



**Town of Richmond Hill**

P.O. Box 300  
225 East Beaver Creek, Ontario  
Canada L4C 4Y5  
(905) 771-8800

Website Address: [www.town.richmond-hill.on.ca](http://www.town.richmond-hill.on.ca)

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# **PRIORITIES FOR TODAY AND TOMORROW:**

Managing the Richmond Hill Hydro Sale  
Proceeds

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September 2002



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September 12, 2002

Dear Resident:

The Town of Richmond Hill sold its hydro utility late last year and as a result is in a very fortunate position of being able to make unique financial decisions that will benefit the community.

As a resident, your opinion will play an important part in the decision, which will be made by Council this fall. Council has directed Town staff to hold a public consultation process, so that all residents have an opportunity be a part of the process and provide their input on their opinion on the best use of the funds. The consultation process began this fall and involves a number of components. Updates on the process will be posted on the Town of Richmond Hill's Website as the process moves along. We also plan to publish information on our Bulletin Board in the Tuesday edition of The Liberal newspaper.

There are many options available to us as a community and there are a number of projects that have already been proposed for consideration. Many are described in this document, "Priorities for Today and Tomorrow: Managing the Richmond Hill Hydro Sale Proceeds."

I hope that you will find this information helpful and use it as a reference as you think about how we might best use the proceeds to benefit the municipality, now and in the future.

Sincerely,

Dave Weldon,  
Chief Administrative Officer

## **SITUATION – SOURCE OF FUNDS**

On December 27, 2001, the Town of Richmond Hill completed the sale of its hydro utility, Richmond Hill Hydro Inc., to the Town of Markham and the City of Vaughan. The Town of Richmond Hill received \$141 million in exchange for the utility.

The proceeds from the sale are currently invested in interest-earning securities. The Municipal Act of Ontario outlines the investments a municipal government is allowed to make. These are completely safe investments, made up of low-risk securities like bonds that have a provincial or federal guarantee, or other highly secure bank paper like bankers' acceptances or bank bonds.

The sale proceeds are currently invested separately from other Town funds. Richmond Hill Council announced that it would be seeking input from the public on a comprehensive strategy for dealing with the proceeds, immediately and for the future. The funds available to the Town from the sale of Richmond Hill Hydro present a rare and unique opportunity for the Town.

## **GOALS**

Richmond Hill Council has several goals for how the proceeds from the sale of Richmond Hill Hydro should be managed. They include:

- Wise management of the money
- Considering the short term and long term advantages and disadvantages of each way to use the money
- Considering how best to manage and protect the finances of the municipality
- That the residents of Richmond Hill should experience long term benefit
- That the residents of Richmond Hill should benefit from the use of the money in some clear and immediate way

## **PROCESS**

It is also very important to Richmond Hill Council that you, the resident, have an opportunity to provide your input into how to make the best use of the proceeds from the sale of Richmond Hill Hydro.

Public consultation will be the most important part of the process, providing useful and relevant information to Council on how residents feel the monies should be used. Some steps in the process have already been started.

Here's how the public consultation process will work:

## **Priorities for Today and Tomorrow: Managing the Richmond Hill Hydro Sale Proceeds**

- Members of the Town staff have produced this discussion paper, describing the situation and the different options available to the Town of Richmond Hill when deciding how best to use the monies from the sale of Richmond Hill Hydro. It is available on the Town's Website and at the Town's Municipal Offices at 225 East Beaver Creek Road or by calling (905) 771-8800, ext. 3623.
- A public opinion poll was taken. About six-hundred residents of Richmond Hill were asked about what criteria they think are important when deciding how to use the money and how to best use the proceeds.
- Public discussion sessions are also planned
- Residents can mail in their comments/suggestions to the Town at:

Priorities for Today and Tomorrow: Managing the Richmond Hill Hydro  
Sale Proceeds  
Town of Richmond Hill  
P.O. Box 300  
Richmond Hill, ON L4C 4Y5

\*Please ensure you include your full return mailing address

- News and developments will be announced throughout the process on the Town's Bulletin Board pages in the Tuesday edition of The Liberal newspaper

## **MUNICIPAL REVENUE AND FINANCIAL ISSUES**

Richmond Hill is in good financial shape relative to many other municipalities in Ontario. Even so, a strategy for managing the money from the sale of Richmond Hill Hydro is necessary because of the difficult challenges facing all municipalities.

For the past several years, taxpayers in Richmond Hill have been receiving a certain level of municipal services, while at the same time the population has continued to grow. The cost of supplying services has increased each year. However, residents expect that service levels will be maintained while minimizing impact on taxes.

All Ontario municipalities face enormous pressures and Richmond Hill is no exception. One of the biggest problems faced by many towns and cities in Ontario is aging or failing infrastructure. This includes community centres, pools, parks, roads and sewers. Some municipalities are going heavily into debt just to maintain current services and replace failing ones. Thanks to strong fiscal management policies, Richmond Hill is not in this group.

In addition, municipalities have had other sources of funding cut including grants. In the Greater Toronto Area, regional municipalities also now pay an allocation of pooled social

services costs. As well, the Province is now requiring municipalities to comply with regulations affecting things such as water quality and environmental protection measures. All of these additional expenses add to Richmond Hill's annual municipal budget costs and tax burdens.

As well, the "mechanics" of the town – things like roads and sewers, pools and community centres -- are aging. In time, they will need to be repaired and/or replaced. A kilometre of new sanitary sewer line costs an average of \$1.5 million. Some part of Richmond Hill's infrastructure is replaced every year. Long term, there will be far greater costs if the repairs and replacements aren't made on a proactive basis.

The Town has already been planning for infrastructure repair and replacement. Reserve funds exist for capital funding – to construct new buildings and facilities – and for repairs and maintenance of things like roads and sewers. To ensure these reserve funds hold enough money to pay for the work and projects that must be completed, the Town has to put more money into the funds each year. Because of inflation and budget pressures in the last ten years, the Town was not able to put as much money into the funds as is necessary to keep them at the required levels. While the Town has managed repairs and replacements cautiously, the need to use money from the reserve funds never ends. Despite all these factors, local taxes in Richmond Hill are still lower than they were eleven years ago. This has not been easy because spending pressures continue and it is getting harder and harder to create a balanced budget that maintains tax levels and delivers the services people in Richmond Hill expect and need.

## **OPTIONS**

A final decision about how to use the proceeds from the sale of Richmond Hill Hydro will be made by Council after careful consideration of all the information gathered during the public consultation process. The following strategies may be part of the final decision:

1. Invest the monies and spend only the interest
2. Start spending the money on municipal projects until it is gone
3. Spend the principal and interest income over a specified number of years by turning the money into an annuity fund
4. Use the money as a source of financing for capital spending (examples include road and sewer repairs, building repairs, and community centre rehabilitations) to be repaid as if it were debt.
5. Use the money to increase the existing Town Reserves and Reserve Funds, so taxes won't have to increase in the future to raise money for future spending requirements.

6. Divide the money up to fund a combination of choices listed.

A number of special projects have been proposed by members or groups within the community for consideration by Council. These include among others:

- Purchasing developable land in the Oak Ridges Moraine
- Assisting York Central Hospital in its capital fundraising initiative
- Building an arts and cultural centre for the community
- Building a new civic centre

Council will carefully consider these and all other ideas brought forward by Richmond Hill residents and will release the strategy on how it plans to use the proceeds in late November. In the meantime, please check the Town's Website and local media for updates on this issue to keep yourself informed because the Council wants you to be part of the process.