



## Staff Report for Committee of the Whole Meeting

**Date of Meeting:** March 4, 2026

**Report Number:** SRCFS.26.002

**Department:** Corporate and Financial Services

**Division:** Financial Services

**Subject:** **SRCFS.26.002 - City of Richmond Hill Financial Master Plan**

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### **Purpose:**

The purpose of this report is to provide a consolidated long-term financial outlook for the City of Richmond Hill by integrating operating and capital forecasts, asset management needs, development-related studies and funding sources, and key financial policies into a single comprehensive framework.

### **Recommendation(s):**

- a) That staff report SRCFS.26.002 be received;
- b) That the Financial Master Plan (FMP) prepared by Hemson Consulting Ltd. (Hemson), attached as Appendix A be received;
- c) That Council approve the strategic direction to guide the City's long-term financial sustainability framework, including:
  - i. Continued refinement of capital planning processes and prioritization of major capital investments;
  - ii. Strengthening financial management practices by establishing enhanced Reserves & Reserve Funds policies;
  - iii. Consideration of strategic debt financing as part of future capital budget processes, while being prudent of the financial impact on taxpayers;
  - iv. A gradual increase to the Capital Asset Sustainability (CAS) levy over time toward a 3% target, to help balance infrastructure needs with affordability.

### **Contact Person(s):**

- Muhammad Raza, Manager Fiscal Strategy and Long-term Planning, ext. #6307
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### **Report Approval:**

All reports are electronically reviewed and/or approved by the Division Director, Treasurer (as required), City Solicitor (as required), Commissioner, and City Manager. Details of the reports approval are attached.

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### **Key Messages:**

- Richmond Hill is in a strong financial position, supported by decades of responsible fiscal management, conservative budgeting, and intentional efforts to minimize debt. This strong foundation allows the City to respond proactively to emerging financial pressures.
- Richmond Hill's transition into a mature urban centre mirrors the experience of other established GTA municipalities, where aging infrastructure and evolving service needs are driving significant and growing capital funding pressures.
- Operating costs and capital requirements are projected to rise significantly over the next decade due to population growth, aging infrastructure, service expansion, and broader economic conditions including inflation and heightened construction costs.
- The City's capital program will require a balanced mix of tools, including capital prioritization, incremental CAS levy adjustments, strategic use of debt financing, and establishing reserve management policies.
- The City's historical restraint in issuing debt has ensured that Richmond Hill has the capacity to responsibly use debt as a financing tool when appropriate, helping smooth tax impacts while advancing essential capital projects.
- Incrementally increasing the CAS levy from 1.5% toward a long term target of 3% will improve the sustainability of repair and replacement reserve funds and reduce reliance on debt, while maintaining affordability for residents.

### **Background:**

The City's strong fiscal position rooted in prudent financial practices, disciplined capital planning, low reliance on debt, and a sustained commitment to reserve and reserve fund management provides a solid foundation to undertake this strategic review. The FMP outlines a proactive and responsible approach to ensuring that Richmond Hill can continue delivering high-quality municipal services while managing the increasing pressures associated with growth, aging infrastructure, and broader economic conditions.

The City of Richmond Hill has a long history of sound financial stewardship, guided by conservative budgeting, disciplined reserve management, and prudent capital planning. These practices have allowed the City to grow significantly over the last several decades from a largely sub-urban community to one of the major municipalities in the Greater Toronto Area (GTA) while maintaining strong fiscal health and minimizing reliance on external debt. Richmond Hill's evolution into a more mature urban municipality now brings with it increasingly complex and sophisticated infrastructure needs, similar to those encountered by other established GTA cities.

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In 2020, Council adopted the Financial Sustainability Strategy (SRCFS.20.026), which established a long-term framework for managing capital pressures associated with aging infrastructure, legislative changes, and continued growth. The Strategy provided guiding principles and fiscal tools to maintain service levels, ensure financial resilience, and prepare for the long-term replacement of critical municipal assets.

To support implementation of the Strategy, staff engaged Council through a series of workshops and established the Capital Sustainability Steering Committee (CSSC). Throughout its tenure, the CSSC played a central role in reviewing the City's capital budget and forecast, identifying pressures, and helping shape the City's long-term approach to capital planning. The Committee provided direction that enabled staff to advance a more robust financial framework within annual capital budgets, particularly in areas related to asset management, reserve planning, and long-term prioritization of major capital investments.

