



The Corporation of the City of Cornwall
Regular Meeting of Council
Report

Department: Financial Services
Division: Finance
Report Number: 2021-68-Financial Services
Prepared By: Tracey Bailey, General Manager
Meeting Date: July 12, 2021
Subject: 2020 Annual Report on Development Charges Reserve Fund

Purpose

The purpose of this report is to present the required 2020 Statement of Development Charges to Council and provide information on financial transactions which occurred during the year in relation to the Development Charges Reserve Fund.

Recommendation

That Council receive Report 2021-68-Financial Services prepared in accordance with Section 12 of O.Reg. 82/98 of the Development Charges Act, 1997 (Act).

Financial Implications

A statement of the Development Charges Reserve Fund balance and transactions for 2020, by service area, is listed in Schedule A. Schedule B provides a description of the service for which the fund was established.

As described in Schedule A, the total balance of Development Charges Reserve Fund currently sits in deficit of \$1,131,420 due to the funding of the sanitary sewer project on Brookdale, North. It is anticipated that future year development charges (DC) collections will place the Reserve in a positive position.

In 2018, the City began imposing DC to residential and non-residential

development. The residential charge is being phased-in annually under the provisions of the By-Law (2020 was the third year of a 5-year phase-in). The implication of providing rules within the DC By-Law to allow for the DC payable to be lower than the fully calculated rate is that the City is foregoing potential DC revenue. This is important to note as these policy recommendations are a loss of revenue to the City which will have to be funded from non-DC sources (e.g. taxes, user fees, reserves, or other financial resources).

In 2020, the cost of providing exemptions was \$311,112 (\$311,112 discretionary, \$0 mandatory). In 2020, the City contributed \$1,752,934 to the Development Charges Reserve Fund for discretionary and mandatory exemptions provided in 2019 and 2020.

Subsections 18 (3) and 25 (2) and section 36 of the Act, describes the minimum interest rate that a municipality shall use to pay interest to the Development Charges Reserve Fund. The municipality calculates interest earned from the Bank of Canada rate on the day the By-Law comes into force, updated on the first business day of every January, April, July, and October. In 2020, the reserve earned \$23,492 in interest.

In 2020, the City used funds in the amount of \$4,644,445 from the Development Charges Reserve Fund for various capital projects that qualified for DC. Through the 2021 budget, additional DC in the amount of \$2,263,900 have been committed. Funds remaining in the Development Charges Reserve Fund are considered to be committed for projects as identified in the 2017 Development Charges Background Study. The funds will be transferred to the capital projects when growth related costs are incurred.

No amounts have been borrowed from the fund during the year.

Strategic Priority Implications

This report is aligned with the Strategic Plan goal of responsible governance through the strategies of fiscal responsibility and infrastructure investments.

Background / Discussion

In 2018, following the completion and adoption of the 2017 Development Charges Background Study, DC were imposed pursuant to By-Law 2018-038 City-Wide Development Charges and By-Law 2018-037 Area-Specific Development Charges within the Brookdale Avenue North Corridor. By-Law 2018-037 was repealed and replaced with By-Law 2020-112 on September 14, 2020.

A summary of the 2020 permit activity and associated development charges is provided as follows:

Development Charges By-Law Summary Year-end Report

<u>By-Law 2018-38</u>	<u># of Permits</u>	<u>Sq Ft</u>	<u>Development Charges</u>
2020 Residential	98		384,340.00
- Single/Semi-Detached Dwelling			
- Apartments (2+ bedrooms)			
- Special Care / Special Dwelling			
2020 Non-Residential	4	83,135.46	242,343.30
			626,683.30
2020 City Portion of Residential (YR 3 - phase in)			311,111.67
2019 City Portion of Residential (YR 2 - phase in)			652,381.00
2019 City Portion of Industrial Exemptions			789,441.63
2020 Interest Earned			23,492.00
By-Law 2018-38 City-Wide Development Charges			2,403,109.60

<u>By-Law 2018-37/2020-112</u>	<u># of Permits</u>	<u>Sq Ft</u>	<u>Development Charges</u>
2020 Non-Residential	0	-	-
2020 Interest Earned			-
By-Law 2018-37 Area-Specific Development Charges within the Brookdale North Corridor			-

Purpose of Development Charges

The general purpose for which the City imposes DC is to assist in providing the infrastructure required by future development in the municipality through the establishment of available capital funding source to meet the City's financial requirements.

Development charge funds may only be used for the purpose for which they are collected.

Development charges are based on the methodology that existing taxpayers should not be liable for capital costs of new growth. At the same time, new taxpayers should not have to contribute more than the net capital cost attributable to growth in order to maintain current levels of municipal services.

Approval of the By-Laws

By-Laws 2018-037 and 2018-038 were passed on April 9, 2018 by Cornwall City Council and came into effect April 10, 2018. By-Law 2018-037 was repealed and replaced with By-Law 2020-112 which came into effect on September 14, 2020.

Development Charge Rates and Indexing

Development charges imposed pursuant to these By-Laws are adjusted annually without amendment to the By-Laws on January 1 of each year, in accordance with the most recent change in the Statistics Canada Quarterly, Construction Price Statistics. Indexing the City's development charges helps to partially mitigate the impact of inflationary increases on future growth-related costs.

