



## Council Report

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**Report Number:** CORP2024-027

**Meeting Date:** November 19, 2024

**Title:** **Development Charge Reserve Debenture and Debenture Budget refinements**

**Description:** An adjustment is required to Debenture projects prior to the Infrastructure Ontario Borrowing Bylaw being approved. Additionally, the Development Charge Reserve requires replenishment with debenture financing.

**Author and Title:** Emma Ireland, Supervisor of Capital Reporting  
Carolyn Daynes, Treasurer

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### Recommendation(s):

**That** Report CORP2024-027, **Development Charge Reserve Debenture and Debenture Budget amendments**, be received;

**That** Council approve financing the Development Charge Reserve replenishment with debenture financing of \$6,000,000.00;

**That** Council approve debenture financing for the following projects:

Project Number	Description	Amount
932200203	Fire - Pumper Truck	\$360,000.00
932230202	Fire – Tanker Trucks	\$350,000.00
932240210	Fire – Pumper Truck	\$400,000.00
932240211	Fire – Tanker Truck	\$400,000.00
938220101	Paramedic – Service Headquarters	\$175,000.00
938240101	Paramedic – Headquarters and Fleet Ctre	\$2,450,000.00
950240119	Parks – Jennings Creek	\$150,000.00
950240120	Parks – Juniper Creek	\$180,000.00
950240123	Parks – Lindsay Trail Dev-Thunderbridge	\$90,000.00

**Department Head:** \_\_\_\_\_

**Financial/Legal/HR/Other:** \_\_\_\_\_

**Chief Administrative Officer:** \_\_\_\_\_

<b>Project Number</b>	<b>Description</b>	<b>Amount</b>
950240124	Parks – Lindsay Trail Dev – Mary	\$25,000.00
953220102	Fenelon Falls Library Interior	\$160,000.00
983230304	Roads -Colborne St W to Highway 35	\$460,000.00
983240103	Bridges – Colborne Street Bridge	\$350,000.00
997230103	Lindsay Ops Landfill Scales	\$450,000.00
	<b>Total</b>	<b>\$6,000,000.00</b>

**That** future development charge collections from the following categories be utilized to finance the debt principal and interest payments: Fire, Paramedics, Parks and Recreation, Library, Roads, and Waste Diversion,

**That** Council approve increases in Debenture financing budgets previously Council approved of \$30,540.22.

**That** Council approve the following amendments to previously approved debenture capital projects:

<b>Project Number</b>	<b>Description</b>	<b>Increase in Debenture</b>
998200104	Bob WTP –Low Lift Pump	\$5,359.56
983230101	Rainbow Bridge	9,108.15
983230102	Hartley Bridge	2,704.62
983230103	Ballyduff Rd Bridge	2,102.81
953180102	City Hall HVAC	10,532.06
997230101	Lindsay/Ops Landfill Generator	733.02
	<b>Total</b>	<b>\$30,540.22</b>

**Background:**

Council has supported the growth strategy which includes approving growth-related capital projects. Growth capital projects are typically completed in advance of full Development Charges (DC's) being collected from developers.

This necessitates the need to replenish the DC Reserves prior to the City's December 31, 2024, year end. Generally Accepted Accounting Principles stipulate that a reserve cannot be in a deficit balance, and therefore this report is to address the replenishment of the DC reserves. This is achieved through debenture financing equal to or more than the deficit balance in the DC reserve. Future Development charges collected will be used to pay the principal and interest on this debt.

The table below reflects the estimated Surplus (Deficit) balances in the Development Charge Reserve by category projected to December 31, 2024.

<b>Development Charge Category</b>	<b>Estimated Dec 31, 2024 Balance</b>
Administration	(2,447,473)
Airport	211,880
Fire	(1,441,298)
Human Services	5,203
Library	(1,672,575)
Paramedic	(213,234)
Parks and Recreation	242,439
Police	1,059,064
Roads	4,485,242
Sewage Collection	3,213,533
Sewage Treatment	(15,177,928)
Transit	(836,578)
Water Distribution	2,481,713
Water Treatment	4,808,020
By-Law Enforcement	(36,159)
Parking	107,947
Waste Diversion	(83,442)
<b>Total</b>	<b>(\$5,293,646)</b>

Debenture financing for State of Good Repair or non DC related capital projects has received Council approval via previously approved budgets for each project. Projects have been identified that require Council approval to increase the debenture financing. This is typically done at the time of a Capital Close report, but each project requires sufficient approved debenture financing to be considered for borrowing from Infrastructure Ontario.

