The Balance Report

An Executive Summary

A Financial & Economic Impact Analysis of the Pine Beach Project

Some background information. The Pine Beach Project covers over 14 hectares of land in the Quarry Point area (incl. Sandy Beach). It involves the development of 94 townhouses and 120 condo-apartments. It is reflected in a 2017 "*Agreement*" between the Promoter and the Town of Hudson. It represents some 600 additional residents.

It is expected by the current Town's administration that the "*Additional Tax Revenue*" will more than offset the expected *Additional Operating Expenses*. This thinking has been thoroughly rebuffed in past studies by former Mayor Peter Trent for communities like Rosemère. Our report expands as to why this is so and how it applies to Hudson.

The going-forward approach. The fundamental flaw in the on-going thinking (Additional Tax Rev. will offset Add'l Exp.) involves ignoring importantly critical elements. *Additional Operating Expenses* exclude some key elements. First, it ignores an accompanying increase in "*Un-Controllable Expenses*". Such expenses include fees levied by the SQ for their policing services and additional fees ('Quotes-Parts') levied by the MRC for its delivered regional services (e.g. mass transit, CMM, regional cultural & recreational activities). These expenses are charged back/downloaded to the Town based on the Town's "*Aggregate Valuations*". So as the Town's total valuations increase, so do these downloads. Second, another flaw includes the exclusion of "*Additional Abnormal Expenses*". These expenses involve elements that are included in the original *Agreement* between the Promoter and the Town. These expenses are directly attributable to the project and are not part of the Town's "normal" operations and expenditures (e.g. snow clearing, water distribution). Some of these abnormal and additional expenses are reflected as operating expenses (OPEX) and others as capital expenditures (CAPEX). Examples of such expenses that have been unaccounted for (to date) in bylaws or otherwise, include a provision in the *Agreement* to provide (June to Sept.) lifeguard services for Sandy Beach. Also included, are provisions to maintain two additional sewage pumping stations, public washrooms (construction & maintenance), and a rebuild of Beach Rd., amongst other items. These could significantly add to unplanned expenses. Our stated figures were provided on two-pronged forecasts in order to provide more robust and reliable estimates.

Impact on *Additional Tax Revenue*. As a result of these 214 new additions to Hudson's stock of residences, the aggregate of the Town's valuations will increase significantly. In fact, the ***Aggregate Valuations*** will increase by 10.5%, representing a whopping **$108,271,624** increase in the Town's *Aggregate Valuations.* An increase that far surpasses that of Hudson's valuations trend over the past 13 years, Canada's GDP growth, and inflation. This increase in *Aggregate Valuations* is obviously positively linked to an increase in tax revenue for the Town. Using different estimates, the Town's ***Additional Tax Revenue*** would rise by **$854,480** – a very important increase (10.3%) over current revenues. Revenues from "*Welcome Taxes*" were also considered. Though their effect is a windfall gain, it is only of short-term nature, non-recurring, and more than offset by additional on-going expenses.

Impact on *Net Operating Expenses*. *Net Operating Expenses* are those over which the Town has control. They conservatively do not include expenditures on General Administration, nor financial charges related to the current long include the *Un-Controllable Expenses* which are normally included in the operating expenses. Finally, they are also offset (in term debt. These are assumed not to be significantly affected by the planned increase in residences. They also do not order to account for the direct and indirect revenues that the Town collects through levies), for instance, for water service, waste disposal, water hook-ups, licenses & permits and Parks & Rec. fees. The analysis reveals that the controllable "***Additional Net Operating Expenses"*** would reach an estimated **$721,219** – representing a 2% increase in total expenditures, for a 10% increase in new residences served – this is the "marginal impact" of such a new development.

These expenses reflect nearly two thirds (64%) of all *additional expenses*.

Impact of *Un-Controllable Expenses*. As mentioned earlier, these expenses are downloads from the MRC and SQ over which the Town has no control and are importantly tied to any change in the Town's *Aggregate Valuations*. Thus, as the Town's valuations rise, so will these charges. In fact, the net "***Additional Un-Controllable Expenses***" will reach an estimated **$300,861**, mostly attributable to increasing 'Quotes-Parts' (vs SQ). Though SQ charges are more than half these total expenses, but 'Quotes-Parts' are growing at more than twice their rate.

These expenses reflect more than a quarter (27%) of all *additional expenses.*

Impact of *Additional Abnormal Expenses*. As mentioned**,** the Town has little/no control over **t**hese expenses. They are not as significant as the previously outlined expenses, but are still significant and ongoing, but for which they need to be accounted. These "***Additional Abnormal Expenses"*** total **$101,634** annually and represent 9% of all *additional expenses*.

Some Conclusions & Recommendations. The significant *Additional Tax Revenue* ($854,480) is offset by three other components: *1) Additional Operating Expenses* ($721,219), *2) Additional Un-Controllable Expenses* ($300,861), and *3) Additional Abnormal Expenses* ($101,634). The net effect is an ***annual shortfall* of $269,234**.

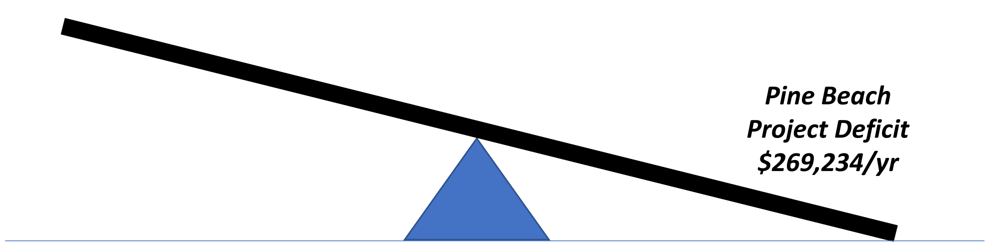
According to the "Loi sur les cités et villes'', the Town has an obligation to have a ''plan'' for the timeline, associated expenditures and mode of financing for such a project. This plan to address the expenditures or deficit has certainly not been made public but should be. This and every such project should entertain, at a minimum, an analysis such as this one.

Aside from a significant deficit, this project gives rise to several other significant issues, including:

- the management and maintenance of the parking spaces along Royalview,
- the lack of an alternative emergency route out of/into the project,
- the impact of the additional population on Hudson's school system and parking allowance in Central Hudson,
- the impact on the sewage treatment plant (RBS), and
- the impact on the aquafer and water treatment facilities nearing capacity.

Our conclusions mirror that of former Mayor Peter Trent's and are cause for several concerns.

In moving forward, the Town needs to address the upcoming deficit by reducing controllable expenses and/or increase taxes and/or impose direct levies – it's a tall order to fulfill.



A summary of the report submitted by the *Finance Working Group* for the "Sandy Beach Wetland Protection Group". Members of the working group include: *Benoit Blais, Jacques Bourgeois, Trail Grubert.* (June 30, 2021)