Central Saskatchewan Waste Management Corporation, which incurred the City a deficit of only $48,672 on consolidation in 2022.

Figure 25: Own Source Revenues over Total Environmental and Community Health Services Expenses by Municipality, 2018-2022



Transportation

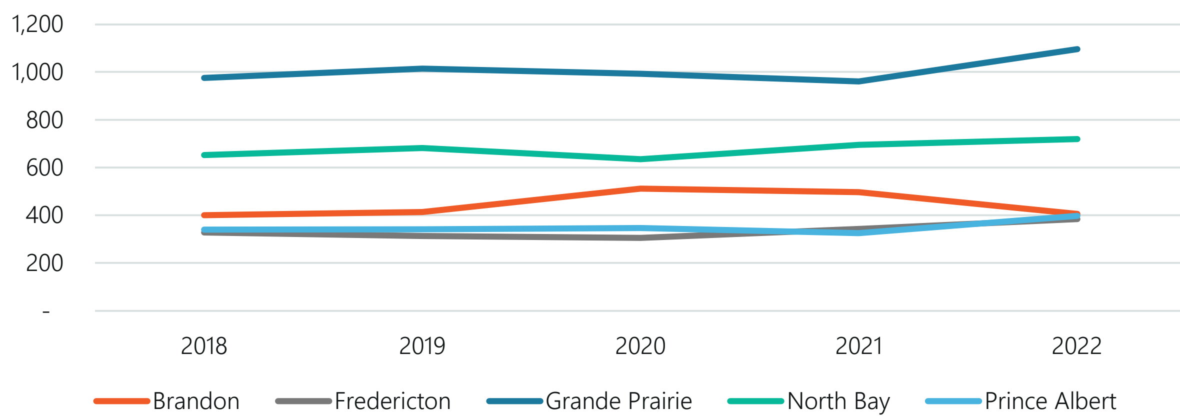
Expenditure per Capita

Brandon's transportation expenses per person have remained relatively flat from 2018 to 2020. Transportation expenditures in the five cities varied in 2022. Grande Prairie had the most significant spending, with $1,008 per person, while Brandon, Fredericton, and Prince Albert had the lowest transportation expenses, ranging from

$335 to $446 per person. Medicine Hat was not included in this analysis as its financial reports do not provide a sufficient breakout of revenues and expenditures unique to Transportation services.

An additional observation is that in 2022, the average expenditure per person in the five municipalities analyzed is $501. Brandon's expenditure in the same year was $306, 19% below the average.

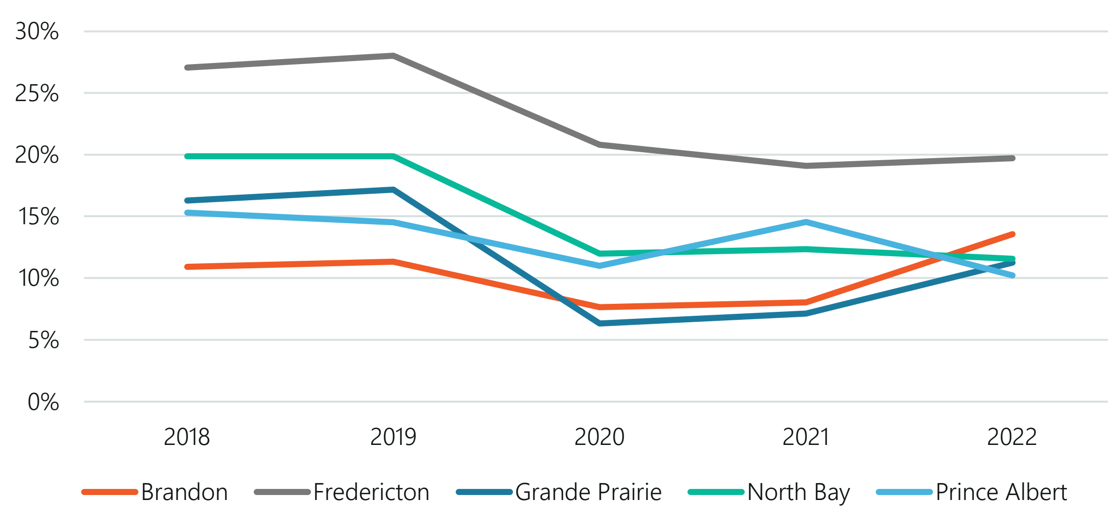
Figure 26: Total Transportation Expenditure per Capita by Municipality, 2018-2022



Own-Source Revenue

In 2018, Brandon had the lowest average revenue as a percentage of expenses at 10%. Since that time, Brandon has increased coverage by 3% due to a rise in user fee revenue. Overall, Fredericton stands out with the highest expenditure coverage of 20% from its own source revenues in 2022, which can be attributed to the increase in public transit revenue. Fredericton, Grande Prairie, and Prince Albert have experienced a decline in expenditure coverage from 2019 to 2021, as shown in Figure 27. While there were some fluctuations, all towns analyzed experienced an overall decrease in own source revenues to total transportation expenses from 2018 to 2022.

Figure 27: Own Source Revenues over Total Transportation Expenses by Municipality, 2018-2022



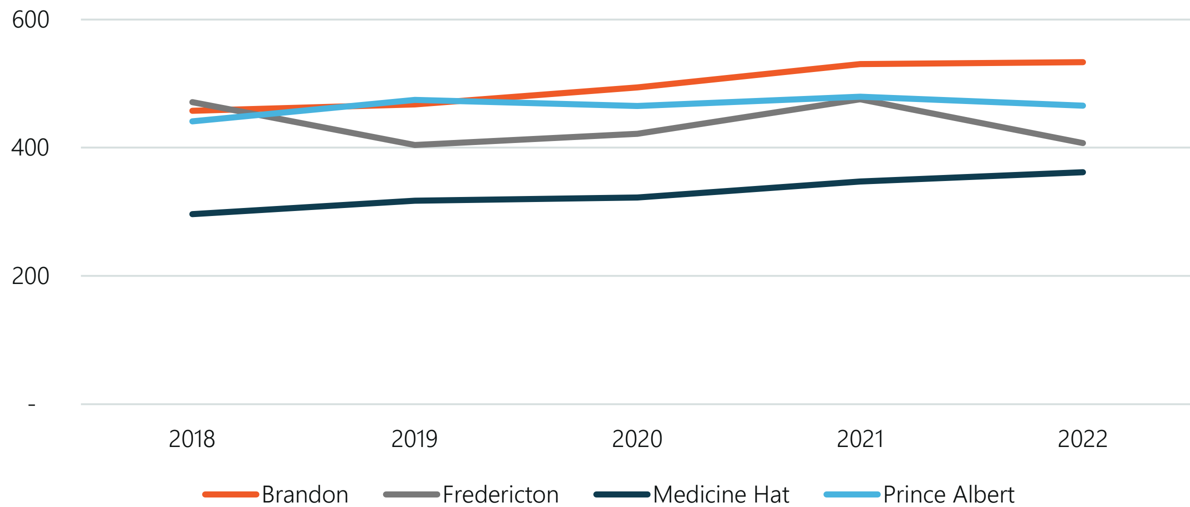
Water and Sewage

Expenditure per Capita

Brandon's total water and sewage expenditure per capita has been increasing steadily from 2018 to 2022 increasing from $458 in 2018 to $534 in 2022. Medicine Hat has the lowest expenditure per capita, with an average of $329. All the municipalities maintain an increasing trend, except Fredericton, which experienced a significant drop of 14% in 2022 compared to 2018. In 2022, Brandon's per capita expenditure of $534 exceeded the average of $448 for the other five municipalities by 19%.

North Bay and Grande Prairie (Aquatera) were not included in this analysis as their financial statements do not provide the breakdown of the revenues and expenditures of the Water and Sewage Services.

Figure 28: Total Water and Sewage Expenditure per Capita by Municipality, 2018-2022

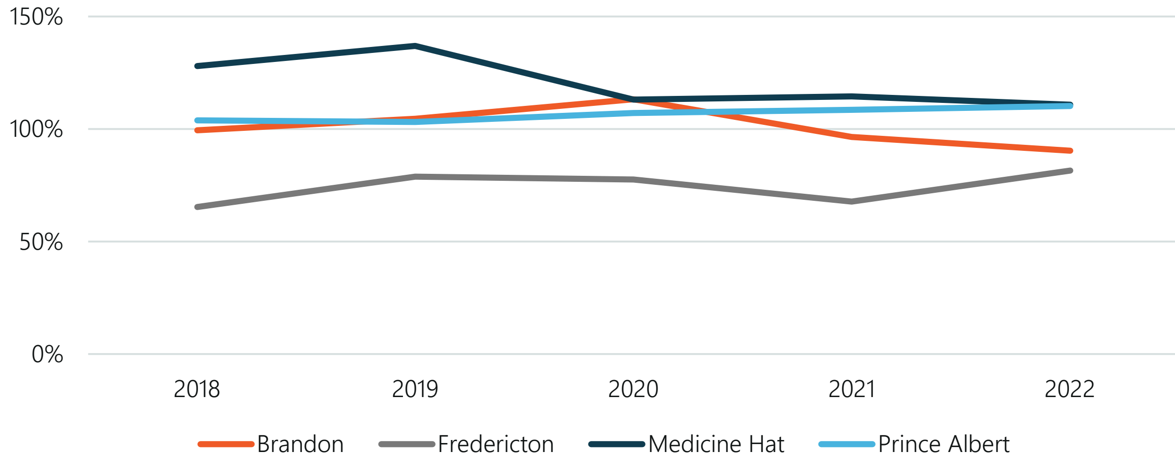


Own-Source Revenue

While Brandon showed a positive trend in own source revenue for water and sewage from 2018 to 2020, the ratio decreased from 113% in 2020 to 90% in 2022 as Brandon's water and sewer revenues dropped, and expenditures rose, directly impacting the ratio's results. Brandon's application to PUB for increased utility rates and a deficit rate rider should improve this rate in future years.

When Brandon is compared with other cities, it is apparent that Fredericton has the lowest performance over the five years, with an average of 74%, while Medicine Hat and Prince Albert show the best results, averaging 121% and 107%, respectively.

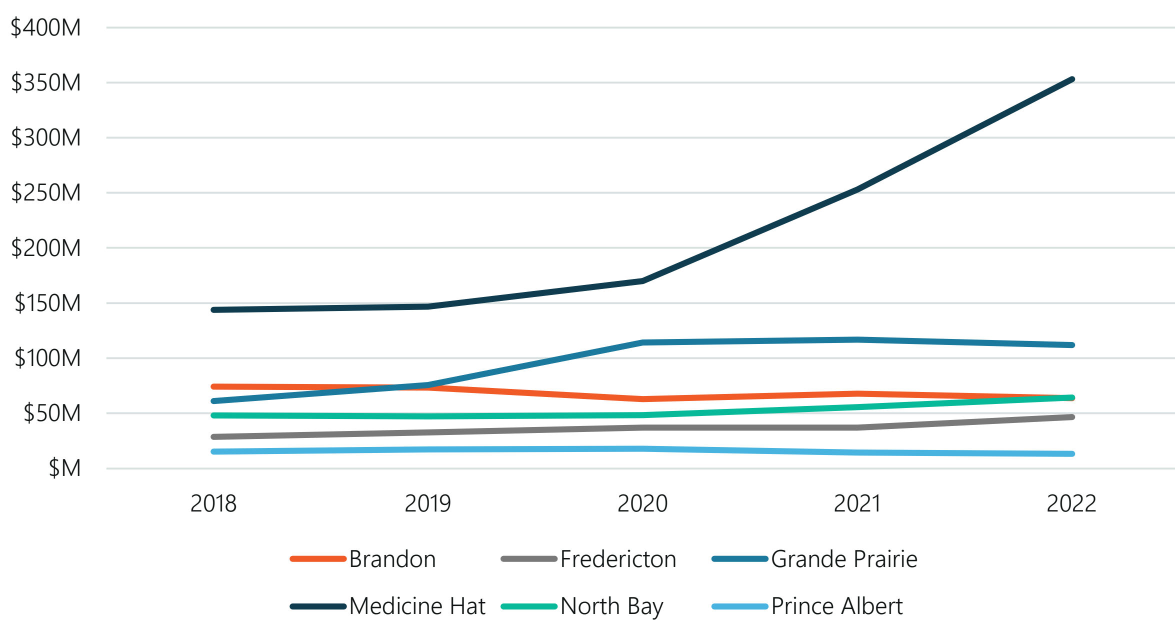
Figure 29: Own Source Revenues over Total Water and Sewage Expenses by Municipality, 2018-2022



Reserve Funds

Brandon's reserves have decreased by 15% in the past five years. Brandon's reserves of $63.6 million in 2022 are considerably lower than Medicine Hat and Grande Prairie's at $353.2 million and $111.8 million, respectively. Prince Albert's reserves are consistently the lowest at $13.4 million in 2022. It is important to note that Medicine Hat, the municipality with the highest reserve level, has also had higher total revenues over the years, averaging $409.7 million. Medicine Hat's reserves are largely explained by its subsidiary operations.

