



Municipality of Port Hope

Staff Report

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Report Title: 2021 Development Charges Annual Report

Report to: Finance Committee

Date of meeting: September 6, 2022

Report Author:

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Department responsible:

Finance

Report Number: FS-20-22

Recommendation:

1. That the Development Charges Financial Statements for the calendar year ending December 31, 2021 be received for information purposes;
2. That a copy be made available to the public on the Municipal website.

Highlights:

The timing of funding from Development Charges is able to support current capital projects but is not sufficient to fund the development related debenture payments for water and wastewater. This shortfall is being internally financed on an interim basis.

Background:

Section 43(1) of the Development Charges Act, 1997, S.O. states that "The treasurer of a municipality shall each year on or before such date as the council of municipality may direct, give the council a financial statement relating to development charge by-laws and reserve funds established under Section 33."

In 2015, Ontario Regulation 82/98 and Bill 73, Smart Growth for Our Communities Act, 2015 provided specific guidance with respect to the information to be included in the Treasurer's annual statement, which has been incorporated into the Development Charges Act.

Discussion:

Section 43(1) of the Development Charges Act, 1997, S.O. states that "The treasurer of a municipality shall each year on or before such date as the council of municipality may direct, give the council a financial statement relating to development charge by-laws and reserve funds established under Section 33."

In 2015, Ontario Regulation 82/98 and Bill 73, Smart Growth for Our Communities Act, 2015 provided specific guidance with respect to the information to be included in the

Treasurer's annual statement, which has been incorporated into the Development Charges Act.

Attached is a copy of the Development Charges Financial Statement for the calendar year ending December 31, 2021 and the following provides a brief summary of key points:

- The payments made to AON Inc. (Mason Homes Development) are as per the Subdivision Agreement, Section 40.1 Development Charge Credits which states "The Owner agrees to front end and pay for all costs of the design and construction of all roads, water supply mains, sanitary mains, the sanitary pumping station (and associated force mains), required to service the Subject Lands" and Section 40.2 which states "The Municipality agrees to provide the Owner with a Development Charge Credit for the services to which the Development Charge By-law relates."
- Amounts transferred to Capital are for projects approved in the budget to be funded from the Development Charge Reserve Funds as outlined in the Development Charges Study.
- The debt repayment is a transfer to operating for the debenture repayments for the water and wastewater treatment plants. On an annual basis, only the actual amount collected in DCs is transferred to the operating budget. Since the DC revenue/growth has not been adequate to cover the growth related portion of the debenture payments, this has resulted in the utilities paying for most of the debt payments and the DCs owing significant amounts to the utilities. The current unfunded amount related to the debenture payments is \$3,177,980 for Water and \$4,512,249 for Wastewater.

All the transfers are made in accordance with the Development Charges Act and the Municipality's Development Charges Study. Development Charges (DC) are collected in accordance with By-law 63-2019 as development activity occurs and it is recognized that the rate of development will vary over the period of the Background Study and By-law.

Financial Considerations:

The closing balance as of December 31, 2021 is the cash balance in the development charges account in the amount of \$1,574,263. This cash balance includes the deduction of approximately \$620,000 of revenue that was refunded for a development that did not proceed.

The closing balance does not consider committed funds for capital projects that are currently in progress. Therefore, the actual development charge funds available for future projects is an over commitment of funds in the amount of \$1,336,207, as identified in Attachment 3. Please note that this does not include any projected DC revenue to be collected in 2022, which is anticipated to be approximately \$1,550,000. As of August 24, 2022, approximately \$780,000 of development charge revenue has been collected.

DC reserve funds are managed as a total fund from a cash flow perspective, meaning that funds with a negative balance have borrowed from and paid interest to other DC funds with positive balances. The Municipality has also managed the DC reserve fund cash flow levels through external debt. As highlighted earlier, revenue collection has not achieved targeted levels as identified in the Background Study even as growth related capital spending continues to occur. The “gap” between the need for infrastructure before the development growth occurs can be managed through external debt and/or delaying the capital projects until more growth has occurred.

Communication and Public Engagement:

Not applicable.

Conclusion:

The annual statement of the Development Charge Reserve Funds presented to Committee satisfies requirements as specified in the Development Charges Act.

Attachments:

See attachments 1 to 3, as well as the Development Charge Reserve Funds Treasurer’s Statement for detailed analysis.