



**Meeting Date:** June 10, 2020  
**Submitted by:** Tiffany Farrell, Director of Corporate Services  
**Report No:** CPS-33-2020  
**Subject:** Treasurer's Statement 2019-Development Charges

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**Recommendation:**

THAT the Development Charges Treasurer Statement for 2019 be received and posted on the municipal website for information.

**Purpose:**

To present to Council the Development Charges Activity for 2019.

**Background:**

Legislative Requirements

The Development Charges Act, 1997 (DCA) requires development charge collections (and associated interest) to be placed in separate reserve funds. Sections 33 through 36 of the Act provide the following regarding reserve fund establishment and use:

- a municipality shall establish a reserve fund for each service to which the DC by-law relates; s.7(1), however, allows services to be grouped into categories of services for reserve fund (and credit) purposes, although only 100% eligible and 90% eligible services may be combined (minimum of two reserve funds);
- the municipality shall pay each development charge it collects into a reserve fund or funds to which the charge relates;
- the money in a reserve fund shall be spent only for the “capital costs” determined through the legislated calculation process (as per s.5(1) 2-8);
- money may be borrowed from the fund but must be paid back with interest (O.Reg. 82/98, s.11(1) defines this as Bank of Canada rate either on the day the by-law comes into force or, if specified in the by-law, the first business day of each quarter);
- DC reserve funds may not be consolidated with other municipal reserve funds for investment purposes and may only be as an interim financing source for capital undertakings for which development charges may be spent (s.37).

Annually, the Treasurer of the municipality is required to provide Council with a financial statement related to the DC by-law(s) and reserve funds. This statement must be made available to the public and may be requested to be forwarded to the Minister of Municipal Affairs and Housing. The DCA does not prescribe how the statement is to be made available to the public. I would recommend that a resolution of Council make the statement available on the municipality's website.

Subsection 43(2) and O.Reg. 82/98 prescribes the information that must be included in the Treasurer's statement, as follows:

- opening balance;
- closing balance;
- description of each service and/or service category for which the reserve fund was established (including a list of services within a service category);
- transactions for the year (e.g. collections, draws) including each assets capital costs to be funded from the DC reserve fund and the manner for funding the capital costs not funded under the DC by-law (i.e. non-DC recoverable cost share and post-period DC recoverable cost share);
- for projects financed by development charges, the amount spent on the project from the DC reserve fund and the amount and source of any other monies spent on the project.
- amounts borrowed, purpose of the borrowing and interest accrued during previous year;
- amount and source of money used by the municipality to repay municipal obligations to the DC reserve fund;
- list of credits by service or service category (outstanding at beginning of the year, given in the year and outstanding at the end of the year by holder); and
- for credits granted under s.14 of the old DCA, a schedule identifying the value of credits recognized by the municipality, the service to which it applies and the source of funding used to finance the credit; and
- a statement as to compliance with s.s. 59(1) of the DCA, whereby the municipality shall not impose, directly or indirectly, a charge related to a development or a requirement to construct a service related to development, except as permitted by the DC or another Act.

### DC Reserve Fund Application

Section 35 of the DCA states that:

“The money in a reserve fund established for a service may be spent only for capital costs determined under paragraphs 2 to 8 of subsection 5(1).”

This provision clearly establishes that reserve funds collected for a specific service are only to be used for that service, or to be used as a source of interim financing of capital undertakings for which a development charge may be spent.

## **Analysis:**

Based upon the above, Figure 1, and Attachments 1, 2 and 3, set out the format for which annual reporting to Council should be provided.

In 2018, after the DC Treasurer's Statement was provided to Council, there were adjustments to some capital accounts during the year end audit that were funded by DCs. Therefore, the updated Amount Transferred to Capital (or Other) Funds - Capital Fund Transactions for 2018 is presented in Attachment 3.

Additionally, in 2019, Southwinds Developments Co. Inc. collected the full development charge upon sale of lot from their builders. It was explained to the developer that they are permitted to ensure any development charge credits issued are recovered from their builders upon sale of the lots, no other organization has authority to collect the Municipal Development Charges. At this time, Southwinds Development Co. Inc. owes the Municipality of Middlesex Centre \$253,292 in development charges. These development charges based on 13 building permits (DC charge \$19,484 on residential permit) are recorded as part of the development charges earned in 2019 (included in contributions).

In addition, in 2019, the Municipality is in a cost sharing agreement with Kilworth Heights West Ltd, in which they received development charge credits based on specific infrastructure they are completing. As the value of this infrastructure has not been determined, the Municipality has issued \$166,160 in development charge credits to date, and has an outstanding payable to Kilworth Heights West Ltd. for 2019 in the amount of \$210,242.54 to be released once the final amount of the credit is determined. These values have been noted as a development charge credit for Kilworth Heights West Ltd. for a total of \$376,403.54.

At the end of 2019, the development charges are still in a negative position, and the Municipality has borrowed the construction financing for these projects from Infrastructure Ontario. As many of these projects are completing, the funding will be converted from construction financing to debt borrowings in 2020. Note – this is not unusual to be in a negative position while in a growth position.

## **Financial Implications:**

When applicable, development charges are collected at the time of building permit issuance and are to be used to offset growth-related component of eligible capital works. Although this report details the receipt, retention and application of those funds for capital purposes during the year, there is no financial impact to receiving this report. The amount of development charges can vary widely from year to year based on fluctuations on building activity, such as the number and size of non-residential developments or changes in the type and/or number of housing units.

**Strategic Plan:**

This matter aligns with following strategic priorities:

- 5e. Operational Excellence: Forging partnerships with other levels of government.

**Attachments:**

A1 Treasurer's Statement 2019 – Development Charges