By late 2024, the CSSC's mandate had been largely fulfilled. With its foundational objectives achieved and a strengthened capital planning process in place, Council approved dissolving the CSSC to streamline future decision making and ensure all Members of Council are directly involved in capital deliberations. Staff now continue this work through the annual Capital Budget process, embedding the principles of the Financial Sustainability Strategy and incorporating Council feedback into long term planning.

The Financial Master Plan (FMP), prepared by Hemson, is the next major milestone in this multi-year effort. The FMP integrates a wide array of financial inputs including operating and capital forecasts, asset management plans, development charges (DC's) and other growth-related studies, reserves and reserve funds strategies, and existing financial policies into a unified model. The FMP is designed to complement the annual budget by providing a long-range perspective that examines infrastructure renewal needs, tax impacts, cash flow requirements, funding risks, and policy options.

Importantly, the FMP is being undertaken at a time when Richmond Hill is in a strong financial position and well placed to plan proactively for the coming decade. The City's track record of consistent contributions to reserves and reserve funds, along with its practice of prudent financing strategies, establishes a strong foundation for meeting future challenges. At the same time, the City's transition toward a more mature community combined with cost escalation, aging assets, and evolving service expectations necessitates a comprehensive review to ensure long term sustainability. Other Ontario municipalities at comparable stages of development have encountered similar financial challenges due to aging infrastructure and evolving revenue patterns. Richmond Hill's FMP seeks to address these issues strategically, ensuring that the City continues to provide high quality services, invest in essential infrastructure, and maintain fiscal resilience well into the future.

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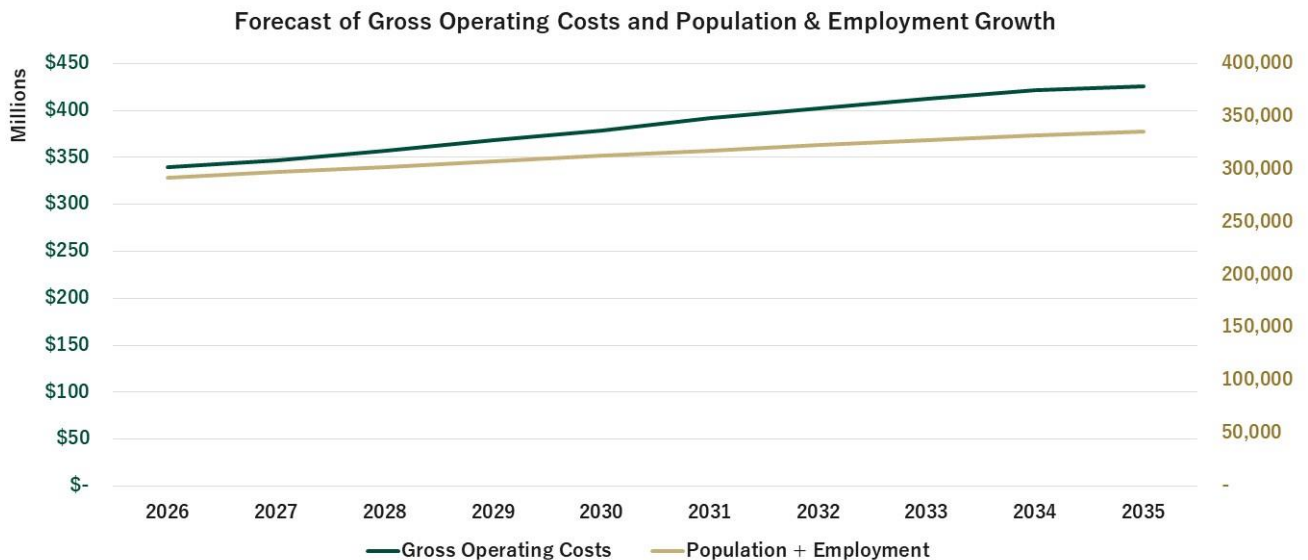
### Discussion:

#### Richmond Hill is at a pivotal stage in its financial evolution.

As the City continues to transition from a rapidly growing municipality into a mature and complete urban community, its financial landscape is becoming increasingly shaped by the realities of aging infrastructure, shifting revenue patterns, and broader economic conditions. The Financial Master Plan (FMP) provides a comprehensive and forward-looking framework to navigate these emerging pressures, reinforcing the City's long-standing commitment to prudent fiscal management while ensuring continued investment in high quality municipal services.

The FMP consolidates the City's operating and capital forecasts, asset management strategies, reserve and reserve fund policies, and growth-related studies as well as funding tools into a unified 10-year model. This integration provides staff and Council with the ability to assess long term financial impacts, conduct scenario testing, and make informed decisions that balance affordability, sustainability, and service expectations.

