

---

# HALDIMAND COUNTY

## Report FIN-07-2019 Development Charges Reserve Funds – Treasurer's Annual Statements for 2018



For Consideration by Council in Committee on May 28, 2019

---

### OBJECTIVE:

To provide the Treasurer's Annual Statements of Development Charges Reserve Funds for 2018, as required by the Development Charges By-law and the Development Charges Act, as amended.

### RECOMMENDATIONS:

1. THAT Report FIN-07-2019 Development Charges Reserve Funds – Treasurer's Annual Statements for 2018 be received as information;
2. AND THAT the Treasurer's Annual Statement of Development Charges Reserve Funds for 2018 be made publicly available on the Haldimand County website and upon request.

**Prepared by:** Charmaine Corlis, Treasurer

**Respectfully submitted:** Mark Merritt, CPA, CA, General Manager of Financial & Data Services

**Approved:** Donald G. Boyle, Chief Administrative Officer

### EXECUTIVE SUMMARY:

As required in the Development Charges Act, 1997 (the *Act*), the unaudited Treasurer's Annual Statements, regarding 2018 activity pertaining to the County's Development Charges Reserve Funds, are provided to Council for information each year. Attachment #1 provides a summary of the 2018 financial transactions affecting all the development charges reserve funds showing: opening balances, transfers in (development charge receipts and interest), transfers out (to fund capital projects) and the resulting closing balance for the year. Attachment #2 provides the detail, by reserve fund, of each capital project that required growth related funding from development charges in 2018.

### BACKGROUND:

The Development Charges Act, 1997 (the *Act*) provides the legislative framework for the collection and use of Development Charges. The Act provides that the Treasurer of a municipality, on or before such date as Council may direct, shall give Council an annual financial statement for each Development Charges Reserve Fund established under the Act and the municipality's Development Charges By-law.

As outlined in the Development Charges By-law, the Treasurer shall provide an annual statement to Council, on or before May 31st of each year, containing information for the prior calendar year. The information to be included in this statement is set out in Section 43 of the Act and Section 12 of Ontario Regulation 82/98 (the Regulation). In 2015, changes were made to the Act and Regulation that have slightly modified the reporting requirements.

The main reporting requirements under the Act are as follows:

- Statement of opening and closing balances of all development charges reserve funds and the transactions for the year relating to each of these funds;
- The transactions shall identify all the capital costs funded by the reserve fund and the amounts funded from other sources (other than development charges);
- Statement of compliance with S. 59.1 (1) of the Act (essentially that no charges to the reserve funds occurred that are not permitted under the Act);
- Council shall ensure that the statement is made available to the public.

## ANALYSIS:

Attached to this report are the unaudited Treasurer's Statements for each Development Charges Reserve Fund, as established in By-law 1441/14, for the calendar year 2018. The following Table provides the historical amounts of Development Charges revenue collected for growth related capital works in the years 2014 to 2018.

**Table 1: Development Charges Collected**

<b>Service</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Ambulance Services	6,535	13,772	48,278	61,775	24,623
Fire Services	62,332	106,265	373,959	478,830	191,962
General Government	21,465	23,188	80,964	103,606	39,606
Cemeteries (established 2014)	5,660	13,345	46,694	59,749	23,860
Leisure Services	286,277	428,210	1,568,229	2,004,324	766,492
Parking Services (established 2014)	3,961	9,310	32,291	41,333	16,652
Library Services	48,612	71,158	260,500	332,878	127,043
Public Works - Buildings and Fleet	16,699	23,528	82,785	105,913	42,063
Roads and Related	103,163	158,790	557,574	714,105	286,766
Wastewater	117,930	141,153	588,639	781,127	237,887
Stormwater	14,987	20,831	86,561	114,985	35,484
Water	74,152	122,780	512,090	679,476	206,944
	761,773	1,132,330	4,238,564	5,478,101	1,999,384
Allocation:					
<b>Residential</b>	<b>707,209</b>	<b>1,069,160</b>	<b>4,100,705</b>	<b>5,291,348</b>	<b>1,833,769</b>
<b>Non-Residential</b>	<b>54,564</b>	<b>63,170</b>	<b>137,859</b>	<b>186,753</b>	<b>165,615</b>

