Memorandum

To	Rebekah Msuya-Collison, Chief Administrative Officer and Mike Rolph, Director of Building and Planning
From	Sean-Michael Stephen, Managing Partner
Date	May 21, 2026
Re:	Questions/Comments Received from KR Planning Group on Behalf of Tridon Group Ltd.

Fax ☐ Courier ☐ Mail ☐ Email ☒

The Municipality of South Huron (Municipality) received a memorandum from KR Planning Group, on behalf of Tridon Group Ltd., dated March 27, 2026. The memorandum presents their questions and comments following a review of the 2025 Development Charges Background Study dated December 31, 2025 (2025 D.C. Study). We have reviewed the memorandum and provide the following in response to matters raised.

The questions and comments from the memorandum are reproduced below, in italics, followed by our responses.

1. Area-Specific Development Charges for Exeter

1. *The Water and Wastewater Master Plan ("Master Plan") in section 8.2 utilizes growth projections using development and planning information supplied by the Municipality, and estimates a potential population of 12,529 persons, of which 5,895 persons are in Exeter. By comparison the 2026 DC Study uses a growth forecast of 12,621 persons, which assuming it corresponds to the growth identified in the Master Plan would mean that roughly half of the growth in the DC Study forecast would be from Exeter.*

   Based on these growth forecast assumptions, separating Exeter-based costs into an Exeter ASDC, and Stephen Township (Centralia, Crediton and Huron Park) into its own ASDC, would reduce DC rates on all other areas of the Municipality by approximately $8,600 per single-detached unit (SDU). The table below shows what re-calculated rates would be if they were done on an area-specific basis with the Municipality split into three servicing areas for water/sewer services.

2233 Argentia Rd.
Suite 301
Mississauga, Ontario
L5N 2X7

Office: 905-272-3600
Fax: 905-272-3602
www.watsonecon.ca

Figure 2

Municipal-Wide versus Area-Specific DC Rates, Municipality of South Huron

	Municipal-Wide	Exeter	Stephen	Grand Bend / Other
Total Residential DC Recoverable Cos	$ 48,582,522	$ 31,076,219	$ 14,219,503	$ 3,286,800
Population in New Units	12,621	5,895	2,774	$ 3,952
DC / Capita	$ 3,849.34	$ 5,271.62	$ 5,125.99	$ 831.68
PPU	2.85	2.85	2.85	2.85
DC / SDU	$ 10,970.62	$ 15,024.13	$ 14,609.08	$ 2,370.29
Difference from Current		$ 4,053.51	$ 3,638.46	$ (8,600.33)

Note (1): Stephen Township is assumed to include Centralia, Crediton and Huron Park
Note (2): Population growth assumptions based on GMBluePlan W/WW Master Plan
Source: Municipality of South Huron DC Study, and March 2026 Addendum

2. *While section 4.10 of the 2025 DC Study notes that it is "mandatory to 'consider' area-rating of services", no analysis is presented in the DC Study where such consideration is made available to the public, stakeholders or decision-makers. To what extent did the Municipality analyze or consider the use of area-rating to better match the infrastructure costs of certain areas relative to others?*

The Municipality considered the use of area-rating in accordance with the requirements of the *Development Charges Act, 1997* (D.C.A.). The Municipality provides and plans for water and wastewater services on a system-wide basis for the serviced area, which includes multiple communities. This aligns with how the services are funded on an ongoing basis with municipal-wide water and wastewater rates. It is the Municipality's preference to continue imposing water and wastewater development charges (D.C.s) on a uniform basis across the municipally serviced area (consistent with water and wastewater rates), which is a form of area-rating.

2. Other Questions

2.1 Fire Services

3. *What is the size of the Exeter Fire Station and Dashwood Fire Stations addition/expansions relative to the size of the existing facilities?*

The Exeter Fire Station is anticipated to be expanded by 2,000 square feet (sq.ft.), increasing the facility from its current size of 6,718 sq.ft.

The current Dashwood Fire Station is 2,700 sq.ft. and is planned to be replace by a 8,946 sq.ft.

2.2 Property Acquisition Costs

4. *The Master Plan shows an inclusion of costs for "property requirements" amounting to 1-2% of construction cost. Bill 60 eliminates the ability of municipalities to include land acquisition costs in base DC service rate calculations, instead moving costs related to the acquisition of land to a separate stand-alone DC service for all land acquisition costs that arise. The construction costs in the Water and Wastewater DC rate calculations should be adjusted to remove the 1-2% cost adjustment shown in the Master Plan (Table 13).*

Upon further review, land acquisition costs were included in the capital cost estimates for water and wastewater services. Revisions to the project costing will be undertaken to separate these costs and include them in the land acquisition class of service. These revisions will be discussed in the second addendum to the 2025 D.C. study.

2.3 Water

5. *Can the basis and calculations underpinning the Benefit to Existing allocations to the North Exeter Elevated Tank be provided?*

The Master Plan identifies the need for an elevated tank to accommodate growth. It also identifies a requirement of 1.1 megalitres (ML) of storage capacity for growth and confirms that there is sufficient existing capacity within the municipal system to service current development.

