



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

Department: Financial Services
Division: Finance
Report Number: 2024-25-Financial Services
Prepared By: Tracey Bailey, General Manager
Meeting Date: March 19, 2024
Subject: 2022 Annual Report on Development Charges Reserve Fund

Purpose

The purpose of this report is to present the required 2022 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 2024-25-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 2022, 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 of \$3,075,079. During 2022 several adjustments were made to the reserve. First, there was a redistribution of the 2020 City portion of Development Charges for exemptions within the service areas. Secondly, there was a recalculation of prior year Development Charges for capital projects. The result of the recalculation funds was returned to the reserve from certain capital projects.

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 (2022 was the fifth year of a 5-year phase-in).

In 2022, the cost of providing exemptions was \$29,516 (\$29,516 discretionary, \$0 mandatory). In 2022, the City contributed \$29,516 to the Development Charges Reserve Fund for discretionary and mandatory exemptions provided in 2022.

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 2022, the reserve earned \$35,072 of interest.

In 2022, the City used funds in the amount of \$107,604 from the Development Charges Reserve Fund for various capital projects that qualified for DC funding. As noted above with the recalculation of Development charges \$5,437,224 was returned to the reserve.

Through the 2023 budget, additional DC revenue in the amount of \$86,750 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 2022 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>
Residential	90		557,400.00
- Single/Semi-Detached Dwelling	86		
- Apartments (2+ bedrooms)	4		
- Special Care / Special Dwelling	0		
Non-Residential	7		165,425.28
- Industrial	4		
- Commercial	3		
			<u>722,825.28</u>
City Portion of Residential (YR 4 - phase in)			29,516.25
City By-Law Exemptions			-
Mandary By-Law Exemptions			-
Interest Earned			-
<u>By-Law 2018-38 City-Wide Development Charges</u>			<u>752,341.53</u>
<u>By-Law 2020-112</u>	<u># of Permits</u>	<u>Sq Ft</u>	<u>Development Charges</u>
Non-Residential	0	-	-
Interest Earned			-
<u>By-Law 2020-112 Area-Specific Development Charges</u>		within	-

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.

Administration worked with Watson and Associates Economists Ltd. to complete an update to its Development Charges Background Study. This project followed 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.

Schedule A
Development Charges Obligatory Reserve Fund
Annual Continuity Schedule
For the Year Ended December 31, 2022

	Balance at January 1, 2022		Development Charges		Development Charges		Development Charges		Subtotal	Transfer to/from Capital ¹	Balance at December 31, 2022
	Residential	Non Residential	City Portion	City Portion	City Portion	City Portion	City Portion	Interest			
City Wide Development Charges											
Fire Services	21,852	8,052	1,156	33,673	1,451	44,100	3,822	47,922			
Transportation Services	377,210	136,891	19,975	581,121	24,944	1,110,157	874,311	1,984,468			
Wastewater Services	9,482	1,781	502	11,293	547	90,093	(7,034)	83,059			
Water Services	26,969	5,393	1,429	32,838	1,570	13,091	(62,904)	(49,813)			
Library Services	8,006	-	425	7,004	388	37,558	-	37,558			
Parks & Recreation Services	80,088	1,398	4,243	71,737	3,954	605,288	-	605,288			
Development Studies	33,564	11,910	1,777	51,605	2,206	403,335	(37,666)	365,669			
Waste Diversion	229	-	9	171	11	929	-	929			
Subtotal	557,400	165,425	29,516	789,442	35,072	1,515,108	770,529	3,075,079			
Area Specific Development Charges											
Wastewater	-	-	-	(789,442)	-	(4,559,091)	4,559,091	(0)			
Subtotal	-	-	-	(789,442)	-	(3,769,650)	4,559,091	(0)			
Total	557,400	165,425	29,516	0	35,072	(2,254,541)	5,329,620	3,075,079			

Note - the city is in its 5th year of the 5 year phase-in

¹ Transferred to Capital	Development Charges	Balance to be funded by:
New Watermain (Power Dam Dr.)	(62,904)	
Brookdale North Sewer	4,559,091	Financing, Municipal Act Charge
Road Construction N. Kaneb	602,177	Financing
Municipal Works Yard Redevelopment	24,515	Financing
Development Charge Study	(37,666)	Taxation
Marleau Widening Stage 2	247,619	Reserves
Sewer Separation	(7,034)	Reserves
Fire Station and Training Centre	3,822	Financing
	<u>5,329,620</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.