MUNICIPALITY OF
Thames Centre

Staff Report

Report No.	**FS-009-26**
To:	Mayor and Members of Council
From:	Director of Financial Services/Treasurer
Meeting Date:	June 15, 2026
Subject:	**2025 Treasurer's Annual Report on Development Charges**

Recommendation

THAT Report No. FS-009-26 **BE RECEIVED** for information, in accordance with section 43(1) of the *Development Charges Act, 1997*, which requires the Municipal Treasurer to provide a financial statement relating to the development charge by-law and associated reserve funds;

AND THAT the 2025 Treasurer's Annual Report on Development Charges be made available to the public on the Municipality of Thames Centre website to fulfill Council's obligation under section 43(2.1) of the *Development Charges Act, 1997*.

Purpose

The purpose of this report is to present the Treasurer's Annual Report on Development Charges for the Municipality of Thames Centre in accordance with section 43 of the *Development Charges Act, 1997*. The report provides Council with a comprehensive financial overview of development charge by-laws and associated reserve funds for the previous year and fulfills the legislated requirement to make this information publicly available.

In addition to meeting statutory reporting obligations, this report supports Council's oversight of development charge revenues, expenditures, and reserve fund balances, and provides insight into the ongoing financial sustainability of the Municipality's development charge framework in the context of current growth trends and legislative requirements.

Executive Summary

This report fulfills the legislated requirements under the *Development Charges Act, 1997* and provides Council with a summary of 2025 development charge (DC) revenues, expenditures, and reserve fund activity.
The Municipality continues to experience a material shortfall in development charge revenues relative to the growth assumptions established in the 2021 Development Charges

Background Study. Actual collections remain below forecast, resulting in ongoing pressure on Development Charge Reserve Funds and limiting the Municipality's ability to fund growth-related infrastructure as anticipated.

Financial pressures are evident across multiple service areas. While certain Development Charge Reserve Funds meet the legislated requirement to have a minimum of 60% of funds committed or spent, the Water Reserve Fund does not currently meet this threshold. As a result, the Municipality is not permitted to impose water development charges until sufficient eligible capital costs are committed or spent in accordance with the Act.

In addition, several growth-related capital projects identified in the Development Charges Background Study have not yet been incorporated into the capital budget. Given current revenue performance and reserve fund constraints, there is limited financial capacity to advance all these projects in the near term, and continued prioritization of growth-related investments will be required and presented to council for approval through the budget process.

Overall, the current development charge framework is not generating sufficient revenue to support planned growth-related infrastructure under existing growth conditions.
The Development Charges Reduction Program (DCRP) has recently been announced and may provide an opportunity for an alternative revenue source. Staff are currently reviewing program details and continuing to assess potential implications for the Municipality. A separate report will be brought forward to Council to provide additional information and outline potential approaches for consideration.

Background

Section 43 of the *Development Charges Act, 1997* (DCA) requires the Treasurer of the Municipality of Thames Centre to present an annual financial statement to Council relating to development charge by-laws and the associated development charge reserve funds. Council is also required to ensure that this statement is made available to the public in accordance with the Act.

Applicable excerpts from the DCA include the following:

Statement of Treasurer
43. (1) The Treasurer of a municipality shall each year, on or before such date as Council may direct, provide Council with a financial statement relating to development charge by-laws and reserve funds established under section 33.
Content Requirements
43. (2) The annual statement must include, for the preceding year:

- (a) the opening and closing balances of the DC reserves and details of all transactions related to those funds;
- (b) a statement identifying:
    - (i) all assets whose capital costs were funded under a development charge by-law during the year; and
    - (ii) for each such asset, the manner in which any portion of the capital cost not funded under the by-law was or will be financed;

(c) a statement confirming compliance with subsection 59.1(1) of the DCA; and
(d) any other information prescribed by regulation.

Public Accessibility
43. (2.1) Council must ensure that the annual statement is made available to the public, including by posting the statement on the Municipality of Thames Centre's website, or by other prescribed means.

Provision to the Minister
43. (3) The Treasurer shall provide a copy of the statement to the Minister of Municipal Affairs and Housing upon request. As part of this report, Municipal Administration further confirms that the Municipality of Thames Centre is in compliance with subsection 59.1(1) of the DCA, which prohibits the imposition of charges or service requirements related to development except as expressly permitted under the Act or another statute.

