
HALDIMAND COUNTY

Report FIN-09-2025 Development Charges Reserve Funds Treasurer's Annual Statement for 2024

For Consideration by Council in Committee on May 20, 2025



OBJECTIVE:

To provide the Treasurer's Annual Statements of Development Charges Reserve Funds for 2024, as required by the Development Charges By-law and the Development Charges Act, as amended, and to obtain Council approval to charge the maximum interest rate on Development Charges resulting from recent legislation changes.

RECOMMENDATIONS:

1. THAT Report FIN-09-2025 Development Charges Reserve Funds Treasurer's Annual Statement for 2024 be received;
2. AND THAT the Treasurer's Annual Statement of Development Charges Reserve Funds for 2024 be made publicly available on the Haldimand County website;
3. AND THAT the by-law attached to Report FIN-09-2025 be approved at a future Council meeting.

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Reviewed by: Tareq El-Ahmed, CPA, CMA, Treasurer

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

Approved: Cathy Case, Chief Administrative Officer

EXECUTIVE SUMMARY:

In accordance with the Development Charges Act, 1997, SO 1997, c 27, the Treasurer is required to present to Council an annual statement of Haldimand County's Development Charges Reserve Funds.

Attachment #1 is the unaudited Development Charges Reserve Fund Statement, which provides a summary of the 2024 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 to repay debt related to previously financed 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 2024.

The report also outlines recent legislative changes to the Development Charges Act under Sections 26.1, 26.2, and 26.3, which affect the amount and timing of development charge payments and allow municipalities to apply interest on deferred and frozen charges. Staff recommend the use of the maximum permitted interest rate.

BACKGROUND:

The Development Charges Act, 1997, SO 1997, c 27, (the Act), as amended, 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 Sections 12 and 13 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);
- Any other information that is prescribed
- Council shall ensure that the statement is made available to the public.

Legislative Changes to Development Charges Act

Bill 108, More Homes, More Choice Act, 2019, introduced significant changes to the timing and calculation of development charge (DC) payments under the Act, particularly through the addition of Sections 26.1 and 26.2. These changes are intended to improve affordability and cash flow predictability for certain types of developments - zoning by-law amendments and developments subject to site plan control. Notably, development charge amounts are now calculated at the time of application instead of the time they are payable (building permit issuance). In effect, this "freezes" the DC rate at that point in time for a maximum of 24 months from the date the application was approved; with the intention that developers should not pay a higher DC Rate due to any delays in approval. DC rates fluctuate year-to-year and are approved by Council, such as through the recent report FIN-08-2025 Development Charges – 2025 Rate Adjustment whereby rates were increased 4.0%. These changes to the Act became effective January 1st, 2020.

In 2022, the Province passed further amendments to the Act through Bill 23, More Homes Built Faster Act, 2022, which prescribed the maximum interest rate to be charged under section 26.3 of the Act. These interest charges accrue from the date of the application to the date the development charge is payable. Prior to Bill 23, there was no specified maximum interest rate. As such, it was up to municipalities to determine the interest rate to charge.

Further to this, on June 6th, 2024, Bill 185, Cutting Red Tape to Build More Homes Act, 2024, came into force and reduced the maximum amount of time a Development Charge amount could be "frozen" – from 24 months to 18 months from the date the application was approved and the date the development charge is payable.

As it reads now, Section 26.1 of the Act also allows rental housing and institutional developments to pay development charges in annual instalments, starting on the earlier of the date of the issuance of a permit under the Building Code Act, 1992, authorizing occupation of the building and the date the building is first occupied. Subsection 26.1(7) of the Act allows a municipality to charge interest on the instalments from the date the development charges would have been payable, under section 26 of the Act, to the date the instalment is paid, at a rate not exceeding the prescribed maximum interest rate.

Section 26.2(3) of the Act allows municipalities to charge interest during the DC rate freeze timeframe outlined above. If no building permit is issued within that period, the applicable DC rate at the time of permit issuance applies and no interest is calculated or applied.

Section 26.3 outlines the rules for determining the maximum interest rate that may be applied to deferred or frozen development charge payments. The maximum rate is defined as the average prime rate, as set out in the Act, plus 1%. The average prime rate is to be determined quarterly using the annual rates of interest announced by the Big 5 Canadian Banks.

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 2024. Table 1 below provides an overview of the Development Charges collected for growth-related capital works by service, the interest earned, the breakdown of residential vs non-residential charges collected, and the associated building permit activity in the years 2020 to 2024.

Table 1: Development Charges Overview

Service	2020	2021	2022	2023	2024
	\$	\$	\$	\$	\$
Ambulance Services	72,007	149,512	109,968	110,923	88,348
Fire Services	211,162	438,138	322,258	324,878	258,743
General Government	68,056	141,898	104,255	105,473	83,894
Waste Diversion	48,675	92,800	68,483	73,275	57,701
Cemeteries	21,425	44,611	32,836	32,975	26,161
Leisure Services	2,119,076	3,958,470	2,917,770	3,166,713	2,491,044
Parking Services	27,983	58,157	42,712	42,880	34,173
Library Services	335,589	626,761	461,993	501,339	394,242
Public Works - Buildings and Fleet	72,868	151,058	111,017	111,901	89,058
Roads and Related	602,397	1,240,043	912,485	924,416	735,582
Wastewater	1,464,036	3,173,550	2,124,938	2,328,863	1,865,922
Stormwater	37,823	65,743	44,508	47,675	38,320
Water	519,736	1,051,748	717,964	772,768	619,383
Development Charges Collected	5,600,833	11,192,488	7,971,186	8,544,080	6,782,571
Interest Earned	119,102	248,316	211,529	385,638	469,022
Total Development Charge Revenue	5,719,935	11,440,805	8,182,715	8,929,717	7,251,593
Breakdown of Collections					
Residential	5,484,052	10,119,961	7,439,143	8,257,766	6,526,098
Non-Residential	116,781	1,072,527	532,043	286,314	256,473

Building Permit Activity:					
# of Building Permits Issued Requiring a Development Charge	303	530	368	377	233
Total Number of Building Permits	1,281	1,728	1,923	2,121	1,865

In 2021, Development Charge (DC) collections saw a notable increase due to a rise in building permits requiring them. While not all permits are subject to DCs—eligibility depends on the nature of the development—the volume of permits issued has fluctuated in recent years.