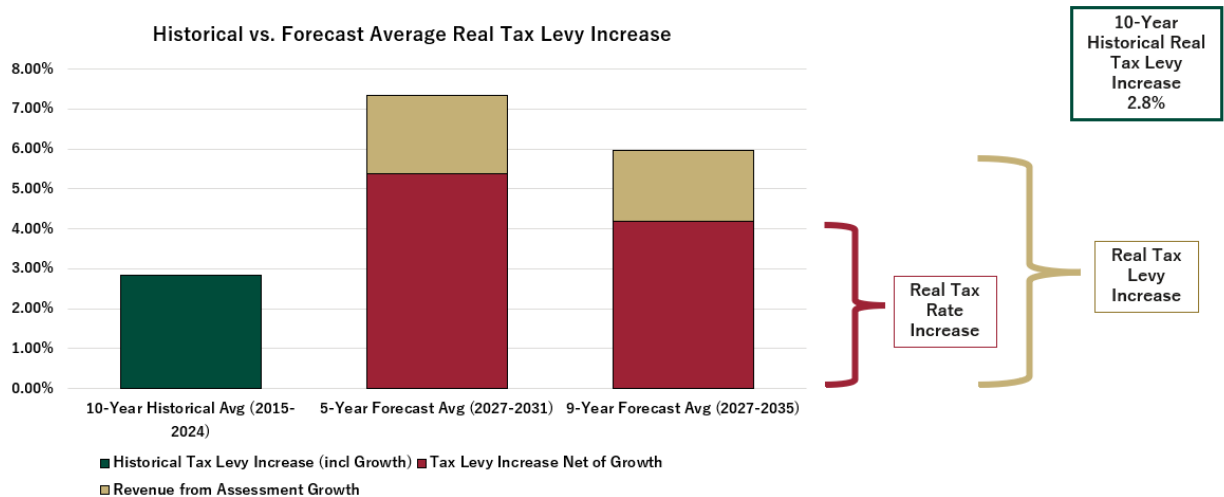
As illustrated below, the operating expenditures are projected to rise from \$339.6 million in 2026 to \$425.4 million by 2035, driven by population growth, new capital investments, inflationary impacts on utilities, contracted services, & materials and increased staffing costs.



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

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As illustrated below, the City has historically maintained modest and predictable tax rate increases, averaging 2.8%. According to the financial model's forecast, annual increases from 2027 to 2035 are expected to average about 6.0%, or 4.2% after accounting for new assessment growth. This is a trend observed widely across Ontario as municipalities adapt to rapidly rising construction costs, broad inflationary pressures, and more stringent asset management requirements. Richmond Hill's situation is not unique; many municipalities have faced similar circumstances as they matured and their infrastructure aged.