Figure 30: Total Reserves by Municipality, 2018-2022

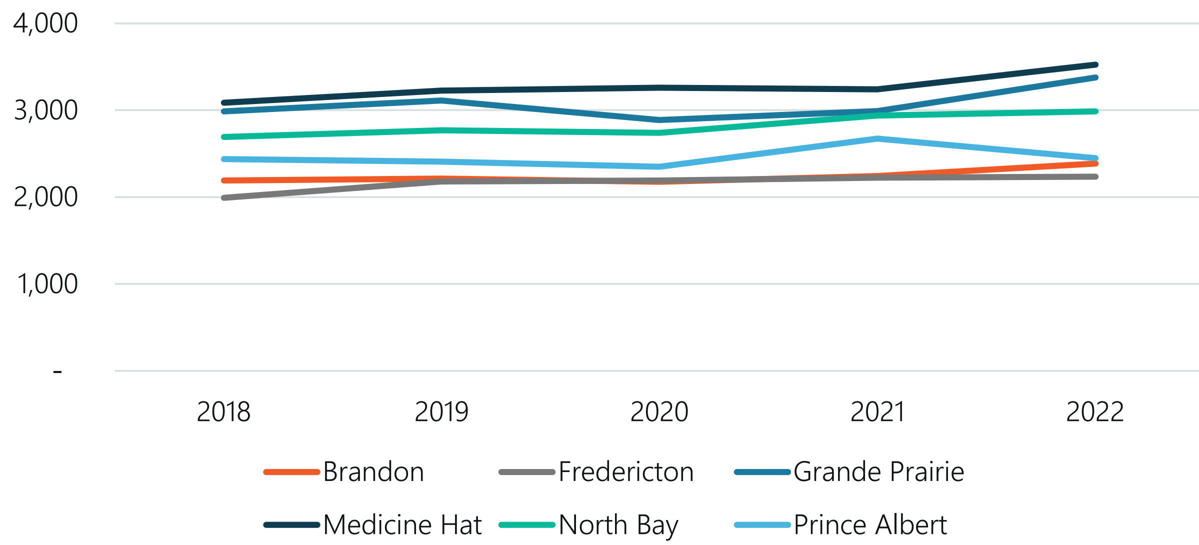


Summary

Total Expenditure per Capita

Figure 31 shows total expenditure per capita based on each city's total expenditures from their financial statements divided by population. The only adjustment for comparative purposes is Medicine Hat has had its gas and electric utilities removed, otherwise Medicine Hat's result average $6,323 per capita over the last 5 years. Even with these utilities removed, Medicine Hat has the highest expenditure, averaging $3,268 per capita. Brandon and Fredericton spend the least per capita, averaging $2,241 and $2,164, respectively. Generally, all the municipalities showed an increase in spending in 2022, with an average increase of 10% compared to 2018.

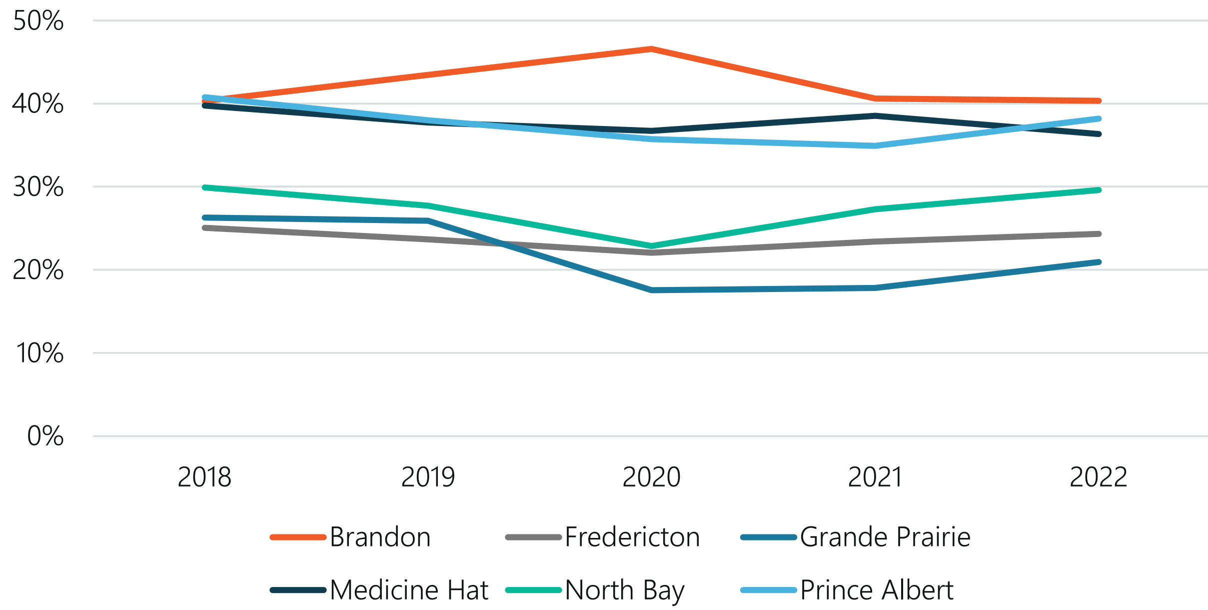
Figure 31: Total Expenditure per Capita by Municipality, 2018-2022



Own-Source Revenue

Per Figure 32, there is a wide range in the comparable towns' coverage of total own source revenue to total expenditures between Grande Prairie's result of 21% to Brandon's 40% in 2022. While Brandon scored highest overall on this metric, it must be viewed in context with Brandon's lower than average expenditures per capita, which could denote that the City is not matching the service level of other similarly sized municipalities.

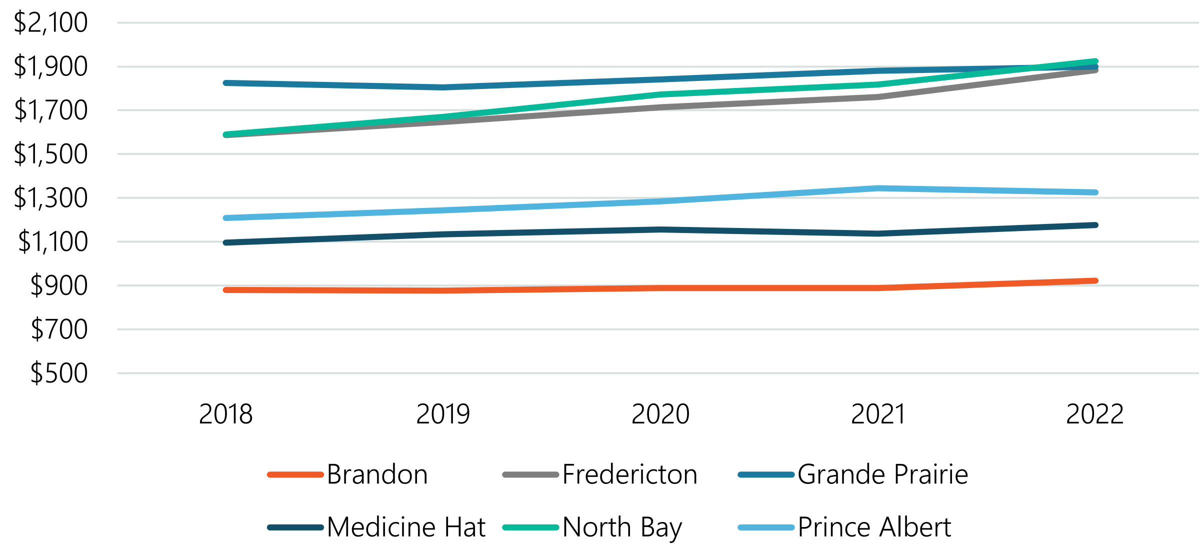
Figure 32: Total Own Source Revenues over Total Expenditures by Municipality, 2018-2022



Property Tax Revenue

As noted previously, Brandon has the lowest property tax revenue per capita of the compared cities. From 2018 to 2022, Brandon, Grande Prairie, and Medicine Hat all had low growth in property taxes, with average annual growth rates of 1.2%, 1.0%, and 1.8%, respectively (Figure 33). North Bay had the largest increase in property taxes, growing on average 5.3% annually, as referenced in growth in property tax revenue in the Tax Changes section.

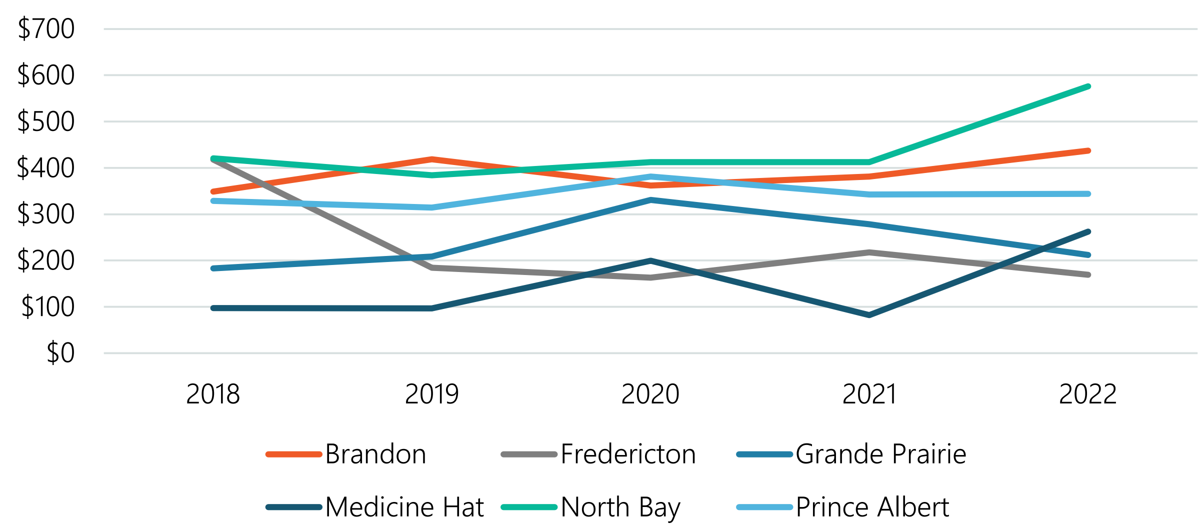
Figure 33: Property Tax Revenue per Capita



Government Transfers and Grants

North Bay was the most dependent on government transfers, averaging $441 per capita from 2018 to 2022 (Figure 34). Brandon was the second most dependent city on government transfers, averaging $390 per capita. Medicine Hat was typically the lowest, averaging $119 from 2018 to 2021, until spiking to $263 in 2022.

Figure 34: Government Transfers and Grants per Capita



Revenue Gap / Maximum Revenue Potential

A benchmark for the maximum revenue potential can be set by using the highest annual result from the comparison municipalities and calculating the revenue gap from Brandon's current results. The following assumptions have been used to create this analysis:

- Brandon's maximum revenue potential in any department is equal to the benchmark ratio of own-source revenues to expenditures multiplied by Brandon's actual departmental expenditures from 2022.
- The benchmark ratio is selected from the highest municipal result observed from the six municipalities reviewed from the years 2018, 2019, and 2022. Results from 2020 and 2021 have been excluded due to anomalies caused by the pandemic.
- The maximum ratio in any department is capped at 100%. In some instances, the municipalities exceeded 100% cost-recovery, but it is assumed Brandon will continue operating these departments under a cost recovery model.

Table 5 shows the result of the revenue gap calculation. In total, Brandon could earn an additional $11.6 million in own-source revenues if it operated at optimal conditions in each department. This would bring Brandon's own-source revenues to $59.0 million annually and increase its overall ratio of own-source revenues to expenditures to 48%.

Table 5: Brandon Revenue Gap Calculation

Department	Maximum Result	Brandon Result (2022)	Variance	Brandon Revenue (2022)	Brandon Expenditure (2022)	Gap to Maximum Revenue
Protective Services	20.9%	20.9%	0%	$7,754,356	$37,145,664	$0
Planning and Development	76.5%	41.9%	34.6%	$2,101,703	$5,012,377	$1,733,518
Recreation and Culture	37.9%	32.3%	5.6%	$5,208,383	$16,120,688	$903,372
General Government (excl. investment)	24.3%	13.1%	11.2%	$1,354,729	$10,349,486	$1,157,865
Environmental and Community Health	100.0%	61.4%	38.6%	$3,437,018	$5,600,869	$2,163,851
Transportation	28.0%	13.6%	14.5%	$2,824,105	$20,813,981	$3,008,715
Water and Sewage	100.0%	90.3%	9.7%	$24,739,494	$27,396,597	$2,657,103
Total		**38.7%**		**$47,419,788**	**$122,439,662**	**$11,624,423**

Statement of Recommended Practices

The Statements of Recommended Practice (SORPs) cover specific areas of financial performance. The Public Sector Accounting Board (PSAB) introduced SORPs to enhance decision-making and accountability by making public sector reports comprehensible. It ensures consistent, clear, and accurate financial reporting for governments, which promotes efficient governance, informed decision-making, and public confidence. SORP categories consist of sustainability, vulnerability, and flexibility metrics. In addition, this section compares Brandon’s SORP metrics to those of the comparison municipalities.

Sustainability Metrics

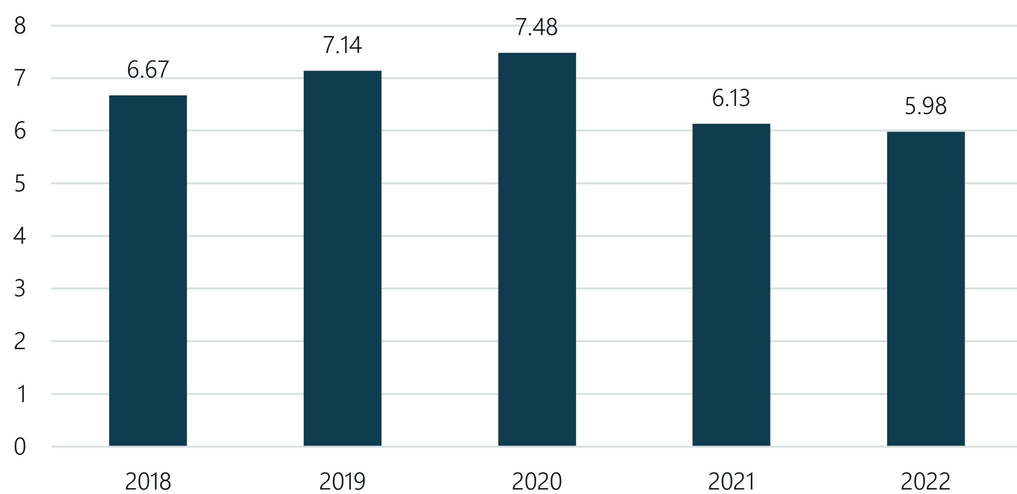
Sustainability metrics assess a government's ability to fulfill its financial obligations towards providing services to the public and paying creditors, employees, and others without increasing the debt or tax burden relative to the economy within which it operates.

