

# Finance Department

- ▶ Report of County Officers
- ▶ Capital Works Reserve Fund
  - ▶ County Loan Program
- ▶ May 23, 2023



# County Loan Program

- ▶ The County has a loan program that assists the lower tier municipalities with financing capital projects
- ▶ In the Budget this is known as the Capital Works Reserve Fund.

# History

- ▶ In 1993, the City of London annexed the former Town of Westminster, and portions of the former Townships of London, West Nissouri, North Dorchester and Delaware which at the time was approximately 28% of the County's assessment.
- ▶ Bill 75, the annexation bill, provided compensation to the County, which included for the City to provide to the County in 1994, 1995 and 1996 \$2 million per year for sewer and water infrastructure to assist in regaining the lost assessment.

# History

- ▶ The Water and Sewer Loan program was original adopted in 1999.
- ▶ The original fund:
  - ▶ \$7 million
  - ▶ water and sewer growth projects
  - ▶ Set of criteria developed to assist in the allocation and administration of the reserve fund

# History

- ▶ In 2006, \$1.1 million was added to the fund from the 2006 budget.
  - ▶ The fund at that time was just over \$10 million.
- ▶ In June 2013:
  - ▶ Increased pressure on the fund to focus on non-growth projects
  - ▶ Fund was in a negative balance at the end of 2012
  - ▶ Council approved that any addition to the program be an interest only grant as opposed to a project loan
  - ▶ Revised program criterion was approved
- ▶ In 2021, Council approved adding \$6 million as part of the Use of Proceeds from the sale of the County Buildings and Strathmere Lands.
- ▶ The Fund Balance is currently at \$16.5 million

# 3 Types of Loans

- ▶ Growth Capital Projects
  - ▶ Non Growth Capital Projects
  - ▶ Non Growth Interest
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- ▶ Previously Municipalities were eligible to gain access to the fund for two (2) projects at a time (Growth and Non Growth Capital Projects)
  - ▶ Municipalities are eligible to one (1) non growth interest project at a time

# Guiding Principles

## (Approved June 11, 2013)

1. Funding should be made available to water and sewer projects that will benefit all County residents (growth and non-growth related projects).
2. Priority should be given to growth related projects.
3. The fund should never be depleted.
4. For the purposes of the evaluation criteria and funding conditions the original fund value shall be set at seven million dollars.
5. Funding will be used for primary water and sewer infrastructure development (lot connections and secondary lines would not be eligible).

# Guiding Principles

## (Approved June 11, 2013)

6. The local municipality must have a significant financial interest in the project.
7. Funding from the County is not intended to replace development charges, instead it is to be primarily used to help offset the up-front and carrying costs associated with water and sewer capital projects.
8. All projects must be in accordance with the policies and guidelines established in the County Official Plan.
9. Municipalities are eligible to gain access to the fund for two projects at a time.
10. The fund is not designed to replace additional sources of government funding available for water and sewer infrastructure, rather the fund is to supplement the municipal contribution to these projects.



# Guiding Principles

## (Approved June 11, 2013)

11. County Council will provide the final review of the eligibility of all applications based upon the guiding principles for funding established by Council.

12. Municipalities will be required to sign an agreement with the County.

13. That municipal infrastructure projects that fall outside the current guiding principles and funding parameters will be given consideration including projects that are; to be owned by local municipalities, public-private partnerships and County owned.

14. Funding applications that fall outside the current guiding principles and funding parameters for the WSIF will be reviewed based on their ability to meet the Middlesex County infrastructure servicing strategy.

# Growth Related Evaluation Criteria and Funding Conditions

## (Approved June 11, 2013)

1. Growth related projects, or growth related portions of capital projects are defined as primary water and sewer construction projects (treatment plant and trunk main over sizing, extensions and looping) that are designed to expand the growth of a community and are non-environmental or health related.
2. Projects are eligible for 30% (\$2,100,000) of the original fund value annually to a maximum of 50% of the growth related capital costs of the municipal portion of the primary water and sewer infrastructure.
3. Funding will be returned to the County with a maximum payback period of 10 years. Loan payments will be in equal amount installments.

# Growth Related Evaluation Criteria and Funding Conditions (Approved June 11, 2013)

4. All loans will be interest free, unless the local municipality fails to meet the repayment scheduled established, in which case, interest will be charged on the past due amount at the rate of 15% per annum.
5. Prior to receiving final approval for funding, the municipality must display a certificate of approval and applicable approval.
6. All applications will be subject to a complete analysis by County staff, prior to Council review and approval.