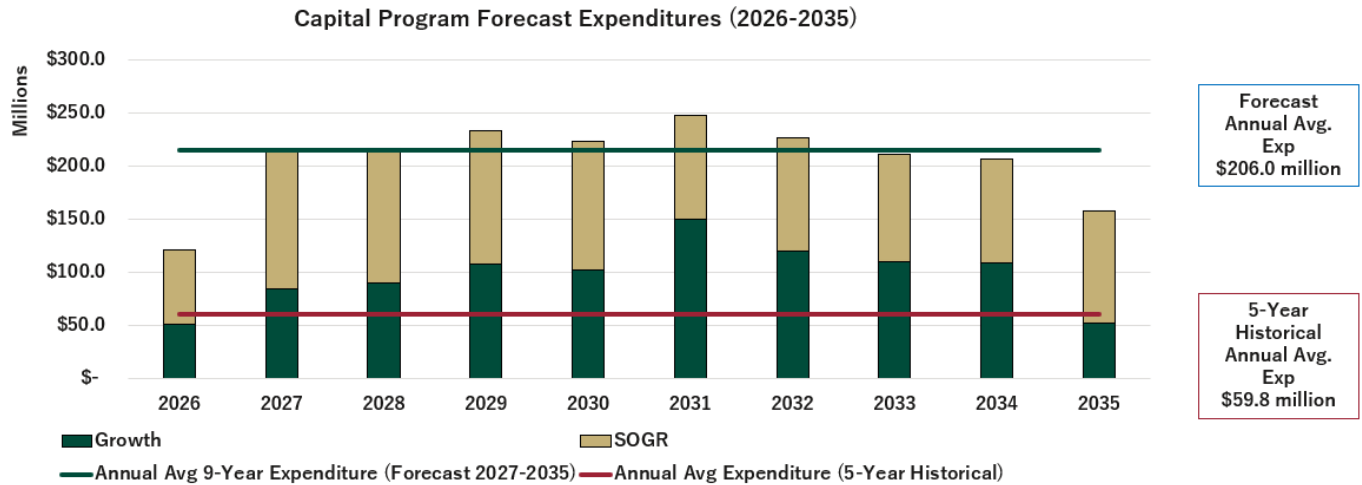


**The FMP highlights a substantial rise in capital needs over the next decade, totaling approximately \$2.06 billion - including parkland acquisitions - which is nearly 3.6 times the City's historical annual average capital spending.**

This significant increase in capital needs is driven by the rehabilitation and renewal of aging infrastructure, the growing complexity of municipal assets, the expansion of growth-related projects to support a larger and more diverse population, rising construction and material costs, and ongoing legislative and regulatory changes that affect capital planning and asset management.

These demands reflect the City's transition from a developing municipality to a more established, asset intensive urban community similar to the experience of other GTA cities such as Mississauga, where aging assets and rising costs have necessitated increased investment.

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The magnitude of the forecasted capital program cannot be achieved through traditional funding methods alone.

Although the City’s reserves and reserve funds have historically helped buffer both capital and operating pressures, they are projected to decline significantly without strategic action. Tax-supported repair and replacement reserve funds are expected to drop from \$41.7 million in 2026 to \$22 million by 2029, with recovery not anticipated until 2035 - assuming strategic interventions are implemented

Without additional tax funding or debt financing, capital projects may need to be prioritized or deferred, which would affect the City’s infrastructure and its ability to maintain current service levels.

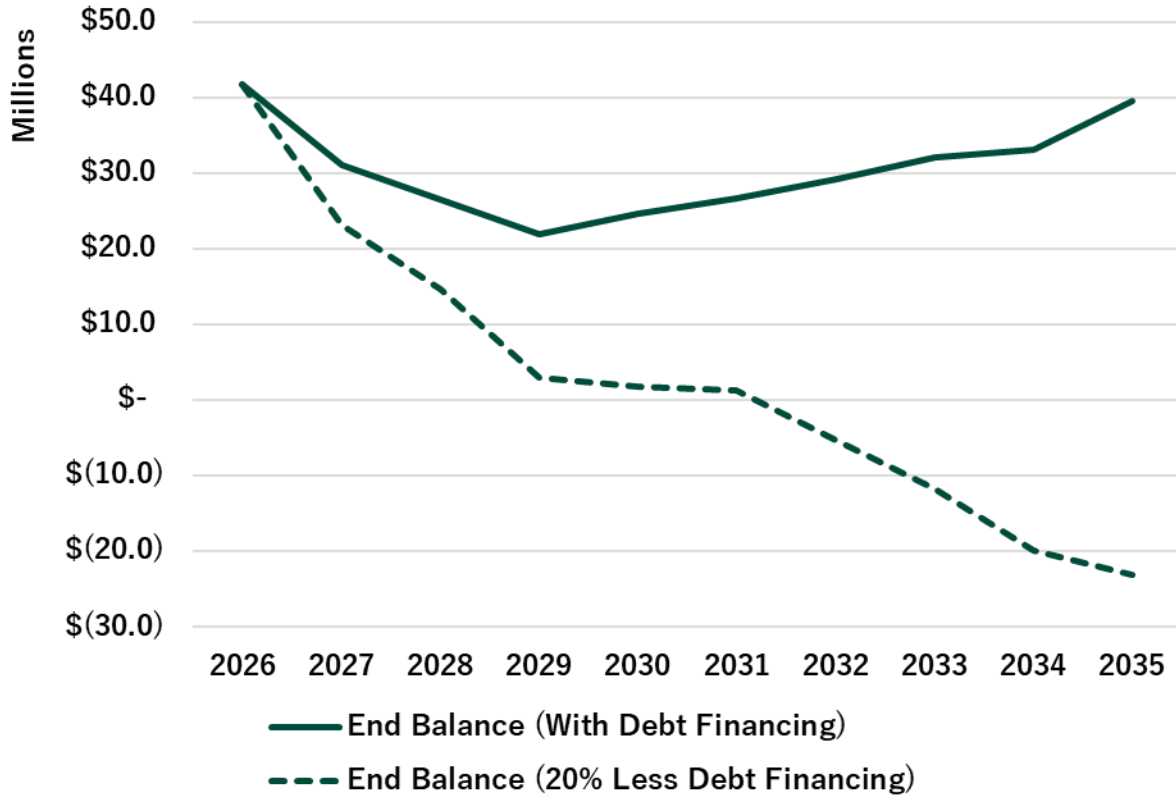
**Richmond Hill has long taken pride in keeping debt levels low, consistently funding capital priorities through reserve funds and pay as you go financing.**

