

MEMORANDUM OF SETTLEMENT

BETWEEN:

Rural Municipality of Brudenell
Rural Municipality of Cardigan
Rural Municipality of Lorne Valley
Rural Municipality of Lower Montague
Rural Municipality of Valleyfield

(the "Applicants", party of the first part)

AND:

Town of Georgetown

("Georgetown", party of the second part)

AND:

Town of Montague

("Montague", party of the third part)

WHEREAS the *Municipal Government Act* R.S.P.E.I. 1988, c, M-12.1 (the "Act") provides a framework for proposals on the formation of a new municipality;

AND WHEREAS the Applicants, pursuant to the *Act*, filed a proposal with the Island Regulatory and Appeals Commission (IRAC) on April 19, 2018, for the formation of a new municipality in the Three Rivers area of Kings County;

AND WHEREAS on May 15, 2018 Georgetown filed with IRAC an objection to said proposal;

AND WHEREAS on May 18, 2018 Montague filed with IRAC an objection to said proposal;

AND WHEREAS on May 24, 2018 pursuant to the *Act* IRAC appointed a mediator to assist in resolving the differences between the Parties;

AND WHEREAS the Parties, with the assistance of the mediator, reached a tentative agreement on the outstanding issues on July 30th, 2018;

NOW THEREFORE the Parties agree that the Applicants' Proposal of April 19, 2018, shall be amended to include the matters expressly provided below:

1. **New Community**

The newly amalgamated community shall be tentatively named the Greater Three Rivers Area ("Three Rivers"), until established otherwise.

2. **Participating Communities**

Three Rivers shall comprise the following communities:

Rural Municipalities

Brudenell

Cardigan

Lorne Valley

Lower Montague

Valleyfield

Towns

Georgetown

Montague

Montague Fire District

Georgetown Fire District

Cardigan Fire District

As per attached map, Appendix D

3. **Services**

The following services shall transfer to Three Rivers:

Fire Protection (not included in property taxes)

Administration

Economic Development

Planning & Bylaw Enforcement

Policing (one extra officer in Montague)

Municipally-funded Street Lights (in Cardigan, Georgetown, Montague)

Sidewalks (in Georgetown, Montague)

Facilities & Public Property

Recreation & Cultural

Pest Control (in Brudenell & Valleyfield) (not included in property rates)

Special Events

Debt Repayment (in Georgetown, Montague)

Emergency Measures Planning

4. Financing for Three Rivers

4.1 Property Tax Rates (per \$100 of assessment)

COMMUNITY	NON-COMMERCIAL RATES	COMMERCIAL RATES
Brudenell**	.13*	.38
Cardigan	.22	.38
Lorne Valley	.13*	.38
Lower Montague	.13*	.38
Valleyfield	.13*	.38
Georgetown	.39	.75
Montague	.39	.75
Unincorporated***	.05	.23

* Rate payers will pay .09 for a ten year period. Government has committed to pay the remaining .04 for a ten year period as set out in the attached Appendix B.

** The high traffic corridor is currently the area from the Poole's Corner Industrial Park along Route 4 through to Commercial Cross. The area also includes 500 meters on either side of the corridor. The high traffic area will be priority for new water and sewer infrastructure investment over a period of five years. Therefore, rates in this area will increase as follows:

Year 1	.38
Year 2	.43
Year 3	.48
Year 4	.53
Year 5	.60

Notwithstanding the foregoing, the rate shall be .75 when the infrastructure investment is complete.

Regardless of the location of a commercial property, commercial properties located on the high traffic corridor will be charged the rates included in this section and not be eligible for any tax subsidies.

*** The commercial and non-commercial rates for the unincorporated communities shall be paid to Three Rivers by the government of PEI for period of five (5) years from date of amalgamation pursuant to Appendix B. At the end of the five (5) year period the government contribution will decline each year in accordance with Appendix B and the rate payers in those communities will pay property taxes as per the following:

	Non-commercial		Commercial	
	Gov't	Ratepayer	Gov't	Ratepayer
Year 1	.05	0	.23	0
Year 2	.05	0	.23	0
Year 3	.05	0	.23	0
Year 4	.05	0	.23	0
Year 5	.05	0	.23	0
Year 6	.04	.01	.184	.046
Year 7	.03	.02	.138	.092
Year 8	.02	.03	.092	.138
Year 9	.01	.04	.046	.184
Year 10	0	.05	0	.23

4.2 **Government Revenue Sharing, Transitional Funding and Gas Tax**

Government commitment relating to equalization payments, transitional funding and federal gas tax program is attached as Appendix A.

4.3 **Transition Expenses Exceed Funding**

Government commitment to supporting transitional costs, should they exceed the budgeted amount, is included in Appendix B.

4.4 **Gas Tax**

The amount of gas tax allotted to Montague and Georgetown will be no less than each of those community's allotment immediately prior to the formation of the new municipality. Three Rivers will be treated in the same way as other municipalities that provide water and sewer services and the 2016 census data will be used for the calculation.

4.5 **Financial Statements**

Projected financial statements for Three Rivers are attached as Appendix C.

5. **Policing**

Policing in Three Rivers will be unchanged from the service provided to communities prior to the formation of the new municipality pursuant to correspondence from Government, attached as Appendix B.

6. **Employees**

- 6.1 All employees of the towns and rural municipalities will be transferred to Three Rivers, at least an equivalent compensation level as enjoyed immediately prior to the formation of the new municipality.

- 6.2 Three Rivers will develop job descriptions, pay scales commensurate with similar positions in other municipalities of comparable size.
- 6.3 Where new positions are created, internal candidates will be given first consideration.
- 6.4 Where there are two or more internal employees for a position, a competition will be held for the position, based on qualifications, ability and municipal experience.
- 6.5 In the event any internal employee is not successful in attaining a position, severance will be based on the employee's employment contract. In the absence of an employment contract, severance will be paid based on two (2) weeks pay for each full year of service, to a maximum of 26 weeks pay.
- 6.6 Georgetown and Montague shall maintain full time administrative services and current hours of operation for its residents.

7. Assets & Liabilities

- 7.1 All assets as detailed in the financial projections shall transfer to Three Rivers from the participating communities at net book value. Outstanding debt obligations will also be transferred.
- 7.2 Kings Playhouse will continue to receive at least the same level of support and commitment from Three Rivers as it did from Georgetown. Its governance structure and mandate will continue.
- 7.3 The A.A. MacDonald Gardens in Georgetown, and all public parks and other public spaces in participating communities will receive at least the same level of landscaping and maintenance services as they had previously.
- 7.4 All recreational and community facilities shall continue to be operated and maintained at at least their current level and general location, if reasonably required, to serve the residents of Three Rivers.

8. Fire Protection

The Montague fire department will continue as an independent corporation with all of its existing rights and assets. All fire departments will continue to be operated and funded as under current arrangements.

9. Existing By-Laws

By-laws in effect in each of the participating communities on the date Three Rivers is created will remain in force until replaced.

10. First Councillors

The election of councillors, including the first councillors, will be supervised by Elections PEI.

11. Organizations, Corporate Boards & Committees

Committees and corporate structures that exist to provide governance to organizations, facilities or other entities within a community shall continue as per current arrangements.

12. Water & Sewer

12.1 The Sewer Corporation in Georgetown and Water and Sewer Corporation in Montague will be transferred to Three Rivers and operated and maintained in their current communities. All agreements for services, human resources and equipment sharing and maintenance shall continue with Three Rivers and staffing levels will be maintained.

12.2 Only non-commercial consumers of the respective corporations shall be eligible for appointment to the corporation as directors or committee members.

12.3 Water and sewer services are governed by *Water & Sewer Act*, which authorizes IRAC to set water and sewer rates.

13. Objections Withdrawn

13.1 The Town of Montague withdraws its objection filed with IRAC on May 18, 2018 and this Memorandum of Settlement results in full and final settlement of any matter relating to the Three Rivers proposal.

13.2 The Town of Georgetown withdraws its objection filed with IRAC on May 15, 2018 and this Memorandum of Settlement results in full and final settlement of any matter relating to the Three Rivers proposal.