Appendix A – Development Charges Reserve Information
Appendix A to this report satisfies the requirements of section 43 of the DCA and, subject to Council direction, will be made available to the public on the Municipality of Thames Centre's website. The appendix includes a summary for each development charge reserve fund, consisting of a description of eligible works and a detailed overview of revenues, expenditures, and year-end balances.
Specifically, Appendix A includes:

- the cumulative approved capital budget, identifying both total development charge financing and total financing from all other sources, based on growth and non-growth allocations established in the Development Charges Background Study;
- the amount of any drawdowns from development charge reserve funds in 2025 for each active capital project involving a commitment from a development charge reserve fund; and
- approved debt used to finance the growth-related portion of capital projects where sufficient cash balances were not available, including details of issued debt; and
- committed balances; and
- a description of development charge reserve funds and their intended use.

Beginning with the 2026 annual reporting cycle, and continuing in future years, Municipal Administration has included enhanced information and analysis on development charge revenues and expenditures to support ongoing rate monitoring and to further strengthen transparency and accountability to Council and the Public.

Financial Implications

Development Charge Growth Assumptions and Revenue Variance Analysis

Development Charge Growth and Revenue Trends
The following graphs compare the residential growth assumptions reflected in the 2021 Development Charges Background Study with actual results to date as per monies received, together with an illustrative comparison of the related development charge revenue. For illustrative purposes, the revenue estimate is based on the number of homes forecast in the 2021 study and the implemented development charge rates.

Together, the graphs show how slower-than-anticipated growth has reduced development charge revenue available to support the growth-related capital infrastructure identified in the study.