Assets-to-Liabilities

This indicator measures the extent to which the government funds its operations by issuing debt, calculated as financial and non-financial assets divided by liabilities. When the ratio is above 1, it indicates the government has more assets than debt. If the ratio is below 1, the government depends on debt to fund its operations. This could potentially be unsustainable if the trend continues.

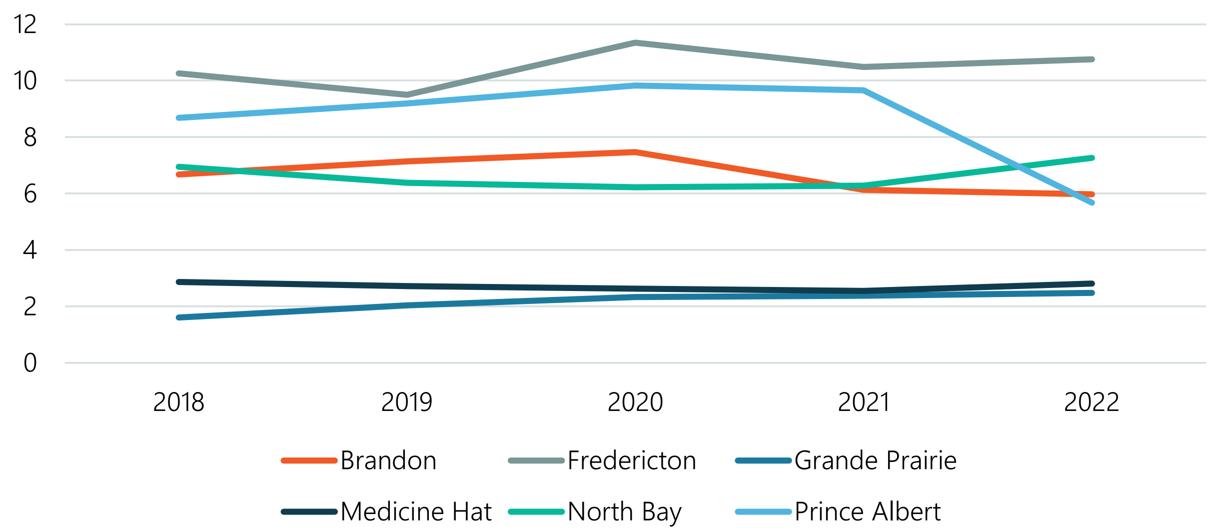
From 2018 to 2022, Brandon’s ratio decreased from 6.67 to 5.98. It is important to highlight that in 2021 and 2022, the ratio dropped due to the liabilities component increasing at a higher rate than financial and non-financial assets. Despite the trend, the ratios remain well above one, indicating that Brandon has not used debt as a primary method of funding.

Figure 35: City of Brandon Assets-to-Liabilities Ratio 2018-2022



When comparing Brandon to other municipalities, it is observed that all six cities hold a consistent ratio above 1. Brandon has remained in the middle of the group over the past 5 years, and Fredericton has maintained the highest ratio in each year.

Figure 36: Assets-to-Liabilities by Municipality, 2018-2022

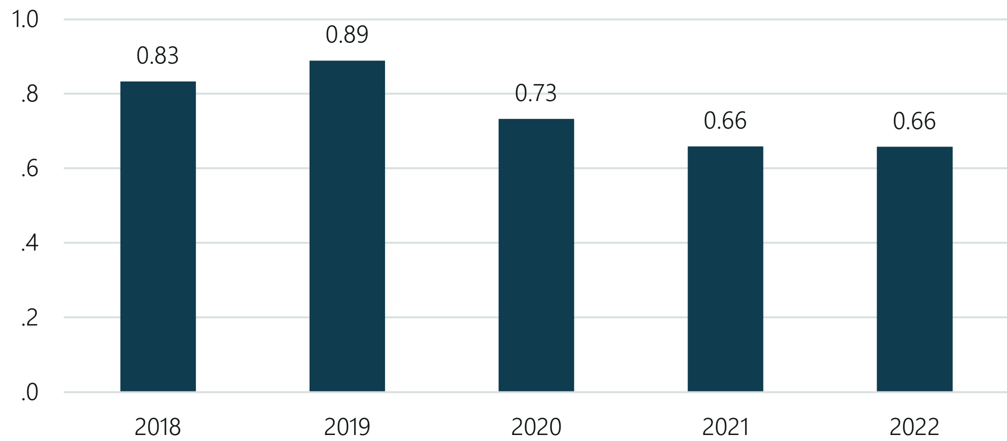


Financial Assets-to-Liabilities

Assessing a government entity's financial position and ability to meet its obligations involves using the ratio of financial assets to liabilities. This measure reflects the relationship between the resources held by the government and its financial obligations. When the indicator is above 1, the government has sufficient financial resources to fund future operations. However, if the ratio is below 1, liabilities exceed financial assets, and additional future revenues will be needed to cover past transactions and events.

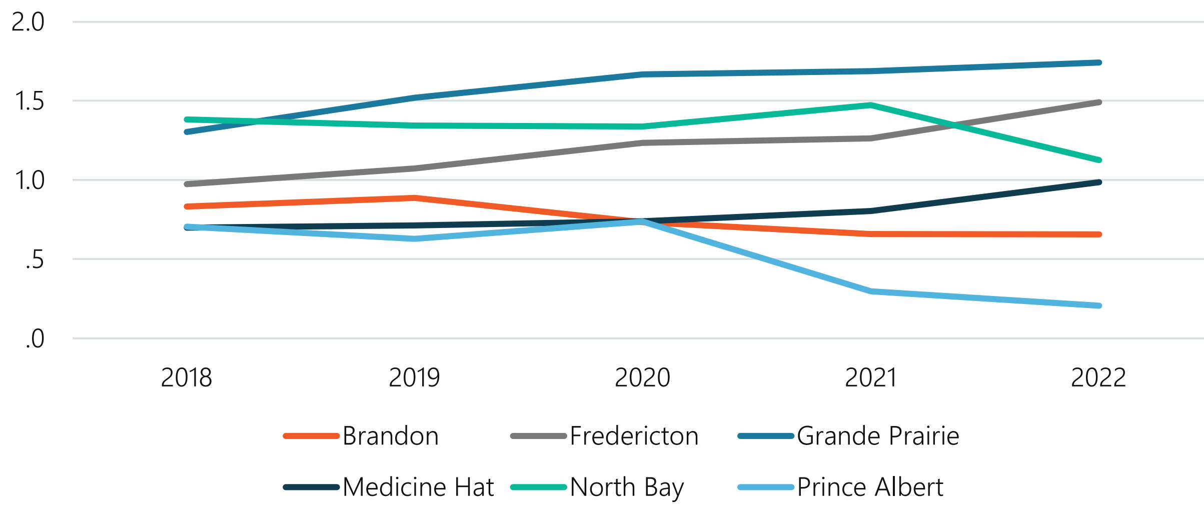
Brandon has consistently had ratios below 1 due to limited financial assets. To address this issue, the City needs to generate more revenue in the future to cover its liabilities from past periods. A relevant factor that has led to this outcome is that liabilities rose by 27% from 2018 to 2022, while financial assets remained relatively flat.

Figure 37: City of Brandon Financial Assets-to-Liabilities Ratio 2018-2022



Comparing Brandon with other municipalities, Grande Prairie, North Bay, and Fredericton have the best performance, as their financial assets outweigh their liabilities. Brandon and Prince Albert both saw their ratios decline over the analysis period.

Figure 38: Financial Assets-to-Liabilities by Municipality, 2018-2022

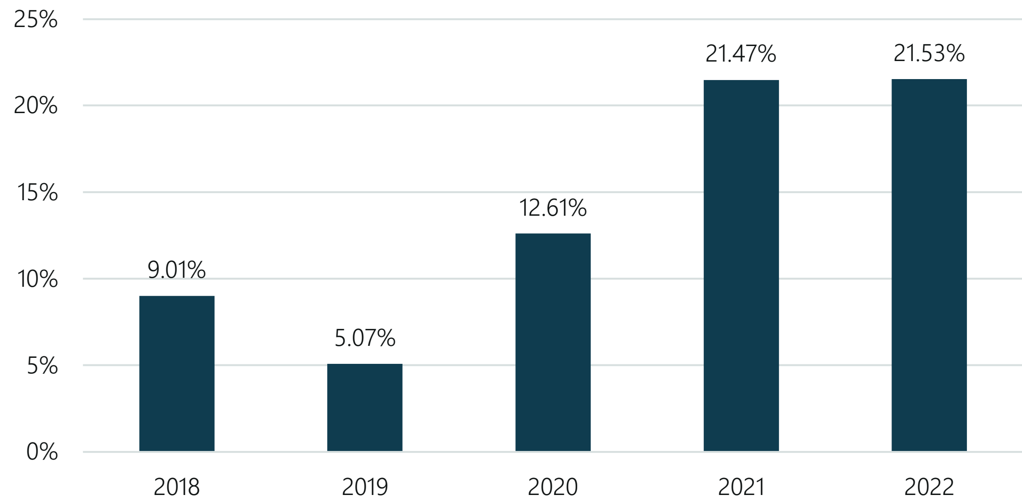


Net Debt-to-Total Annual Revenue

This metric assesses the government's net debt in relation to its total revenue. Net debt indicates the funds required from future revenue to cover past transactions or events. It helps to gain insights into how much debt the government carries relative to its revenue-generating capability.

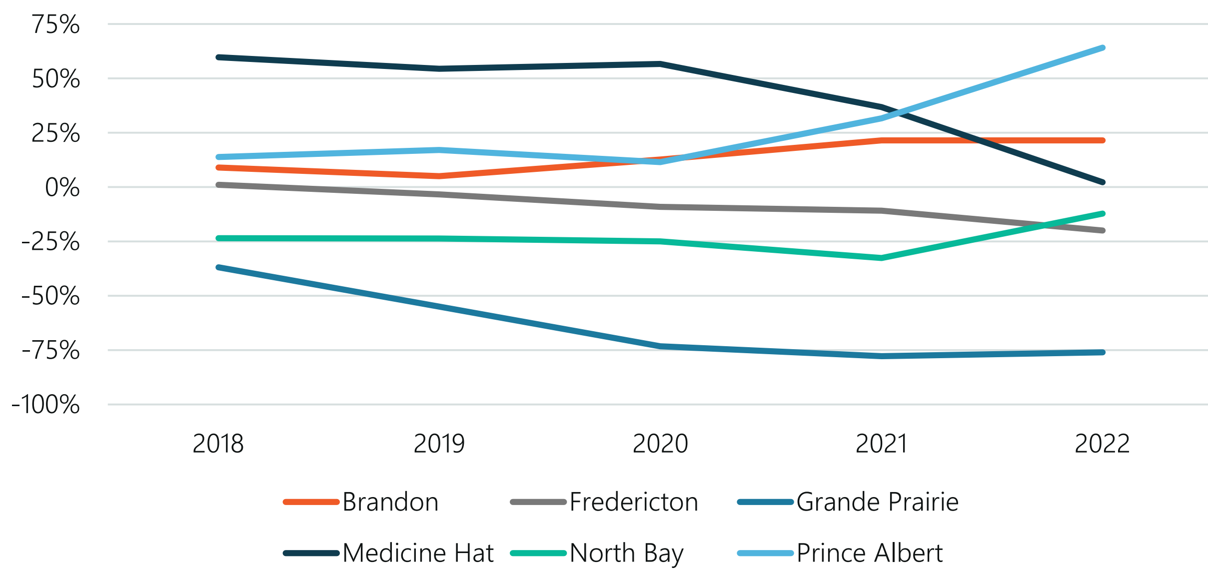
Per Figure 39, Brandon's ratio increased from 9.01% in 2018 to 21.53% in 2022. This was due to the net debt rising from $10.4 million to $26.9 million, resulting in a marginal net debt of $16.5 million. Total revenue did not increase at the same rate as the net debt and remained consistent throughout the years.

Figure 39: City of Brandon Net Debt-to-Total-Annual Revenue Ratio 2018-2022



Upon comparison with other municipalities, it is apparent that Grande Prairie and North Bay had the best performance. These two cities have consistently shown negative results, primarily due to their financial assets exceeding their liabilities. In contrast, the ratio indicates a steady increase for Brandon and Prince Albert as their net debt has continued to grow.

