

POLICY	Growth Reserve Policy
CATEGORY	Finance 05-05
AUTHORITY	Council
RELATED POLICY	General Reserve and Reserve Policy Fund
APPROVED BY	Council
EFFECTIVE DATE	July 23, 2024

Purpose:

To guide County Administration and County Council in managing the Reserve known as the Growth Reserve. The purpose of the Reserve is to provide sufficient funding for New Growth Infrastructure (GI) at the County level due to growth using assessment obtained by growth. It is expected that combined with or without debt that the reserve balance should provide the necessary financial support to sustain new County infrastructure needed for Growth and expansion due to Growth. Notwithstanding the deferral of Development Charges, should the County of Elgin determine that Development Charges will be implemented, at any time in the future, the Growth Reserve will be maintained in order to support New Growth Infrastructure development when Development Charges run lien.

Background:

A fund was established by County Council, to set aside funding from annual growth assessment which would begin to fund a Reserve in lieu of the County levying Development Charges. This fund is known as the Growth Reserve. This policy is created to outline the use of the Growth Reserve and provide guidelines to the Public, County Council, and Administration on the acceptable use of these funds.

POLICY

- 1.0 The County's 2021 Hemson study identified the following eligible (GI) areas under the County's Sphere of Jurisdiction that would be eligible for the collection and use of Development Charges. These areas included and were limited to: **Library, Land Ambulance, Long Term Care, Provincial Offences, Roads.**
- 1.1 Being the by-product and result of not levying Development Charges, use of the Growth Reserve will be restricted to providing support for New Capital Growth Infrastructure or the Expansion of Existing Capital Infrastructure in those areas listed in 1.0 above in order to be consistent with the intended use of this Reserve.
- 1.2 The Growth Reserve was not created for or intended to be sufficiently funded to support any resulting operational needs that arise due to Growth or Expansion in those areas listed in 1.0 above or any other area in the County.
- 1.3 The County may consider the use of Debt to fund GI projects depending on the number of projects and timeline in question. Transitional timelines may be reduced if Growth assessment revenues exceed projections or increased if Growth assessment revenues are less than projected.
- 1.4 In addition to the County's community vision of aligning GI investment with Council adopted plans and strategies such as: Infrastructure or Transportation Master Plans, and other secondary plans as applicable, staff will prioritize the timing of GI in the transitional and forecasted periods by the following additional criteria:
 - 1.4.1 *Phasing Investment* – Phasing GI investment to prioritize development of the proposed growth area, and staging investment in the proposed growth area to minimize Debt costs to the County;
 - 1.4.2 *Administrative*– Aligning the timing of GI investment with the proposed growth area of both County and industry resources to manage, administer and construct all projects required to support growth within the County of Elgin's Approved Capital Budget once commitments are known; and
 - 1.4.3 *Developer Interest* – Aligning timelines when developer interest arises within the County to support and forecast GI investment and Growth
- 1.5 Prior to the County submitting the following year's financial plan to fund Major GI Projects during the transitional period, developer(s) must financially commit to proceeding with development through:
 - 1.5.1 Submitting a phasing plan supported by transportation and servicing analysis that requires the Major GI Project ; and
 - 1.5.2 Executing a commitment agreement for the lands that require the Major GI Project and paying any charges as may be applicable, due at the time of subdivision or rezoning, or
 - 1.5.3 Executing a commitment agreement with the County that sets out the conditions precedent that must be completed prior to the County investing in infrastructure improvement or construction.
- 1.6 Depending on the health of the Growth Reserve, reserve funds available

following the transitional period may be used to fund Debt payments on GI constructed during the transitional period or allocated for future GI.