14. Georgetown will continue to be known as the capital of Kings County. All participating communities will continue to be described as the "neighbourhood of [previous name]".

15. The first Councillors shall, as a whole, not be paid more than municipalities of comparable size would pay for the same number of councillors unless the Government of PEI prescribes a different amount.

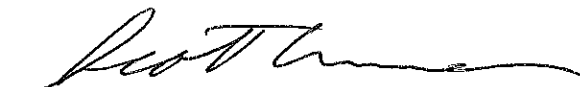
16. The Government and Three Rivers commit to working together to ensure the continued operation and maintenance of the Kings County Memorial Hospital and get the hours in the emergency department restored to 8 am to 10 pm, seven (7) days per week.


This memorandum is subject to the approval of the Councils of those municipalities on behalf of which it has been signed.

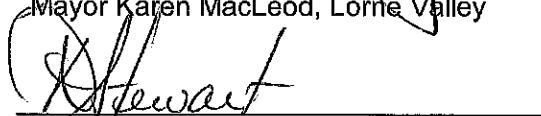
Remainder of page blank:

DATED this 8th day of August, 2018.

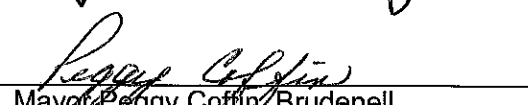
For the Rural Municipalities:


Mayor Scott Annear, Lower Montague


Mayor Karen MacLeod, Lorne Valley


Mayor Dalene Stewart, Cardigan

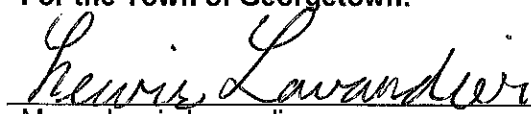

Mayor Jane King, Valleyfield


Mayor Peggy Coffin, Brudenell

For the Town of Montague:


Mayor Richard Collins

For the Town of Georgetown:


Mayor Lewis Lavandier

Appendix "A"



Communities,
Land and
Environment

Communautés,
Terres et
Environnement



Office of the Minister
PO Box 2000, Charlottetown
Prince Edward Island
Canada C1A 7N8

Bureau du ministre
C.P. 2000, Charlottetown
Île-du-Prince-Édouard
Canada C1A 7N8

July 5, 2018

Mr. Frank Gillan, Mediator

HR Atlantic, by email: fgillan@hra.ca

Dear Mr. Gillan,

We are writing to confirm that the Provincial Government strongly supports municipal governments that demonstrate leadership and work to improve economic development and sustainability.

The offer made in the letter from Ministers Roach and Mitchell dated October 12, 2017, still stands.

A number of factors have changed since October, 2017. A memorandum of understanding (MOU) regarding municipal funding has been concluded. This includes a new formula for equalization payments. We are offering to 'refresh' the commitments in the letter to reflect these changes, which effectively increases the funding offer.

1. Funding for the proposed restructured municipality will be no less than if the restructuring proposal had not proceeded, as would otherwise be calculated under the *Memorandum of Understanding - Municipal Funding*.
2. Government is prepared to extend Equalization Funding for the term of the MOU (ending March 31, 2022) based on the increased level of equalization being funded collectively to the seven municipalities in 2018-19. This is an increase in Equalization Funding of \$140,000 from the level contemplated in MR5B's August 2017 report.
3. The municipality will apply to existing federal and provincial programs to cover the cost of transitional expenses as identified in the proposal. Transition funding will be available for projects not funded elsewhere. The Province will work cooperatively with the new municipality to identify funding sources and programs that will assist with future program and infrastructure priorities on a project basis.
4. The federal Gas Tax program is a ten year funding agreement signed in 2014; 2019/20 will be year 6 of the agreement, and the 2016 census data will be used for the remaining 5 years. You have our commitment that the new municipality will be treated in the same way as other municipalities providing water and sewer services.

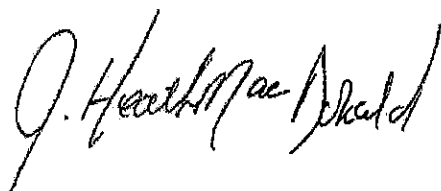
Calculated for the 2018-19 year, the 7 municipalities have a total Gas Tax Fund allocation of \$347,691. If the new municipality is created in 2018, the allocation for the new region in fiscal year 2018-19 is

estimated to be \$731,350. The allocation will be revised (based on 2016 census estimates) to \$680,133 for 2019/20 and rise to \$718,508 in 2020/21.

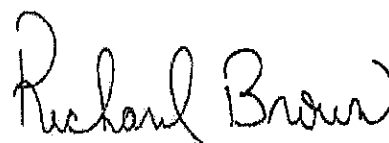
5. A new 'planning tax credit' has been confirmed for the 4 municipalities with an official plan. Extending this planning credit to the whole region will increase the revenue by \$32,000 to support the land use planning responsibilities.

We wish you well in your process, and confirm our strong support for this initiative. We welcome the opportunity to address additional considerations that may arise.

Sincerely,



Honourable J. Heath MacDonald
Minister of Finance



Honourable Richard Brown
Minister of Communities, Land & Environment

CC: Mayor Richard Collins, Town of Montague, racollins@montaguepei.ca

Mayor Lewis Lavandier, Town of Georgetown, lewis.lavandier@georgetown.ca

Mayor Scott Annear, Rural Municipality of Lower Montague, scott_ann@hotmail.com

Mayor Peggy Coffin, Rural Municipality of Brudenell, peggy.coffin8@gmail.com

Mayor Jane King, Rural Municipality of Valleyfield, midking@gmail.com

Mayor Dalene Stewart, Rural Municipality of Cardigan, dmrstewart@gmail.com

Mayor Karen MacLeod, Rural Municipality of Lorne Valley, kmacleod@coxandpalmer.com

Appendix "B"



Office of the Minister
PO Box 2000, Charlottetown
Prince Edward Island
Canada C1A 7N8

**Communities,
Land and
Environment**

**Communautés,
Terres et
Environnement**



Bureau du ministre
C.P. 2000, Charlottetown
Île-du-Prince-Édouard
Canada C1A 7N8

August 1, 2018

Mayor Richard Collins,
Mayor Lewis Lavandier,
Mayor Scott Annear,
Mayor Peggy Coffin,
Mayor Jane King,
Mayor Dalene Stewart,
Mayor Karen MacLeod

Dear Mayors,

We are writing to affirm provincial Government support for this proposal, and to re-state specific commitments made to the new municipality in our letter of July 5th and in subsequent mediation:

1. The Government agrees to provide the following under sustainability funding:

\$57,200 annually for ten years. These funds must be assigned to offset the projected property tax increases in the Communities for ten years at 4 cents/100.

\$158,900 annually for five years. This amount will be provided for a further four years in the following amounts: year six - \$127,120, year seven - \$95,340, year eight - \$63,560, year nine - \$31,780. These funds must be assigned to offset the projected non commercial property tax increases for the unincorporated areas for the first five years (at 5 cents per 100 for non-commercial and 23 cents per 100 for commercial) and then on a declining basis for the next four years.

2. As previously indicated, Government is committed to supporting the transitional costs for the restructuring of municipalities and will actively support the work. The Government commits to funding \$820,000 over years one and two to support soft costs as well as \$1.0 million in funding over 5 years towards strategic infrastructure. The province will support the new municipality to secure federal funding to support both investments. It is also

understood that these funding commitments are incremental to current municipal funding programs (ie equalization, tax credits and gas tax).

Concern was expressed about the sufficiency of resources to support the Official Plan development and bylaw and policy development required for the new municipality. In the Three Rivers proposal prepared by MRSB there was a projected costing for this work. Government understands and appreciates that those costs are projections and may indeed not be reflective of actual costs once the work begins.

In the event that the costs for this important work is not adequately resourced through our existing commitments, we commit to finding additional dollars to ensure the work is completed.

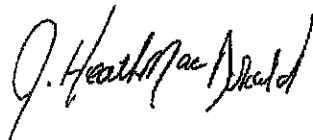
3. Government is prepared to extend Equalization Funding for the term of the MOU (ending March 31, 2022) based on the increased level of equalization being funded collectively to the seven municipalities in 2018-19. This is an increase in Equalization Funding of \$140,711 from the 2016-17 equalization to the 2018-19 total of \$704,622.