The Municipality noted that there are some operational benefits to constructing one larger 3.5 ML tank and decommissioning the 1.5 ML tank rather than operate separate facilities. As such, the marginal increase in costs of constructing a 3.5 ML tank, compared to the smaller 1.1 ML tank required solely for growth was considered to assess the benefit to existing development. Based on cost estimates obtained by the Municipality, this incremental cost is approximately 25% or $1.8 million of the total project cost.

In assessing the benefit to existing (B.T.E.) allocation, the Municipality further considered the capacity of the existing elevated tank (i.e., 1.5 ML) in comparison to the capacity of the larger tank (i.e. 3.5 ML). The capacity of the existing elevated tank is 42.8% of the larger tank. To be conservative, the B.T.E. allocation for the North Exeter Elevated Tank has been based on a comparison of existing storage capacity and total storage capacity of the tank following the expansion (i.e., 42.8%).

6. *Page 48 of the Master Plan notes that the Municipality "may wish to secure the appropriate land parcel (minimum of 60m x 60m) to facilitate the future [Elevated Tank] construction". Are these land acquisition costs included in the cost for project 12 (North Exeter Elevated Tank)?*

As noted in the response to question 4 above, land acquisition cost estimates will be removed from the cost estimate and included in the land acquisition class of service.

7. *Will the North Exeter Elevated Tank have capacity remaining beyond the DC study's planning horizon? The Master Plan notes that the "ET will be oversized until growth lands are constructed", but does not reconcile the capacity being constructed with the need generated by the growth lands.*

The 2025 D.C. Study is based on the build-out of the serviced area as identified through the Master Plan. The capacity of the North Exeter Elevated Tank has been planned to ensure the Municipality can meet the increase in the need for service due to growth within the forecast period and has not been oversized for future development. As such, no post-period benefit deductions have been applied.

The Master Plan provides the design criteria for the project in Section 2.2.3.2 Storage Capacity (page 204 of the Master Plan PDF). It also presents the storage capacity requirements for both existing development and growth in Table 20 in Section 5.3 (page 234 of the Master Plan PDF).

8. *Can the basis for BTE allocations to the Morrison Line Watermain be provided?*

This is a looping project that is required to service growth within the area. There are some benefits to existing development in the area of completing the looping, and as such, a nominal 5% deduction has been applied.

9. *Can the debenture by-laws for the Exeter-Hansall pipeline debt be provided?*

The debenture related to the Exeter-Hensall Pipeline debt is authorized under By-law No. 78-2009, as attached to this memo.

10. *Can the Commitments for Water Services shown in Table 4-2 be shown on a project-by-project basis?*

The total Water Services commitments identified in Table 4-2 relate to actual D.C.-eligible costs incurred that have not yet been drawn from the D.C. reserve fund. These total $1,671,495 and consist of:

- Exeter–Hensall Pipeline (EHP) Debentures:
  A total commitment of $1,076,640 relates to D.C.-eligible portion of the Exeter–Hensall Pipeline debt repayments incurred between 2009 and 2024 that have not been drawn from the Water D.C. reserve fund.
- Huron Street Watermain (Morrison Line to Eastern Avenue):
  $594,855 of the commitment relates to the Huron Street watermain project between Morrison Line and Eastern Avenue. This project was completed in 2022, for a total project cost of $643,236. The D.C.-eligible costs totalled $611,074, or 95% of the project costs. Of this amount, $16,219 was drawn from the Water

D.C. reserve fund in 2022, as reported in the 2022 Development Charges Treasurer's Statement. The remaining D.C.-eligible costs total $594,855 and have been included as a commitment against the Water D.C. reserve fund.

2.4 Wastewater

11. What is the likelihood of the 'possible' twinning of the Huron Park Forcemain and the 'potential' transfer of ownership of Darkhorse Winery private SPS to the Municipality, and can the basis for the 0% BTE for each be provided?

Based on discussions with Municipal staff, it is understood that the likelihood of the 'possible' twinning of the Huron Park Forcemain is considered high, as the need for this infrastructure will be triggered by future growth.

With respect to the potential transfer of ownership of the Darkhorse Winery private sanitary pumping station (SPS) to the Municipality, discussions are ongoing. The Municipality continues to pursue the transfer as part of a broader strategy to enable the SPS to service multiple developments in the area. This approach is considered the most cost-effective means of providing sanitary servicing in this growth area.

No deduction for benefit to existing development has been applied. The associated costs included in the 2025 D.C.B.S. are for the upgrades required to accommodate growth. The costs are not intended to address existing system deficiencies, add capacity for existing development, and do not represent the value of the existing SPS itself. The costs included in the 2025 D.C.B.S. are for the expenditures required only to enable municipal ownership and operation and to support growth-related servicing needs.