Figure 1: Estimated vs. Actual Number of Homes by Year

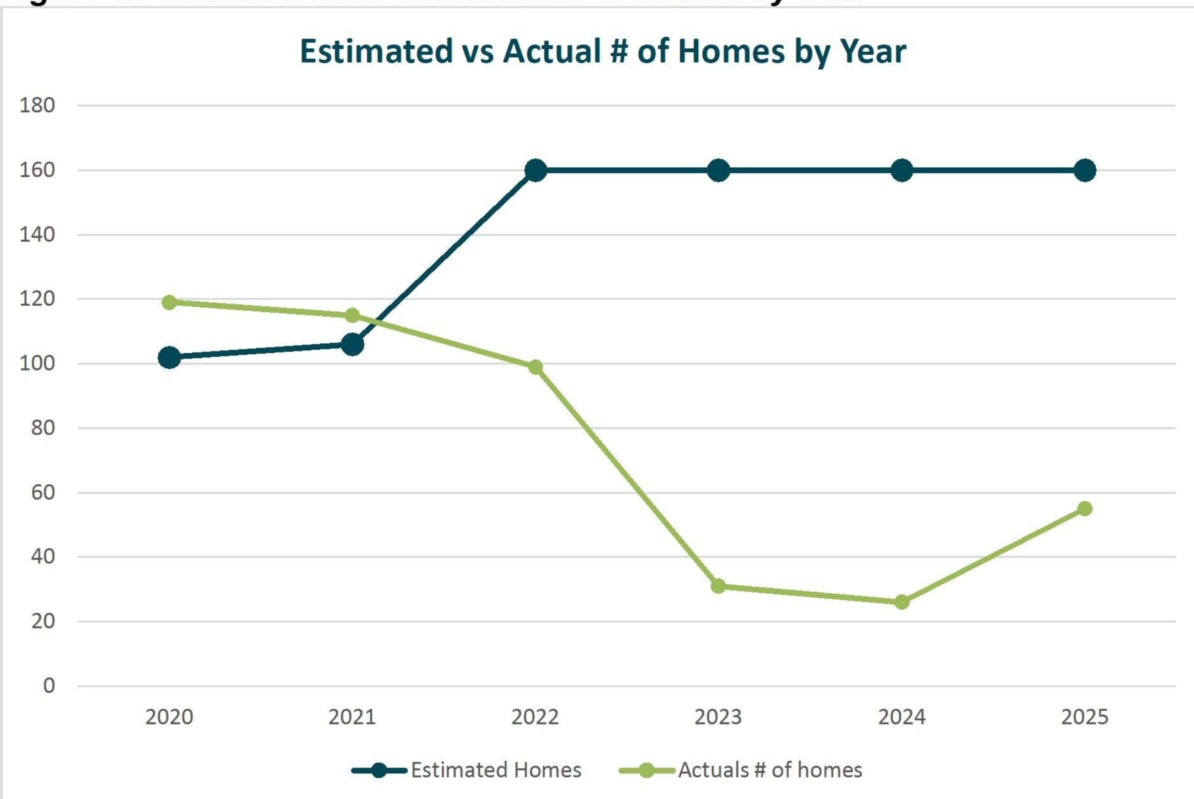

Figure 1 above shows that residential growth has not occurred at the pace anticipated in the 2021 Development Charges Background Study. While 2025 reflects some improvement over 2023 and 2024, actual growth remains significantly below the study's residential growth assumptions and below the levels experienced from 2020 to 2022.

Figure 2: Estimated vs. Actual Development Charge Revenue

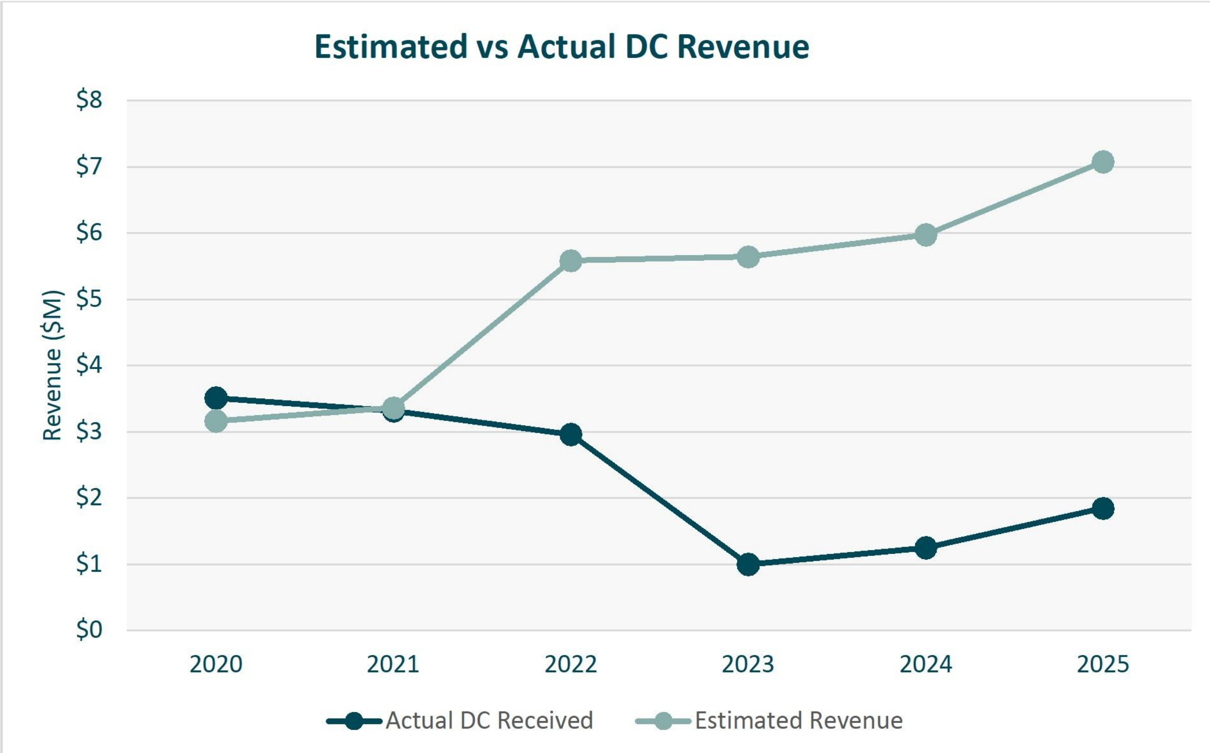

Figure 2 above shows a significant variance between the illustrative development charge revenue associated with the residential growth assumptions in the 2021 Development Charges Background Study and actual collections to date. The 2025 revenue estimate was derived by applying the implemented development charge rates to the number of homes forecast in the study. On that basis, actual 2025 collections were approximately $5 million below the revenue level associated with the study's residential growth assumptions.

