

Development charges, reserve accounts, could cause future budget concerns: staff

Council's regular 1 per cent tax increase dedicated to maintaining reserves isn't cutting it, local lawmakers were warned last week, and shortfalls could result in budget impacts down the road.

According to a report before Council at last week's Committee of the Whole, Council's current financial strategy of a one per cent budget contribution to reserves is leading to a gap between funding and the costs of maintaining municipal assets.

The Town's current Asset Management funding strategy of an annual one per cent for fiscal strategy has resulted in a reduced level of service for multiple asset categories, said staff in the report. To ensure that the capital plan is affordable, the timing of capital projects is managed to ensure that the funds are available to fund the projects when planned. While the Town has strategically contributed to reserves for asset management for years, the timing of the projects may still be delayed until the Asset Management Plan becomes fully funded over time.

In developing the 2026 10-Year Capital Budget, adjustments to the service levels of roads were made. The level of service for roads projects was reduced from 70 Pavement Quality Index (PQI) to 65 PQI. In addition, facilities, parks, and IT projects were deferred to ensure the affordability of the 10-Year Capital Plan. These deferrals have reduced the level of service for each respective asset category in the short-term. The long-term strategy would be to continue to implement the annual increase to asset management based on the recommendations of the Asset Management Plan.

The report notes that the estimated replacement costs of all the Town's tax-funded assets was \$1.15 billion, but had since grown to an estimated \$1.35 billion by the end of 2025, including the SARC gymnasium, Aurora Town Square, new trails, a snow storage facility at Lambert Willson Park, and more.

The current practice of increasing the capital reserve contribution by one per cent of the annual tax levy is not enough to fund the recommendations of the Asset Management Plan, the report states, recommending contributions increase to 2 per cent over a period of 15 years to catch up.

To avoid year over year fiscal shocks as advised in the Town's fiscal strategy, staff recommends that the proposed 1 per cent increase to fiscal strategy funding be phased in over four-years in annual increments of 0.25 per cent. Therefore, a full fiscal strategy tax rate increase of 1.25, 1.50, 1.75, and 2.00 per cent for 2027 to 2030 should be considered as part of the next Council term's budget, respectively.

The report raised some alarm bells around the Council table last week, with some suggesting the numbers shouldn't come as too much of a surprise.

I've been concerned about this since; I think it's the budget a couple of years ago, where it said that we were short \$53.5 million in our repair and replacement fund, which is for Town infrastructure, said Ward 3 Councillor Wendy Gaertner, suggesting budgets tabled in election years like this were not adequate. I don't believe an alarm was raised in that report because I was very concerned about a reduced service level that would come about if we didn't have enough money in our reserve fund to ensure all of our Town infrastructure is kept in good repair or replaced.

We have to pay for our services. We have to pay for the quality of life we want. We have to pay for climate change remediation and so many other things. So, when people talk about taxes, we've been charging 3%, except for those two election periods. It's not smart. We're not going to be happy with the increases that we'll have to have in the future if we don't do this now.

Concerns were also raised by Ward 5 Councillor John Gallo, who said, Maybe some of our problems are overspending [on] capital projects that perhaps shouldn't have been moved forward or cost more than anticipated.

Financial concerns were also raised on the amount of Development Charges (DCs) the Town has been able to collect from in-compliant developers over the last year.

A further report before Committee by the Town's Financial Services Department notes that under the new rules on DC collection put in place by the Provincial Government last year have resulted in Aurora collecting just \$3.5 million in 2025 compared to the average annual collection of \$16.9 million.

?Numerous legislative changes and present economic conditions have negatively impacted the Town's actual development charge collections,? said staff in the report. ?As a result of DC fund availability, some planned growth infrastructure work may need to be deferred or financed.

?In some instances, to maintain a consistent level of service to a growing community, the Town has proactively invested in growth infrastructure ahead of recovering DC revenues. To do this, it uses bridge financing that is repaid through the work's intended DC revenue funding source. Bridge financing may take the form of internal or external debt. Staff will assess the most advantageous form of debt to be used in each instance where bridge financing is required.?

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