
HALDIMAND COUNTY

Report FIN-07-2020 Development Charges Reserve Funds Treasurer's Annual Statement for 2019



For Consideration by Council on May 19, 2020

OBJECTIVE:

To provide the Treasurer's Annual Statements of Development Charges Reserve Funds for 2019, as required by the Development Charges By-law and the Development Charges Act, as amended.

RECOMMENDATIONS:

1. THAT Report FIN-07-2020 Development Charges Reserve Funds – Treasurer's Annual Statements for 2019 be received;
2. AND THAT the Treasurer's Annual Statement of Development Charges Reserve Funds for 2019 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: Craig Manley, MCIP, RPP, Chief Administrative Officer

EXECUTIVE SUMMARY:

In accordance with the Development Charges Act, 1997 (the Act), the Treasurer is required to present to Council an annual statement of the County's Development Charges Reserve Funds.

Attachment #1 is the unaudited Development Charges Reserve Fund Statement, which provides a summary of the 2019 financial transactions affecting all the Development Charges reserve funds which includes:

- ✓ 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 2019.

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).

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 2042/19, for the calendar year 2019. The following Table provides the historical amounts of Development Charges revenue collected for growth related capital works in the years 2015 to 2019.

Table 1: Development Charges Collected

Service	2015	2016	2017	2018	2019
	\$	\$	\$	\$	\$
Ambulance Services	13,772	48,278	61,775	24,623	34,744
Fire Services	106,265	373,959	478,830	191,962	138,815
General Government	23,188	80,964	103,606	39,606	35,379
Waste Diversion (established 2019)	-	-	-	-	18,561
Cemeteries	13,345	46,694	59,749	23,860	15,475
Leisure Services	428,210	1,568,229	2,004,324	766,492	1,073,340
Parking Services	9,310	32,291	41,333	16,652	15,561
Library Services	71,158	260,500	332,878	127,043	172,012
Public Works - Buildings and Fleet	23,528	82,785	105,913	42,063	40,627
Roads and Related	158,790	557,574	714,105	286,766	318,442
Wastewater	141,153	588,639	781,127	237,887	583,919
Stormwater	20,831	86,561	114,985	35,484	20,658
Water	122,780	512,090	679,476	206,944	232,915
	1,132,330	4,238,564	5,478,101	1,999,384	2,700,448
Allocation:					
Residential	1,069,160	4,100,705	5,291,348	1,833,769	2,678,857
Non-Residential	63,170	137,859	186,753	165,615	21,592
# of Building Permits Issued Requiring a Development Charge		405	561	195	178

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. In 2018, there was a decrease in annual building permits issued, from 1,586 in 2017 to 907 in 2018. For 2019, there was an increase in annual building permits issued to 1,470. It should be noted that not all building permits require payment of a Development Charge. 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 2019 was 178 compared to 195 in 2018. Although the number of permits decreased the County experienced an increase of approximately \$845,000 in Development Charges collected. In 2019 the County finalized the Development Charge Rate Study and adopted By-law 2042/19 which resulted in the residential rate for an urban Single/Semi Detached Home to increase 64.79%. The new Development Charge Study also projected average annual housing units of 226 through the years 2018 to 2020 inclusively. However, as noted above, the actual housing units in 2018 and 2019 fell 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 2019 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, for each capital project that required growth related funding from development charges in 2019.

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 2019 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 2020 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. 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 2019
2. Treasurer's Statements for Development Charges Reserve Funds for the year ended December 31, 2019:
 - a) Roads & Related
 - b) Public Works – Buildings & Fleet
 - c) Parking Services
 - d) Fire Protection Services
 - e) Leisure Services
 - f) Library Services
 - g) General Government
 - h) Cemeteries
 - i) Ambulance Services
 - j) Stormwater Drainage & Control Services
 - k) Wastewater Services
 - l) Water Services