Figure 40: Net debt-to-Total-Annual Revenue by Municipality, 2018-2022



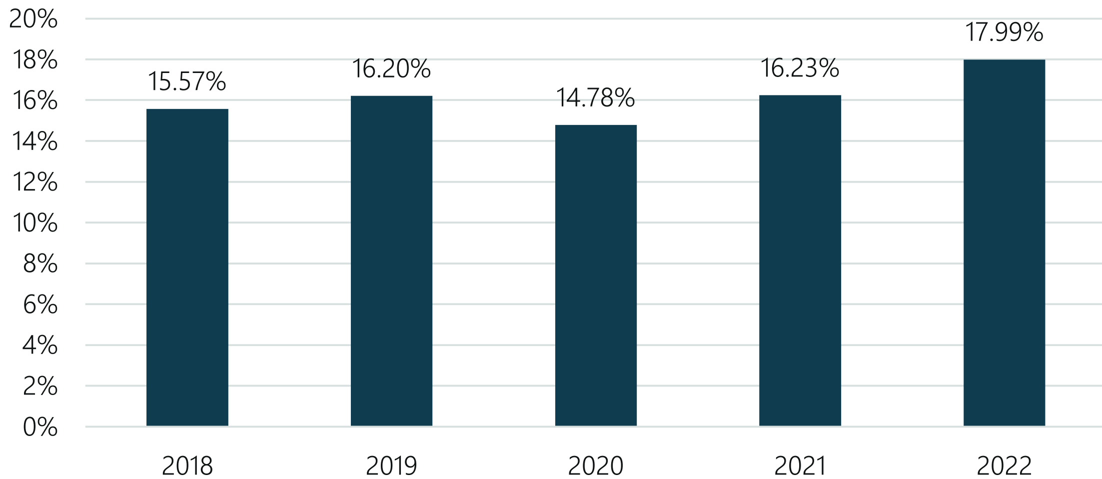
Vulnerability Metrics

This category measures the level of reliance a government has on funding sources that are beyond its control or influence and the extent to which it is vulnerable to risks that may hinder its ability to fulfill its financial obligations, including its commitments to the public, creditors, employees, and other parties.

Government Transfers-to-Total Revenue

This ratio indicates the percentage of revenue the city receives from the government. It provides insight into the level of vulnerability a government may experience due to its reliance on another level of government for financial support. When a municipality is highly dependent on an external government's fiscal decisions, it becomes more vulnerable. Having a lower dependence will reduce vulnerability but may hamper sustainability if a government must rely on its tax base to cover lost revenues.

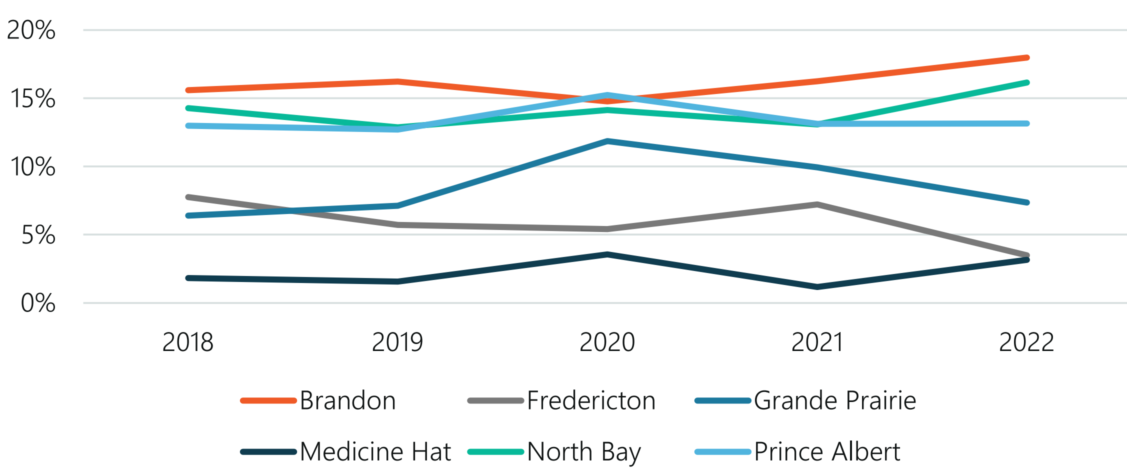
Figure 41: City of Brandon Government Transfers-to-Total-Revenue Ratio 2018-2022



The percentage of government transfers Brandon received relative to total revenues has increased from 15.57% in 2018 to 17.99% in 2022. This is mainly due to the transfers rising from $17.9 million to $22.5 million.

Brandon, North Bay, and Prince Albert receive a more significant proportion of their total revenues from government transfers. Fredericton, Grande Prairie, and Medicine Hat report a lower reliance on government transfers. Brandon's result does not reflect negatively or positively on the City, as while it represents increased vulnerability to outside funding sources, it also demonstrates that Council and the Administration have done good work in maximizing Federal and Provincial government funding.

Figure 42: Government Transfers-to-Total-Revenue by Municipality, 2018-2022



Flexibility Metrics

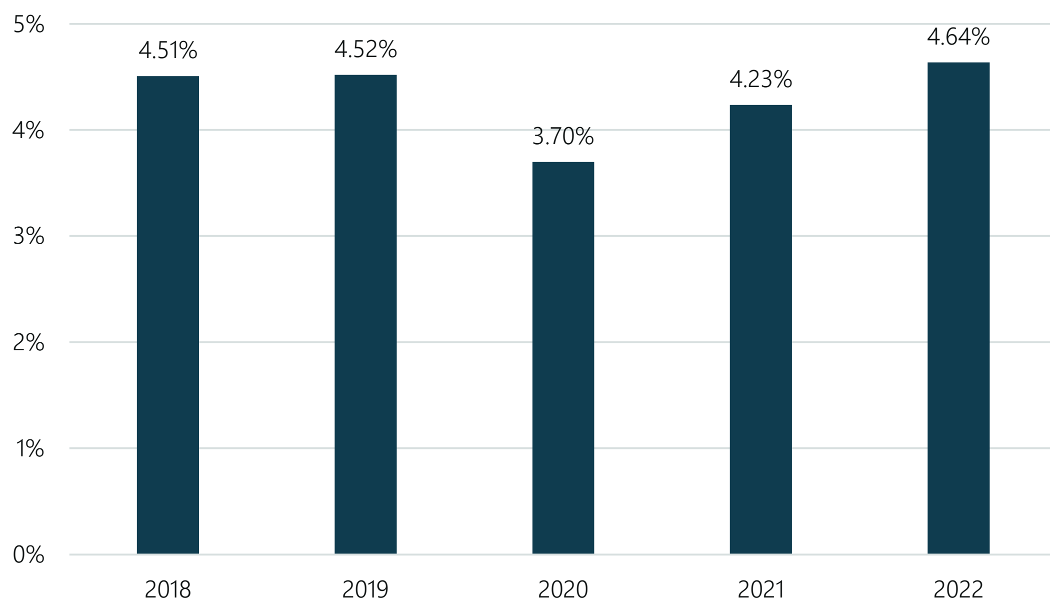
Flexibility metrics measure a government's capacity to adjust its debt or tax burden on the economy to fulfill its service commitments to the public and financial obligations to creditors, employees, and other parties.

Public Debt Charges-to-Total Revenue

This metric measures the public debt charges as a percentage of revenues. It shows how much previous borrowing decisions limit a government's ability to fulfill its financial and service obligations. Essentially, if more government revenues are allocated towards covering the interest costs and principal repayments of past borrowing, there will be less money available for program spending. Borrowing by governments can impact their flexibility in the long term as their primary commitment becomes servicing the debt. Failure to do so could hinder their ability to borrow in the future or refinance existing debt.

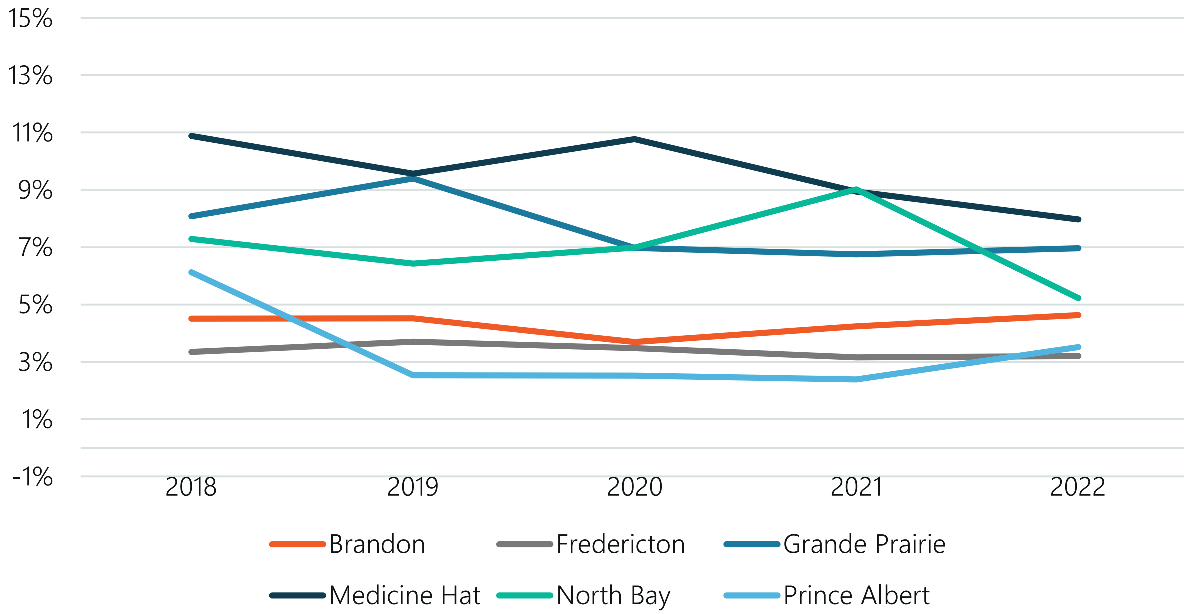
From 2018 to 2022 Brandon's ratio remained consistent at an average 4%. It's worth noting that public debt charges increased from $5.2 million in 2018 to $5.8 million in 2022, but they still represent almost 5% of total revenues during those periods. This ratio suggests that the city of Brandon can fulfill its short-term bank debt obligations through revenue generation.

Figure 43: City of Brandon Public Debt Charges-to-Total Revenue Ratio 2018-2022



As shown below, Brandon, Fredericton, and Prince Albert have the lowest public debt charges in proportion to their revenues during the given periods. By 2022, the cities ranged from 0.035 (Fredericton) to 0.079 (Medicine Hat).

Figure 44: Public Debt charges-to-Total Revenue by Municipality, 2018-2022

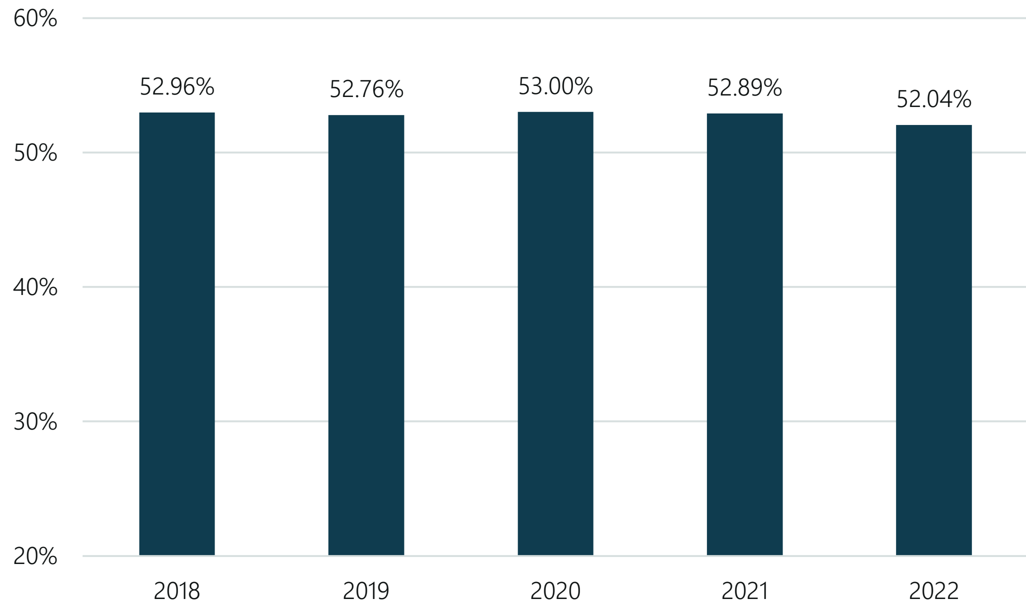


Net Book Value of Capital Assets-to-Cost of Capital Assets

This ratio shows how much of a government's tangible capital assets are still usable to provide services and products. When a government's size, range, and services stay the same or expand, the cost of repairing or replacing capital assets in the future could limit its flexibility. This ratio is also an indication of the age of capital assets, as a higher ratio indicates a newer asset base, and conversely, a lower ratio indicates an older asset base.

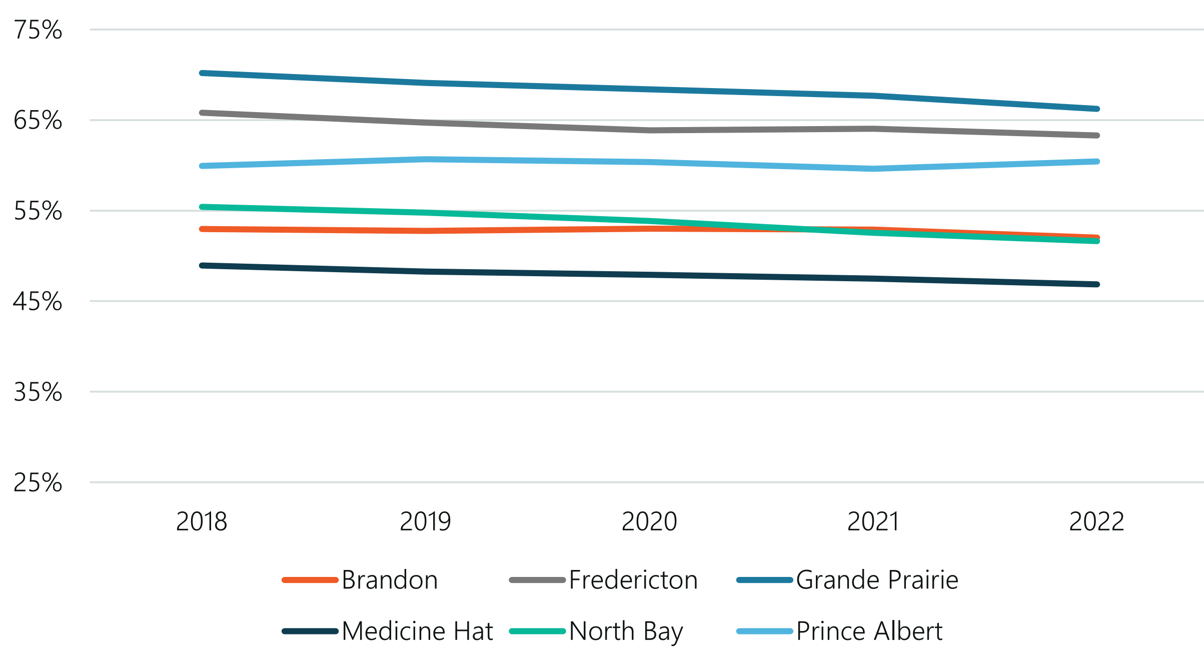
Between 2018 and 2022 Brandon had a consistent indicator of approximately 52.73%. This suggests that the net book value and cost of capital assets increased similarly over those years, with a growth of 16.02% and 18.08%, respectively. Specifically, the net book value of capital assets rose by $57.6 million from 2018 to 2022, while the cost of capital assets increased by $122.6 million during that same time.

