

DATE: September 16, 2024

REPORT NO: T-19-2024

SUBJECT: **Treasurer’s Annual Statement for 2023 Development Charges**

CONTACT: Katelyn Repovs, CPA, CA Deputy Treasurer/Manager of Finance
Donna DeFilippis, CPA, CA Director of Finance/Treasurer

OVERVIEW:

- In accordance with the *Development Charges Act, 1997*, this report provides a year-end summary of development charge activity and reserve fund balances for the 2023 calendar year.

RECOMMENDATION:

1. That, Information Report T-19-2024, dated September 16, 2024, regarding “Treasurer’s Annual Statement for 2023 Development Charges”, be received for information; and,
2. That, this report and the accompanying schedules be made available to the public on the Township of West Lincoln’s website.

ALIGNMENT TO STRATEGIC PLAN:

Theme # 1, 2, 4

- **Theme 1: Build a safe, connected, caring and active community:** Development Charges provide funding for projects that have a growth component.
- **Theme 2: Champion strategic and responsible growth:** Development Charges act as key funding component to meet infrastructure requirements brought on by growth.
- **Theme #4: Foundational: Advance organizational capacity and effectiveness:** Preparation and presentation of this report will ensure that the Township complies with legislated reporting obligations.

BACKGROUND:

Development charges (DCs) are one-time fees collected on new (or additions/expansions of) residential and non-residential properties, to finance a portion of the capital infrastructure requirements associated with growth. Amounts collected are held in the designated Development Charge (DC) Reserve Fund account and accumulate interest. The growth-related spending authority is approved annually as part of the Township’s budget process, with capital projects included in the DC Background Study being eligible for development charge funding.

Annually, the Treasurer of a municipality is required to provide Council with a financial statement related to the development charge by-law and reserve funds.

Under the *Development Charges Act, 1997 (DCA)*, subsection 43(2) and O. Reg. 82/98 prescribe the information that must be included in the Treasurer’s Statement, as follows:

- opening and closing balances of the reserve funds;
- description of each service for which the reserve fund was established;
- all transactions for the year;
- for projects financed by DCs, the amount spent on the project from the DC reserve fund, and show how the portions not funded through DCs were funded;
- amounts borrowed from the fund by the municipality, purpose of the borrowing, and interest accrued during year;
- amount and source of money used by the municipality to repay municipal obligations to the DC reserve fund;
- list of credits by service, by holder (opening balance, credits given in the year, and closing balance); and,
- statement as to whether compliance with subsection 59.1(1) of the DCA has been met.

The below chart presents a description of each service for which a reserve fund was established:

DC Reserve Fund Service	Description of Service
Growth Studies	Used to finance the cost of growth-related studies.
Services Related to a Highway	Used for growth-related projects for roads and road-related structures and infrastructure.
Fire Protection Services	Used for growth-related projects for fire facilities, rolling stock, and related equipment.
Parks and Recreation Services	Used for growth-related projects for park development, amenities, trails, facilities, rolling stock, and related equipment.
Library Services	Used for growth-related projects for library facilities, materials, and rolling stock.
Stormwater Services	Used for growth-related projects for stormwater-related infrastructure.
Wastewater Services	Used for growth-related projects for sewer-related infrastructure.
Water Services	Used for growth-related projects for water-related infrastructure.

During the 2023 year, there were no amounts borrowed from the funds by the Township for non-DC activities. In addition, there are no credits to disclose.

Section 59.1(1) of the DCA specifically prohibits municipalities from imposing additional payments on developers or requiring construction of a service unless specifically

authorized under the DCA or another Act. This provision does not affect a municipality's right to include conditions for installation or payment for local services but is intended to restrict other "voluntary" payments that may have been sought by municipalities outside the legislative framework. The Township of West Lincoln complies with section 59.1(1) of the DCA.

Furthermore, beginning in 2023, *Bill 23 (More Homes Built Faster, 2022)* introduced a new requirement that all municipalities must commit or spend at least 60% of the monies in a reserve fund at the beginning of the year for its services related to a highway (roads), water, and wastewater. This requirement is fulfilled through Schedule "D" to this report.