Cumulative Revenue Impact and Financial Outlook

From 2020 to 2025, the cumulative variance between the illustrative development charge revenue associated with the residential growth assumptions in the 2021 Development Charges Background Study and actual collections totals approximately $17 million. This shortfall has reduced the funding available to support growth-related capital works and has increased pressure on Development Charge Reserve Fund balances, with some reserve funds falling into a negative position.

These pressures are further compounded by cost escalation since the completion of the 2021 Development Charges Background Study. Inflation, supply chain challenges, and increased construction costs have significantly increased the cost of delivering growth-related infrastructure. As a result, the gap between available Development Charge funding and actual capital requirements has widened.

Together, slower than anticipated growth and rising capital costs are creating structural funding pressures within the Municipality's development charge framework. These pressures are not unique to Thames Centre but reflect broader challenges being experienced across Ontario, where municipalities are facing reduced Development Charge collections alongside increasing infrastructure costs.

Development Charge Negative Balance Reserve Fund Strategy
Negative development charge reserve fund balances can occur where growth-related infrastructure is constructed in advance of the corresponding development charge revenue being collected. In these circumstances, the negative balance generally reflects a timing difference between when eligible capital works are delivered and when growth funding is received. These balances are typically managed over time through future development charge collections and, where appropriate, debt financing, inter-fund borrowing, or other approved financing strategies. However, under the Municipality's recently adopted reserve and debt policies, Municipal Administration is working to avoid future negative reserve fund positions and to ensure that debt servicing costs do not exceed projected development charge revenues.

At present, the Municipality's most significant development charge negative reserve fund pressures relate to Parks and Recreation and Wastewater, while the Fire and Public Works reserve funds are expected to improve over time. The following service-specific commentary provides further context regarding the factors affecting these reserve fund balances and the financing considerations currently under review by Municipal Administration.

Fire Development Charge Reserve Fund
The Fire Development Charge Reserve Fund is expected to recover gradually, as no significant outflows are currently anticipated over the next several years aside from a limited amount of debt servicing. Based on current development charge revenue trends, the reserve fund is projected to return to a positive balance within approximately three years.

Parks and Recreation Development Charge Reserve Fund
For the Parks and Recreation Development Charge Reserve Fund, the negative balance is primarily attributable to drawdowns totaling approximately $2.828 million associated with the Artificial Turf Baseball Diamond at the ORC (Royal Field) from 2022. Municipal Administration is reviewing the option of financing this previously funded project through debt rather than through the reserve fund drawdowns previously taken, which would restore the reserve fund to a positive position. Additional details respecting the proposed term, interest rate, and annual debt servicing impacts will be presented to Council through a future debt issuance report.

Public Works Development Charge Reserve Fund
The Public Works Development Charge Reserve Fund entered a negative position following the identification of a prior-year allocation correction. Specifically, a tandem snowplow purchased previously had been charged to the Services Related to a Highway Development Charge Reserve Fund but, based on the allocations established in the 2021 Development Charges Background Study, should have been funded from the Public Works Development Charge Reserve Fund. In addition, the 2026 capital budget includes further approved drawdowns for a sidewalk plow and a pickup truck for

recreation services, which will place additional pressure on the reserve fund balance. Now that the negative position has been identified, future capital projects funded from the Public Works Development Charge Reserve Fund will need to be deferred until the balance returns to a positive position, which may take approximately five years based on current development charge revenue levels.

Wastewater Development Charge Reserve Fund

With respect to the Wastewater Development Charge Reserve Fund, Municipal Administration is reviewing the issuance of debt for previously approved wastewater treatment projects and exploring front-ending servicing arrangements with developers as potential financing strategies for future developments. However, current debt servicing costs already exceed annual wastewater development charge revenues, which limits the Municipality's capacity to issue additional debt, as doing so would place further pressure on the reserve fund's long-term financial sustainability.