1.7 At a minimum, the Growth Reserve Policy will be reviewed and updated concurrently within any Development Charges consultation process if/when it occurs or within the process of the renewal of the Development Charges Policy to ensure:

1.7.1 The continued health of the reserves to fund GI; and

1.7.2 The use of the reserve aligns with Growth Infrastructure and Expansion of Services that are under the control of the County of Elgin

1.7.3 Financial policies surrounding the use of reserves serves to limit financial risk to the County.

2.0 RESPONSIBILITIES

2.1 Use of the Growth reserve requires that staff shall:

- a. Identify and prioritize new municipal Growth Infrastructure that supports new assessment base.
- b. Prepare a separate (10) year Capital forecast that anticipates expected or anticipated growth.
- c. Consult with the development industry on their Capital forecasts for growth.
- d. Annually review a projected (10) year cash flow analysis of expected expenses with Finance involved as per 2.2a.
- e. Report to Council on the forecasted Capital needs for municipal infrastructure growth and when projects will be started or added to the (10) year budgeted Capital Plan which would trigger use of either the Reserve and/or Debt.
- f. Prepare and administer agreements that trigger construction of new County owned municipal Infrastructure due to Growth.

2.2 Finance shall:

- a. Maintain record keeping and provide annual reports for the Growth reserves or for each DC Reserve when/if established.
- b. Assist other departments with the creation of the annual ten-year cash flow analysis of 2.1b.
- c. Analyze available resources required to cover anticipated funding related to 2.1b and/or e
- d. Report to Council on funding gaps and Debt requirements.
- e. Prepare borrowing by-laws.
- f. Fund reserve in the following manner:
 - i. Growth will be calculated based on Prior year end final assessment less prior year beginning assessment in each category multiplied by the appropriate category tax rate from the prior year.
 - ii. Actual tax revenue from this new growth will be redirected into the Growth Reserve for the period of the current fiscal

- year based on the above calculation.
- iii. Growth Reserve funds will be used to fund specific GI's as per Section 1.0. When a project has been identified as "required" and, after construction has started, a designated amount of funds will be identified and may be set aside as approved by Council into the Specific Capital Facility Fund or active Capital project when said capital fund exists for that area.

2.3 Council shall:

- a Be aware/familiar with County plans, by-laws and initiatives to facilitate growth, including but not limited to: Development Plan, Strategic Plans, Master Service Plans, Asset Management Plans, Growth Strategy and Reserves Policy and Debt when/if applicable.
- b Review and provide feedback to Administration on Capital forecast for growth and Debt requirements. Approve borrowing by-laws and annual financial plan, as per The Municipal Act.
- c Approve recommended changes related to administration and development of policy updates.
- d Recommend Council's desire to re-engage in an updated Development Charges review.

3.0 DEFINITIONS

Commitment Agreement outlines the criteria pursuant to which the County will commit to municipal infrastructure improvement or construction.

County means the area incorporated and operated as the Corporation of the County of Elgin.

Debt means funds borrowed for the purpose of constructing County owned Growth Infrastructure.

Developer means an owner or successor of lands under development.

Developer Interest means a developer who is actively completing or has completed planning and development processes required for development to occur on the lands, including neighbourhood planning, and rezoning and/or subdivision approvals.

Development Charges (DC) means fees that would have been collected from developers and builders at the time of subdivision/rezoning and building permit to help pay for the cost of Growth Infrastructure required to provide municipal services to new development.

Development Charge (DC) Reserves means Growth due to new building occupancy in any tax class.

Development Plan means the County Official Plan or plan that amends the original OP.

Growth Infrastructure (GI) means network and treatment infrastructure necessary to support growth and is inclusive of possible areas where the County would invest in infrastructure. The County's 2021 Hemson study identified the following eligible (GI) area:

Service
Library
Land Ambulance
Long Term Care
Provincial Offences
Roads

Infrastructure Master Plans means any Infrastructure Master Plan document commissioned by the County of Elgin for the purposes of guiding future Infrastructure Investments, which may be found on the County of Elgin's Engineering website.

Major GI Project means any GI project with an estimated construction value over \$1,000,000.

Secondary Plans means any Secondary Plan document commissioned by the County of Elgin for the purposes of guiding future planning requirements, which can be found on the County of Elgin's Planning Website.