This approach has placed the City in a strong financial position relative to many peers and has created flexibility to take on debt responsibly when required. Debt financing is identified as a critical tool, enabling the City to implement its capital program while maintaining reserve fund adequacy and avoiding extreme tax increases.

**The FMP introduction of strategic debt financing is grounded in the principle of intergenerational equity, which holds that the costs of long-lived infrastructure should be shared fairly between current residents and future beneficiaries.**

By structuring debt repayments to correspond with the useful life of major assets, the City can avoid sudden and unsustainable tax increases, maintain healthy reserve fund balances, ensure fairness between current and future taxpayers, and advance critical state-of-good-repair as well as growth-related capital projects in a responsible and sustainable manner. Projected ending balances for tax-supported R&R reserve funds, incorporating debt financing, are shown below.

### Tax Supported R & R Reserve Funds Ending Balance (2026-2035)



Note: Current CAS Levy is insufficient to undertake capital program needs, Alternatively, with no debt financing the CAS Levy would need to be upwards of 7% for several years to maintain a positive balance. Notional reserve balance would go into a negative position by 2027. While 20% less debt financing results in negative balance by 2032

### The Financial Sustainability Strategy and the FMP highlight the importance of maintaining adequate contributions to reserves and reserve funds.

Under current assumptions, the 1.5% Capital Asset Sustainability (CAS) levy is insufficient to support the projected renewal needs and would require significant debt issuance to compensate. Rather than recommending an immediate increase, the FMP is proposing an incremental, measured approach toward the 3% target. This approach balances affordability considerations with the urgent need to stabilize reserve fund trajectories, reduce reliance on debt, and safeguard long term asset sustainability.

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The capital and operating pressures outlined in the FMP reflect not only Richmond Hill's internal needs but also broader economic conditions. In the years following the COVID-19 pandemic, construction costs, interest rates, and the overall cost of living have risen significantly. Municipal capital programs across Ontario and Canada continue to face challenges such as supply-chain disruptions, labour shortages, and inflation. These factors underscore the importance of long-term financial planning and reinforce the value of Richmond Hill's longstanding commitment to prudent financial management.

### **The FMP presents a realistic, proactive approach to managing Richmond Hill's long term financial needs.**

By combining capital prioritization, enhanced reserve and reserve fund policies, gradual CAS levy adjustments, and strategic debt financing, the City can maintain strong financial health while investing in essential infrastructure and meeting the needs of a growing and maturing community. These recommendations are grounded in a comprehensive analysis of the City's financial position and aligned with best practices.

### **Financial Implications:**

The Financial Master Plan (FMP) identifies a number of significant financial implications for Richmond Hill over the next decade, reflecting the combined effects of aging infrastructure, growth related service demands, inflationary pressures, and shifts in revenue sources. While these challenges are material, the City's strong financial foundation built on disciplined fiscal management positions Richmond Hill well to manage the emerging pressures in a responsible, balanced manner.

### **Operating and Capital Pressures**

Hemson's financial model projects gross operating costs to rise from \$339.6 million in 2026 to \$425.4 million in 2035, reflecting service needs from continued growth and the operating impacts of new capital assets.

The forecast shows annual tax-levy increases will be higher than historical trends over the next decade i.e. 6.0% annually through 2035. These figures include the ongoing 1.5% annual Capital Asset Sustainability (CAS) levy to support asset management. Even after accounting for assessment growth, the net annual tax increase remains elevated at 4.2%, due to the City's ambitious infrastructure plans and its reliance on a mostly residential tax base. This reflects operating pressures from new infrastructure, contributions to tax supported reserve funds, and tax-funded debt service. Without any tax increases, the notional cumulative funding gap would reach \$357 million by 2035.

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These pressures are consistent with broader trends observed among Ontario municipalities, many of which are facing similar increases in capital and operating needs due to aging assets, escalating construction costs, and revenue constraints. Richmond Hill's relatively strong financial position allows the City to respond to these pressures more proactively than some peers, providing flexibility to manage the transition without compromising service quality.

