
HALDIMAND COUNTY

Report CS-FI-08-2018 Development Charges Reserve Funds – Treasurer's Annual Statements for 2017



For Consideration by Council in Committee on April 24, 2018

OBJECTIVE:

To provide the Treasurer's Annual Statements of Development Charges Reserve Funds for 2017, as required by the Development Charges By-law and the Development Charges Act, as amended.

RECOMMENDATIONS:

1. THAT Report CS-FI-08-2018 Development Charges Reserve Funds – Treasurer's Annual Statements for 2017 be received as information;
2. AND THAT the Treasurer's Annual Statement of Development Charges Reserve Funds for 2017 be made publicly available on the Haldimand County website and upon request.

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Respectfully submitted: Karen General, CPA, CGA, General Manager of Corporate 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 2017 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 2017 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 2017.

As outlined in the summary in Attachment #1, the County's overall closing balance for 2017 is approximately \$2.9 million compared to a negative balance of approximately \$227,000 in 2016. This is due to the significant development charges collected primarily related to new residential activity in Caledonia. Although this was anticipated during the setting of the Development Charge rates in 2014, this development did not get underway fully until late 2016. As a result, annual development charges collected have increased from less than \$800,000 in 2014 to approximately \$5.3 million in 2017. The resulting balances in each specific reserve will be factored into the review of the current Development Charges By-law to be undertaken in late 2018/early 2019 as the current by-law expires on May 20, 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.

On May 20, 2014, Council passed By-law No.1441/14, which approved revised Development Charge rates that came into force on May 20, 2014. The Development Charges By-law provides that, annually on the anniversary date of passage of the by-law, development charge rates are to be adjusted based upon the change in the Construction Price Index. Related to this, Report CS-FI-07-2018 Development Charges – 2018 Rate Adjustment is also being presented at the April 24, 2018, Council in Committee meeting. This by-law has a five year lifespan.

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*). Recent changes have been 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 2017. The following Table provides the historical amounts of Development Charges revenue collected for growth related capital works, recognizing that, beginning in May of 2014, the rates were adjusted based on an updated Development Charges Study.

Table 1: Development Charges Collected				
Service	2014	2015	2016	2017
	\$	\$	\$	\$
Ambulance Services	6,535	13,772	48,278	61,775
Fire Services	62,332	106,265	373,959	478,830
General Government	21,465	23,188	80,964	103,606
Cemeteries	5,660	13,345	46,694	59,749
Leisure Services	286,277	428,210	1,568,229	2,004,324
Parking Services	3,961	9,310	32,291	41,333
Library Services	48,612	71,158	260,500	332,878
Public Works - Buildings and Fleet	16,699	23,528	82,785	105,913
Roads and Related	103,163	158,790	557,574	714,105
Wastewater	117,930	141,153	588,639	781,127
Stormwater	14,987	20,831	86,561	114,985
Water	74,152	122,780	512,090	679,476
	761,773	1,132,330	4,238,564	5,478,101

Allocation:

Residential	707,209	1,069,160	4,100,705	5,291,348
Non-Residential	54,564	63,170	137,859	186,753

The substantial amount of Development Charges collected in 2017 was a result of a significant increase in the number of issued building permits that attract development charges. As outlined in report PED-GM-01-2018 Planning and Economic Development Fourth Quarter Activity and Annual Review Report, annual building permits issued increased from 1,062 in 2016 to 1,586 in 2017. This increase was primarily driven by permits issued in 2017 related to the Avalon Empire Communities development in Caledonia. As Development Charges are based on the type of permit and underlying development, the number of building permits that required a Development Charge in 2017 was 561 compared to 405 in 2016. The majority of the permits issued for the Avalon development were for urban single/semi detached homes which carry the largest residential Development Charge rate.

The Development Charges Background Study to the current by-law anticipated significant development in Caledonia over the next 20 years; and, as such, this increased activity was accounted for in the calculation of necessary development charges to be collected over those years. It is anticipated that these future collections will cover the costs associated with development over the same corresponding period (including any current deficits in development charge reserve funds). Development Charges Reserve Funds are restricted under the Act for the funding of growth related capital works, as approved by Council in the 10 Year Capital Forecast.

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 2017 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 2017.

In particular, it should be noted from Attachment #1 that three of the Development Charges Reserve Funds are in a deficit balance – Roads & Related, 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 depicted in the 2018 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, 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 stipulated 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 20, 2019.

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 2017
2. Treasurer's Statements for Development Charges Reserve Funds for the year ended December 31, 2017:
 - 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