



# Town of Erin

## Corporate Report

**Department:** Corporate Services

**Business Unit:** Finance

**Presented/**

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**Report Number:**

F2025-03

**Meeting Date:**

2/27/2025

### Subject

Temporary Borrowing By-law 2025

### Recommendation

**That Council hereby receives report number F2025-03 “Temporary Borrowing By-law 2025” for information;**

**And that By-law 25-16, to authorize borrowing, as listed on the February 27, 2025, agenda be approved;**

**And that Council authorizes staff to proceed with loan financing of up to \$65 million over the term of the Water Supply and Distribution project with required loan payments available from Development Charges income built up from the Town’s new residential development.**

### Background

Section 407 of the Municipal Act, 2001 allows municipalities to borrow up to 50% of the total estimated revenues of the municipality from January 1 to September 30 each year; 25% of the total revenues from October 1 to December 31 each year or 25% of total estimated revenues for the current year, whichever is less.

In February 2024, as in previous years, Council adopted a Temporary Borrowing By-law of \$3 million for any cash shortfall or emergencies which was effective until December 31, 2024. To mitigate any future short term cash flow shortages, staff recommend approval of the proposed 2025 Temporary Borrowing By-law. The amount requested is within the 2024 Annual Repayment Limit noted in Appendix A. The Town’s 2025 debt obligation is approximately \$335,000 (principal and interest) and is well within the limit.

### Discussion

#### Temporary Borrowing

As shown in the 2025 Cash Flow Forecast (Appendix B), the Town may encounter cash flow pressures due to quarterly remittances to the County and School Boards and timing of capital projects. These are estimates and include the following assumptions.

1. Pre-authorized Payments for taxes and water are expected to increase as staff continue encouraging residents to accept this method of payment.
2. There are no capital projects earmarked for debt using operating funds for required loan payments.
3. The Waste Water Recovery Facility and linear works construction are ongoing with the development community providing funding.

### **Delivery of Water Supply and Distribution**

In past years, the Temporary Borrowing By-law has related to operating cash flow issues. The proposed by-law further includes an additional provision to authorize a loan over several years for a specific Water Supply and Distribution project with loan payments derived from development charge income related to new residential development.

### **Water Development Charges Income**

Water Development Charges income is based on the estimated number of new homes per year ranging from \$4.2 million in 2024 to a high of \$8.8 million in 2031 and gradually reducing after that time to \$6.3 million in the year 2035 (Appendix D).

The 2024 Development Charges Background Study prepared by Watson & Associates Economists Ltd. attributed 100% of the cost of this development to growth, and therefore 100% funded from the Water Development Charges (Appendix C - Development Charges Water Services).

### **Proposed Costs of Construction and Engineering**

In 2024 Ainley Group submitted a proposal outlining issues and proposed engineering and construction costs for the new Water Supply and Distribution required for the new residential homes in Erin and Hillsburgh. The September 30, 2024, update from the initial presentation with pertinent information is attached hereto (Appendix D).

### **Bank Loan Proposal**

The Town of Erin is proposing a loan from its bank of up to \$65 million to cover the estimated costs of engineering and construction over the term of the project as outlined in Appendix D, page 3 of the Ainley Report.

The Town has already incurred engineering fees throughout 2024, and the construction tender is set to be released on Bids and Tenders February 21, 2025 with construction to begin in the Spring of 2025.

There is a timing difference between the engineering and construction costs and the receipt of Development Charges income.

Approval from Council is the first step in a series of requirements from the bank in order to establish this loan.

## **Strategic Pillar**

Service Excellence & Good Governance  
Growth Management

## **Financial Impact**

There will be financial impact of interest costs if a line of credit or loan is used for temporary borrowing. The bank loan will have interest costs, however along with the principal payments these will be paid by Development Charges.

## **Conclusion**

That Council receives report F2025-03 “Temporary Borrowing By-law 2025” and approves the Temporary Borrowing By-law with a limit of \$3 million until December 31, 2025, in order to have the option to access cash for any emergencies that may arrive.

And that Council authorizes staff to proceed with loan financing of up to \$65 million over the term of the Water Supply and Distribution project.

## **Attachments**

Appendix A – Annual Repayment Limit 2024

Appendix B – Cash Flow Forecast 2025

Appendix C – Watson Economists – DC Study 2024 Water Infrastructure

Appendix D – Ainley Report: Erin Water Supply Distribution Issues excerpt, September 2024 update

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