4. Government supports the status quo arrangement for policing, should the new municipality wish to keep the existing service model. Specifically:

- a) the present policing service levels in Montague are expected to continue;
- b) the extended services agreement for one RCMP officer is expected to continue;
- c) the new municipality may continue with the current model of services even if the population is over 5000.

I trust this provides the necessary commitment and clarification you require. We welcome the opportunity to address additional considerations that may arise.

Sincerely,



Honourable J. Heath MacDonald
Minister of Finance



Honourable Richard Brow
Minister of Communities, Land &
Environment

CC: Mr. Frank Gillan, Mediator, HR Atlantic, by email: fgillan@hra.ca

Appendix "C"

**MUNICIPALITY OF THREE RIVERS
PROJECTED FINANCIAL INFORMATION
FOR THE YEARS TO END ONE THROUGH FIVE
(Unaudited - See Notice to Reader)**

CONTENTS

	PAGE
NOTICE TO READER	
PROJECTED STATEMENTS OF OPERATIONS – PREPARED ON A CASHFLOW BASIS	1
NOTES TO THE PROJECTED FINANCIAL INFORMATION	2-16

NOTICE TO READER

We have compiled a financial projection for Municipality of Three Rivers consisting of Projected Statements of Operations prepared on a cashflow basis for the years ending one to five using assumptions, including the hypotheses set out in Note 2, with an effective date of August 1, 2018 and other information provided by the Three Rivers Steering Committee and updated through the mediation process with the applicants (Brudenell, Cardigan, Lorne Valley, Lower Montague and Valleyfield) and with input from the Towns of Georgetown and Montague. Our engagement was performed in accordance with the applicable guidance on compilation of a financial projection set out in the CPA Handbook-Assurance.

A compilation is limited to presenting, in the form of a financial projection, information provided by management and does not include evaluating the support for the assumptions including the hypotheses or other information underlying the projection. Accordingly, we do not express an opinion or any other form of assurance on the financial projection or assumptions including the hypotheses. Further, since this financial projection is based on assumptions regarding future events, actual results will vary from the information presented even if the hypotheses occur, and the variations may be material. We have no responsibility to update this communication for events and circumstances occurring after the date of this communication. This projected financial information is intended solely for the purpose of the Island Regulatory and Appeals Commission mediation process. In the event that the amalgamation proceeds the financial projections should be updated to incorporate the most recent actual results, any updated financial assumptions resulting from the Island Regulatory and Appeals commission recommendations, and other subsequent events.

MRS Chartered Professional Accountants

CHARLOTTETOWN, P.E.I., CANADA
AUGUST 1, 2018

M | R | S | B
Accounting Tax Consulting Valuation Bookkeeping

MUNICIPALITY OF THREE RIVERS
PROJECTED STATEMENTS OF OPERATIONS
PREPARED ON A CASHFLOW BASIS
FOR THE YEARS TO END ONE TO FIVE
(Unaudited – See Notice to Reader)

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Revenue					
Property taxes - Note 4(a)	\$ 731,000	\$ 746,800	\$ 762,800	\$ 779,300	\$ 797,800
Revenue sharing - Province of PEI - Note 4(b)	1,041,200	1,047,800	1,059,700	1,059,700	1,059,700
King's Playhouse, Cavendish Farms Wellness Centre, Montague Waterfront Development Corporation - Note 4(l)	370,100	373,800	377,600	381,400	385,200
Other revenue - Note 4(c)	148,700	151,800	154,900	158,000	161,200
Government transfers - Note 4(d)	85,600	85,600	85,600	85,600	85,600
Province of PEI transition funding - Note 4(e)					
-Property tax offset	216,100	216,100	216,100	216,100	216,100
-Transitional funding to establish new municipality	620,000	200,000	-	-	-
-Long-term sustainability funding	200,000	200,000	200,000	200,000	200,000
	<u>3,412,700</u>	<u>3,021,900</u>	<u>2,856,700</u>	<u>2,880,100</u>	<u>2,905,600</u>
Expenditures					
Administration - Note 4(f)	647,800	640,300	650,700	661,400	671,200
Economic development - Note 4(g)	102,500	105,600	108,800	112,000	115,400
Planning and bylaw enforcement- Note 4(h)	114,300	116,500	117,300	118,100	118,900
Policing - Note 4(i)	130,000	130,000	130,000	130,000	130,000
Streets, street lights, sidewalks - Note 4(j)	371,200	377,900	384,600	391,700	399,000
Facilities and public property - Note 4(k)	156,300	159,400	162,500	165,600	168,800
Recreation and cultural services - Note 4(l)	751,600	765,900	781,300	796,900	812,800
Other municipal services - Note 4(m)	70,900	72,300	73,800	75,300	76,800
Transition expenditures - Note 4(e)					
- Establishment of new municipality	620,000	200,000	-	-	-
- Long-term sustainability	200,000	200,000	200,000	200,000	200,000
	<u>3,164,600</u>	<u>2,767,900</u>	<u>2,609,000</u>	<u>2,651,000</u>	<u>2,692,900</u>
Net Revenue (Expenditures) before principal repayment of debt	248,100	254,000	247,700	229,100	212,700
Principal portion of debt repayment - Note 4(n)	<u>67,300</u>	<u>22,100</u>	<u>22,000</u>	<u>22,500</u>	<u>22,700</u>
Net Revenue (Expenditures) after principal repayment of debt	180,800	231,900	225,700	206,600	190,000
Accumulated Surplus - Beginning of Year	<u>-</u>	<u>180,800</u>	<u>412,700</u>	<u>638,400</u>	<u>845,000</u>
Accumulated Surplus - End of Year	\$ 180,800	\$ 412,700	\$ 638,400	\$ 845,000	\$ 1,035,000

MUNICIPALITY OF THREE RIVERS
NOTES TO THE PROJECTED FINANCIAL INFORMATION
FOR THE YEARS TO END ONE TO FIVE
(Unaudited – See Notice to Reader)

1. Basis of Preparation

The Municipality of Three Rivers will be incorporated under the Municipalities Act of Prince Edward Island. The Municipality is a non-profit organization under the Income Tax Act.

This projected financial information has been prepared for the purpose of Island Regulatory and Appeals Commission mediation process. The projected financial information has been prepared as of August 1, 2018 using the hypotheses detailed in Note 2 together with assumptions that are based on the Three Rivers Steering Committee's judgment as to the most probable set of economic conditions as well as the entity's planned courses of action for the period covered. Projected financial information is shown on a cash flow basis reflecting the repayment of principal and excluding amortization. Projected financial information includes property tax rates and other significant assumptions provided by the Three Rivers Steering Committee and updated through the mediation process with the applicants (Brudenell, Cardigan, Lorne Valley, Lower Montague and Valleyfield) and with input from the Towns of Georgetown and Montague. Expenditures have been estimated based on a review of December 31, 2015 year-end financial statements and the 2016 operating budget for each of the incorporated municipalities, discussions with the Chief Administrative Officers of each incorporated municipality, and discussions with the Three Rivers Sub-committee. Projections have been updated through the mediation process with the applicants (Brudenell, Cardigan, Lorne Valley, Lower Montague and Valleyfield) and with input from the Towns of Georgetown and Montague and reflect a 4% increase in most expenditure lines with the exception of mayor/council remuneration, and wages and benefits for new positions, and interest on long-term debt. These rates and other assumptions may change. Expenditures have been recategorized for consistency of presentation amongst the municipalities. Classification of all expenditures in this projection are based on the classifications used in the Municipal Financial Information Return.

In view of uncertainties inherent in predicting future conditions and actions, actual results achieved for the period will vary from the information presented and the variations may be material.