Recent Provincial Development Charge Funding Changes

Municipal Administration is monitoring recent provincial and federal housing policy changes that may affect the Municipality's future development charge framework. The Development Charges Reduction Program (DCRP) has now been announced, providing funding for municipalities that choose to reduce development charges in support of housing-enabling infrastructure such as water, wastewater, stormwater, and roads. Staff are currently reviewing the program details and assessing potential implications for the Municipality. A separate report will be brought forward to Council to provide additional information and outline potential approaches for consideration.

2028 Development Charges Background Study Considerations

The growth and revenue trends illustrated above reinforce the importance of the Municipality's next Development Charges Background Study, currently anticipated for 2028. A high-level timeline for the development of that study is provided below. Given the significant variance between the residential growth assumptions reflected in the 2021 Development Charges Background Study and actual growth, together with the related variance between illustrative development charge revenue and actual collections, the next study will need to reassess the Municipality's underlying growth forecasts, the timing and prioritization of growth-related capital projects, and the adequacy of future development charge rates to support those works. The 2028 study will also provide an opportunity to review financing assumptions, including the use of debt, reserve fund capacity, and potential front-ending arrangements, to help ensure that the Municipality's development charge framework remains aligned with actual development activity, legislative requirements, and long-term financial sustainability.

2028 DC Background Study - High Level Timeline

Phase	Task	Timeline	Notes
Phase 1	**Water/Wastewater Master Plan**	**Q1 2027**	**In process expected to be completed in Q1 2027**
Phase 2	**2028 DC Background Study Initiation**	**Q2 2027**	**RFP & Consultant Selection**
	Data Collection & Analysis	Q2-Q3 2027	Growth projections, cost estimates from consultants and service areas
	Draft Background Study	Q3-Q4 2027	Initial findings & calculations
	Public Consultation	Q4 2027	Stakeholder input
	Buffer / Contingency	Q1 2028	1 quarter buffer for delays in data, consultation, or approvals
Phase 3	**Finalize Background Study**	**Q2 2028**	**Incorporate feedback**
	Council Presentation	Q3 2028	For approval
	By-law Adoption	Q3 2028	New DC rates effective
	Study Completion Target	**Q3 2028**	

In summary, the financial implications outlined above demonstrate that slower than anticipated growth as well as cost escalations have materially affected development charge collections, reserve fund sustainability, and the Municipality’s ability to advance growth-related capital projects within the original funding assumptions reflected in the 2021 Development Charges Background Study. Municipal Administration will continue to monitor these pressures and report back to Council on any financing or capital planning adjustments required to support the Municipality’s long-term financial sustainability. Any future recommendations related to development charge financing strategies, debt issuance, capital prioritization, or updates arising from the 2028 Development Charges Background Study will be brought forward to Council through separate reports, the budget process, or other appropriate channels.

Strategic Plan Link

Pillar: *Sustainability*

Goal: *Ensure that the Municipality maintains fiscal prudence, along with affordable and sustainable taxation levels*

Consultation

N. Bowery, Deputy Treasurer

Attachments

Appendix A – Development Charges Reserve Fund Information 2025

Prepared by: K. Clarke, Director of Financial Services/Treasurer

Approved by: J. Bellchamber-Glazier, Chief Administrative Officer

Appendix A - Statement of Development Charge (DC) Reserve Fund Activity for the year ending December 31, 2025

Table 1: Summary of DC Reserve Fund Activity

DC Reserve	Growth Studies	Fire Protection Services	Services Related to a Highway	Public Works	Wastewater Services	Water Services	Library Services	Parks and Recreation Services	Waste Diversion	Total
Opening Balance: January 1, 2025	437,316	(221,318)	711,676	161,269	670,144	4,116,875	202,442	(2,540,740)	223,639	3,761,303
Development Charge Revenues	31,265	70,195	167,780	65,927	713,886	446,465	22,701	316,763	8,457	1,843,439
Interest Earned	13,974	0	23,810	5,896	35,747	132,361	6,205		6,225	224,218
Total Contributions	**45,239**	**70,195**	**191,590**	**71,823**	**749,633**	**578,826**	**28,906**	**316,763**	**14,682**	**2,067,657**
Amount transferred to Capital	0	0	62,421	0	636,263	47,931	0	0	0	746,615
Debt Servicing Costs	0	8,689	0	0	869,639	0	38,729	175,866	0	1,092,923
Interest Paid	0	5,981	0	0		0	0	77,914	0	83,895
Total Disbursements	**0**	**14,670**	**62,421**	**0**	**1,505,902**	**47,931**	**38,729**	**253,780**	**0**	**1,923,433**
Accounting Adjustments[1]		0	373,588	(373,588)	0	0	0	0	0	0
Closing Balance: December 31, 2025	**482,555**	**(165,793)**	**1,214,433**	**(140,496)**	**(86,125)**	**4,647,770**	**192,619**	**(2,477,757)**	**238,321**	**3,905,527**