Figure 45: City of Brandon Net Book Value of Capital Assets-to-Cost of Capital Assets Ratio 2018-2022



The average result among the six comparative municipalities was 58%. However, it's important to note that Grande Prairie has the highest average result of 68%, while Medicine Hat has the lowest performance, with an approximate result of 48%. The relatively straight lines in Figure 46 suggest that the municipalities are replenishing their assets at the same historical rates.

Figure 46: Public Net Book Value of Capital Assets-to-Cost of Capital Assets by Municipality, 2018-2022

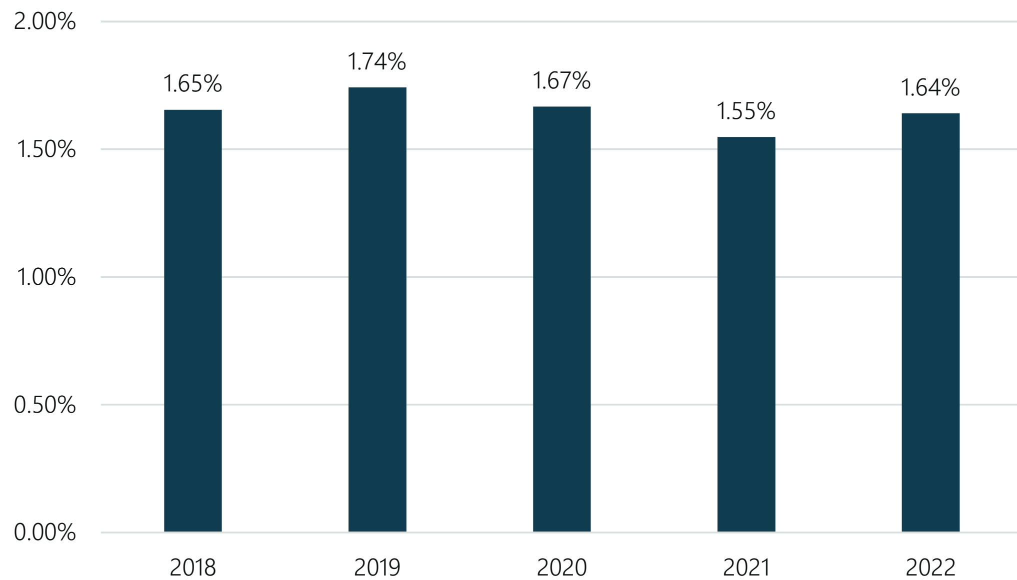


Own-Source Revenues-to-Taxable Assessment

This indicator shows the proportion of revenue a local government generates on its own compared to its tax base. The flexibility of a local government can be impacted by changes in the size of its taxable assessment or the rate of growth in assessment relative to changes in own-source revenues. An increase in this ratio over time may indicate a decrease in flexibility. It is essential to note that a lower ratio does not necessarily imply that a government should raise taxes or increase user fees.

Brandon's performance has consistently fluctuated between 1.55% and 1.74% over the five years. This ratio is composed of two components that have both been trending upward. The city's own-source revenues increased by approximately 7.17%, from $45 million in 2018 to $48.2 million in 2022 while the taxable assessment increased by 8.1%, rising from $2.719 million in 2018 to $2.939 million in 2022.

Figure 47: City of Brandon Own-Source Revenues-to-Taxable Assessment Ratio 2018-2022



The comparison to other municipalities outside Manitoba was not calculated as each province calculates taxable assessment differently, with some provinces such as Manitoba using a portioned assessment method while others equate taxable assessment to market assessment and have a lower mill rate.

Other Metrics For Consideration

Several metrics were excluded from this analysis, but may still be appropriate for SORP reporting should Brandon choose to begin including these metrics in its standard financial reports:

- Net Debt-to-Taxable Assessment – excluded due to minimal result. Will be relevant as debt financing increases
- Accumulated Deficit to Taxable Assessment – excluded due to no accumulated deficit
- Foreign currency Debt-to-Net Debt – not relevant, no usage of foreign debt

Identified Revenue Opportunities

The comparative analysis and staff insights in phase 1a identified the following opportunities that the City of Brandon should consider in its 10-year sustainability plan. Estimates for opportunities with predictable revenue and a reasonable probability of being implemented are included in the 10-year financial plan following this section.

User Fees

Of the compared municipalities, Brandon currently recovers the highest percentage of its operating expenditures from own source revenue. This is significantly impacted by revenues from protective services. Analysis by department showed Brandon's expenditure recovery rate at-or-below average in solid waste management, transportation, and water and wastewater services when compared to similar municipalities, indicating these services should be prioritized when considering user fee increases.

Per the revenue gap analysis, if Brandon were to optimize own source revenues in each department (to reach the level of the highest recovering municipality in the respective category), it could potentially generate an additional $11.6 million. The new revenue included in the 10-year analysis assumes the City can achieve approximately 46% of this target ($5.3 million) by 2026 through new revenue sources.

Brandon also has the second lowest expenditure per capita. While some of this may reflect operating efficiencies, it may also indicate a reduced level of service compared to other municipalities. Two of the comparable municipalities are implementing a policy to increase user fees based on CPI.

New and adjusted user fees included in the 10-year financial plan include updates to DCCs, drainage fees, and new revenue streams from sanitation.

Development Cost Charges

Brandon's Planning and Development department expenditure recovery ratio has declined annually since 2020. A third-party review of DCCs is currently underway to determine a sustainable approach to development cost recovery and associated price increases, with expected completion by the end of 2023. Discussions with the consultant in charge of the review have revealed early estimates of increases to existing DCC rates in the range of a 4x to 7x multiple. The third-party reviewer does not anticipate these rates of increase to reduce the level of development in the City, as existing DCCs are significantly lower than market rates in comparable municipalities.

To maintain a conservative estimate until the third-party review is complete, the 10-year financial analysis assumes a 4x multiple on the average annual DCC revenue received between 2018 to 2022, with a phased-in approach to increases between 2025 to 2026. These assumptions result in total DCC revenue of $1.29 million in 2026, an increase of $1.01 million above current levels.

DCC rates and associated reserve funds are detailed in By-Law number 7175, which will need to be updated accordingly once the third-party review is complete and Council approves new rates.

Drainage Fees

Drainage fees would help to cover the cost of maintaining and improving the stormwater and sanitary sewer systems and are typically charged to property owners based on the amount of water that flows off their property into the sewer system due to impermeable surfaces. The more hard-surface development on a parcel of land, the higher the run-off, causing a greater impact on the stormwater and sanitary sewer system. (Environmental Commissioner of Ontario, 2016)

The Development Services Division expects to implement a drainage fee that is estimated to generate $2.47 million starting in 2025, consisting of $1.42 million from residential properties and $1.05 million from commercial and industrial properties. Total revenue from drainage fees is projected to increase at the same rate as the growth in number of households.

The Lot Grading, Drainage, and Elevations by-law number 6626 would need to reflect implementation of drainage fees relating to impervious surface runoff. These fees can be calculated using factors such as property size, development intensity, and a runoff coefficient (relating to the permeability of a lot's surface), based on land zoning and a city-wide monthly rate. (EPCOR, 2023)

Sanitation Fees

Waste Disposal and Recycling / Tipping Fees

Brandon generated $3 million from sanitation services in 2022, including tipping fees. By comparison, North Bay generated $4.6 million, including $2.9 million in tipping fees. The City reaped rewards from its recycling program as prices for recycled materials increased during the pandemic.

Table 6: North Bay Sanitation Services Revenue, 2022

Line Item	Amount
Tipping fees	2,930,000
Agreement revenue	564,000
Sale of recycled goods	400,000
Landfill use fees	258,102
Methane sales	150,000
Mattress recycling	81,000
Sale of scrap metals	57,500
Sale of electronics	30,000
TSF from reserve fund	30,000
Other sales	24,142
Sale of cardboard	20,000

Sale of blue boxes	8,000
Auto stewardship revenue	5,000
Blue box advertising	3,000
Sale of organic topsoil	2,000
Tire revenue - OTS	1,000
Total	**4,563,744**

The structure of North Bay's tipping fee schedule is similar to Brandon's, but prices are generally higher[3]. For example, North Bay bills non-contaminated commercial refuse at a minimum of $105/tonne, compared to only $78/tonne billed by Brandon. It is recommended that additional analysis of the volume of sales for each waste type is completed by Brandon's public works department to determine the impact of an increase in tipping fees for each category.

Public Works stated they could potentially generate an additional $200,000 in revenue annually by implementing the following services:

- Sale of Composting Material
- Concrete/Cinder Block crushing business
- Sale of Bulk Wood Grindings

Additional research is required to develop the business cases for each of these opportunities, including associated capital and operating costs. The landfill has significant stockpiles of these materials, thus the financial analysis assumes the full $200,000 in new revenue could be generated starting in 2025.

By-law number 6965, Solid Waste Collection and Disposal, is silent on resale programs. A policy related to the resale of waste/recyclables would likely need to be developed.

Lottery Licenses

Both North Bay and Prince Albert generate revenue from the sale of lottery licenses, with North Bay generating $180,000 in 2022 and Prince Albert generating $142,980. These licenses include flat rates and percentage of prizing structures and are billed on lottery-type games such as raffle lotteries, Bingo games, and break open ticket games conducted by local charities, non-profit organizations, and other eligible organizations. Similar revenue sources could not be identified in Brandon's revenues.

Recreational Ticketing Surcharges

North Bay generated $297,000 in ticketing surcharges from events held in City parks and arenas. Similar revenue could not be identified in the City of Brandon. Brandon should investigate the potential to add City ticketing charges to local events at the Keystone Centre or other venues.

[3] https://northbay.ca/services-payments/garbage-recycling/landfill-operations/

Other Fees

Other opportunities identified by City Council and staff include fees associated with vacant buildings to offset related City costs, fire inspection fees for rental properties, and a city-owned vehicle impound and related fees (currently contracted). These fees would generate additional revenue for the City but have been excluded from the analysis as the amount of new revenue could not be reasonably predicted based on available information, and in the case of a city-owned vehicle impound necessitate a detailed business case.

Federal and Provincial Funding

An increase in Federal and Provincial contributions to infrastructure projects would reduce the debt requirements for the City of Brandon. A full-time grant writer to pursue these opportunities may help to achieve this goal. Most of the comparable cities identified the importance of having a dedicated full-time grant writer. While difficult to quantify the additional dollars potentially received, there are several reasons why this position makes financial sense (Resource Associates Grant Writing & Evaluation Services, Inc., 2023):

1. A dedicated specialist would be available to help all city department heads with application writing that is not their usual role, nor is it necessarily a strength or is it something they have time to do. The department head can keep focus and the application is a top priority for the grant writer.
2. Rather than being reactionary, a dedicated grant writer can be pro-active by gaining ongoing insights into the city and is able to see where available grants could assist. Information learned can be easily used in next application.
3. The person would actively stay on top of available grants, the potential of new grants about to be offered and would communicate those opportunities to applicable departments. Smaller grants that might have previously been overlooked due to time vs benefit constraints could be pursued by a dedicated grant writer.
4. The city would give itself the best chance at a successful application with a professional look and language creating a consistent, positive impression to grant reviewers.

Grant Writer

The 10-year financial analysis assumes the high historical government transfer ratios are maintained, in part due to a dedicated grant writer responsible for sourcing additional revenue. No by-law change is required to hire a grant writer. City Manager by-law 6505 allows for the creation of new positions and hiring of staff.

Of note, is that Brandon already has the highest amount of government transfers as a percentage of its total revenue among compared cities, which can be partially attributed to Brandon's low taxes (lower revenue equals a lower denominator in the ratio). While this is considered to reflect higher vulnerability on the PSAB measures, it also shows that Council and the Administration have done good work in maximizing Federal and Provincial government funding in recent years.

Utility Rate Increases

Brandon's expenditure recovery rate for utilities has declined since 2020 and an increase is necessary to bring the City more in line with expectations for full cost recovery in the *Municipal Act*. In October 2023, the PUB approved Brandon's phased rate increase from 2023 to 2026 for water and wastewater and a deficit recovery rate rider. The new rates have been updated in by-law number 7342.