2. Hypotheses

The projection is based on the following hypotheses:

- It is assumed that existing non-financial assets of each of the incorporated municipalities forming the new Municipality of Three Rivers will be transferred to the new entity at net book value based on audited statements for each former municipality on the date of closing.
- It is assumed that existing long-term debt of each of the incorporated municipalities forming the new Municipality of Three Rivers will be transferred to the new entity. It is assumed the outstanding balance will be based on audited statements for each former municipality on the date of closing.
- It is assumed that upon amalgamation a closing statement of financial position will be prepared for each currently incorporated municipality to determine the net financial assets (financial assets less liabilities). It is further assumed that existing net financial assets will be placed in a restricted fund to be used solely for the benefit of that particular community for general purposes, fire services or water and sewer. The amount may vary significantly by community. The purpose of this note is not to provide exact values but to demonstrate that there will be cash set aside for use of each community.
- Water and sewer services are part of the current Town of Montague entity and sewer services are part of the current Town of Georgetown entity, however water and sewer components of these municipalities operate on a user pay system. Capital assets, long-term debt, revenue and expenditures related to water and sewer are excluded from these projections.

MUNICIPALITY OF THREE RIVERS
NOTES TO THE PROJECTED FINANCIAL INFORMATION
FOR THE YEARS TO END ONE TO FIVE
(Unaudited – See Notice to Reader)

2. Hypotheses (continued)

- The Cardigan Fire Department is part of the current Village of Cardigan entity and the Georgetown Fire Department is part of the current Town of Georgetown entity, however both of these fire departments serve a larger region than that of the municipality and fire dues are charged to all residents of incorporated and unincorporated areas who fall within the fire department area to cover costs related to operations such as insurance, interest, repairs and maintenance, telephone, honorariums, training, travel, vehicle, etc. The Montague Fire Department is a separate entity operated outside of the Town of Montague municipal entity. Capital assets, long-term debt, revenue and expenditures related to fire services are excluded from these projections.
- For policing services, it is assumed that the Municipality of Three Rivers would negotiate with the Province of PEI to continue under the Provincial Agreement and continue an Extended Service Agreement for the current Town of Montague area for one additional officer. Revenue related to fines issued have not been included in the projected financial information.
- It is assumed that a long-term agreement with the Province of PEI will be established in regard to those points detailed in Note 3.

3. Summary of Key Components of Long-Term Agreement with the Province of PEI

- An August 2018 letter from the Province of PEI to the Mayors of the Three Rivers area commits that the prospective new municipal entity will be provided with sustainability funding as follows:
 - \$57,200 annually for ten years. This amount to be assigned to offset the projected non-commercial property tax increases in the communities of Brudenell, Lorne Valley, Lower Montague and Valleyfield for ten years at \$0.04 per \$100 assessed value.
 - \$158,900 annually for five years. This amount will be provided for a further four years in the following amounts: year six - \$127,120, year seven - \$95,340, year eight - \$63,560 and year nine - \$31,780. These funds must be assigned to offset the projected property tax increases for the unincorporated areas for the first five years (at \$0.05 per \$100 non-commercial assessment and \$0.23 per \$100 commercial assessment) and then on a declining basis for the next four years.
- The August 2018 letter from the Province of PEI indicates their commitment to supporting the transitional costs for restructuring of municipalities and actively supporting the work. The Province of PEI commits to funding of \$820,000 over the first two years of amalgamation to assist with the establishment of the new municipality. Funds are intended to contribute towards development of an official plan, bylaw and policy development, accounting, audit and legal fees related to establishing the new entity, development of an economic development strategy, recreational plan, assessing existing infrastructure, and repairs and maintenance to Administrative facilities to meet new standards. In the event that the costs for this important work is not adequately resourced through the Province of PEI's existing commitments, the Province of PEI commits to finding additional dollars to ensure the work is completed. The Province of PEI also commits to \$1.0 million in funding over 5 years toward strategic infrastructure. The Province of PEI will support the new municipality to secure federal funding to support both investments. It is also understood that these funding commitments are incremental to current municipal funding programs (for example, equalization, tax credits and gas tax).
- In the August 2018 letter the Province of PEI commits that they are prepared to provide Equalization Funding for the term of the Municipal Funding Memorandum of Understanding (ending March 31, 2022) based on an increased level of equalization funding over the 2016-17 equalization of \$140,711 resulting in a commitment of \$704,622 annually.

**MUNICIPALITY OF THREE RIVERS
NOTES TO THE PROJECTED FINANCIAL INFORMATION
FOR THE YEARS TO END ONE TO FIVE
(Unaudited – See Notice to Reader)**

3. Summary of Key Components of Long-Term Agreement with the Province of PEI (continued)

- That the gas tax allocation be calculated based on the formula for incorporated municipalities who provide sewer or water to their residents. It is assumed that upon amalgamation of the communities in the Three Rivers area, the newly incorporated municipality will qualify to access gas tax under the direct allocation component estimated at a total of \$710,200. It is assumed that under any new agreement the Municipality of Three Rivers will be treated equitably with other communities that provide sewer and/or water to residents. It is understood that funding received under the Gas Tax Fund must be used for eligible infrastructure and capacity building projects as outlined in the Gas Tax Agreement and must be submitted for approval in a Capital Investment Plan which details planned expenditures. It is assumed that projects will proceed based on their own merit based on new council approval and compliance with eligibility criteria and that a portion of the funding will be allocated for water and sewer projects which may not provide benefit to all residents of the new municipality.
- The Province of PEI supports the status quo arrangement for policing, should the new municipality wish to keep the existing service model. Specifically:
 - The present policing service levels in Montague are expected to continue;
 - The extended services agreement for one RCMP officer is expected to continue;
 - The new municipality may continue with the current model of services even if the population is over 5,000.

4. Summary of Significant Assumptions

a) Property taxes

Property tax revenue is a function of both the property assessed value and the property tax rate (commercial and non-commercial). Assessment values used for these financial projections are based on information provided by the Property Taxation Division of the Province of PEI for all incorporated and unincorporated areas as at December 2017. The Province cautioned that the data was not checked for accuracy and that errors might exist, including properties being included or excluded erroneously which may affect the assessment values at various level of aggregation. Assessment values are increased each year for owner-occupied residential properties by the change in All Items PEI Consumer Price Index, from the previous years. Assessment values for owner-occupied residential properties may also increase as a result of improvements and total assessed values may increase as a result of new construction. For all property other than owner-occupied residential property, the taxable value assessment is the market value assessment. For purposes of this projected financial information all assessed values are projected to increase by 1.6% per year based on the 10 Year average historical change in the All Items PEI Consumer Price Index. Due to the difficulty in predicting market value changes in existing properties and estimating new construction, only the 1.6% increase is applied to existing assessment values and assessment value of potential new construction has not been included.

It is worth noting that total assessed values may increase at a rate faster than has been the case historically as there are many commercial and residential construction projects currently in progress or planned for the next two to three years in the Three Rivers region. For this reason, the projected growth in assessed values and related tax revenue appears to be quite conservative.

The property tax rates used in this projection were developed after much discussion and analysis by the Three Rivers Steering Committee and updated through the mediation process with the applicants (Brudenell, Cardigan, Lorne Valley, Lower Montague and Valleyfield) and with input from the Towns of Georgetown and Montague. The rates used in this projection are consistent with those detailed in the Island Regulatory and Appeals Commission mediator's report.

MUNICIPALITY OF THREE RIVERS
NOTES TO THE PROJECTED FINANCIAL INFORMATION
FOR THE YEARS TO END ONE TO FIVE
(Unaudited – See Notice to Reader)

4. Summary of Significant Assumptions (continued)

a) Property taxes (continued)

Area	December 31, 2017		Tax Rates	
	<u>Assessment Values</u>			
	<u>Non-commercial</u>	<u>Commercial</u>	<u>Non-commercial</u>	<u>Commercial</u>
Community of Brudenell	\$ 51,383,400	\$ 7,957,500	0.09	0.38
Village of Cardigan	13,824,088	1,341,400	0.22	0.38
Town of Georgetown	15,371,100	3,005,000	0.39	0.75
Community of Lorne Valley	3,496,900	270,900	0.09	0.38
Lower Montague Community Council	48,897,000	2,320,900	0.09	0.38
The Town of Montague	72,666,900	20,409,200	0.39	0.75
Community of Valleyfield	40,077,600	1,821,700	0.09	0.38
Cardigan fire district - unincorporated	77,703,300	10,161,100	-	-
Georgetown fire district - unincorporated	49,460,100	2,010,500	-	-
Montague fire district - unincorporated	107,805,200	6,067,800	-	-
	<u>\$ 480,685,588</u>	<u>\$ 55,366,000</u>		

The non-commercial rates in the communities of Brudenell, Lorne Valley, Lower Montague and Valleyfield are offset in the first ten years by sustainability funding from the Province of PEI of \$57,200 annually. These funds must be assigned to offset the projected property tax increases in these communities for ten years at \$0.04 per \$100 of non-commercial assessment.

