
APPENDIX C
LONG TERM CAPITAL AND OPERATING COST
EXAMINATION

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CITY OF GUELPH ANNUAL CAPITAL AND OPERATING COST IMPACT

As a requirement of the *Development Charges Act, 1997* under subsection 10(2)(c), an analysis must be undertaken to assess the long-term capital and operating cost impacts for the capital infrastructure projects identified within the development charge. As part of this analysis, it was deemed necessary to isolate the incremental operating expenditures directly associated with these capital projects, factor in cost saving attributable to economies of scale or cost sharing where applicable, and prorate the cost on a per unit basis (i.e. sq.ft. of building space, per vehicle, etc.). This was undertaken through a review of the City's approved 2012 Financial Information Return (FIR).

In addition to the operational impacts, over time the initial capital projects will require replacement. This replacement of capital is often referred to as life cycle cost. By definition, life cycle costs are all the costs which are incurred during the life of a physical asset, from the time its acquisition is first considered, to the time it is taken out of service for disposal or redeployment. The method selected for life cycle costing is the sinking fund method which provides that money will be contributed annually and invested, so that those funds will grow over time to equal the amount required for future replacement. The following factors were utilized to calculate the annual replacement cost of the capital projects (annual contribution = factor X capital asset cost) and are based on an annual growth rate of 2% (net of inflation) over the average useful life of the asset:

ASSET	LIFECYCLE COST FACTORS	
	AVERAGE USEFUL LIFE	FACTOR
Water, Wastewater & Stormwater Services	80	0.00516
Services Related to a Highway	20	0.04116
Facilities	40	0.01656
Vehicles (other than Fire & Transit Vehicles)	10	0.09133
Fire & Transit Vehicles	15	0.05783
Fire Small Equipment & Gear	8	0.11651
Police Equipment & Gear	10	0.09133
Parking	25	0.03122
Parkland	30	0.02465
Library Materials	10	0.09133

Table C-1 depicts the annual operating impact resulting from the proposed gross capital projects at the time they are all in place. It is important to note that, while City program expenditures will increase with growth in population, the costs associated with the new infrastructure (i.e. facilities) would be delayed until the time these works are in place.

Insert Table C-1

Table C-1
CITY OF GUELPH
OPERATING AND CAPITAL EXPENDITURE IMPACTS
FOR FUTURE CAPITAL EXPENDITURES

SERVICE	NET GROWTH RELATED EXPENDITURES	ANNUAL LIFECYCLE EXPENDITURES	ANNUAL OPERATING EXPENDITURES	TOTAL ANNUAL EXPENDITURES
1. Stormwater Services				
1.1 Drainage and Controls	2,955,063	15,300	255,003	270,303
2. Wastewater Services				
2.1 Treatment plants	124,460,760	642,300	3,173,679	3,815,979
2.2 Sewers	30,024,212	154,900	2,113,221	2,268,121
3. Water Services				
3.1 Treatment plants and storage	145,875,305	752,800	3,367,172	4,119,972
3.2 Distribution systems	64,171,526	331,200	1,169,216	1,500,416
4. Services Related to a Highway & Related				
4.1 Services related to a Highway	70,016,172	2,881,600	2,137,576	5,019,176
4.2 Traffic signals	2,407,500	99,100	2,675,237	2,774,337
4.3 Depots and Domes	5,288,800	87,600	161,466	249,066
4.4 PW Rolling Stock	1,505,000	137,400	45,947	183,347
5. Fire Protection Services				
5.1 Fire facilities	3,128,582	51,800	3,408,512	3,460,312
5.2 Fire vehicles	3,449,200	199,500	3,757,817	3,957,317
5.3 Small equipment and gear	351,000	40,900	382,406	423,306
6. Police Services				
6.1 Police facilities	9,090,542	150,500	10,566,705	10,717,205
6.2 Small equipment and gear	643,100	58,700	747,529	806,229
7. Transit				
7.1 Transit vehicles & equipment	4,965,474	287,100	3,451,639	3,738,739
7.2 Transit facilities	1,890,000	31,300	1,313,791	1,345,091
8. Municipal Parking				
8.1 Municipal parking spaces	9,297,597	290,300	324,428	614,728
9. Outdoor Recreation Services				
9.1 Parkland development, amenities, trails, vehicles & equipment	31,700,293	781,400	1,437,613	2,219,013
10. Indoor Recreation Services				
10.1 Recreation facilities	22,721,074	376,200	1,495,452	1,871,652
10.2 Recreation vehicles and equipment	267,134	24,400	17,582	41,982
11. Library Services				
11.1 Library facilities	2,488,425	41,200	521,064	562,264
11.2 Library materials	2,362,388	215,700	494,672	710,372
11.3 Library vehicles	2,362,388	215,700	494,672	710,372
12. Administration				
12.1 Studies	4,313,678	0	0	0
13. Health Services				
13.1 Health department space	605,759	10,000	1,596,099	1,606,099
14. Municipal Courts				
14.1 Municipal Courts	123,222	2,000	381,283	383,283
15. Ambulance				
15.1 Ambulance facilities	309,944	5,100	2,137,778	2,142,878
15.2 Vehicles Equipment	81,000	7,400	558,682	566,082
Total	546,855,135	7,891,400	48,186,242	56,077,642