The 10-year capital forecast totals about \$2.1 billion (including parkland acquisition), with annual average capital spending of roughly \$215.4 million; nearly 3.6 times the historical five-year average of \$60 million. More than half of this program is related to the renewal of aging infrastructure, a growing reality for a municipality transitioning into later stages of maturity. This includes major projects related to parks, roads, facilities, fleet, stormwater systems, and other essential municipal assets.

Given the scale of these needs, traditional funding approaches alone such as reserve funding and annual tax funding are insufficient and will require a different mix of fiscal tools. The FMP underscores the importance of a diversified funding and financing strategy that includes capital prioritization, strengthened reserve fund policies, incremental enhancements to the CAS levy, and strategic use of debt financing.

### **Debt Financing**

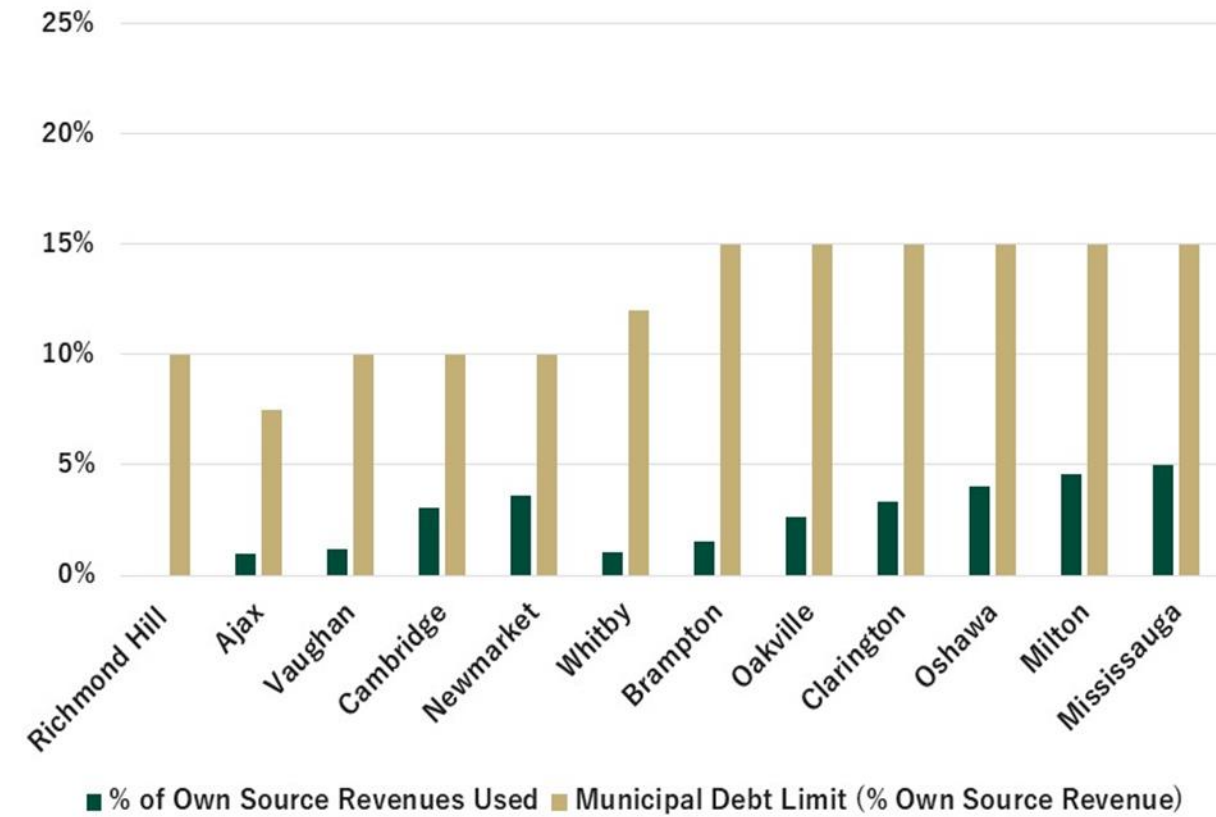
Debt financing is expected to play a more prominent role in the City's long term capital program. Unlike many other municipalities, Richmond Hill has historically issued minimal debt, opting instead for a pay as you go approach. This conservative practice has served the City well and has resulted in a comparatively low level of outstanding obligations.