Note 1: Correction related to a tandem snowplow purchased in 2021 paid from Services Related to a Highway DC Reserve Fund which should have been paid from Public Works DC Reserve Fund

Appendix A - Statement of Development Charge (DC) Reserve Fund Activity for the year ending December 31, 2025

Table 2: Summary of Approved Life-to-Date Projects Funded from DC's as of December 31, 2025

Capital Project	Capital Project Title	DC Reserve	Total Project Budget	Tax/Rate Supported and Other Sources of Financing	DC Reserve Funding	Reserve amount transferred to capital in 2025
0839-2502	Long Term Water Supply Study	Growth Studies	120,000	41,250	78,750	
	Total Growth Studies		**120,000**	**41,250**	**78,750**	**-**
0601-2503	Bridges and Culverts	Services Related to a Highway	350,000	175,000	175,000	8,816
0601-2403	Thorndale Road Urbanization	Services Related to a Highway	1,812,783	1,397,683	415,100	53,605
	Total Services Related to a Highway		**2,162,783**	**1,572,683**	**590,100**	**62,421**
0700-2503	Unit#53 2010 International Single Axle Plow Truck Replacement	Public Works	445,000	-	445,000	-
	Total Public Works		**445,000**	**-**	**445,000**	**-**
0819-1803	Dorchester Pumping Station#3 Construction Administration	Wastewater Services	350,000	17,500	332,500	-
0819-1804	Dorchester Pumping Station#3 Construction	Wastewater Services	4,250,000	212,500	4,037,500	513,042
0819-2302	Thorndale WWTP Class EA (WW-T-TP-01B)	Wastewater Services	510,000	83,105	426,895	30,748
0819-2401	North Dorchester New Development Sewage Pump Station	Wastewater Services	400,000	117,050	282,950	-
0819-2402	Thorndale Wastewater	Wastewater Services	395,817	19,791	376,026	-
0819-2403	PS3 West Sewers (PS#3 to Mill Rd) - DC Project WW-D-SS-03	Wastewater Services	1,955,085	1,115,950	839,135	92,474
	Total Wastewater Services		**7,860,902**	**1,565,896**	**6,295,006**	**636,264**
0839-1906	Thorndale Industrial Park Watermain Loop W-T-WM-09	Water Services	408,000	-	408,000	-
0839-1908	Thorndale Trunk Watermain Loop Rosewood W-T-WM-07	Water Services	51,000	10,200	40,800	-
0839-1909	DOR Wells Supply Expansion W-D-SUP-02(b)	Water Services	113,600	5,700	107,900	-
0839-2006	Water W2B Mill Road North to Christie W-D-WM-11	Water Services	170,400	34,080	136,320	-
0839-2101	DOR Wells Supply Expansion W-D-SUP-02(b)	Water Services	320,000	16,056	303,944	18,116
0839-2303	300m Looping Deisgn & Tender Prep	Water Services	80,000	-	80,000	-
0839-2401	Dorchester HLP Upgrades W-D-BPS-01	Water Services	158,411	55,444	102,967	25,744
0839-2402	New THOR Groundwater Supply W-T-SUP-02	Water Services	455,427	204,861	250,396	-
0839-2403	DOR Waterain- Catherine St West Upgrade (Porters 3) W-D-WM-15	Water Services	230,176	184,141	46,035	4,072
0839-2404	Thorndale Watermain- South Trunk at Railway Crossing W-T-WM-05	Water Services	361,322	-	361,322	-
0839-2405	Thorndale Watermain - South Trunk at Rosewood Subdivision W-T-WM-06	Water Services	69,407	-	69,407	-
	Total Water Services		**2,417,743**	**510,482**	**1,907,091**	**47,932**

