The Corporation of the County of Prince Edward, Ontario
Planning for Future Stability with Innovative Infrastructure Development

Rural communities with small tax bases face daunting challenges in funding the infrastructure needed to support growth. Often, rural councils are reluctant to tie up debt capacity and take on major infrastructure projects. In Prince Edward County, Ontario, though, the council and municipal leadership had no choice—surging growth required bold action. Their solution was an upfront financing agreement, adapted from its use in urban areas to a pioneering approach for a rural community. Discover what Prince Edward County leaders learned—and how their solution can be a model for other small communities facing similar challenges.

A PERIOD OF RAPID GROWTH
Located equidistant from three of Canada’s major cities—Ottawa, Montreal, and Toronto—Prince Edward County had become a premier tourist destination over the last decade. With its vineyards, agricultural tourism, and beautiful Lake Ontario shoreline, the county’s appeal to urbanites has made it an increasingly attractive place to live and work. As the pandemic unfolded, this upward trend in population surged along with remote and hybrid work arrangements that gave professionals new flexibility.

As Chief Administrative Officer Marcia Wallace said, “Historically, the county was a very sleepy place… until it wasn’t.” From 2014 to 2020, the county’s population increased by 4 percent, and based on current planning...
applications, growth is expected to increase 333 percent through 2027.

With the influx of people came new demand for housing, county services, and infrastructure. Director of Finance Amanda Carter explained, “The growth happened faster than expected, exceeding our capacity to service it.” The community of Wellington, which has 2,000 residents, is expecting a population increase of more than 3,000 people in the next three to five years. The municipality’s downtown area is constrained, with limits to expansions or changes on its main street. Additionally, a lack of water pressure compromises fire safety.

“We have real problems,” Marcia explained, “even if we could have stopped the growth—which we couldn’t, as we had already zoned the land.” Recognizing that the county’s infrastructure was at capacity, leadership undertook an environmental assessment process that provided insight into infrastructure needs and costs aligned with anticipated growth. The focus was on the immediate and short-term water and wastewater needs.

This assessment resulted in a Master Servicing Plan for Wellington, which has determined that $68 million will be needed in the first phase of water and wastewater investment to meet immediate and short-term needs. The plan will also determine the infrastructure improvements required in the next 10 to 20 years to accommodate projected growth.

**FACING UNIQUE CHALLENGES**

In funding infrastructure, the challenges faced by a rural community differ from those of an urban area. The difficulty is not just about a smaller tax base and limits to borrowing capacity; it’s also about adapting to change.

In Canada, municipal governments are mandated to carry out asset management planning, including for roads, bridges, water, wastewater, and more. The county’s planning revealed an imbalance, with far too much needed infrastructure for its current population size to afford. Given the county’s levy of $45 million, the typical 1 percent allocation for infrastructure would mean there wouldn’t be enough funds to maintain or build at the service levels needed for the county’s rapid population growth. “We had to come up with a different approach to financing because we were already under pressure to find a way to make long-term financing work for the infrastructure deficit, and that was before we tackled the growth problem,” Marcia said.

The county had already considered ways to limit the cost of infrastructure, including restricting rural severances and subdivisions to focus growth in specific areas. While controversial, this approach was consistent with provincial policy to protect viable farmland and agritourism, which are of major economic importance to the region.

Despite its thorough analysis and careful approach, leadership faced an uphill fight in making the case for a new approach to funding. “There’s reluctance among rural councils to take on debt,” Marcia explained. “Even if we do take on debt, our annual repayment limit is narrow, compared to that of a major city—meaning our borrowing capacity is limited. Rural communities don’t have the same tools that cities do. Sometimes, we have to create our own.”

**INNOVATING WITH UPFRONT FINANCING**

Its limited borrowing capacity put the county in a difficult position. The borrowing pressure and the interest payments on the debt would, in all likelihood, exceed the value of the multimillion-dollar commitment the province would make. “Infrastructure policy isn’t scaled,” Marcia noted, “even though it needs to be to be able to meet the mandate of service delivery and keep pace with growth.” Amanda added, “The borrowing capacity is related to how much money you make in a municipality, and we just didn’t have that scale.” Second, the traditional means of financing debt would drive up tax and utility rates, which were already higher than in other area municipalities.
In a previous role with the province, Marcia had seen firsthand how regional municipalities in the Toronto area used upfront financing to secure commitments and control the pace of development in the region. She knew that while these financing agreements were complex, they were well understood by developers, and they might offer a model for sustainable infrastructure development for Wellington. “We thought, if a developer is really serious about building, maybe they will provide the same kind of financial assurance to these agreements through bonds or pay their development charges at the time of construction, rather than at the time of planning approval or construction.”

Development charges are fees collected from developers, typically at the time a building permit is issued, to help pay for the cost of growth-related municipal infrastructure. Negotiating upfront financing agreements with developers is permitted under the Development Charges Act, allowing governments to collect development charges before costs to expand water and wastewater infrastructure are incurred. The twist was that upfront financing agreements had never been pursued previously in the county—Wellington's would be the first.

In pursuit of this solution, Marcia and Amanda collaborated with the county's senior staff, its economist, consultants, lawyer, and lead engineer from development services. The team brainstormed tirelessly, adapting traditional upfront financing agreement structure to their particular needs. “It was complicated to build the first agreement,” Marcia recalled. “It took almost a year to get it in place.”

In December 2021, the county announced its first agreements, totaling more than $20 million in commitments in exchange for guaranteed access to servicing and $4 million in letters of credit to backstop the agreements. These letters of credit signal the developers’ seriousness about proceeding with the planned developments, in exchange for the county reserving water and wastewater capacity. Unlike larger communities with complex legal agreements, the county developed a simple template that guarantees a developer’s connection to a project, linked to the number of units being built and the required development charges. The county also developed a site-specific development charge based on the geography the infrastructure was being built for.

With the developers' commitments, the council could agree to a project that represented 26 percent of the borrowing capacity, knowing that at a minimum the next 10 years of debt payments would be covered by developers’ pre-payments. It’s a win-win, allowing for the much-needed infrastructure funding while assuring developers that significant infrastructure would be ready in time for their substantial construction investment. It’s the kind of certainty rarely found in small, rural communities.

IMPLEMENTING THE STRATEGY OUTSIDE OF THE COUNTY
Prince Edward County has developed a template that can be used for future development projects that require infrastructure investment, serving as a model for the creative application of proven approaches, tailored to small communities. “It’s opened doors and dialogue for other municipalities that could benefit from this approach,” Amanda said. “Small communities like ours have to reimagine the tools we use to solve our challenges,” Marcia added. “It’s hard, it takes time we sometimes don’t have, but it’s this kind of innovative thinking that helps us chart a path forward to meet our infrastructure needs, while ensuring financial sustainability.”

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Pictured at right, the Wellington Wastewater Treatment Plant. The Master Servicing Plan for Wellington has determined that $68 million will be needed in the first phase of water and wastewater investment to prepare for the expected population increase.