However, given the large-scale capital requirements projected in the FMP, strategic use of debt financing is recommended as a tool to maintain affordability and ensure intergenerational equity sharing the cost of long-lived infrastructure between current and future residents who will benefit from the assets. Under the FMP's recommended scenario, the City's total debt is forecast to reach approximately \$870.7 million by 2035, approaching the City's internal debt limit of 10% of own source revenues but remaining well within the range considered reasonable for a municipality of Richmond Hill's size, age, and complexity.

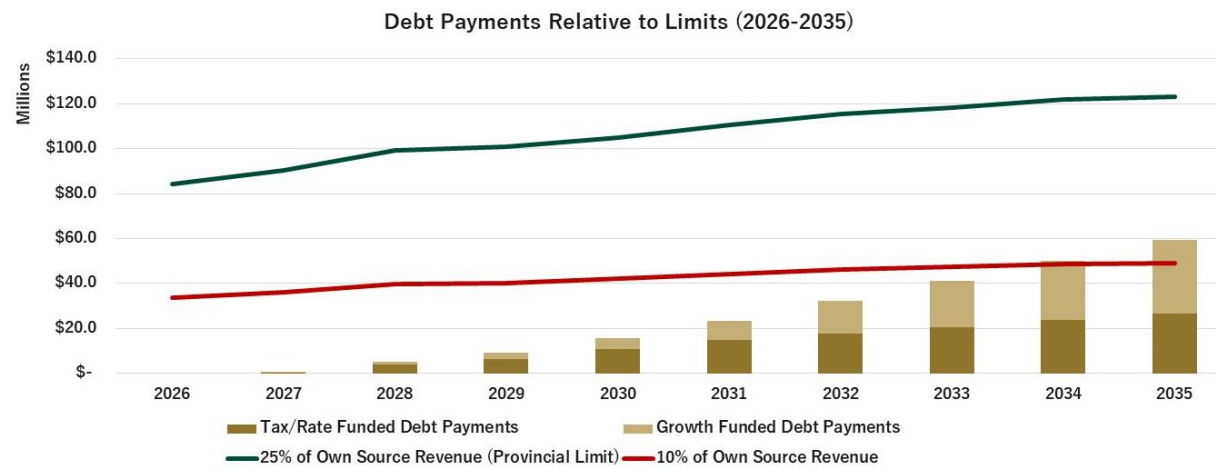
Debt will be prioritized for major state of good repair projects and large-scale capital investments where spreading costs over the life of the asset is appropriate and fiscally responsible. Leveraging debt in this manner allows the City to preserve reserve fund balances, avoid abrupt tax increases, and maintain service levels.

Below for reference are neighboring GTA cities with their debt limits compared to percentage of own source revenues.

### Comparison of Municipal Self-Imposed Limits & Debt Levels



The potential debt payments over the ten-year period, relative to the established limits, are illustrated below.



Note: Includes growth and non-growth-related debt payments. Debt payments are assumed over 20-year term at 4.5% interest rate.

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### **CAS Levy Adjustments**

The FMP confirms that the current Capital Asset Sustainability (CAS) levy of 1.5% is insufficient to meet long term infrastructure renewal needs. While increasing the levy would support reserve fund adequacy and reduce reliance on debt financing, the model recommends a phased approach to reaching the target 3% levy, rather than a full increase immediately. This approach balances long term asset sustainability with taxpayer affordability and aligns with Council's direction to manage financial pressures in a measured and responsible manner. Maintaining the CAS levy at 1.5% and current reserve fund contributions would necessitate approximately \$377.3 million in tax-supported state-of-good-repair (SOGR) debt to keep repair and replacement reserve funds at prudent levels.

Without debt financing, the CAS levy would need to rise to 7% for several years to maintain a positive reserve fund trajectory.