The following projects require additional debenture budget amendments to be fully financed and submitted for borrowing:

Project Number	Description	Increase in Debenture
998200104	Bob WTP –Low Lift Pump	\$5,359.56
983230101	Rainbow Bridge	9,108.15
983230102	Hartley Bridge	2,704.62
983230103	Ballyduff Rd Bridge	2,102.81
953180102	City Hall HVAC	10,532.06
997230101	Lindsay/Ops Landfill Generator	733.02
	<b>Total</b>	<b>\$30,540.22</b>

Council approval is being sought to increase the debenture budget in the above projects to fully debenture the costs incurred.

**Rationale:**

Historically, the practise has been to apply debenture financing to replenish DC Reserve deficits. In prior years, the DC Reserve replenishment was addressed with DC funding from projects that were not complete, and therefore not requiring a debenture. This is not the case in 2024. Please see the Table below that reflects the debenture history regarding DC Reserve replenishment with debenture proceeds.

Year	DC Deficit Debenture
2016	\$10,132,940
2019	\$7,881,574
2020	\$8,570,689
2021	\$6,325,136

The replenishment of DC Reserve deficits with debenture financing is a widespread practice in Ontario municipalities. The debenture principal and interest incurred from these debentures is funded by future DC collections in the Reserve. Any DC debenture is fully financed from the DC reserve and has zero impact on the tax support.

In 2024 the DC Reserve is currently in a negative position of approximately \$15.5 Million. The expenditures have been analyzed in the DC funded capital projects and are projecting approximately \$10 Million of DC funding not required in the 2024 year. This is a result of DC funded multiyear projects and current 2024 DC funded projects. The spending typically occurs over at least a two year period and DC financing is carried over to fund future expenditures.

It is estimated that \$6 Million is required in debenture financing to bring the DC into a positive balance at the end of December 2024. An application is underway with Infrastructure Ontario to approve this debenture funding. Infrastructure Ontario requires the City to identify capital projects and staff are required to list projects that this funding will be allocated to.

In addition, approval is required from Council to debenture finance these projects. This DC replenishment debt is not considered part of the City's overall annual repayment limit, due to the full recovery from the DC collections. The projects recommended for debenture financing are as follows and included in the resolution above:

<b>Project Number</b>	<b>Description</b>	<b>Amount</b>
932200203	Fire - Pumper Truck	\$ 360,000
932230202	Fire – Tanker Trucks	350,000
932240210	Fire – Pumper Truck	400,000
932240211	Fire – Tanker Truck	400,000
938220101	Paramedic – Service Headquarters	175,000
938240101	Paramedic – Headquarters and Fleet Ctre	2,450,000
950240119	Parks – Jennings Creek	150,000
950240120	Parks – Juniper Creek	180,000
950240123	Parks – Lindsay Trail Dev- Thunderbridge	90,000
950240124	Parks – Lindsay Trail Dev – Mary	25,000
953220102	Fenelon Falls Library Interior	160,000
983230304	Roads -Colborne St W to Highway 35	460,000
983240103	Colborne Street Bridge	350,000
997230103	Lindsay Ops Landfill Scales	450,000
	<b>Total</b>	<b>\$ 6,000,000</b>

These projects were identified for debenture financing based upon previously approved capital budgets that identified DC funding.

**Other Alternatives Considered:**

Council may choose to fund the debenture with a Canadian bank and would not be required to assign projects to the funding. However, this would result in higher payments over the long term as the interest rate is higher and the lending term is shorter.

Council could choose not to fund the Development Charge Reserve deficit. This would result in a qualified opinion on the audited financial statements as a reserve cannot be in a deficit position at the end of the year. This is not recommended as it would lead to issues with Federal and Provincial funding in the future.

Council may also choose to finance the non-DC capital projects with internal reserve funding. Most of the projects are fully financed by debenture, so it is advised to allocate debenture financing for these projects.

### **Alignment to Strategic Priorities**

This report relates to the strategic priority of good government. The replenishment of the DC reserve deficits ensures that the City follows sound accounting practices and accepted accounting principles. As well by obtaining debenture financing, the cost is spread over the life cycle of the asset.

### **Financial/Operation Impacts:**

There are no financial impacts to this motion. This further strengthens Councils commitment to have growth pay for growth, as the payments are fully funded from future Development Charges. By replenishing the deficit balance in the Development Charge Reserve, it improves the cash flow and ability to invest funds to earn investment income.

### **Consultations:**

Infrastructure Ontario

### **Attachments:**

None

**Department Head email:** [sbeukeboom@kawarthalakes.ca](mailto:sbeukeboom@kawarthalakes.ca)

**Department Head:** Sara Beukeboom

**Department File:** Corporate Services