A high traffic commercial corridor shall be designated as the area from the Poole's Corner Industrial Park along Route Four through to Commercial Cross. The area also includes 500 meters on either side of the corridor. The high traffic area will be a priority for new infrastructure investment – water/sewer, sidewalks and street lights – over a period of five years. Therefore, commercial rates in this area will increase as follows:

Year 1	\$0.38
Year 2	\$0.43
Year 3	\$0.48
Year 4	\$0.53
Year 5	\$0.60

Notwithstanding the foregoing, the rate shall be \$0.75 per \$100 commercial assessment when the infrastructure is complete.

The non-commercial and commercial rates in the unincorporated areas of the Cardigan, Georgetown and Montague fire districts will be offset by sustainability funding from the Province of PEI of \$158,900 annually for 5 years, \$127,120 in year 6, \$95,340 in year 7, \$63,560 in year 8 and \$31,780 in year 9. These funds will be assigned to offset the projected property tax increases for the unincorporated areas for the first five years (at \$0.05 per \$100 non-commercial assessment and \$0.23 per \$100 commercial assessment) and then on a declining basis for the next four years.

MUNICIPALITY OF THREE RIVERS
NOTES TO THE PROJECTED FINANCIAL INFORMATION
FOR THE YEARS TO END ONE TO FIVE
(Unaudited – See Notice to Reader)

4. Summary of Significant Assumptions (continued)

a) Property taxes (continued)

Based on these property assessment values and assumed property tax rates, annual property tax revenue is projected as follows:

Area	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Community of Brudenell	\$ 76,500	\$ 81,800	\$ 87,100	\$ 92,700	\$ 100,200
Village of Cardigan	35,500	36,100	36,700	37,300	37,900
Town of Georgetown	82,500	83,800	85,100	86,500	87,900
Community of Lorne Valley	4,200	4,300	4,400	4,500	4,600
Lower Montague Community Council	52,800	53,600	54,500	55,400	56,300
The Town of Montague	436,500	443,500	450,600	457,800	465,100
Community of Valleyfield	43,000	43,700	44,400	45,100	45,800
Cardigan fire district - unincorporated	-	-	-	-	-
Georgetown fire district - unincorporated	-	-	-	-	-
Montague fire district - unincorporated	-	-	-	-	-
	<u>\$ 731,000</u>	<u>\$ 746,800</u>	<u>\$ 762,800</u>	<u>\$ 779,300</u>	<u>\$ 797,800</u>

b) Revenue sharing – Province of PEI

An October 2015 letter from the Province of PEI to the Mayors of the current incorporated municipalities in the Three Rivers area commits that the prospective new municipal entity will be provided with at least the equivalent provincial funding (grants and equalization) that the seven partnering municipalities received individually prior to restructuring.

The current municipal funding model with the Province includes the following components:

1. Real Property Tax Credit consisting of:

Police Credit

A police credit with one tier for the municipalities that have their own police force and one tier for the municipalities that have direct or extended RCMP contracts. The credit for municipalities that have direct or extended RCMP contracts is equivalent to \$0.074 per \$100 of non-commercial property tax assessment value in year 1 increasing to \$0.078 by year 3. Year 4 and 5 are outside the term of the current Municipal Funding MOU but are assumed to be equivalent to the year 3 rate. For purposes of estimating the police credit for the Three Rivers area it is assumed that the Municipality of Three Rivers would negotiate with the Province of PEI to continue under the Provincial Agreement with an Extended Service Agreement for the area of the current Town of Montague for one additional officer. The Police Credit will only apply to the Town of Montague. All other areas will continue with the current model of services.

MUNICIPALITY OF THREE RIVERS
NOTES TO THE PROJECTED FINANCIAL INFORMATION
FOR THE YEARS TO END ONE TO FIVE
(Unaudited – See Notice to Reader)

4. Summary of Significant Assumptions (continued)

b) Revenue sharing – Province of PEI (continued)

Street Maintenance Credit

A streets maintenance credit for the municipalities that own and maintain their own streets with one tier for cities and one tier for the remaining municipalities that maintain their own streets. The credit for municipalities that maintain their own streets is \$0.182 per \$100 of non-commercial property tax assessment value in year 1 increasing to \$0.190 by year 3. Year 4 and 5 are outside the term of the current Municipal Funding MOU but are assumed to be equivalent to the year 3 rate. Currently only the Town of Georgetown maintains streets. Effective November 2016 the Town of Montague turned their streets over to the Province of PEI for maintenance.

Development Control Credit

A development control credit for the municipalities that provide land use planning and development control and building inspection as one tier and the municipalities that provide land use planning and development control only as another tier. The credit for municipalities that provide land use planning and development control is \$0.011 per \$100 of non-commercial property tax assessment value in year 1 increasing to \$0.012 by year 3. Year 4 and 5 are outside the term of the current Municipal Funding MOU but are assumed to be equivalent to the year 3 rate.

Base Credit

A base credit, for providing local and regional facilities and programs, with one tier for the cities to recognize their higher costs and more regional approach, and one tier for the remaining municipalities. The credit for the remaining municipalities is \$0.042 per \$100 of non-commercial property tax assessment value in year 1 increasing to \$0.044 by year 3. Year 4 and 5 are outside the term of the current Municipal Funding MOU but are assumed to be equivalent to the year 3 rate.

2. Equalization Grant

The Equalization Grant provides funds to municipalities to offer basic services. It is given to municipalities that are not able to collect the same amount of tax revenue as other municipalities due to low assessment values or low population. The Province of PEI has committed to providing \$704,600 annually for the term of the Municipal Funding MOU (ending March 31, 2022). It has been assumed that any new MOU would commit to at least an equivalent amount.

	Non-commercial Assessment	Tax Credit Rate Range	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Tax Transfer							
i. Police credit	72,666,900	\$0.073 - \$0.078	\$ 53,800	\$ 55,200	\$ 56,700	\$ 56,700	\$ 56,700
ii. Streets credit - Georgetown	15,371,100	\$0.179 - \$0.190	28,000	28,400	29,200	29,200	29,200
iii. Development credit	480,685,588	\$0.011 - \$0.012	52,900	52,900	57,700	57,700	57,700
iv. Base credit	480,685,588	\$0.042 - \$0.044	201,900	206,700	211,500	211,500	211,500
Equalization			<u>704,600</u>	<u>704,600</u>	<u>704,600</u>	<u>704,600</u>	<u>704,600</u>
			<u>\$ 1,041,200</u>	<u>\$ 1,047,800</u>	<u>\$ 1,059,700</u>	<u>\$ 1,059,700</u>	<u>\$ 1,059,700</u>

MUNICIPALITY OF THREE RIVERS
NOTES TO THE PROJECTED FINANCIAL INFORMATION
FOR THE YEARS TO END ONE TO FIVE
(Unaudited – See Notice to Reader)

4. Summary of Significant Assumptions (continued)

c) Other revenue

Other revenue includes various items such as investment income, sewer administration fee, water commission fee, permit fees, and grants related to special events, estimated based on 2015 actuals and 2% annual increase.

