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**Subject:** Regional Development Charges Treasurer's Statement 2022

**Report to:** Corporate Services Committee

**Report date:** Wednesday, April 5, 2023

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## Recommendations

1. That this report **BE RECEIVED** for information.

## Key Facts

- The purpose of this report is to provide Regional Council with a statement relating to the Development Charges (DC) reserve fund activities for 2022 in accordance with the Province's Development Charges Act, 1997 as amended (DCA) and Ontario Regulation 82/98.
- The DC reserve fund reporting requirements require municipalities to provide all sources of funding for anything funded from DC's including a compliance statement regarding imposing additional levies or requiring the construction of a service not authorized under the DCA and require the statement to be made available to the public.
- At the end of 2022, \$123.5 million in DC revenue is available for future eligible growth related capital projects after accounting for outstanding capital commitments.
- Total DC Collections in 2022 was \$79.1 million, including \$20.8 million of tax levy funded grants and incentives.
- Outstanding DC capital commitments total \$129.5 million, and outstanding DC operating commitments total \$1.1 million.

## Financial Considerations

Regional DC revenues collected in accordance with the DC By-law are deposited in the DC reserve funds and subsequently applied to eligible growth-related costs once those costs have been incurred. This report provides both summary level transaction information by reserve, and detailed funding information by project. DC reserves are necessary to move forward with the growth related projects in the 2023-2032 capital budget and forecast, which includes \$893.6 million in DC funded projects and \$37.9 million of DC debt for South Niagara Falls wastewater treatment plant.

## Analysis

In accordance with the amended DCA, this report must be prepared annually. The annual statements will be made available to the public through the Development Charges section of the Region's website.

Appendix 1 to Report CSD 21-2023, shows the breakdown of the reserve fund activity from January 1, 2022 to December 31, 2022. During this period, the total DC reserve balances (before accounting for outstanding commitments) increased \$41.8 million, from \$212.3 million to \$254.1 million. After accounting for outstanding capital and operating commitments to capital projects, the net available balance amounted to \$123.5 million at year-end 2022. This total will be applied to eligible growth-related capital projects in 2023 and throughout the rest of the forecast period.

The \$123.5 million after commitments related to each of the DC service categories as follows:

<b>Development Charge Category</b>	<b>Balance at December 31, 2022</b>	<b>Capital Commitments</b>	<b>Operating Commitments</b>	<b>Available Balance at December 31, 2022</b>
Growth Studies	\$2,303,988	-	\$(1,129,341)	\$1,174,647
Police Services	\$1,159,101	\$(92)	-	\$1,159,008
Services Related to Highways	\$97,345,168	\$(68,852,257)	-	\$28,492,911
Wastewater	\$89,016,373	\$(26,181,348)	-	\$62,835,025
Water	\$46,608,275	\$(16,753,673)	-	\$29,854,602
Ambulance Services	\$3,054,214	\$(280,761)	-	\$2,773,453
Long Term Care	\$6,513,279	\$(14,093,566)	-	\$(7,580,287)
Provincial Offenses Act	\$363,519	-	-	\$363,519
Public Health Services	\$2,167,685	-	-	\$2,167,685
Housing Services	\$(264,052)	\$(3,111,000)	-	\$(3,375,052)
Waste Diversion	\$5,650,353	\$(207,534)	-	\$5,442,819
Public Works (Facilities & Fleet)	\$219,339	-	-	\$219,339
<b>Total</b>	<b>\$254,137,242</b>	<b>\$(129,480,231)</b>	<b>\$(1,129,341)</b>	<b>\$123,527,670</b>

The negative balances noted above represents year-end balances after capital commitments for individual reserves. Actual year-end balances are positive, with the exception of the social housing reserve. It is important to note that there are timing differences based on the rate of collection of DCs and when the project expenditures are committed in the actual capital budget. DCs will continue to be collected over the life of the by-law to match project expenditures and reserve balances are projected to be positive as identified below:

- As was the case at end of 2021, long-term care reserves were positive at year-end before factoring in capital commitments. There are two projects that are expected to be complete in 2023 for the Fort Erie long-term care home project and by 2024 for the St. Catharines long-term care home project. The reserve is projected to be positive by 2025, based on projected annual collections of \$4.1 million.
- Social housing reserves continued to be negative in 2023, due to four capital projects underway with DC funding that was to be collected over the life of the By-law. As the Region can no longer collect DCs for Housing Services, an alternative source of funding is required. This reserve deficit will be funded with \$1.575M, from the Housing Services Reserve, related to the Rapid Housing Initiative Port Cares project as per Report COM 1-2023, Rapid Housing Initiative Round 3 Capital Funding, with the additional deficit related to 3 other ongoing capital works of \$1.8M to be funded with the Taxpayer Relief Reserve, as approved as part of the 2023 Regional Budget process in Report CSD 14-2023.

Of the \$123.5 million uncommitted year-end balance, \$79.1 million was collected in 2022 and it is important to note, that included in that amount is \$20.8 million in tax levy funded grants/incentives to pay for the exemptions in the DC By-Law. Additional details of the \$20.8 million in grants is discussed in greater detail in the 2022 Q4 Financial Update.

Bill 23 is encouraging municipalities to invest development charges collected on a timely basis. Beginning in 2023, municipalities are required to spend or allocate at least 60% of the monies in a reserve fund at the beginning of the year for water, wastewater and services related to a highway. For 2022, the Region has committed or allocated approximately 79% of our DC reserve balances across all reserve categories. Future Regional development charges Treasurer's statements will provide additional comment on the Region's compliance with this new requirement for Bill 23, for 2023 reporting.

Furthermore, included within the DC reserve fund activity in Appendix 1, are transfers from the DC reserve totaling \$42.9 million to fund capital and operating projects. DCs are transferred to and recorded as project revenues as eligible costs are spent, matching funding with expenditures. Funding reviews occur quarterly with consideration of the expenditures incurred to date and respective funding sources.

Appendix 2 to Report CSD 21-2023, identifies 169 active capital projects to which the \$35.1 million in DC funding was applied, along with a summary of the life-to-date expenditures and approving funding sources as of 2022 year-end. A total of \$153.9 million of DCs have been allocated to projects that were active during 2022 from approved DC funding of \$249.8 million at year-end. On average DC funded projects have spent 62% of their respective budgets in 2022, compared to 45% in 2021.

Appendix 3 to Report CSD 21-2023, identifies 171 active operating projects to which \$7.8 million in DCs were applied, along with a summary of life-to-date expenditures and any other approved funding sources providing partial funding to the project.

Appendix 4 to Report CSD 21-2023, provides supplemental information required as outlined in O.Reg 82/98, including a description of the DC service categories, outstanding prepayment agreements with developers, and a summary of any borrowing from the DC reserve funds (if applicable). Similar to previous Treasurer Statements on DC reserve funds, there are no credits recognized under section 17 or borrowing amounts to report. The Region is also required to make a statement regarding its compliance with Sections 59.1(1) & (2) of the amended DCA respecting imposing additional levies or requiring the additional levies or construction of services not authorized under the DCA, none exist in the Region, therefore no statement is required.

### **Alternatives Reviewed**

Alternatives are not applicable as this report provides historic and legislatively required information. The Development Charges Act, 1997 as amended requires that this report be provided annually to Council and made available to the public.

### **Relationship to Council Strategic Priorities**

Regional Development Charges are a major source of funding for growth projects in the capital budget. As such, Regional Development Charges assist in achieving the strategic priority of a fiscally sustainable government.

## Other Pertinent Reports

- CSD 14-2023

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## Appendices

Appendix 1	DC Reserve Fund Activity
Appendix 2	Capital Projects funded with DCs in 2022
Appendix 3	Operating Projects funded with DCs in 2022
Appendix 4	Description of Services