APPENDIX D
DEVELOPMENT CHARGE RESERVE FUND POLICY

APPENDIX D - DEVELOPMENT CHARGE RESERVE FUND POLICY

D.1 Legislative Requirements

The DCA, 1997 requires development charge collections (and associated interest) to be placed in separate reserve funds. Sections 33 through 36 of the Act provide the following regarding reserve fund establishment and use:

- a City shall establish a reserve fund for each service to which the DC by-law relates; s.7(1), however, allows services to be grouped into categories of services for reserve fund (and credit) purposes, although only 100% eligible and 90% eligible services may be combined (minimum of two reserve funds);
- the City shall pay each development charge it collects into a reserve fund or funds to which the charge relates;
- the money in a reserve fund shall be spent only for the “capital costs” determined through the legislated calculation process (as per s.5(1) 2-8);
- money may be borrowed from the fund but must be paid back with interest (O.Reg. 82/98, s.11(1) defines this as the Bank of Canada rate either on the day the by-law comes into force or, if specified in the by-law, the first business day of each quarter); and
- DC reserve funds may not be consolidated with other City reserve funds for investment purposes (s.37).

Annually, the Treasurer of the City is required to provide Council with a financial statement related to the DC by-law(s) and reserve funds. This statement must also be forwarded to the Minister of Municipal Affairs and Housing within 60 days of the statement being filed with Council.

O.Reg. 82/98 prescribes the information that must be included in the Treasurer’s statement, as follows:

- opening balance;
- closing balance;
- description of each service and/or service category for which the reserve fund was established;
- transactions for the year (e.g. collections, draws);
- list of credits by service or service category (outstanding at beginning of the year, given in the year and outstanding at the end of the year by holder);
- amounts borrowed, purpose of the borrowing and interest accrued during previous year;
- amount and source of money used by the City to repay municipal obligations to the fund;

- schedule identifying the value of credits recognized by the City, the service to which it applies and the source of funding used to finance the credit; and
- for each draw, the amount spent on the project from the DC reserve fund and the amount and source of any other monies spent on the project.

Based upon the above, Figure D-1 sets out the format for which annual reporting to Council should be provided.

D.2 DC Reserve Fund Application

Section 35 of the DCA states that:

“The money in a reserve fund established for a service may be spent only for capital costs determined under paragraphs 2 to 8 of subsection 5(1).”

This provision clearly establishes that reserve funds collected for a specific service are only to be used for that service.

Appendix D-1
SAMPLE DEVELOPMENT CHARGE RESERVE FUNDS STATEMENT
CITY OF GUELPH
FOR THE YEAR _____

Reserve Fund	Town Wide											Urban Area				
	Services Related to a Highway & Related	Transit	Fire Protection Services	Police Services	Indoor Recreation Services	Outdoor Recreation Services	Library Services	Administration	Municipal Courts	Municipal Parking	Health Services	Ambulance	Stormwater Services	Wastewater Services	Water Services	
Balance as of January 1																
Plus:																
Development Charge Collections																
Accrued Interest																
Repayment of Monies Borrowed from Fund and Associated Interest																
SUB-TOTAL																
Less:																
Amount Transferred to Capital (or Other) Funds {1}																
Amounts Refunded																
Amounts Loaned to Other DC Service Category																
Credits {2}																
Monies Borrowed from Fund for Other Municipal Purposes																
SUB-TOTAL																
December 31 Closing Balance																

{1} See Attachment 1 for details

{2} See Attachment 2 for details

Attachment 1

SAMPLE DEVELOPMENT CHARGE RESERVE FUND STATEMENT CITY OF GUELPH FOR THE YEAR _____

DISCOUNTED SERVICES RESERVE FUND TRANSFERS					
Capital Project	DC Reserve Fund Draw	Operating Fund Draw	Other Reserves Fund Draw	Debt	Total

Attachment 2

DEVELOPMENT CHARGE RESERVE FUND STATEMENT
CITY OF GUELPH
FOR THE YEAR _____

LISTING OF CREDITS UNDER DCA, 1997, s.38 BY HOLDER						
Credit Holder	Applicable DC Reserve Fund	Credit Balance - Beginning of Year	Additional Credits Granted During Year	Credits Used by Holder During Year	Credit Balance - End of Year	