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Other revenue	<u>\$ 148,700</u>	<u>\$ 151,800</u>	<u>\$ 154,900</u>	<u>\$ 158,000</u>	<u>\$ 161,200</u>

d) Government transfers

Incorporated municipalities apply for Special Projects Program funding from the Employment Development Agency which provides 100 per cent wage support to create temporary employment. Funding may also be available for full or partial wage subsidy to create employment for Island students. Many of the existing communities apply for funding from the Employment Development Agency and it is assumed that funding would continue at the same level in future years.

e) Province of PEI transition funding

The transition funding detailed below has been agreed to by the Province of PEI. The programs, initiatives and amounts shown below were proposed by the Three Rivers Steering Committee and updated through the mediation process with the applicants (Brudenell, Cardigan, Lorne Valley, Lower Montague and Valleyfield) and with input from the Towns of Georgetown and Montague. These costs and initiatives are estimated as follows:

i. Property tax offset

An August 2018 letter from the Province of PEI to the Mayors of the Three Rivers area commits that the prospective new municipal entity will be provided with sustainability funding of \$216,100 for the first five years and on a declining basis for years 6 to 10 as follows:

- a. \$57,200 annually for ten years. This amount to be assigned to offset the projected non-commercial property tax increases in the communities of Brudenell, Lorne Valley, Lower Montague and Valleyfield for ten years at \$0.04 per \$100 assessed value.
- b. \$158,900 annually for five years. This amount will be provided for a further four years in the following amounts: year six - \$127,120, year seven - \$95,340, year eight - \$63,560 and year nine - \$31,780. These funds must be assigned to offset the projected property tax increases for the unincorporated areas for the first five years (at \$0.05 per \$100 non-commercial assessment and \$0.23 per \$100 commercial assessment) and then on a declining basis for the next four years.

MUNICIPALITY OF THREE RIVERS
NOTES TO THE PROJECTED FINANCIAL INFORMATION
FOR THE YEARS TO END ONE TO FIVE
(Unaudited – See Notice to Reader)

4. Summary of Significant Assumptions (continued)

e) Province of PEI transition funding (continued)

ii. Funding to establish new Municipality

It is assumed that transitional funding of \$820,000 will be provided by the Province of PEI over the first two years of amalgamation to fund costs and new initiatives associated with the establishment of the new municipality. In the event that the costs for this important work is not adequately resourced through the Province of PEI's existing commitments, the Province of PEI commits to finding additional dollars to ensure the work is completed. It is also understood that these funding commitments are incremental to current municipal funding programs (for example, equalization, tax credits and gas tax).

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Official plan and bylaw/policy development	\$ 100,000	\$ 100,000	\$ -	\$ -	\$ -
Economic development strategy	75,000	-	-	-	-
Recreational plan	50,000	-	-	-	-
Infrastructure assessment	100,000	-	-	-	-
Professional fees (legal, accounting, audit, recruiting)	125,000	-	-	-	-
Repairs and maintenance (upgrades to Admin building)	100,000	100,000	-	-	-
Amalgamation process assistance	70,000	-	-	-	-
	<u>\$ 620,000</u>	<u>\$ 200,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

iii. Long-term Sustainability Funding

Additionally, it is assumed that transitional funding of \$200,000 per year for the initial five years will be provided by the Province of PEI to be used at the discretion of the new municipality to support strategic infrastructure to ensure long-term sustainability. Exact terms and conditions related to eligible expenditures to be negotiated with the Province of PEI. The Province of PEI will support the new municipality to secure federal funding to support investments. It is also understood that these funding commitments are incremental to current municipal funding programs (for example, equalization, tax credits and gas tax).

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Long-term sustainability funding	<u>\$ 200,000</u>	<u>\$ 200,000</u>	<u>\$ 200,000</u>	<u>\$ 200,000</u>	<u>\$ 200,000</u>

MUNICIPALITY OF THREE RIVERS
NOTES TO THE PROJECTED FINANCIAL INFORMATION
FOR THE YEARS TO END ONE TO FIVE
(Unaudited – See Notice to Reader)

4. Summary of Significant Assumptions (continued)

f) Administration

This category of expenditures includes administration salaries, advertising and promotion, donations, council honorariums, dues and fees, insurance, interest and bank charges, office, professional fees, office utilities, and website. It is assumed that expenses other than election costs, council remuneration and professional fees and memberships would remain status quo.

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
<i>Administration</i>					
Advertising	\$ 20,800	\$ 21,200	\$ 21,600	\$ 22,000	\$ 22,400
Bank charges and interest	20,400	20,800	21,200	21,600	22,000
Election, plebiscites, rate payer meetings	24,000	6,000	6,000	6,000	6,000
Grants to other organizations and individuals	5,000	5,100	5,200	5,300	5,400
Insurance	20,600	21,000	21,400	21,800	22,200
Interest on long term debt	1,000	1,000	800	600	400
Mayor/council remuneration (see breakdown below)	100,000	100,000	100,000	100,000	100,000
Mayor/council expenses	5,600	5,700	5,800	5,900	5,000
Miscellaneous	11,100	11,300	11,500	11,700	11,900
Office expenses	45,900	46,800	47,700	48,700	49,700
Professional fees and memberships	52,900	54,000	55,100	56,200	57,300
Training (staff)	3,500	3,600	3,700	3,800	3,900
Travel (staff)	3,500	3,600	3,700	3,800	3,900
Wages and benefits (see breakdown below)	333,500	340,200	347,000	354,000	361,100
	<u>\$ 647,800</u>	<u>\$ 640,300</u>	<u>\$ 650,700</u>	<u>\$ 661,400</u>	<u>\$ 671,200</u>

It is assumed that the Mayor and councilors will receive remuneration based on a per resident rate. A Deputy Mayor will be appointed by Council. It is assumed the Deputy Mayor will receive remuneration at the councilor rate plus additional remuneration per resident. The rates are to be determined; however, during the mediation process advice was provided that it should be assumed that the total compensation package will not exceed \$100,000 annually. It is assumed that there will be 12 councilors in years 1 to 4, decreasing to 8 in year 5. It is understood that a compensation review will be completed by an independent consultant after amalgamation to determine a fair remuneration rate for council.

For purposes of this financial projection it is assumed that Administrative staff will include the following. Wages are assumed to increase by 2% per year and benefits are estimated at 15% of wages. Eventual exact wage rates and job descriptions will be set by the new council with direction provided on an employee by employee basis as per the memorandum of agreement developed during the mediation process.

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
<i>Wages and benefits</i>					
Chief administrative officer	\$ 85,000	\$ 86,700	\$ 88,400	\$ 90,200	\$ 92,000
Finance clerks (3)	135,000	137,700	140,500	143,300	146,200
Receptionist and administrative support (2)	70,000	71,400	72,800	74,300	75,800
	290,000	295,800	301,700	307,800	314,000
Benefits @ 15%	43,500	44,400	45,300	46,200	47,100
	<u>\$ 333,500</u>	<u>\$ 340,200</u>	<u>\$ 347,000</u>	<u>\$ 354,000</u>	<u>\$ 361,100</u>

MUNICIPALITY OF THREE RIVERS
NOTES TO THE PROJECTED FINANCIAL INFORMATION
FOR THE YEARS TO END ONE TO FIVE
(Unaudited – See Notice to Reader)

4. Summary of Significant Assumptions (continued)

g) Economic development

It is assumed that an Economic Development Officer would be hired to facilitate, promote and ensure community and economic development initiatives are secured to increase local employment opportunities. It is also assumed that existing economic development initiatives such as Artisans on Main Art Trail will continue. A salary of \$50,000 per year is assumed. Benefits are estimated at 15% and a 2% annual increment is assumed. Exact rate of pay will eventually be determined by the new council.

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
<i>Economic Development</i>					
Economic development initiatives	\$ 45,000	\$ 46,400	\$ 47,800	\$ 49,200	\$ 50,700
Wages & benefits	<u>57,500</u>	<u>59,200</u>	<u>61,000</u>	<u>62,800</u>	<u>64,700</u>
	<u>\$ 102,500</u>	<u>\$ 105,600</u>	<u>\$ 108,800</u>	<u>\$ 112,000</u>	<u>\$ 115,400</u>

h) Planning and bylaw enforcement

It is assumed that a Planning Officer will be hired to ensure that any developments occurring in the region make application, are issued proper permits, meet zoning legislation, and carry out development as planned. An annual salary of \$65,000 is assumed. It is also assumed that a Bylaw Enforcement Officer will be hired to enforce non-criminal by-laws enacted by the municipality. An annual salary of \$30,000 is assumed. Benefits are estimated at 15% and a 2% annual increment is assumed. Exact rate of pay will eventually be determined by the new council.