The approved rate increase has been incorporated into the 10-year analysis from 2023 to 2026, with further increases from 2027 to 2033 based on estimated CPI. Additional considerations for new utility revenue that are yet to be submitted to PUB, but have been incorporated into the 10-year analysis, include:

- A new debt rate rider per By-Law No. 7364 to cover approx. $1.47 million in annual debt servicing costs associated with the additional $15 million loan required to complete the Water Treatment Facility. The analysis assumes this rate rider is added to utility bills starting in 2026.
- A new deficit rate rider to cover a projected $1.7 million utilities operating deficit in 2023. Associated annual revenue is projected at $169,000 starting in 2026.

Transportation Tax Restrictions

Government gas tax revenue could be better matched to the needs of the city by restricting a portion of this revenue for transportation needs, rather than using it for general revenue. Interviews with city management indicated that there are transportation infrastructure needs that have been underfunded in recent years, including:

1. The need to update the transit plan to replace the hub and spoke model and potentially use smaller, more fuel-efficient buses.
2. Fund projects identified in the airport master plan.
3. Fund the ongoing refresh of the City's fleet.

The earmarking of these funds would ensure true transportation expenses could be properly funded. The addition of a grant writer could also benefit transportation funding, as they would be responsible for ensuring funding from the Airports Capital Assistance Program (ACAP) is maximized for all airport related projects.

Frontage Levy

While none of the comparable cities in this report used frontage levies, it is a viable additional source of revenue and allowable under The Municipal Act of Manitoba (Section 315(1)(d)). The City of Winnipeg applies a levy of $6.95 per foot of property frontage, resulting in an additional $348 in tax revenue on an average-sized 50-foot lot. The frontage fee revenue is collected on both residential and commercial properties in Winnipeg and is used for the upgrading, repair, replacement and maintenance of city streets and sidewalks (City of Winnipeg, 2023).

Given the additional administration required to implement a frontage levy, and the fact that a levy may be viewed as just another form of tax, the increased revenue to meet upcoming capital requirements in the near term has been addressed in property taxes. Frontage levies have been excluded from the 10-year financial analysis.

Industrial Commercial and Institutional Property Tax

There is potential to levy additional fees on industrial, commercial, and institutional (ICI) properties. However, new ICI fees may be counterproductive to new development in Brandon. Rather, offering support, and fostering growth of locally owned and operated businesses spins off job creation, and keeps dollars in the city. According to the 2023 Canadian Federation of Independent Business's: Small Business, Big Impact: Small Retailer's Local Contributions report (Boston, 2023) governments should:

1. Understand how our spending impacts the local economy. When a purchase is made at a small retailer, 66 cents from every dollar is recirculated provincially, compared to only 11 cents when spent at a large multinational retailer and just 8 cents when spent at an online giant.
2. Address small businesses' challenges, particularly around unfair competition. Create a level playing field by ensuring that programs, regulations, and tax breaks are accessible to all businesses, and do not give unfair advantages to larger businesses. Implement policies that support small business growth, such as lowering fees, reducing red tape, and increasing the accessibility of programs that help small businesses adapt to the changing marketplace to help bolster their competitiveness.
3. Encourage community support and foster awareness of the impact of consumer choices on local businesses.

The 10-year financial analysis assumes growth in the assessment base occurs at the same rate for ICI properties as it does for residential. However, additional business taxes or fees beyond property taxes on ICI properties have been excluded from the 10-year financial analysis.

Property Taxes

Brandon's total tax revenue per capita was not only the lowest, but also 46% below the average of the five other cities. On average, the comparison cities' revenues from property taxes increased by 2.7% annually from 2018 to 2022, compared to only 1.2% per year in Brandon. Other cities have capitalized on assessment value increases since 2018, generally increasing tax revenue at the same rate or higher, while Brandon's tax revenue only grew 5% over the period where assessment values grew by 8%. A planned approach to increasing property taxes is the most significant opportunity available to Brandon.

The 10-year financial analysis in the following section calculates a theoretical required increase in property taxes to meet the projected operating and capital requirements of the City after accounting for the above-mentioned new revenue sources.

Ten-Year Financial Scenario Analysis

Scenarios were to prepared to estimate the revenue requirements to fund the City's projected operating and capital expenditures over the next decade. The 10-year financial analysis outlines:

- Projected operating revenues and costs from existing sources;
- The estimated financial impact of new revenue sources outlined in the previous section;
- Estimated tax increases and debt required to fully fund Brandon's cost share of the current 10-year capital plan; and
- The impact on the City's future financial ratios and on municipal costs for an average single-family household over the 10-year period.

Disclaimer

The 10-year financial analysis is based on information made available to MNP by City of Brandon officials as well as assumptions based on historical and future events, as such actual results may vary from the information presented, and the variations may be material.

The scenario analysis is intended solely for the information and use by the City of Brandon's Council and Administration. This analysis should not be relied on by other parties without MNP's written consent. MNP accepts no liability or responsibility for any loss or damages suffered by any other party as a result of decisions made or actions taken based on our work.

Assumptions

Growth assumptions for assessment value, population, and number of households are included in Table 7. These growth rates are primarily based on historical growth rates from 2016 to 2023. The City is estimated to grow to 57,860 people with a total portioned assessment value of $3.79 billion over the next decade. These figures are used to determine the tax base and operating requirements for the ten-year analysis.

Table 7: Ten-Year Analysis Growth Assumptions

Year	Assessment value growth estimate	Total portioned assessment	Population	Number of households	Average SF residential property assessed value
2024	1.0%	$3.08B	52,880	21,853	$281,772
2025	3.0%	$3.17B	53,410	22,072	$290,225
2026	1.5%	$3.22B	53,950	22,295	$294,579
2027	3.0%	$3.32B	54,490	22,518	$303,416

Year	Assessment value growth estimate	Total portioned assessment	Population	Number of households	Average SF residential property assessed value
2028	1.5%	$3.37B	55,040	22,745	$307,967
2029	3.0%	$3.47B	55,590	22,972	$317,206
2030	1.5%	$3.52B	56,150	23,204	$321,964
2031	3.0%	$3.63B	56,710	23,435	$331,623
2032	1.5%	$3.68B	57,280	23,671	$336,598
2033	3.0%	$3.79B	57,860	23,911	$346,695

Several additional assumptions have been used in the ten-year analysis:

- Where appropriate, the CPI target of 2% has been applied to existing revenues and costs. This is based on the Bank of Canada's long-term inflation target, which is projected to return to 2% in 2025 per the October 2023 Monetary Policy Report[4].
- The 2023 mill rate of 15.553 has been used as the "baseline" for property tax revenue. Additional taxes collected above this rate have been presented separately in the detailed analysis.
- Draft figures for budget 2024 were taken from the City's 2023 approved financial plan. Some figures have been adjusted based on new information from the City or to conform with updated capital requirements.

Capital Funding

Capital projects have been categorized into two types to estimate the portion of future Federal and Provincial funding:

1. **Major Infrastructure Projects –** Include transportation and utilities projects that historically receive higher rates of funding. Approximately 79% ($536 million) of the $680 million total capital spend over the next decade has been categorized as major infrastructure.
2. **City Capital Projects –** Includes all other items in the capital budget, including but not limited to vehicles, equipment, recreation projects, municipal building improvements, and land acquisitions. Approximately 21% ($144 million) of the 10-year capital budget has been categorized as city capital.

Table 8 outlines the funding estimates used in the analysis based on historical funding received for similar projects.

[4] Bank Of Canada. Monetary Policy Report, October 2023. https://www.bankofcanada.ca/2023/10/mpr-2023-10-25/

Table 8: Capital Project Funding Estimates by Type

Funding Source	Major Infrastructure Projects	City Capital Projects
Federal	25.0%	12.5%
Provincial	30.0%	10.0%
Other	0.0%	0.5%
City of Brandon	45.0%	77.0%
Total	**100.0%**	**100.0%**

Capital Expenditure Adjustments

An initial baseline scenario analysis used the City's existing capital forecast as stated at the beginning of November 2023. This forecast listed $680 million in capital expenditures over the 10-year period, with $242 million in the next 2-years. The Administration noted that the capital plan was still under development and additional work is currently in progress to re-prioritize capital projects, which will reduce the overall capital cost as well as delay some projects to future years.

The result of using the existing $680 million 10-year forecast in an initial baseline scenario was an extraordinary, theoretical tax increase for the average single-family home of 32.5% in 2024, followed by an average annual increase of 5.7% from 2025 – 2033. As such an extraordinary rate increase would not be feasible, an adjusted scenario was prepared illustrating a flat, phased-in tax increase over the first 4-year (2024 – 2027) and the following 6-year (2028 – 2033) periods.

Phased-In Ten-Year Scenario

The adjusted scenario makes several assumptive changes to the 10-year capital plan and reserves transfers to accommodate a smoother, phased-in approach to tax increases in the next 4- and 10- year periods. The adjusted scenario isolates the 4-year period from 2024 to 2027 to determine the rate increase required during the current Council's term, and then estimates a flat annual tax increase from 2028 onwards.

Changes in the adjusted scenario include:

- Capital costs in 2032 and 2033 have been eliminated. It is assumed these costs can be pushed to 2034 and onwards. This reduced $40 million in utilities costs and $37 million in other capital costs.
- Approximately half of the difference in total costs between the first 4-year period and following 6-year period have been re-allocated to the following period. That is, $35 million in utilities costs and $20 million in other costs are assumed to be delayable and have been pushed from the first period to the following period.
- Capital spending in each period has been smoothed so that it is equal across each year. While this assumption is arbitrary, the City can likely achieve similar results through stringent capital project management and adjusting the start dates of approved projects.

- Relatively small adjustments to annual transfers between operating and reserve funds to achieve a flat annual tax increase in the 2024 to 2027 and 2028 to 2033 periods.

Capital

Table 9 outlines adjusted capital expenditures of $602.6 million from 2024 to 2033. Approximately 56% ($340 million) of total capital spending is illustrated for the next four years, split evenly at $85 million per year. Funding assumptions for this capital include:

- Debt funding of $195.6 million (32% of total)
- Government and other grant funding of $228 million (38% of total)
- Reserves funding of $179 million (30% of total).

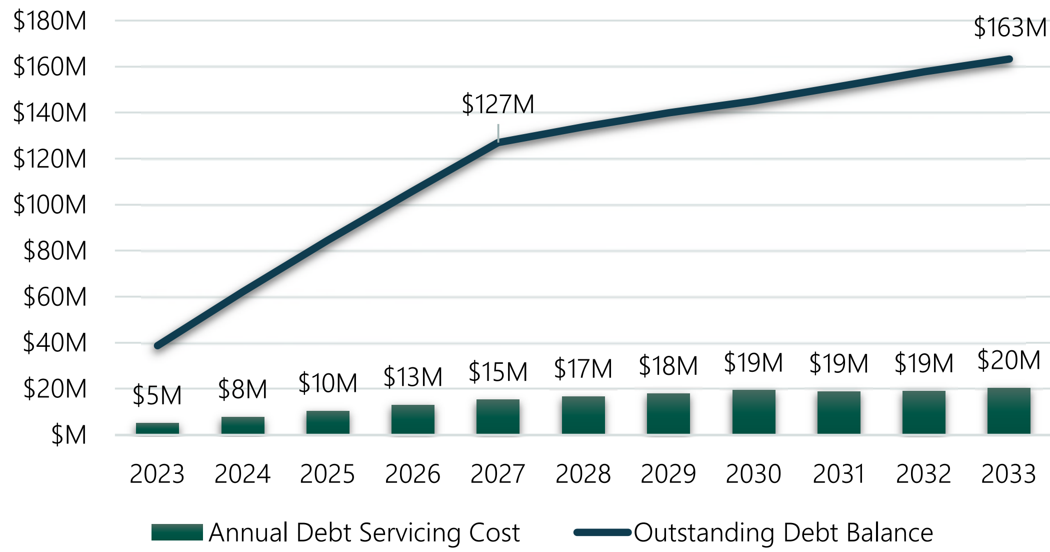
Table 9: Scenario for Adjusted Capital Expenditures and Funding ($millions)

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	Total
Capital Expenditure - Utilities	$43.4	$43.4	$43.4	$43.4	$22.3	$22.3	$22.3	$22.3	$22.3	$22.3	$307.1
Capital Expenditure - Other	$41.6	$41.6	$41.6	$41.6	$21.5	$21.5	$21.5	$21.5	$21.5	$21.5	$295.5
Total Capital Expenditure	**$85.0**	**$85.0**	**$85.0**	**$85.0**	**$43.8**	**$43.8**	**$43.8**	**$43.8**	**$43.8**	**$43.8**	**$602.6**
Funding - Debt	$27.6	$27.6	$27.6	$27.6	$14.2	$14.2	$14.2	$14.2	$14.2	$14.2	$195.6
Funding - Government & Other	$32.2	$32.2	$32.2	$32.2	$16.5	$16.5	$16.5	$16.5	$16.5	$16.5	$228.0
Funding - Reserves	$25.2	$25.2	$25.2	$25.2	$13.0	$13.0	$13.0	$13.0	$13.0	$13.0	$179.0

Debt

Debt financing in the adjusted scenario is more evenly spread-out, with relatively consistent growth in the debt balance up to 2030. Figure 48 illustrates the City's increasing outstanding debt under this scenario, growing to $127 million by the end of 2027 and $163 million by the end of 2033. Annual debt servicing cost (principal plus interest) would increase to $15 million by 2027 and $20 million by 2033. Under the adjusted scenario, the City's the debt would peak at 62% capacity utilization in 2033.

