



# COUNTY OF WELLINGTON

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## COMMITTEE REPORT

**To:** Chair and Members of the Administration, Finance and Human Resources Committee  
**From:** Ken DeHart, County Treasurer  
**Date:** Tuesday, November 29, 2022  
**Subject:** **Repayment of Internal Loans from Development Charge Reserve Funds**

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### **Purpose:**

The purpose of this report is to provide information on the County's internal loans provided from tax-supported reserves to development charge reserve funds and receive approval for the repayment of these loans and to approve the resulting changes required to previously approved capital project funding sources.

This exercise will provide greater transparency as negative balances identify where development charge collections have lagged expenditures and free-up tax-supported reserve funds for non-growth-related capital projects.

### **Background:**

Development charges are collected to address the increased service needs of the County triggered by growth. The Development Charges Act, 1997, as amended (DCA), requires development charge (DC) collections (and associated interest) to be placed in separate reserve funds. To comply with reporting requirements, the Treasurer of the municipality must provide annual financial statements to Council relating to by-laws and reserve funds established for the purposes of development charges. These statements must contain prescribed information with respect to the sources and uses of the funds received from developers and be made available to the public, upon request, to the Ministry of Municipal Affairs and Housing.

With County Council's approval, growth-related capital projects have been able to move forward in advance of development charge collections over the years. This has been accomplished through loans from tax-supported reserves to fund capital projects that are eligible for DC funding and identified in the DC Background Study, but the DC reserve fund balance was insufficient. Schedules outlining these loans from tax-supported reserves (County Property and General Capital) to development charge reserve funds and repayment amounts have also been reported with the Annual Treasurer's Statement.

On December 31, 2021, there was a balance of \$3.83 million in outstanding loans from tax-supported reserves (\$3.59 million from the County Property Reserve and \$0.24 million from the General Capital Reserve). In addition, there were several other approved capital project budgets with funding from the County Property Reserve rather than eligible development charge funding, not yet set up for repayment. These include the Erin Branch Library (\$0.4 million in 2022 and \$0.22 million in 2021), the Erin Ambulance Station (\$85,000 in 2019) and repayment of unfunded DC debt financing for the Rockwood OPP Station (\$1.2 million 2007 to 2021). This makes a total of \$5.74 million for possible repayment to tax-supported reserves.

In March of 2020, Bill 197: COVID-19 Economic Recovery Act, 2020 provided that Social Services would no longer be an eligible service and upon approval of the 2022 DC By-law (effective June 1<sup>st</sup>, 2022) the County could no longer collect development charges related to this service. Therefore, at year-end, the County Property Reserve will be repaid by any amount of 2022 DC collections in this reserve fund (approximately \$50,000) and the remainder of the \$365,079 loan (approximately \$315,000) will be written-off as uncollectible.

Below is a summary of the amounts borrowed from the County Property and General Capital Reserves to fund growth-related capital projects as of December 31, 2022.

<b>Summary of Internal Loans to be Repaid to County Property and General Capital Reserves</b>		
<b>Project</b>	<b>DC Reserve Fund</b>	<b>County Property Reserve Loan</b>
Mount Forest Day Care	Child Care Services	46,926
North Wellington Operations Centre	Police Services	350,000
Harriston Library	Library Services	542,683
Fergus Library	Library Services	1,187,696
Orangeville and Guelph Health Unit Buildings	Public Health Services	280,214
Fergus OW Office	Social Services	289,660
Aboyne Childcare Office Relocation	Social Services	75,419
City of Guelph POA Building	Provincial Offences Act	757,257
Various Growth Related Studies (Official Plan, DC Study)	Growth Studies (Admin)	56,544
Rockwood OPP Station	Police Services	1,208,685
Erin Branch Library	Library Services	620,000
Erin Station	Ambulance Services	85,000
<b>Subtotal County Property Reserve Loan</b>		<b>\$ 5,500,084</b>
<b>Project</b>	<b>DC Reserve Fund</b>	<b>General Capital Reserve Loan</b>
Various Growth Related Studies (Official Plan, DC Study)	Growth Studies (Admin)	\$ 239,965
<b>Total Possible Repayment to County Property / General Capital Reserves</b>		<b>\$ 5,740,048</b>
Less: Social Services Balance to Written-Off as an Ineligible Service		(314,503)
<b>Total Repayment to County Property / General Capital Reserves</b>		<b>\$ 5,425,545</b>

Negative balances can occur in development charge reserve funds because capital infrastructure has been developed at a pace which exceeds the actual growth realized. As well, expenses for growth-related studies, for example, must be incurred prior to the growth occurring and debt financing is not an option as studies are considered an operating expense. DC reserves are permitted to borrow from each other and therefore a negative balance in one service can be offset with a surplus balance in another service if the total balance for all development charge reserve funds combined is positive.