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
<i>Planning and Bylaw Enforcement</i>					
Wages & benefits (2 positions)	\$ 109,300	\$ 111,400	\$ 112,100	\$ 112,800	\$ 113,500
Travel	<u>5,000</u>	<u>5,100</u>	<u>5,200</u>	<u>5,300</u>	<u>5,400</u>
	<u>\$ 114,300</u>	<u>\$ 116,500</u>	<u>\$ 117,300</u>	<u>\$ 118,100</u>	<u>\$ 118,900</u>

i) Policing

Currently policing in the area is provided to the Three Rivers area under a Provincial Agreement at no cost to the municipalities. In addition, The Town of Montague has an Extended Service Agreement to employ an additional officer. A contribution towards the cost of the Extended Service Agreement is provided under the police credit component of the Municipal Funding Agreement. Typically, when a municipality grows beyond a population base of 5,000 the municipality enters into its own Municipal Services Agreement with the RCMP where 70% of the cost of policing is the responsibility of the municipality (Federal Government cost shares at 30%), however there is a provision where a request can be made to the Province of PEI for continuation under the Provincial Agreement. The Province of PEI has indicated that they support the status quo arrangement for policing, should the new municipality wish to keep the existing service model. It is assumed that the Municipality of Three Rivers would negotiate with the Province of PEI to continue under the Provincial Agreement with an Extended Service Agreement for the current Town of Montague area for one additional officer.

Policing is assumed to cover the cost of one officer.

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Extended Services Agreement - RCMP	<u>\$ 130,000</u>	<u>\$ 130,000</u>	<u>\$ 130,000</u>	<u>\$ 130,000</u>	<u>\$ 130,000</u>

MUNICIPALITY OF THREE RIVERS
NOTES TO THE PROJECTED FINANCIAL INFORMATION
FOR THE YEARS TO END ONE TO FIVE
(Unaudited – See Notice to Reader)

4. Summary of Significant Assumptions (continued)

j) Streets, street lights, sidewalks

Services in this category are only provided in the municipalities of Montague, Georgetown and Cardigan. Montague discontinued maintaining streets in November 2016 but maintains sidewalks and street lights. Georgetown maintains streets and Cardigan has street lights. Amortization related to streets, street lights, and sidewalks has been excluded from projected expenditures.

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
<i>Streets, Street lights, Sidewalks</i>					
Interest on long-term debt	\$ 8,400	\$ 7,900	\$ 7,300	\$ 6,900	\$ 6,700
Liability insurance	5,000	5,100	5,200	5,300	5,400
Maintenance	91,100	92,900	94,800	96,700	98,600
Miscellaneous	5,200	5,300	5,400	5,500	5,600
Street lights	110,700	113,000	115,300	117,600	119,900
Street signs	2,400	2,400	2,400	2,400	2,400
Wages and benefits	146,100	149,000	151,900	155,000	158,100
Small tools and supplies	2,300	2,300	2,300	2,300	2,300
	<u>\$ 371,200</u>	<u>\$ 377,900</u>	<u>\$ 384,600</u>	<u>\$ 391,700</u>	<u>\$ 399,000</u>

For reference, the following is a breakdown of streets, street lights, and sidewalks in The Town of Montague, Town of Georgetown and Village of Cardigan.

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
<i>Streets, Street lights, Sidewalks - The Town of Montague</i>					
Interest on long-term debt	\$ 700	\$ 700	\$ 600	\$ 600	\$ 500
Street lights	72,800	74,300	75,800	77,300	78,800
Street signs	1,300	1,300	1,300	1,300	1,300
Wages and benefits	119,200	121,600	124,000	126,500	129,000
Small tools and supplies	2,300	2,300	2,300	2,300	2,300
	<u>\$ 196,300</u>	<u>\$ 200,200</u>	<u>\$ 204,000</u>	<u>\$ 208,000</u>	<u>\$ 211,900</u>

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
<i>Streets, Street lights, Sidewalks - Town of Georgetown</i>					
Interest on long-term debt	\$ 7,700	\$ 7,200	\$ 6,700	\$ 6,300	\$ 6,200
Liability insurance	5,000	5,100	5,200	5,300	5,400
Maintenance	91,100	92,900	94,800	96,700	98,600
Miscellaneous	5,200	5,300	5,400	5,500	5,600
Street lights	22,800	23,300	23,800	24,300	24,800
Street signs	1,100	1,100	1,100	1,100	1,100
Wages and benefits	26,900	27,400	27,900	28,500	29,100
	<u>\$ 159,800</u>	<u>\$ 162,300</u>	<u>\$ 164,900</u>	<u>\$ 167,700</u>	<u>\$ 170,800</u>

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
<i>Streets, Street lights, Sidewalks - Village of Cardigan</i>					
Lighting	\$ 15,100	\$ 15,400	\$ 15,700	\$ 16,000	\$ 16,300
<i>Total - Streets, Street lights, Sidewalks</i>	<u>\$ 371,200</u>	<u>\$ 377,900</u>	<u>\$ 384,600</u>	<u>\$ 391,700</u>	<u>\$ 399,000</u>

MUNICIPALITY OF THREE RIVERS
NOTES TO THE PROJECTED FINANCIAL INFORMATION
FOR THE YEARS TO END ONE TO FIVE
(Unaudited – See Notice to Reader)

4. Summary of Significant Assumptions (continued)

k) Facilities and public property

Facilities and public property includes costs related to the upkeep of civic centres, schoolhouses, and town halls used for public meeting space. Wages and benefits relate to the maintenance person in Cardigan. Amortization related to facilities and public property has been excluded from projected expenditures.

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
<i>Facilities and Public Property</i>					
Fuel	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000
Insurance	23,900	24,400	24,900	25,400	25,900
Maintenance	69,600	71,000	72,400	73,800	75,300
Property taxes	6,700	6,800	6,900	7,000	7,100
Sewer and taxes	3,900	4,000	4,100	4,200	4,300
Utilities	29,000	29,600	30,200	30,800	31,400
Wages and benefits	21,200	21,600	22,000	22,400	22,800
	<u>\$ 156,300</u>	<u>\$ 159,400</u>	<u>\$ 162,500</u>	<u>\$ 165,600</u>	<u>\$ 168,800</u>

l) Recreation and cultural services

Recreation and cultural services include the Cavendish Farms Wellness Centre in Montague, Three Rivers Sportsplex in Georgetown, King's Playhouse, AA MacDonald Memorial Gardens, St. Andrew's Point Park, West Street Beach Park, Montague Museum, Montague Waterfront, ball diamonds in Georgetown and various contributions made to local recreational and cultural assets that are contributed to by the communities such as the ball field in Cardigan, soccer complex in Lower Montague, and the library and the pool complex in Montague. Grants include the amount contributed by the Town of Georgetown towards the operation of the Three River Sportsplex. Amortization related to recreation and cultural services has been excluded from projected expenditures.

It is assumed that a Recreation Director at a salary of \$40,000 would be hired to coordinate recreational activities within the Three Rivers area and promote the area for sports events. Benefits are estimated at 15% and a 2% annual increment is assumed.

MUNICIPALITY OF THREE RIVERS
NOTES TO THE PROJECTED FINANCIAL INFORMATION
FOR THE YEARS TO END ONE TO FIVE
(Unaudited – See Notice to Reader)

4. Summary of Significant Assumptions (continued)

l) Recreation and cultural services (continued)

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
<i>Recreation and Cultural Services</i>					
Grants	\$ 93,100	\$ 95,000	\$ 96,900	\$ 98,800	\$ 100,800
Interest on long-term debt	700	-	-	-	-
Libraries	14,600	14,900	15,200	15,500	15,800
Museums, art galleries, etc.	36,900	37,600	38,400	39,200	40,000
King's Playhouse (see revenue amount below)	228,800	233,400	238,100	242,900	247,800
Cavendish Farms Wellness Centre (see revenue amount below)	82,100	83,700	85,400	87,100	88,800
Pool complex	25,000	25,500	26,000	26,500	27,000
Montague Waterfront Development Corporation (see revenue amount below)	170,200	173,600	177,100	180,600	184,200
Maintenance	9,800	10,000	10,200	10,400	10,600
Insurance	28,800	29,400	30,000	30,600	31,200
Recreation Director	46,000	46,900	47,800	48,800	49,800
Programs	15,600	15,900	16,200	16,500	16,800
	<u>\$ 751,600</u>	<u>\$ 765,900</u>	<u>\$ 781,300</u>	<u>\$ 796,900</u>	<u>\$ 812,800</u>

The King's Playhouse began operations under a Board of Management in 2007 and is under the authority of the Georgetown Council which is ultimately responsible for the Playhouse's operation. Revenue is projected for the King's Playhouse based on the 2015 actual results.