# Growth Related Evaluation Criteria and Funding Conditions (Approved June 11, 2013)

7. The applicant will make all requested project information available for the purposes of evaluation and analysis.
8. A portion of the approved funding may be provided to the applicant municipality on the date of project commencement, or on the date requested following project commencement.
9. Municipalities are permitted to borrow a portion of the total project cost with interest equivalent being provided to the County for a short period of time to assist in consolidating loans.
10. Sixty days' notice is required prior to the provision of funding.

# Non-Growth Related Evaluation Criteria and Funding Conditions (Approved June 11, 2013)

1. Non-Growth Related Projects, or Non-Growth Related portions of capital projects are defined as non water and sewer infrastructure construction projects.
2. Projects are eligible for 10% (\$700,000) of the original fund value annually to a maximum of 50% of the non-growth related capital costs of the municipal portion.
3. Funding will be returned to the County with a maximum payback period of 10 years. Loan payments will be in equal amount installments.
4. All applications will be subject to a complete analysis by County staff, prior to Council review and approval.
5. The applicant will make all requested project information available for the purposes of evaluation and analysis.
6. All approved funding will be provided to the applicant municipality on the date of project commencement, or on the date required following project commencement.
7. Sixty days' notice is required prior to the provision of funding.

# Additional Non-Growth Related Evaluation Criteria and Funding Conditions (Approved June 11, 2013)

1. Non-Growth Related Projects or Non-Growth Related portions of capital projects are defined as projects other than water and sewer infrastructure construction projects.
2. The County will pay up 100% of the interest costs on a \$1,000,000 loan (maximum of 50% of the project) over a 10 year term.
3. Prior to receiving final approval for funding, the municipality must provide loan documents.
4. Loans must be through Infrastructure Ontario or a similar lending organization.
5. All applications will be subject to a complete analysis by County staff, prior to Council review and approval.
6. The applicant will make all requested project information available for the purposes of evaluation and analysis.
7. Interest funding will flow to the municipality based upon the repayment schedule of the loan.
8. Sixty days' notice is required prior to the provision of funding.
9. All current loan criteria would stay in place.
10. Municipalities are eligible to access one interest free loan per municipality.

# Examples

Reserve Fund Loan				
			Balance As	Final Scheduled
	<u>Year Funded</u>	<u>Amount Funded</u>	<u>31-Dec-20</u>	<u>Loan Receivable Date</u>
Strathroy Caradoc				
Mt. Brydges Sewage Project	2012	\$ 2,100,000.00	-	April 1, 2020
Thames Centre				
Thorndale Wastewater Treatment	2010-2015	\$ 1,233,980.45	308,495.09	December 1, 2022
North Middlesex				
North Middlesex Multi Service Building	2014	\$ 1,500,000.00	375,000.00	June 1, 2022
Lucan Biddulph				
Lucan Biddulph Public Work Building	2012	\$ 700,000.00	87,500.00	June 1, 2021
Southwest Middlesex				
Glencoe Sewer Lagoon Project	2010	\$ 1,238,857.37	154,857.11	August 1, 2021
SWM Water Distribution System (Standpipe) Project	2010	\$ 1,002,100.00	125,262.50	August 1, 2021

<u>Other Loans</u>				
<u>Loans the County pays 50% of interest charges</u>				
			Scheduled Payment Balance as Dec. 2020	Final Scheduled Payment Date
Lucan Biddulph				
Lucan Public School Building			94,482.16	1-Mar-25
MAXIMUM 10 YEARS - \$2,000,000 @ 50% * Interest Rate				



# Templates

- ▶ Lower Tier Bank Loan Agreement
- ▶ Lower Tier Loan By-Law
- ▶ Examples of required documents:
  - ▶ Debenture By-law;
  - ▶ Declaration of the Clerk of Municipality
  - ▶ Certificate of the Treasurer of the Municipality
  - ▶ Certificate of Signature and No Litigation
  - ▶ Certificates of Approval (C of A)
  - ▶ Environmental Assessment Act

# How does the money flow:

- ▶ Interest
  - ▶ Lower Tier sets up the loan details and provides the County the payments schedule
  - ▶ Based on the schedule, County makes payment to lower tiers every quarter
- ▶ Capital
  - ▶ County Provides the amount the lower tier is eligible for and approved for
  - ▶ 10 years to pay back
  - ▶ Schedule creates payments (payment can be 1 time per year, 2 times per year)

# Questions