Bill 108 “More Homes, More Choice Act, 2019”

On May 2, 2019, the Province introduced Bill 108 “More Homes, More Choice Act, 2019”. The Bill proposed a number of changes to the Development Charges Act and the Planning Act. The Bill was amended by the Standing Committee on May 29, 2019 and received royal assent June 6, 2019. The predominant impacts of the provisions that came into force January 1, 2020 after being proclaimed December 10, 2019 are:

Payment in Instalments

Unless the developer and the municipality enter into an agreement to the contrary, not-for-profit rental housing developments will pay DC in 21 equal annual payments, while rental housing and institutional developments will pay DC in 6 equal annual payments commencing on the earlier of the date of the issuance of an occupancy permit or the date the building is first occupied. The municipality is entitled to charge interest on the deferred portion of the DC, at a maximum rate not yet prescribed.

When the DC Amount is Determined

The DC rate for all developments will be determined based on the rate in effect on the day of application for site plan or zoning amendment. In cases where there are no such applications required, the rate will be based on the rate in effect on the day of the building permit issuance.

The changes listed above are a summary of matters related to DC and are not an exhaustive list of all changes from Bill 108 and not all changes have been proclaimed.

Statement of Treasurer

In accordance with Section 12 of O.Reg. 82/98, of the Development Charges Act, 1997, the Treasurer will issue a statement for the preceding year including:

- a) statements of the opening and closing balances of the reserve fund and of the transactions relating to the fund;
- b) statements identifying,
 - i. all assets whose capital costs were funded under a development charge by-law during the year,
 - ii. for each asset mentioned in sub-clause (i), the manner in which any capital cost not funded under the by-law was or will be funded;
- c) a statement as to compliance with subsection 59.1 (1).

The statement provided by the Treasurer is required to be made available to the public and to the Minister of Municipal Affairs and Housing on request. The City will post this report and its attachments to the Development Charges' page of the City's website.

The Treasurer has reviewed this report and confirms that the City is in compliance with subsection 59.1(1) of the Development Charges Act, 1997, as amended which states:

A 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 this Act or another Act. 2015, c.26, s.8.

Document Title:	Annual Report on 2020 Development Charges Reserve Fund - 2021-68-Financial Services.docx
Attachments:	- 2020 Schedule A.pdf - 2020 Schedule B.pdf
Final Approval Date:	Jul 8, 2021

This report and all of its attachments were approved and signed as outlined below:

Tracey Bailey - Jul 7, 2021 - 10:15 PM

Maureen Adams - Jul 8, 2021 - 7:21 AM

Schedule A
Development Charges Obligatory Reserve Fund
Annual Continuity Schedule
For the Year Ended December 31, 2020

	Balance at January 1, 2020	Development Charges Residential	Development Charges Non Residential	Development Charges City Portion	Interest	Subtotal	Transfer to Capital ¹	Balance at December 31, 2020
City Wide Development Charges								
Fire Services	(66,061)	15,092	11,639	37,972	(626)	(1,984)	26,020	(28,004)
Transportation Services	775,787	260,386	200,926	652,184	19,675	1,908,958	991,824	917,134
Wastewater Services	13,585	6,471	2,494	16,387	359	39,295	-	39,295
Water Services	(56,872)	18,246	7,823	46,290	(490)	14,996	54,581	(39,585)
Library Services	8,196	5,560	-	13,894	219	27,869	21,853	6,016
Parks & Recreation Services	87,558	55,284	1,663	138,489	2,298	285,292	38,045	247,247
Development Studies	88,217	23,167	17,799	58,179	2,055	189,416	-	189,416
Waste Diversion	-	135	-	98	2	235	-	235
Subtotal	850,409	384,340	242,343	963,493	23,492	2,464,077	1,132,323	1,331,754
Area Specific Development Charges								
Wastewater	259,507	-	-	789,442	-	1,048,948	3,512,122	(2,463,174)
Subtotal	259,507	-	-	789,442	-	1,048,948	3,512,122	(2,463,174)
Total	1,109,916	384,340	242,343	1,752,934	23,492	3,513,025	4,644,445	(1,131,420)

¹ Transferred to Capital

Development Charges Balance to be funded by:

New Watermain (Power Dam Dr.)	54,581	
Brookdale North Sewer	3,512,122	Financing, Municipal Act Charge
Road Construction N. Kanab	242,894	Financing
Municipal Works Yard Redevelopment	306,745	Financing
Recreation Master Plan	38,045	Taxation
Marleau Widening Stage 2	442,185	Reserves
Library Strategic Plan	21,853	Taxation, Reserves
Fire Station and Training Centre	26,020	Financing
	<u>4,644,445</u>	

Schedule B

Description of the Service for which each of the funds was established:

a) Fire Services

This fund is used to finance growth-related projects for a new fire station, training centre, and training equipment.

b) Transportation Services

This fund is used to finance growth-related projects for bicycle, sidewalk, roads and bridge infrastructure as well as Municipal Works yard redevelopment.

c) Wastewater Services

This fund is used to finance growth-related projects for combined sewer separation.

d) Water Services

This fund is used to finance growth-related projects for new watermain on Power Dam and the Business Park.

e) Library Services

This fund is used to finance growth-related projects for library collection materials.

f) Parks & Recreation Services

This fund is used to finance growth-related projects for parks and bicycle path improvements, off-leash dog park, splash pad, and soccer fields.

g) Development Studies

This fund is used to finance growth-related projects for feasibility studies, master plans, long-term financial plan, assets management plan, needs studies and Development Charges background study.

h) Waste Diversion

This fund is used to finance growth-related projects for solid waste / recycling implementation.

i) Area Specific Development Charges

This fund is used to finance growth-related project for Brookdale North Corridor sanitary sewer extension.