Revenue is projected for the Montague Waterfront Development Corporation and the Cavendish Farms Wellness Centre based on the 2015 actual results.

Projections have been updated through the mediation process with the applicants (Brudenell, Cardigan, Lorne Valley, Lower Montague and Valleyfield) with input from the Towns of Georgetown and Montague and reflect a 2% increase in revenue.

Revenue for these three facilities is estimated as follows:

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
King's Playhouse	\$ 213,300	\$ 215,400	\$ 217,600	\$ 219,800	\$ 222,000
Cavendish Farms Wellness Centre	41,000	41,400	41,800	42,200	42,600
Montague Waterfront Development Corporation	115,800	117,000	118,200	119,400	120,600
	<u>\$ 370,100</u>	<u>\$ 373,800</u>	<u>\$ 377,600</u>	<u>\$ 381,400</u>	<u>\$ 385,200</u>

MUNICIPALITY OF THREE RIVERS
NOTES TO THE PROJECTED FINANCIAL INFORMATION
FOR THE YEARS TO END ONE TO FIVE
(Unaudited – See Notice to Reader)

4. Summary of Significant Assumptions (continued)

m) Other municipal services

Other municipal services include pest control and special events. A pest control program for black flies exists in Brudenell and Valleyfield.

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
<i>Other Municipal Services</i>					
Administration	\$ 800	\$ 800	\$ 800	\$ 800	\$ 800
Pest control	28,200	28,800	29,400	30,000	30,600
Special events	41,900	42,700	43,600	44,500	45,400
	<u>\$ 70,900</u>	<u>\$ 72,300</u>	<u>\$ 73,800</u>	<u>\$ 75,300</u>	<u>\$ 76,800</u>

MUNICIPALITY OF THREE RIVERS
NOTES TO THE PROJECTED FINANCIAL INFORMATION
FOR THE YEARS TO END ONE TO FIVE
(Unaudited – See Notice to Reader)

4. Summary of Significant Assumptions (continued)

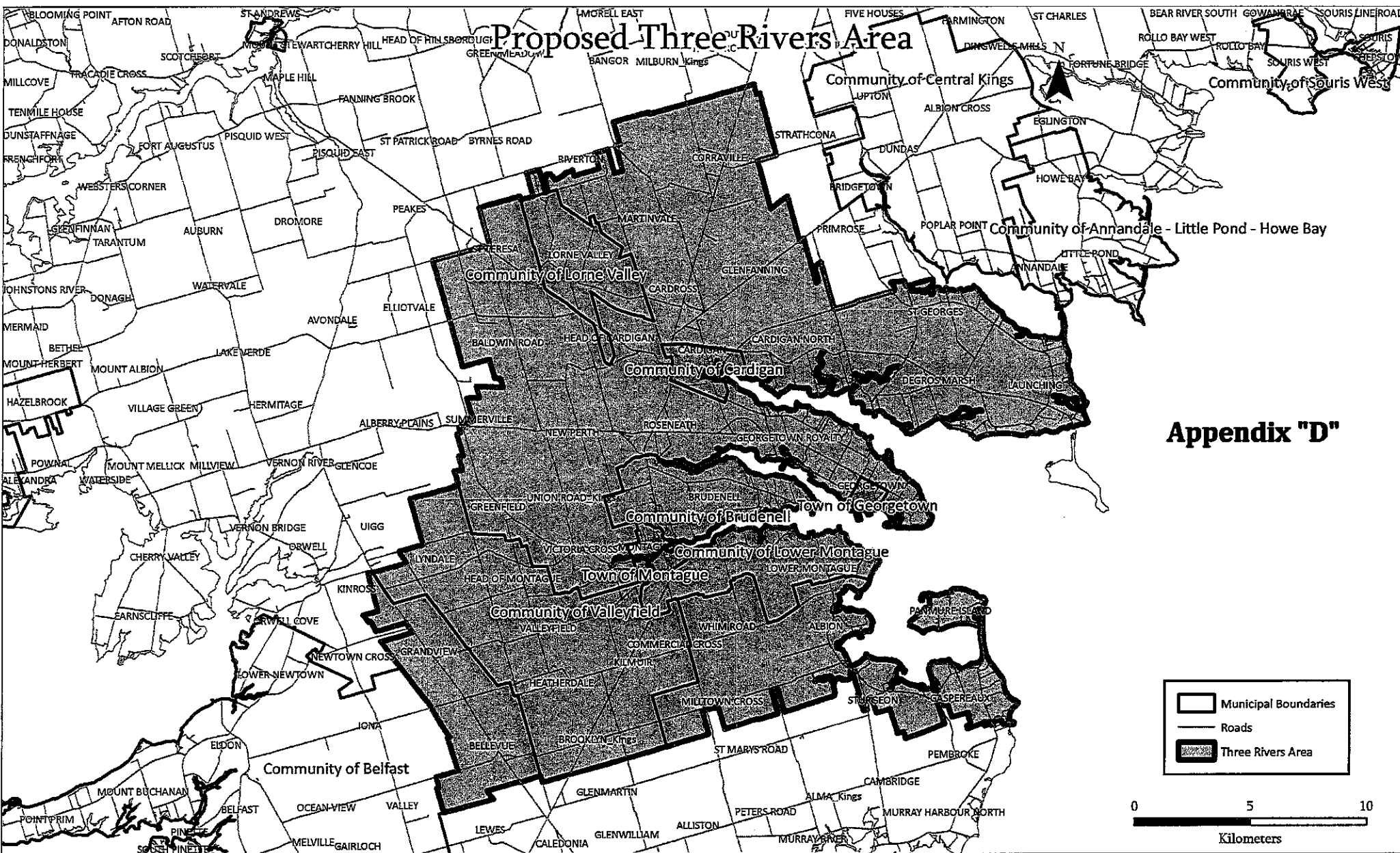
n) Long-term debt

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
General					
<i>The Town of Montague</i>					
2.87% Bank of Montreal loan, maturing in December 2019, amortized to 2026, payable in prorated monthly instalments of \$466, including principal and interest - 3.615% of consolidated loan is general.	\$ 34,600	\$ 29,900	\$ 25,200	\$ 20,200	\$ 15,100
Streets, Street Lights, Sidewalks					
<i>Town of Georgetown</i>					
Loan, prime + 1%, secured by general security agreement, maturing December 2019, amortized to December 2035, in monthly instalments of \$1,106, plus interest.	201,300	188,000	174,800	161,500	148,200
<i>The Town of Montague</i>					
2.35% Bank of Montreal loan, maturing in April 2020, amortized to 2026, payable in monthly instalments of \$390, including principal and interest.	29,600	25,500	21,400	17,200	12,900
Total long-term debt - Streets, Street lights, Sidewalks	230,900	213,500	196,200	178,700	161,100
Recreation and Cultural Services					
<i>The Town of Montague</i>					
2.87% Bank of Montreal loan, maturing in December 2019, amortized to 2019, payable in monthly instalments of \$3,885, including principal and interest.	-	-	-	-	-
	\$ 265,500	\$ 243,400	\$ 221,400	\$ 198,900	\$ 176,200
Principal portion of long-term debt repayment	\$ 67,300	\$ 22,100	\$ 22,000	\$ 22,500	\$ 22,700

Principal portion of term debt is scheduled to be repaid over the next five years as follows:

Year 6	\$ 23,000
Year 7	23,200
Year 8	21,700
Year 9	13,300
Year 10	13,300

Proposed Three Rivers Area



Appendix "D"