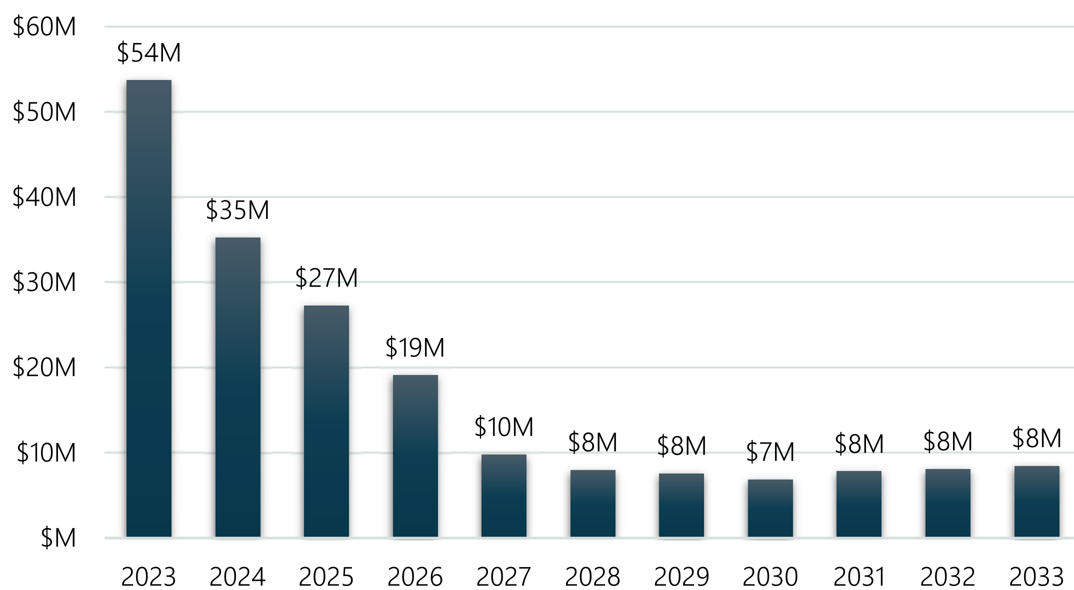
Figure 48: Outstanding Debt Balance and Servicing Cost – Adjusted Scenario



Reserves

The adjusted scenario has a gradual depletion of reserves down to a low of $7 million in 2030 (Figure 49), reducing the City's ability to manage risk from project cost overruns or large unexpected operating expenditures.

Figure 49: Total Reserves Balance – Adjusted Scenario



Municipal Tax Increase

Table 10 summarizes the total funding deficit and associated tax increase required. The adjusted scenario does not require any reserves deficit funding as reserve withdrawals do not exceed the reserves balance under the adjusted capital forecast. This scenario estimates that the City will require a 1.791 increase to its mill rate in 2024, and further increases in each year, assuming no other funding is captured. This increase in mill rate equates to a 13.0% increase in municipal taxes for the average single-family household each year from 2024 to 2027, falling to a 3.2% increase each year from 2028 to 2033.

Table 10: Additional Tax Requirement – Adjusted Scenario

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Net operating deficit	$5.5	$11.0	$18.2	$25.3	$27.0	$28.0	$29.8	$30.8	$32.8	$33.6
Reserves deficit	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Total funding deficit	$5.5	$11.0	$18.2	$25.3	$27.0	$28.0	$29.8	$30.8	$32.8	$33.6
Baseline mill rate	*15.553*	*15.553*	*15.553*	*15.553*	*15.553*	*15.553*	*15.553*	*15.553*	*15.553*	*15.553*
Increase in mill rate required	*1.791*	*3.480*	*5.636*	*7.622*	*8.012*	*8.067*	*8.457*	*8.492*	*8.900*	*8.866*
Total adjusted mill rate	***17.344***	***19.033***	***21.189***	***23.175***	***23.565***	***23.620***	***24.010***	***24.045***	***24.453***	***24.419***
Municipal tax increase (average SF household)	***13.0%***	***13.0%***	***13.0%***	***12.7%***	***3.2%***	***3.2%***	***3.2%***	***3.2%***	***3.2%***	***2.9%***

Adjusted Costs per Household

The average single-family household with an assessment value of $278,900 in 2023 would have incurred $1,947 in property taxes and $836 in water and sewer costs, for a total of $2,783 in municipal costs for the year. With the increased property taxes, utility rates, and the addition of drainage fees in the adjusted scenario, the total municipal cost per household would rise to $4,499 by 2027 (Table 11). This is a significant increase from current levels, but would still place Brandon in the lower half of the comparison cities on the basis of average municipal residential property taxes per capita, at $950 per capita in 2027

Table 11: Annual Municipal Costs per Average Single-Family Household – Adjusted Scenario

	2023	2024	2025	2026	2027
Municipal taxes per household (assessed value)	1,947	2,199	2,486	2,809	3,164
Water & sewer costs per household	836	960	1,085	1,211	1,235

	2023	2024	2025	2026	2027
Drainage fee per household	-	-	100	100	100
Average municipal cost per single family household	**$2,783**	**$3,159**	**$3,670**	**$4,119**	**$4,499**
Residential municipal taxes per capita	**$610**	**$680**	**$761**	**$852**	**$950**
Municipal tax increase	**1.6%**	**13.0%**	**13.0%**	**13.0%**	**12.7%**
Total municipal cost increase		**13.5%**	**16.2%**	**12.2%**	**9.2%**

Ratio Analysis

The impact on several SORP metrics has been re-evaluated using the adjusted scenario results. Ratios requiring balance sheet figures have not been re-calculated as the scenario has not projected the City's balance sheet, which would require detailed capital purchase and amortization schedules. Table 12 outlines the projected ratios to 2033.

- Government transfers to total revenue settles near 14% in the long-term. The average from 2018-2023 was 16.2% (with a high outlier of 21.8% in 2023), showing this scenario has used a conservative projection to reduce financial vulnerability.
- Public debt charges to total revenue increases to 10% by 2033. Debt increases the City's financial sustainability risk but can be a useful tool to improve infrastructure during the phase-in period of increased tax rates.
- Own-source revenues to taxable assessment increase above 2% as of 2026, providing additional operating flexibility to the City.

Table 12: Projected Ratios – Adjusted Scenario

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Government transfers-to-total revenue (%)	21.8	17.4	16.2	14.8	14.3	14.3	14.2	14.1	14.1	14.0	14.0
Public debt charges-to-total revenue (%)	3.8	5.6	6.9	7.8	8.6	9.1	9.7	10.1	9.6	9.5	10.0
Own-source revenues-to-taxable assessment (%)	1.54	1.66	1.79	2.00	2.07	2.08	2.07	2.10	2.08	2.10	2.09

Flat-Tax Option

A sensitivity analysis was conducted using the adjusted scenario assumptions to determine the tax rate increase required to implement an annual flat tax increase. The analysis revealed that an annual municipal tax increase of approximately 9% could sustainably fund the 10-year plan, but it would involve shifting an additional $50 million in capital costs from the first 5 years of the plan into the last 5 years. This would further increase the City's infrastructure deficit in the near term.

Conclusions

Tax Increases

Results from both the baseline analysis and the adjusted scenario make it clear that a significant increase in municipal taxes is required for the City to fund its operating and infrastructure needs over the next decade. Options for the City to alleviate the pressure of tax increases include:

- Re-prioritization of capital expenditures – The scenario analysis assumes that the capital expenditures are implemented, with some adjustments in timing. Projects could be delayed, cancelled, or re-scoped based on the City's financial situation and the perceived appetite from rate payers for tax increases.
- Obtaining more commercial and industrial growth to subsidize the tax base.
- Increase funding from other governments, which could be achieved through hiring a dedicated grant writer, or by prioritizing capital projects with confirmed funding or a higher likelihood of receiving government funding.

New Revenue Source Implementations

If any new revenue sources estimated in the scenario analysis are not implemented the result would be either higher tax increases or cuts to the operating and/or capital expenditures. A communications plan that conveys the City's reasoning for new fees, such as drainage fees and DCCs, should be developed to reassure ratepayers of the necessity of the fees and their purpose in a larger long-term plan for the City. It is likely the City will face pushback from taxpayers for implementing drainage fees in the same year as a higher municipal tax increase. The City must be able to show the benefits created by the increases, such as new infrastructure and the completion of other outstanding capital projects.

Capital Project Prioritization

The revenue projection in the scenario analysis allows for discussion between Council and the Administration regarding capital plan prioritization. Management has a prioritization model in place for scoring individual projects that should be used on a consistent basis. Following validation of this prioritization model by Council, it is recommended that the proposed capital expenditures be prioritized so that the most critical projects are put to the forefront prior to the annual budgeting process.

Reserves

The scenarios assume that reserves will be significantly depleted to fund the capital plan. The reserves would be serving their intended purpose, but consideration should be given to an increased general operating reserve. Additional taxes would be required to fund the reserve unless additional capital funding can be accessed, or costs reduced. An increased operating reserve would improve the City's financial assets-to-liabilities ratio, thereby improving the City's sustainability and capacity to weather unexpected events.

Multi-Year Budgets and Capital Planning

Multi-year budgeting may have several benefits for the City, including better alignment of revenue, operating and capital expenditure needs, and planned, phased implementation of revenue increases to mitigate the impact on the community.   Grande Prairie, Medicine Hat, and Fredericton all utilize a multi-year budget cycle and long-range capital forecasting. North Bay indicated it is moving toward multi-year budgeting.

A 10-year capital plan is the standard among comparable cities, however some have stretched capital forecasting further into the future (e.g. Medicine Hat). Brandon has recently limited its capital plan to five years out of concern for related financing. As is, the 5-year capital plan would result in financial hardship for the City if implemented in full.

Financial Reporting and Communication

Significant increases in costs to households will require strong communication to residents. Transparent reporting is required to instill public confidence in the need for the increases, and to demonstrate that these increases are funding actual improvements in Brandon. To enhance information available and the ability to better discuss the current financial picture, Brandon should consider the requirements needed to be awarded the GFOA Canadian Award for Excellence in Financial Reporting (CAnFR Program). The program was developed to assist Canadian local governments to go beyond the minimum requirements of generally accepted accounting principles, to prepare annual financial reports that evidence the spirit of transparency and full disclosure[5].

Cities of similar size (Medicine Hat, Prince Albert) have accomplished this feat, resulting in better information for decision-making and planning. Striving for this award may help close perceived gaps in financial reporting and could improve Brandon's financial reports and communications for all stakeholders.

[5] https://www.gfoa.org/awards

Appendix A – 10-Year Financial Model

City of Brandon Appendix A

10-Year Financial Sustainability Plan

Projection, 2024 - 2033

Adjusted Model Scenario

		Budget	Projection	Projection	Projection	Projection	Projection	Projection	Projection	Projection	Projection
		2024	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**
Part 1: Assumptions											
Global Assumptions											
Expected CPI Increase	**2.0%**										
Annual Population growth	**1.0%**										
Baseline mill rate	**15.553**										
Residential portion of assessment	**67.3%**										
Round to nearest	**1,000**										
Annual Assumptions											
Assessment value growth estimate		1.0%	**3.0%**	**1.5%**	**3.0%**	**1.5%**	**3.0%**	**1.5%**	**3.0%**	**1.5%**	**3.0%**
Total portioned assessment (000s)		**3,081,818**	**3,174,273**	**3,221,887**	**3,318,543**	**3,368,321**	**3,469,371**	**3,521,412**	**3,627,054**	**3,681,460**	**3,791,904**
Population		52,880	53,410	53,950	54,490	55,040	55,590	56,150	56,710	57,280	57,860
Number of Households		21,853	22,072	22,295	22,518	22,745	22,972	23,204	23,435	23,671	23,911
Population / Household		2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4
Growth in number of households		219	219	223	223	227	227	231	231	236	240
% growth in number of households		1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Average SF Residential Property Assessed Value		$281,772	$290,225	$294,579	$303,416	$307,967	$317,206	$321,964	$331,623	$336,598	$346,695

City of Brandon Appendix A

10-Year Financial Sustainability Plan

Projection, 2024 - 2033

Adjusted Model Scenario

	Budget 2024	Projection 2025	Projection 2026	Projection 2027	Projection 2028	Projection 2029	Projection 2030	Projection 2031	Projection 2032	Projection 2033
Part 2: Operating Plan (000s)										
Existing revenue										
Net municipal taxes & grants in lieu	47,932	49,369	50,110	51,613	52,388	53,959	54,769	56,412	57,258	58,975
Additional tax collected (Part 5)	5,521	11,045	18,158	25,293	26,986	27,989	29,780	30,801	32,764	33,618
Total municipal taxes & grants in lieu	53,452	60,415	68,268	76,906	79,373	81,948	84,549	87,213	90,022	92,593
Other revenue	45,657	45,602	46,513	47,443	48,392	49,361	50,349	51,356	52,383	53,431
less grants										
Unconditional Grants - Municipal Operating	15,200	15,504	15,814	16,130	16,453	16,782	17,118	17,460	17,809	18,165
- Federal Government	500	510	520	530	541	552	563	574	585	597
- Federal Gas Tax	3,355	3,422	3,490	3,560	3,631	3,704	3,778	3,854	3,931	4,010
- Provincial Government	4,875	4,972	5,071	5,172	5,275	5,381	5,489	5,599	5,711	5,825
- Local Government	0	0	0	0	0	0	0	0	0	0
- Other	80	82	84	86	88	90	92	94	96	98
Net other revenue from existing sources	21,647	21,112	21,534	21,965	22,404	22,852	23,309	23,775	24,251	24,736
Water and sewer	33,157	37,152	41,243	42,067	42,908	43,766	44,641	45,534	46,445	47,374
Own source revenue from new sources (see Part 3)	55	3,203	5,349	5,374	5,398	5,424	5,447	5,474	5,497	5,524
Transfers from accumulated surplus and reserves	5,126	4,359	6,772	6,069	5,582	5,696	6,030	5,844	5,788	5,839
Total revenue	**137,448**	**150,730**	**168,144**	**177,860**	**181,653**	**186,194**	**191,015**	**195,421**	**200,134**	**204,761**
Operating costs										
General Government Services	8,392	8,424	8,456	8,488	8,520	8,552	8,585	8,618	8,651	8,684
Protective Services	37,341	38,674	40,054	41,483	42,963	44,496	46,084	47,729	49,432	51,196
Transportation Services	16,345	17,082	17,853	18,659	19,501	20,381	21,301	22,262	23,267	24,317
Environmental Health Services	5,656	5,877	6,107	6,346	6,595	6,853	7,121	7,400	7,690	7,991
Public Health and Welfare Services	722	733	744	756	768	780	792	804	816	829
Environmental Development Services	2,314	2,529	2,764	3,020	3,300	3,606	3,941	4,307	4,707	5,144
Economic Development Services	738	753	768	783	799	815	831	848	865	882
Recreation and Cultural Services	12,134	12,644	13,176	13,730	14,307	14,909	15,536	16,189	16,870	17,580
Fiscal Services	7,728	10,394	13,060	15,237	16,611	17,984	19,357	18,851	19,076	20,449
Water and Sewer Services	34,284	37,511	44,015	44,895	45,793	46,709	47,643	48,596	49,568	50,559
Departmental Operating Costs	**125,654**	**134,621**	**146,997**	**153,397**	**159,157**	**165,085**	**171,191**	**175,604**	**180,942**	**187,631**
Transfer to reserves	11,873	16,110	21,148	24,463	22,496	21,109	19,824	19,817	19,193	17,130
Allowance for tax assets	(79)	0	0	0	0	0	0	0	0	0
Total operating expenditure	**137,448**	**150,730**	**168,144**	**177,860**	**181,653**	**186,194**	**191,015**	**195,421**	**200,134**	**204,761**
Net operating surplus (deficit)	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