Appendix A - Statement of Development Charge (DC) Reserve Fund Activity for the year ending December 31, 2025

Table 3: Summary of Issued Debt for Approved Projects

Capital Project Title	DC Reserve Fund	Debt By-law#	Original Debt Issued for Growth Share	Year of Debt Issue /Retirement	Principal outstanding as at December 31, 2025	DC Reserve Fund Debt Payment on Issued Debt
Flight Exec Renovations	Parks and Recreation Services	35-2012	1,625,000	2012/2032	700,633	113,761
Outdoor Rec Complex	Parks and Recreation Services	30-2017	750,000	2017/2032	365,272	62,105
Dorchester Library	Library Services	106-2019	791,805	2020/2049	680,093	38,729
Thorndale Firehall	Fire Protection Services	105-2019	134,596	2020/2039	53,682	8,689
Dorchester Wastewater (Plant & Sewer)	Wastewater Services	14-2021	7,446,375	2021/2031	4,239,380	807,533
Thorndale WW Connection	Wastewater Services	29-2017	750,000	2017/2032	365,272	62,105

Appendix A - Statement of Development Charge (DC) Reserve Fund Activity for the year ending December 31, 2025

Table 4: Percentage of DC Reserve Fund balances spent or allocated for the year beginning January 1, 2025

DC Reserve Fund	Growth Studies	Fire Protection Services	Services Related to a Highway	Public Works	Wastewater Services	Water Services	Library Services	Parks and Recreation Services	Waste Diversion
Opening Balance: January 1, 2025	437,316	(221,318)	711,676	161,269	670,144	4,116,875	202,442	(2,540,740)	223,639
Future Drawdowns for Approved Life to Date Capital Projects as of January 1, 2025	-	-	536,099	445,000	2,336,825	1,286,849	-	-	-
Outstanding Principal (At January 1, 2025) on issued debt where debt payments are funded from DC Revenues	-	53,682	-	-	4,605,652	-	680,093	1,065,905	-
Percentage of Opening balance committed to capital projects and associated funding requirements	0%	Deficit	75%	276%	1036%	31%	336%	Deficit	0%

Appendix A - Statement of Development Charge (DC) Reserve Fund Activity for the year ending December 31, 2025

Table 5: Description of Each Service for which each Development Charge Reserve Fund was Established

Service/Class of Service	Description
Services Related to Highway	The fund is used for growth related projects for roads, bridges, structures, active transportation, streetlights, sidewalks, and other related road infrastructure.
Public Works (Facilities and Fleet)	The fund is used for growth-related projects for public works related facilities, vehicles, and equipment.
Fire Protection Services	The fund is used for growth related projects supporting fire protection services including facilities, vehicles, equipment and gear.
Parks and Recreation Services	The fund is used for growth related projects related projects related to park amenities, recreational trails, park buildings, recreation facilities, and parks and recreation vehicles and equipment.
Library Services	The fund is used for growth related projects including library facilities.
Growth Studies	The fund is used for growth related to growth related studies.
Waste Diversion	The fund is used for growth related projects for, facilities, vehicles, equipment, and other waste diversion infrastructure.
Wastewater Services	The fund is used for growth related projects for wastewater treatment, supply, storage, pumping, distribution, and other water related infrastructure.
Water Services	The fund is used for growth related projects for water treatment, supply, storage, pumping, distribution, and other water related infrastructure.

Table 6: Statement of Compliance with Subsection 59.1(1) of the Development Charges Act, 1997

In accordance with the requirements of section 43(2)(c) of the Development Charges Act, 1997, the Treasurer hereby confirms that the Municipality of Thames Centre has complied with subsection 59.1(1) of the Act for the year ended December 31, 2025. Subsection 59.1(1) of the Development Charges Act, 1997 provides that a municipality shall not impose, directly or indirectly, a charge related to development or require the construction of a service related to development, except as permitted under the Act or another Act. The Municipality of Thames Centre has not imposed any charges or required the construction of any services related to development, except where such charges or requirements are authorized in accordance with the Development Charges Act, 1997 or other applicable legislation.