The substantial amount of Development Charges collected in 2017 was a result of a significant increase in the number of building permits that attract development charges. For 2018, there has been a decrease in annual building permits issued, to 907 in 2018 compared to the high of 1,586 experienced in 2017. Both 2016 and 2017 were anomalies as large scale residential developments came on-line primarily in Caledonia. Development Charges are based on the type of permit and development; the number of building permits that required a Development Charge in 2018 was 195 compared to 561 and 405 in 2017 and 2016 respectively. During the recent Development Charges update, the average annual housing units was projected at 226 through the years 2018 to 2020 inclusively. As such, the actual housing units in 2018 were slightly below this projection.

The attached Treasurer's Statements provide information for each Development Charges Reserve Fund, as required in the Act and Regulation. Attachment #1 provides a summary of the 2018 financial

transactions affecting all the development charges reserve funds showing: opening balances, transfers in (development charge receipts and interest), transfers out (to fund capital projects) and the resulting closing balance for the year. Attachment #2 provides the detail, by reserve fund, of each capital project that required growth related funding from development charges in 2018.

In particular, it should be noted from Attachment #1 that four of the Development Charges Reserve Funds are in a deficit balance – Roads & Related, Public Works – Buildings & Fleet, Stormwater, and Wastewater. These particular funds/service areas were anticipated to have negative balances when the 2014 Development Charges Background Study was developed (due to the fact that certain growth related capital projects were initiated prior to the collection of the related development charges in order to allow development to proceed in communities where there were servicing constraints). These services relate primarily to engineered services (i.e. wastewater, storm and roads) which utilize a 20 year financing period to recover development related capital costs (other services are recovered over a 10 year period).

As shown in the 2019 Capital Budget, there will be further planned negative development charge balances due to the timing of developer payments in relationship to the expenditures on growth related projects that are planned over the forecast period. These shortfalls were anticipated when setting the development charge rates and will require future growth related debt to be issued. These debt charges must be fully recovered from future development charge receipts. In addition, there are some funding commitments related to past capital works that have already been incurred (for example, Haldimand County Caledonia Centre, Cayuga Memorial Arena, Dunnville Memorial Arena, Hagersville Fire Station/EMS Base, Cayuga Fire Station/EMS Base, South Haldimand Fire Station, Dunnville Library, water and wastewater projects, etc.) which will require withdrawals from the applicable Development Charges Reserve Fund in future years, specifically to repay the existing growth related debt charges.

## **FINANCIAL/LEGAL IMPLICATIONS:**

Development Charges are an important component of the County's long-term financial plan. As outlined in the Development Charges Act, the funds in the Development Charges Reserve Funds may only be used to finance growth related projects.

As identified in the applicable approved Capital Forecast (Tax Supported and Rate Supported), the Development Charges Reserve Funds are in line with the projections included in the Development Charges Background Study, and will continue to be monitored annually. During 2018, the county began the process of developing a new Development Charges Background Study, resulting in council approval of revised development charges rates on May 13, 2019. If there are indications that the anticipated targets are not being met, a review of the development charge rates can be initiated before the statutory five year review period. The current by-law expires May 13, 2024.

## **STAKEHOLDER IMPACTS:**

Not applicable.

## **REPORT IMPACTS:**

Agreement: No

By-law: No

Budget Amendment: No

Policy: No

## **ATTACHMENTS:**

1. Development Charges Reserve Fund Statement Summary for the Year Ended 2018
2. Treasurer's Statements for Development Charges Reserve Funds for the year ended December 31, 2018:
  - a) Roads & Related
  - b) Public Works – Buildings & Fleet
  - c) Parking Services
  - d) Fire Protection Services
  - e) Leisure Services
  - f) Library
  - g) General Government
  - h) Cemeteries
  - i) Ambulance
  - j) Stormwater Drainage & Control Services
  - k) Wastewater Services
  - l) Water Services