City of Brandon

10-Year Financial Sustainability Plan

Projection, 2024 - 2033

Adjusted Model Scenario

Appendix A

	Budget 2024	Projection 2025	Projection 2026	Projection 2027	Projection 2028	Projection 2029	Projection 2030	Projection 2031	Projection 2032	Projection 2033
Part 3: Capital plan (000s)										
Utilities										
Capital expenses	43,382	43,382	43,382	43,382	22,268	22,268	22,268	22,268	22,268	22,268
Debenture sales	13,015	13,015	13,015	13,015	6,680	6,680	6,680	6,680	6,680	6,680
Recoveries - Federal	10,846	10,846	10,846	10,846	5,567	5,567	5,567	5,567	5,567	5,567
Recoveries - Provincial	13,015	13,015	13,015	13,015	6,680	6,680	6,680	6,680	6,680	6,680
Reserves drawdown	6,507	6,507	6,507	6,507	3,340	3,340	3,340	3,340	3,340	3,340
Tax supported - general revenue	0	0	0	0	0	0	0	0	0	0
Other Capital Projects										
Capital expenses	41,612	41,612	41,612	41,612	21,503	21,503	21,503	21,503	21,503	21,503
Debenture sales	14,564	14,564	14,564	14,564	7,526	7,526	7,526	7,526	7,526	7,526
Recoveries - Federal	5,201	5,201	5,201	5,201	2,688	2,688	2,688	2,688	2,688	2,688
Recoveries - Provincial	2,913	2,913	2,913	2,913	1,505	1,505	1,505	1,505	1,505	1,505
Recoveries - Other	208	208	208	208	108	108	108	108	108	108
Reserves drawdown	18,726	18,726	18,726	18,726	9,676	9,676	9,676	9,676	9,676	9,676
Tax supported - general revenue	0	0	0	0	0	0	0	0	0	0
Debt										
Existing debt										
Opening balance	38,798	35,227	31,517	27,664	24,150	20,494	16,692	12,737	10,503	9,339
Interest (blended rate)	1,490	1,352	1,208	1,059	918	771	618	459	381	338
Principal payments	3,571	3,710	3,853	3,514	3,655	3,802	3,955	2,234	1,164	1,207
Ending balances	35,227	31,517	27,664	24,150	20,494	16,692	12,737	10,503	9,339	8,132
Total debt servicing cost	5,062	5,062	5,062	4,573	4,573	4,573	4,573	2,693	1,545	1,545
New debt										
Opening balances	0	26,881	53,012	78,337	102,795	113,288	123,142	132,311	140,743	148,382
Advances - start of period	27,579	27,579	27,579	27,579	14,206	14,206	14,206	14,206	14,206	14,206
Adjusted debt balance	27,579	54,460	80,591	105,916	117,002	127,494	137,349	146,518	154,949	162,589
Interest (7.5%, 20 years)	1,968	3,885	5,744	7,544	8,324	9,059	9,747	10,383	10,964	11,485
Principal payments	698	1,448	2,254	3,120	3,714	4,352	5,038	5,775	6,567	7,419
Ending balances	26,881	53,012	78,337	102,795	113,288	123,142	132,311	140,743	148,382	155,169
Total debt servicing cost	2,666	5,332	7,998	10,664	12,038	13,411	14,784	16,158	17,531	18,904

City of Brandon Appendix A

10-Year Financial Sustainability Plan

Projection, 2024 - 2033

Adjusted Model Scenario

	Budget	Projection	Projection	Projection	Projection	Projection	Projection	Projection	Projection	Projection
	2024	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**
Total debt										
Opening balances	38,798	62,108	84,530	106,001	126,945	133,782	139,834	145,048	151,246	157,721
Advances - start of period	27,579	27,579	27,579	27,579	14,206	14,206	14,206	14,206	14,206	14,206
Adjusted debt balance	66,377	89,687	112,108	133,580	141,151	147,988	154,041	159,254	165,452	171,927
Interest (7.5%, 20 years)	3,459	5,237	6,953	8,602	9,241	9,830	10,365	10,842	11,345	11,823
Principal payments	4,269	5,157	6,107	6,635	7,369	8,154	8,993	8,009	7,731	8,626
Ending balances	62,108	84,530	106,001	126,945	133,782	139,834	145,048	151,246	157,721	163,301
Total debt servicing cost	7,728	10,394	13,060	15,237	16,611	17,984	19,357	18,851	19,076	20,449
Reserves										
Utilities										
Opening balance	11,444	4,810	0	0	0	0	0	0	0	0
Appropriations	5,000	4,500	5,060	5,094	5,124	5,155	5,191	5,224	5,257	4,737
Drawdown - Capital	6,507	6,507	6,507	6,507	3,340	3,340	3,340	3,340	3,340	3,340
Drawdown - Operating	5,126	4,359	6,772	6,069	5,582	5,696	6,030	5,844	5,788	5,839
Closing Balance	4,810	(1,557)	(8,219)	(7,482)	(3,798)	(3,880)	(4,179)	(3,960)	(3,871)	(4,443)
Reserves deficit top-up / transfer between reserves	0	1,557	8,219	7,482	3,798	3,880	4,179	3,960	3,871	4,443
Adjusted closing balance	4,810	0	0	0	0	0	0	0	0	0
Non-Utility Reserves										
Opening balance	42,272	35,919	29,946	16,589	4,049	5,147	6,044	6,822	7,679	10,167
Appropriations and remittances	12,373	14,310	13,587	13,669	14,572	14,454	14,633	14,493	16,035	14,693
Drawdown	18,726	18,726	18,726	18,726	9,676	9,676	9,676	9,676	9,676	9,676
Closing Balance	35,919	31,503	24,808	11,532	8,944	9,925	11,001	11,639	14,037	15,184
Reserves deficit top-up / transfer between reserves	0	(1,557)	(8,219)	(7,482)	(3,798)	(3,880)	(4,179)	(3,960)	(3,871)	(4,443)
Adjusted closing balance	35,919	29,946	16,589	4,049	5,147	6,044	6,822	7,679	10,167	10,741
Total Reserves										
Opening balance	53,715	40,729	29,946	16,589	4,049	5,147	6,044	6,822	7,679	10,167
Appropriations and remittances	17,373	18,810	18,648	18,763	19,696	19,609	19,824	19,717	21,293	19,430
Drawdown	25,233	25,233	25,233	25,233	13,017	13,017	13,017	13,017	13,017	13,017
Closing Balance	40,729	29,946	16,589	4,049	5,147	6,044	6,822	7,679	10,167	10,741
Reserves deficit top-up	0	0	0	0	0	0	0	0	0	0
Transfer to operating (tax smoothing)	(5,500)	(2,700)	2,500	5,700	2,800	1,500		100	(2,100)	(2,300)
Adjusted closing balance	35,229	27,246	19,089	9,749	7,947	7,544	6,822	7,779	8,067	8,441

City of Brandon Appendix A

10-Year Financial Sustainability Plan

Projection, 2024 - 2033

Adjusted Model Scenario

	Budget 2024	Projection 2025	Projection 2026	Projection 2027	Projection 2028	Projection 2029	Projection 2030	Projection 2031	Projection 2032	Projection 2033
Part 4: New Revenues (000s)										
Development cost charges	55	533	1,011	1,005	1,000	994	988	982	976	970
Utilities										
2023 deficit rate rider			169	169	169	169	169	169	169	169
By-law No. 7364 - Water Treatment $15M Loan Debt recovery rider			1,471	1,471	1,471	1,471	1,471	1,471	1,471	1,471
New user fees										
Drainage fees										
Residential drainage fees		1,420	1,434	1,448	1,463	1,478	1,493	1,508	1,523	1,538
Commercial drainage fees		1,050	1,061	1,072	1,083	1,094	1,105	1,116	1,127	1,138
Sanitation fees		200	203	209	212	218	221	228	231	238
Total new revenues	**55**	**3,203**	**5,349**	**5,374**	**5,398**	**5,424**	**5,447**	**5,474**	**5,497**	**5,524**

	Budget 2024	Projection 2025	Projection 2026	Projection 2027	Projection 2028	Projection 2029	Projection 2030	Projection 2031	Projection 2032	Projection 2033
Part 5: Property Tax / Mill Rate Increase (000s)										
Net operating surplus (deficit) - pre-tax increase	(5,521)	(11,045)	(18,158)	(25,293)	(26,986)	(27,989)	(29,780)	(30,801)	(32,764)	(33,618)
Reserves deficit	0	0	0	0	0	0	0	0	0	0
Total funding deficit	(5,521)	(11,045)	(18,158)	(25,293)	(26,986)	(27,989)	(29,780)	(30,801)	(32,764)	(33,618)
Total portioned assessment	3,081,818	3,174,273	3,221,887	3,318,543	3,368,321	3,469,371	3,521,412	3,627,054	3,681,460	3,791,904
Baseline mill rate	*15.553*	*15.553*	*15.553*	*15.553*	*15.553*	*15.553*	*15.553*	*15.553*	*15.553*	*15.553*
Baseline tax levy	47,932	49,369	50,110	51,613	52,388	53,959	54,769	56,412	57,258	58,975
Increase in mill rate required	*1.791*	*3.480*	*5.636*	*7.622*	*8.012*	*8.067*	*8.457*	*8.492*	*8.900*	*8.866*
Additional tax collected	5,521	11,045	18,158	25,293	26,986	27,989	29,780	30,801	32,764	33,618
Total municipal taxes	53,452	60,415	68,268	76,906	79,373	81,948	84,549	87,213	90,022	92,593
Total mill	*17.344*	*19.033*	*21.189*	*23.175*	*23.565*	*23.620*	*24.010*	*24.045*	*24.453*	*24.419*

City of Brandon Appendix A

10-Year Financial Sustainability Plan

Projection, 2024 - 2033

Adjusted Model Scenario

		Budget	Projection	Projection	Projection	Projection	Projection	Projection	Projection	Projection	Projection
		2024	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**
Part 6: Per Household Costs											
Municipal taxes per household (assessed value)		2,199	2,486	2,809	3,164	3,266	3,372	3,479	3,588	3,704	3,810
Water & sewer costs per household		960	1,085	1,211	1,235	1,260	1,285	1,310	1,337	1,363	1,391
Drainage fee per household		-	100	100	100	100	100	100	100	100	100
Average municipal cost per single family household		**3,159**	**3,670**	**4,119**	**4,499**	**4,625**	**4,756**	**4,889**	**5,025**	**5,167**	**5,300**
Municipal tax increase		**13.0%**	**13.0%**	**13.0%**	**12.7%**	**3.2%**	**3.2%**	**3.2%**	**3.2%**	**3.2%**	**2.9%**
Total municipal cost increase		**13.5%**	**16.2%**	**12.2%**	**9.2%**	**2.8%**	**2.8%**	**2.8%**	**2.8%**	**2.8%**	**2.6%**
Residential municipal taxes per capita		**$680**	**$761**	**$852**	**$950**	**$971**	**$992**	**$1,014**	**$1,035**	**$1,058**	**$1,077**
Part 7: Ratio Analysis											
Government transfers to total Revenue		17.4%	16.2%	14.8%	14.3%	14.3%	14.2%	14.1%	14.1%	14.0%	14.0%
Public Debt Charges to Total Revenue		5.6%	6.9%	7.8%	8.6%	9.1%	9.7%	10.1%	9.6%	9.5%	10.0%
Own-Source Revenues to Taxable Assessment		1.66%	1.79%	2.00%	2.07%	2.08%	2.07%	2.10%	2.08%	2.10%	2.09%
Reserves per capita		$666	$510	$354	$179	$144	$136	$121	$137	$141	$146
Recommended Debt Ceiling (% of Assessment)	7.0%	$215,727,264	$222,199,082	$225,532,068	$232,298,030	$235,782,501	$242,855,976	$246,498,816	$253,893,780	$257,702,187	$265,433,252
Remaining Debt Capacity		$153,619,047	$137,669,423	$119,531,024	$105,353,272	$102,000,638	$103,021,724	$101,450,806	$102,648,128	$99,981,160	$102,132,249
Capacity Used		29%	38%	47%	55%	57%	58%	59%	60%	61%	62%

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