



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

Department: Financial Services
Division: Finance
Report Number: 2022-70-Financial Services
Prepared By: Tracey Bailey, General Manager
Meeting Date: June 27, 2022
Subject: 2021 Annual Report on Development Charges Reserve Fund

Purpose

The purpose of this report is to present the required 2021 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 2022-70-Financial Services.

Financial Implications

Section 43 of the Development Charges Act, 1997 requires the Treasurer of a municipality each year to give Council a financial statement relating to the Development Charges By-Law and reserve funds established under section 33, being separate reserve funds for each service to which the development charges relate.

A statement of the Development Charges Reserve Fund balance and transactions for 2021, 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 at a deficit of \$3,041,955 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 (2021 was the fourth year of a 5-year phase-in).

In 2021, the cost of providing exemptions was \$520,814 (\$507,247 discretionary, \$13,567 mandatory). In 2021, the City contributed \$520,814 to the Development Charges Reserve Fund for discretionary and mandatory exemptions provided in 2021.

The implication of providing rules/exemptions 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).

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 2021, the reserve earned \$0 in interest as it was in a deficit balance.

In 2021, the City used funds in the amount of \$3,331,545 from the Development Charges Reserve Fund for various capital projects that qualified for DC funding. Through the 2022 budget, additional DC revenue in the amount of \$29,400 has 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 2021 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>
2021 Residential	147		801,598.84
- Single/Semi-Detached Dwelling			
- Apartments (2+ bedrooms)			
- Special Care / Special Dwelling			
2021 Non-Residential	7		98,597.42
- Industrial			
- Commercial			
			900,196.26
City Portion of Residential (YR 4 - phase in)			252,078.00
City By-Law Exemptions			255,169.00
Mandatory By-Law Exemptions			13,567.00
Interest Earned			-
By-Law 2018-38 City-Wide Development Charges			1,421,010.26
<u>By-Law 2018-37</u>	<u># of Permits</u>	<u>Sq Ft</u>	<u>Development Charges</u>
Non-Residential	0	-	-
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 to meet the City's financial requirements. Development charges 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 responsible 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 DC helps to partially mitigate the impact of inflationary increases on future growth-related costs.

Updating the Development Charges By-Law

Development Charges background studies must be completed every five years with a DC By-Law being passed within one year of its completion.

The City's current background study was completed in 2017 and By-Law 2018-038 City-Wide Development Charges was passed on April 10, 2018. This By-Law is in place until April 9, 2023.

Later this year, Administration will work with Watson and Associates Economists Ltd. to complete an update to its Development Charges Background Study. This project will follow the same process/requirements as the Development Charges Background Study completed in 2017.

Statement of Treasurer

In accordance with Section 12 of O.Reg. 82/98 and Section 43 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.



Report Approval Details

Document Title:	Annual Report on 2021 Development Charges Reserve Fund - 2022-70-Financial Services.docx
Attachments:	- 2021 Schedule A.pdf - 2021 Schedule B.pdf
Final Approval Date:	Jun 23, 2022

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

Tracey Bailey - Jun 22, 2022 - 10:38 PM

Maureen Adams - Jun 23, 2022 - 6:43 AM

Schedule A
Development Charges Obligatory Reserve Fund
Annual Continuity Schedule
For the Year Ended December 31, 2021

	Balance at January 1, 2021	Development Charges Residential	Development Charges Non Residential	Development Charges City Portion Top-Up	Interest	Subtotal	Transfer to Capital ¹	Balance at December 31, 2021
City Wide Development Charges								
Fire Services	(28,004)	31,384	4,563	1,854	-	9,798	(31,991)	(22,193)
Transportation Services	917,134	542,440	81,791	359,670	-	1,901,036	(1,930,894)	(29,858)
Wastewater Services	39,295	13,618	978	12,575	-	66,466	-	66,466
Water Services	(39,585)	38,678	3,260	549	-	2,901	(58,081)	(55,180)
Library Services	6,016	11,629	-	4,117	-	21,762	-	21,762
Parks & Recreation Services	247,247	115,292	652	84,748	-	447,939	(4,103)	443,836
Development Studies	189,416	48,331	7,354	57,193	-	302,294	-	302,294
Waste Diversion	235	228	-	108	-	570	-	570
Subtotal	1,331,754	801,599	98,597	520,814	-	2,752,765	(2,025,069)	727,697
Area Specific Development Charges								
Wastewater	(2,463,174)	-	-	-	-	(2,463,174)	(1,306,476)	(3,769,652)
Subtotal	(2,463,174)	-	-	-	-	(2,463,174)	(1,306,476)	(3,769,652)
Total	(1,131,420)	801,599	98,597	520,814	-	289,591	(3,331,545)	(3,041,955)

Note - the City is in its 4th year of the 5 year phase-in

¹ Transferred to Capital

Development Charges Balance to be funded by:

New Watermain (Power Dam Dr.)	58,081	Water Billings, Reserves
Brookdale North Sewer	1,306,476	Financing, Municipal Act Charge
Road Construction N. Kanab	1,530,460	Financing
Municipal Works Yard Redevelopment	116,636	Financing
Recreation Master Plan	4,103	Taxation
Marleau Widening Stage 2	283,798	Reserves
Fire Station and Training Centre	31,991	Financing
	<u>3,331,545</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 watermains 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.