12. What is the nature of the pumping station upgrades contemplated in projects 19-21 and are there any replacement or rehabilitation works included in the scope of work budgeted for in the DC study?

Below is a summary of the scope of work contemplated for projects 19 through 21.

- 19. Crediton SPS Upgrades (S-WW-PS-05): The scope of work consists of pump and mechanical upgrades to accommodate growth. The upgrades involve replacing the existing pumps/pipes with larger or higher-capacity ones to accommodate growth. The existing pumps have sufficient capacity to serve the existing development and are not being replaced or upgraded to address any existing deficiencies. As a result, no B.T.E. deduction has been applied.
- 20. Huron Park SPS Upgrades (S-WW-PS-06): This project includes completing engineering for the future replacement and upgrades to the mechanical, electrical, and instrumentation components of the pumping station, as well as the installation of a larger wet well with new pumps to prevent sewage by-passes. The scope also includes the installation of a larger wet well, valve chamber and

associated mechanical components and yard piping than is required for growth in order to accommodate a future forcemain twinning. This project was reviewed following the release of the 2025 D.C.B.S. and Addendum to the 2025 Development Charges Background Study, dated March 10, 2026 (Addendum 1). Following the review, it was determined that a benefit to existing deduction of 60% was required. This will be discussed in greater detail in a second addendum report to be issued prior to Council's consideration of the new D.C. by-law.

- 21. Grand Bend PS2 Upgrades (S-WW-PS-07): Similar to Project 19, the scope of work for this project consists of pump and mechanical upgrades to accommodate forecast growth. The upgrades involve replacing the existing pumps with larger or higher-capacity ones to accommodate growth. The existing pumps have sufficient capacity to serve the existing development and are not being replaced or upgraded to address any existing deficiencies. As a result, no deduction for B.T.E. has been applied.

13. *What is the basis for the BTE of 50% for the Exeter WWTP upgrades?*

The upgrades are required to accommodate future development and will allow for the full rated capacity of the plant to be available for future growth. A 50% B.T.E. deduction has been made in recognition of the existing usage as a share of future capacity

14. *It is my understanding that there are subdivisions in the Municipality (such as the Pinnacle Subdivision in Exeter) subject to a subdivision agreement that requires an additional charge for sanitary works – how have these types of agreements been accounted for in the DC rate calculations, if at all?*

The Municipality utilizes various by-laws and funding mechanisms to recover the capital costs of various infrastructure in addition to D.C.s. Specifically, the Municipality adopted a Municipal Act cost recovery by-law for the London Rd South Trunk Sewer (By-law 59-2003, as amended by 41-2004). This by-law applies to specific benefitting areas, as identified in the by-law, including the Pinnacle Subdivision in Exeter. Charges imposed under this by-law are separate from the D.C.s contemplated through this study. To ensure there is no duplication of cost recovery, capital costs recovered through other by-laws or funding mechanisms have been excluded from the D.C. calculations.

2.5 Grant Funding

15. *Can the Town confirm that the DC Study and addendum incorporate grant funding received, which based on publicly available information appears to include:*

    a. *$2.7 million for reconstruction of Exeter Main Street; and*

    b. *$4.2 million for upgrades to the Exeter Sewage Lagoon*

Yes, grant funding received by the Municipality has been incorporated into the D.C. Study, where applicable, as outlined in Addendum 1.

With respect to the specific grants referenced above:

a. $2.7 million for reconstruction of Exeter Main Street

This grant as referenced in the memorandum from the KR Planning Group relates to a Ministry of Transportation (MTO) Connecting Link grant for the Main Street South, between Victoria Street and Sanders Street, project. This funding was received for non-growth-related works, specifically related to the reconstruction of provincially designated connecting link infrastructure. In addition, the Municipality has also received $3.0 million in MTO grant funding for a separate Connecting Link project on Main Street, from the Ausable River to Victoria Street, which is not included in the D.C. Study. As these works are not growth-related, the costs and associated grant funding have not been included in the D.C. Study calculations.

b. $4.2 million for upgrades to the Exeter Sewage Lagoon

This grant provides funding of 73% of the eligible costs, to a maximum of $4.2 million. The Municipality's grant application relates to five individual projects of which two are included in the D.C. Study. Consequently, the applicable grant funding has been deducted from the D.C.-eligible costs as outlined in Addendum 1. Specifically:

- The William Street SPS Forcemain Twinning (GEXR to Lagoons) project has a gross capital cost estimate of $1.13 million. A grant contribution equal to 73% of the project cost, totalling $824,462, has been deducted from the calculation of the D.C.-eligible cost.
- The Exeter W.W.T.P. Short-Term Upgrades (UV disinfection) project has an estimated cost of $854,700. Similarly, a grant contribution equal to 73% of the estimated project cost, totalling $623,931, has been deducted from the calculation of the D.C.-eligible cost.

2.6 DC Reserve Fund Statements

16. Can the Municipality provide copies of its recent DC reserve fund statements that are available for fiscal years since the adoption of its last DC by-law?

Reserve fund statements are attached to this memo.