



City of Delta
COUNCIL REPORT
Regular Meeting

To: **Council**

From: **Finance Department**

Date: **September 2, 2025**

Surety Bonds Pilot Program

The following report has been reviewed and endorsed by the City Manager's Office.

▪ **RECOMMENDATIONS:**

- A. THAT a pilot program for the limited acceptance of surety bonds as a form of security for development servicing agreements be approved.
- B. THAT staff report back in one year on the implementation of the pilot program.

▪ **PURPOSE:**

The purpose of this report is to seek Council approval for a pilot program that would allow City of Delta to accept the use of surety bonds as an alternative form of security for certain development servicing agreements where eligibility criteria are met.

▪ **BACKGROUND:**

A development servicing agreement is a contract between the City and a developer that sets out the terms under which the developer will provide, fund, or contribute to the infrastructure and servicing required for new development. The infrastructure requirements may include roads, sidewalks, utilities and other upgrades. Under the *Delta Development and Subdivision Standards Bylaw No. 8288, 2024*, developers must enter into a development agreement before final approval of a development application or issuance of a building permit in the absence of a development application. To ensure completion, the development agreement requires that the works are secured by cash or an irrevocable letter of credit equal to 110% of estimated infrastructure costs.

▪ **DISCUSSION:**

A pilot program is proposed to accept surety bonds as an alternative to cash or letters of credit for development servicing agreements with works valued between \$1 Million - \$5 Million. By eliminating the need for cash deposits or irrevocable letters of credit, surety bonds free up developer's working capital. This increased liquidity may enable developers to advance their projects more quickly or reinvest in other projects that support the City's housing targets and other development types. Surety bonds function as a form of insurance through a three-party agreement between the developer, the surety bond

company, and the City. They obligate the surety company to compensate the City if the developer fails to meet servicing requirements.

This approach has already been piloted in several peer municipalities including Burnaby, Surrey, Richmond, Coquitlam, and Vancouver.

A structural comparison of surety bonds to letters of credit is included in Attachment A. Both instruments offer assurance that the developer's outstanding obligations will be fulfilled. Letters of credit, issued by banks and backed by developer funds on deposit, allow the City to receive payment on demand. In contrast, surety bonds are issued by insurance companies which do not hold funds on deposit but instead guarantee payment in the event of a developer default. Delta has rarely needed to draw on securities as a form of payment, which has helped reduce the overall risk of loss from developer failure. However, in situations where a developer does not fulfill their obligations, surety bonds can create added complexity, as the City must file a formal claim with the surety provider before funds can be recovered. Qualification criteria have been designed to help mitigate these factors.

Surety Bonds Pilot Program

A pilot program for accepting surety bonds will enable a controlled introduction of this security option, allowing staff to evaluate its usage and impact on the City. Acceptable surety companies will be qualified based on the criteria outlined in Attachment B. These companies, in turn, will evaluate developer eligibility by reviewing current and historical financial results to confirm financial stability and capacity to complete the development. Participation in the pilot will be limited to a maximum of five qualifying development projects at any one time.

To use surety bonds for specific servicing agreements, developers will need to apply for a variance to the definition of "security" in *Delta Development and Subdivision Standards Bylaw No. 8288, 2024*. The variance would be brought forward for consideration in conjunction with the project bylaws. Pending the outcome of the pilot project, amendments to the bylaw could be considered to eliminate the need for a variance in future.

Implications:

Financial Implications – The proposed surety bonds pilot program will result in no direct financial implications to the City.

▪ CONCLUSION:

This report recommends that Council approve a pilot program for up to five development projects to use surety bonds from approved surety companies as an alternative form of security to cash or letters of credit for development servicing agreements. Staff will report back on the results of the program after one year.



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Department submission prepared by: Angela Buhler, CPA CA Director, Financial Services

This report has been prepared in consultation with the following departments listed.

Concurring Departments		
Department	Name	Signature
Development	Doreann Mayhew	DM
Engineering	Steven Lan	RC for SL

▪ **ATTACHMENTS:**

- A. Structural Comparison
- B. Eligibility Criteria