### **Reserves and Reserve Funds Management**

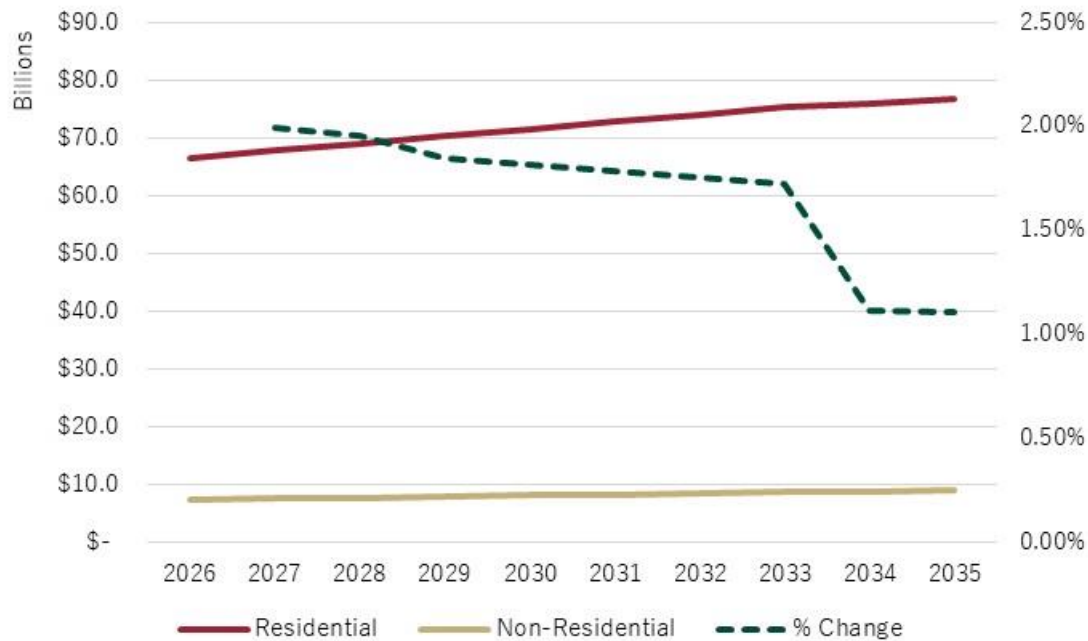
Reserves and reserve funds are projected to face significant pressure without strategic action. Tax-supported repair and replacement reserve funds are expected to decline sharply in the early years of the forecast, with recovery achievable only if debt financing is used and the CAS levy is increased. Without these measures, these tax supported reserve funds would be depleted by 2032, resulting in the deferral of essential capital projects.

Hemson recommends strengthening reserve and reserve fund policies to ensure adequate minimum balances, protect the City's long-term financial flexibility, enhance transparency and predictability in funding, and support more rigorous capital prioritization.

### **Assessment Growth and Benchmarking**

The City's current total weighted assessment value is estimated at approximately \$73.8 billion for 2026, including a residential assessment value of about \$66.5 billion and a total non-residential assessment value of \$7.4 billion. Hemson anticipates these assessment values to grow at an average rate of about 1.7% annually over the period 2027 to 2035, as shown below.

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### Overall Financial Outlook

The FMP outlines a realistic and achievable long-term financial outlook for Richmond Hill, acknowledging that the next decade will require substantial investment and disciplined fiscal management. Supported by the City’s strong financial foundation and commitment to sustainability, the plan presents a balanced strategy that includes prioritizing critical capital projects, strengthening reserve and reserve fund policies, using debt strategically, and gradually increasing the CAS levy toward the 3% target.

While the City can maintain affordability and address aging infrastructure, it must remain attentive to broader risks such as legislative changes affecting development charge revenues, slower assessment growth, inflation, and interest rate volatility. The FMP provides a framework to navigate these uncertainties, but ongoing adaptability will be essential.

Given Richmond Hill’s continued growth and evolving infrastructure needs, this comprehensive financial review is timely. The FMP serves as a key tool to guide the City’s next stage of development, supporting long-term fiscal strength and ensuring the needs of current and future residents are met.

### **Relationship to Strategic Plan 2024-2027:**

The City's Financial Master Plan reflects a strong alignment with Pillar 3: Strengthening our Foundations, emphasizing evidence-based, data-driven decision-making to ensure long-term financial sustainability and broader social, environmental, and economic resilience. These efforts also advance Pillar 1: Growing a Livable, Sustainable Community, through investments in infrastructure that enhance quality of life, connectivity, safety, and mobility.

### **Attachments:**

The following attached documents may include scanned images of appendixes, maps and photographs. All attachments have been reviewed and made accessible. If you require an alternative format please call the contact person listed in this document.

- Financial Master Plan

**Report Approval Details**

Document Title:	SRCFS.26.002 City of Richmond Hill Financial Master Plan.docx
Attachments:	- SRCFS.26.002 Appendix A - City of Richmond Hill Financial Master Plan.pdf
Final Approval Date:	Feb 20, 2026

This report and all of its attachments were approved and signed as outlined below:

**Gigi Li - Feb 19, 2026 - 9:17 AM**

**Sherry Adams - Feb 19, 2026 - 10:06 AM**

**Darlene Joslin - Feb 20, 2026 - 8:01 AM**