<b>Summary of Development Charges Reserve Fund Activity 2022</b>					
<b>Service</b>	<b>Balance at December 31, 2021</b>	<b>Internal Loan Repayment</b>	<b>Forecast Revenue (Collections, Interest)</b>	<b>Expenditures (Capital projects, Debt Charges etc.)</b>	<b>Forecast Balance at December 31, 2022</b>
Library Services	-	(2,350,378)	583,005	(128,000)	(1,895,373)
Growth Studies	-	(296,509)	70,499	(438,516)	(664,526)
Ambulance Services	90,834	(85,000)	58,171	-	64,005
Policing Services	-	(1,558,685)	58,352	-	(1,500,333)
Services Related to a Highway	5,509,944	-	2,582,718	(2,536,601)	5,556,061
Child Care and Early Years Services	-	(46,926)	2,161	-	(44,765)
Provincial Offences Act	-	(757,257)	84,646	-	(672,611)
Public Health Services	-	(280,214)	111,307	-	(168,907)
Social Services	-	(50,577)	50,577	-	-
Long-Term Care Services	232,817	-	28,180	-	260,997
Waste Diversion	1,114,945	-	97,529	(850,000)	362,474
	<b>\$ 6,948,540</b>	<b>\$(5,425,546)</b>	<b>\$ 3,727,147</b>	<b>\$(3,953,117)</b>	<b>\$ 1,297,024</b>

Staff have completed a 10-year forecast of the development charge reserve fund balances based on the latest Development Charges Study (DC By-law approved May 26, 2022) and the draft 2023 – 2032 capital budget. Development charge collections are conservative and have been estimated using a 10% exemption rate for residential development and 30% for non-residential development to account for mandatory and non-mandatory exemptions provided by the County's DC By-law. As well, a comparison was done of actual DC collections versus forecast collections in the Development Charge Background Study to inform a forecasted collection rate of 60%-70% for residential, and 51% for non-residential. Annual indexing of the rates has been based on the average 2018-2022 Non-Residential Building Construction Price Index (NRBCI).

Also note that positive development charge reserve funds will receive interest and negative development charge reserve funds will be charged interest.

Funding commitments (including debt) are only included in the capital budget to the extent that current (and future) DC collections can be expected to fund the commitments. Should development activity vary from the existing development forecast or new legislation negatively impacts collections, a review would be undertaken to defer growth capital projects or again have internal loan arrangements with tax-supported reserves.

The 10-year forecast of overall DC reserve fund balances remains positive in all ten years.

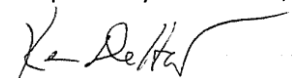
COUNTY OF WELLINGTON DEVELOPMENT CHARGE RESERVE FUND BALANCE FORECAST											
Year	Library	Growth Studies	Ambulance	Police	Roads	Childcare	POA	Public Health	Long-Term Care	Waste Diversion	TOTAL
2023	(2,068,580)	(885,880)	145,618	(1,462,213)	4,607,184	(42,957)	(572,547)	(13,978)	307,558	416,095	\$ 430,300
2024	(1,467,778)	(979,907)	(34,181)	(1,418,761)	4,554,754	(40,936)	(463,415)	153,678	357,474	493,073	\$ 1,154,000
2025	(1,058,671)	(937,413)	30,401	(1,369,605)	3,349,170	(38,688)	(344,634)	334,850	410,944	579,268	\$ 955,623
2026	(584,358)	(894,918)	47,858	(1,315,835)	4,775,261	(36,262)	(217,758)	527,245	467,421	672,891	\$ 3,441,545
2027	(71,514)	(845,233)	73,955	(1,255,670)	6,255,461	(33,583)	(80,148)	734,622	527,824	776,826	\$ 6,082,539
2028	483,497	(937,151)	89,888	(1,188,677)	5,900,548	(30,633)	68,867	957,897	592,384	891,761	\$ 6,828,382
2029	1,083,929	(829,612)	59,797	(1,114,397)	4,527,511	(27,395)	230,000	1,198,037	661,345	1,018,426	\$ 6,807,643
2030	1,732,851	(712,002)	30,561	(1,032,343)	6,849,905	(23,849)	403,999	1,456,064	734,964	1,157,592	\$ 10,597,741
2031	2,302,806	(597,830)	(9,790)	(953,411)	10,121,811	(20,477)	575,003	1,708,988	807,682	1,291,502	\$ 15,226,284
2032	2,892,283	(479,201)	(38,259)	(871,249)	8,675,809	(17,003)	752,330	1,970,200	882,753	1,430,413	\$ 15,198,077

## Recommendation:

That Council approve the repayment of internal loans from Tax-Supported Reserves in the amount \$5.43 million from the Development Charge Reserve Funds as outlined in this report; and

That previously approved capital project funding sources be updated as required in the report.

Respectfully submitted,



Ken DeHart, CPA, CGA  
County Treasurer