



Meeting Date: June 9, 2021

Submitted by: Tiffany Farrell, Director of Corporate Services

Report No: CPS-27-2021

Subject: Amended Treasurer's Statement 2020-Development Charges

Recommendation:

THAT the Amended Development Charges Treasurer Statement for 2020 be received and posted on the website.

Purpose:

To present to Council the amended Development Charges Activity for 2020.

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.

The original report CPS-15-2021 was approved by Council April; 14, 2021.

Analysis:

A late invoice was processed in April 2021 related to a Development Charge funded project that was completed in 2020. This was the Kilworth West Connection Sanitary Sewer and the adjustment is \$13,491.63 to the municipal development charges. This Treasurer's statement has been amended to reflect the correct values.

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

In 2019, Southwinds Developments Co. Inc. collected the full development charge upon sale of lots 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, however 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 are based on the issuance of 13 building permits (DC charge \$19,484 on residential permit) and recorded as part of the development charges earned in 2019 (included in contributions).

In addition, in 2019, Kilworth Heights West Ltd. received development charge credits based on specific infrastructure they are completing and required as part of the cost-sharing agreement with the Municipality. 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. in 2020 in the amount of \$210,242.54 which shall be released once the final amount of the development charge credit to Kilworth Heights West Ltd. is determined. These values have been noted as a development charge credit for Kilworth Heights West Ltd. for a total of \$376,403.54 in 2019. Staff continue to work with Kilworth Heights West Ltd. on determining the final amount of eligible Development Charge Credits.

At the end of 2020, the development charges are still in a negative position, and the Municipality has borrowed the construction financing for these projects from Infrastructure Ontario. This construction financing will continue into 2022 when it will be paid off in full.

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:

- Responsive Municipal Government

The annual Development Charge Treasurer Statement is a legislative requirement under the Development Charges Act and additionally it responds directly to Objective 5.3– Foster a culture of innovation, continuous improvement, and cost-effective services by sharing information and gathering input, by continuing our timely and effective communication to the public.

Attachments:

Appendix 1 – Amended Treasurer’s Statement 2020 – Development Charges