In 2019, a Development Charge Rate Study was finalized to update the 2014 study, resulting in a 64.79% increase in residential rates for urban single/semi-detached homes. The study projected average annual housing units of 226 between 2018-2020 and 276 between 2021 to 2024. Although actual housing units in 2018 and 2019 were slightly below projections, the number of units in 2020-2023 exceeded expectations, leading to additional DCs being collected. In 2024, however, there was a decline in the number of units compared to the prior year.

The attached Treasurer's Statements (Attachments #1 and #2) provide information on each DC Reserve Fund and detail the 2024 financial transactions affecting all DC reserve funds. Attachment #1 shows the opening balances, transfers in (DC receipts and interest), transfers out (to fund capital projects and service debt), and the resulting closing balance for the year. Attachment #2 provides details for each capital project that required growth-related funding from DCs in 2024.

Three of the DC Reserve Funds (Public Works, Wastewater Services, and Stormwater) have deficit balances. These negative balances were anticipated during the 2019 Development Charges Background Study, as certain growth-related capital projects were initiated prior to collecting the related DCs. This allowed development to proceed in communities with servicing constraints.

As shown in the 2025 Capital Budget, there will be further planned negative DC balances due to the timing of developer payments in relation to expenditures on growth-related projects planned over the forecast period. These shortfalls were anticipated when setting the DC rates and will require future growth-related debt to be issued. These debt charges will be fully recovered from future DC receipts.

There are ongoing funding commitments related to past capital works, such as the 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, and various water and wastewater projects. These commitments will require withdrawals from the applicable DC Reserve Funds in future years, specifically to repay existing growth-related debt charges.

The approved Tax- and Rate-Supported Capital Budgets included a project to update the current Development Charges Background Study and the underlying rates. This project is currently underway with expected completion in 2026. This update will take into account inflationary increases in the underlying costs of growth-related projects, new/pending legislative changes to the Development Charges Act and any new growth-related projects not included in the last background study.

Setting the maximum interest rate payable under the Development Charges Act

Staff recommend setting the maximum interest rate allowed under Section 26.3 of the Act, which is the average prime rate of the Big 5 Canadian Banks, adjusted quarterly, plus 1%. This rate reflects a balance between encouraging development, by incentivizing the acceleration of pulling building permits, and ensuring municipalities can maintain stable financial planning. Other municipalities have

adopted the maximum rate for the similar reasons and by doing the same, Haldimand County will ensure consistency across the sector.

Since the maximum interest rate prescribed by Section 26.3 only came into effect November 28th, 2022, there was no technically prescribed maximum rate in effect from January 1st, 2020, the date of proclamation for the DC Rate Freeze sections of Bill 108, until then. Municipalities across Ontario had set various interest rates pertaining to those developments. For ease of administration and transparency purposes, staff recommend using the exact same principles for those applications, the average prime rate of the Big 5 Canadian Banks, adjusted quarterly, plus 1%. By doing so, any eligible applications received from January 1st, 2020 onward will have the same interest principles applied.

Due to the transition rules set out in Bill 185, any application submitted after January 1st, 2020 but approved before June 6th, 2024 will have 24-months of DC rate freeze while any applications approved afterward will have 18-months of DC rate freezes. However, the interest calculated applies from the time of application, not approval.

Annually, staff will report the interest earned from these DC rate freezes through this report to Council and the Treasurer's statement, including the allocation of that interest earned. The interest earned will be prorated and distributed to each development charge reserve for which the development charge pertains.

FINANCIAL/LEGAL IMPLICATIONS:

Development Charges are an important component of Haldimand'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.

It is imperative that the development charge amounts charged keep in line with the rising cost of capital so as to not unduly burden the underlying reserves and to maintain appropriate cash flow levels. Through Section 12 of the 2041/19 Development Charges By-Law and subsequent reports, such as FIN-08-2025 Development Charges – 2025 Rate Adjustment, Development Charges are indexed to the Building Construction Price Index. With the introduction of DC rate freezes for an extended period of time, the discretion permitted by Sections 26.1(7) and 26.2(3) to charge interest from the date of eligible application should be utilized to minimize these risks.

Staff are currently in the process of updating the Development Charges Background Study and rates and anticipate to have this completed by the end of 2025. In the interim, Haldimand staff continue to monitor and evaluate the impacts of recent and pending legislative changes to the Development Charges Act and related regulations.

STAKEHOLDER IMPACTS:

Not applicable.

REPORT IMPACTS:

Agreement: No

By-law: Yes

Budget Amendment: No

Policy: No

REFERENCES:

1. [Development Charges By-law 2042/19](#)
2. [Development Charges Act, 1997](#)

ATTACHMENTS:

1. Development Charges Reserve Fund Statement Summary for the Year Ended 2024
2. Treasurer's Statements for Development Charges Reserve Funds for the year ended December 31, 2024:
 - 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. Waste Diversion
 - k. Stormwater Drainage & Control Services
 - l. Wastewater Services
 - m. Water Services
3. Draft By-Law for interest charges