CURRENT SITUATION:

The attached Schedules comprise the Treasurer's Statement:

- **Schedule "A"** – provides a summary of the financial activity of the various DC reserve funds for the year ending December 31, 2023. Inflows into the reserve consist of contributions collected at the time of building permit issuance, plus interest earned in the fiscal year. Outflows from the reserve represent monies being spent towards capital and operating costs attributable to growth. The closing balance as at December 31, 2023 represents the cash balance in the DC reserve funds. Finally, the commitments represent reserve monies that are committed towards active ongoing projects, with expected completion dates in 2024.
- **Schedules "B" and "C"** – detail how the Township's DC reserve fund monies are being spent towards capital and operating costs attributable to growth. Outflows from the reserve funds are made in accordance with the Township's 2019 Background Study and 2022 Background Study Update, in support of Township By-laws 2019-51 and 2022-77, respectively. These schedules also show any other funding sources for projects not fully funded through DCs.
- **Schedule "D"** – this schedule shows the Township's compliance in meeting the new *Bill 23* requirement, in that at least 60% of the monies in reserve funds (as of January 1, 2023) for services related to a highway (roads), water, and wastewater have been committed or spent.

Of note, the Fire Protection Services, Library Services and Stormwater Services DC reserve funds are currently in negative positions as of December 31, 2023. This is largely due to timing of project completion, before enough DCs were collected related to these service areas. In addition, DC collections have historically been less than forecasted, slowing the recovery timing. These overdrawn funds will be recovered through future DC collections. If a reserve is in an overdrawn position, it is borrowing from other DC reserves. For simplicity, the individual internal borrowing between DC reserves is not shown.

In 2023, DCs were collected on five building permits as follows:

- Three permits for Single Family and Semi-Detached units
- Two permits for Non-Residential units

Only one of the above permits was issued for a property within the Urban Boundary, which includes a charge for Water, Wastewater and Storm Services. Applications in the rural area of the municipality do not pay DCs for those services. In 2022, DCs were collected on 10 building permits.

This report, along with the accompanying schedules, will be posted on the Township's website, as per Section 43(2.1) of the DCA.

FINANCIAL IMPLICATIONS:

There is no financial impact in receiving this report. DCs are important in financing a portion of growth-related capital requirements, and are legislated through the Development Charges Act. The DC By-law sets the fees for collection at the building permit stage. Fees are deposited into separate DC Reserve Funds, in accordance with legislative requirements, and recorded as deferred revenue. Interest accrues on these funds. DC revenue is recognized as amounts are used to fund eligible growth-related projects that are included in the Township's Capital Plan and DC Background Study.

INTER-DEPARTMENTAL COMMENTS:

This report was discussed with the Senior Management Team.

CONCLUSION:

It is recommended that the Treasurer's Statement of Development Charges report and accompanying schedules, for the year ended December 31, 2023, be received for information, and posted on the Township's website.

SCHEDULE(S):

Schedule "A" – Annual Treasurer's Statement of DC Reserve Funds

Schedule "B" – Amounts Transferred to Capital/Operating– Capital Fund Transactions

Schedule "C" – Amounts Transferred to Capital/Operating– Operating Fund Transactions

Schedule "D" – Statement of Reserve Fund Balance Allocations

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Director of Finance/Treasurer

**Township of West Lincoln
Annual Treasurer's Statement of Development Charge Reserve Funds
As at December 31, 2023**

	Services to which the Development Charge Relates									
	Growth Studies	Services Related to a Highway	Fire Protection Services	Parks and Recreation Services	Library Services	Stormwater Services	Wastewater Services	Water Services	Total	
Opening Balance, January 1, 2023	\$ 261,573	\$ 2,290,492	\$ (443,842)	\$ 70,254	\$ (8,661)	\$ 49,899	\$ 725,033	\$ 603,761	\$ 3,548,509	
PLUS:										
Development Charge Collections	12,318	199,572	14,064	45,551	7,880	1,091	8,882	22,828	312,186	
Accrued Interest	13,637	107,472	-	5,187	-	-	35,883	31,604	193,783	
Sub-total	<u>\$ 287,528</u>	<u>\$ 2,597,536</u>	<u>\$ (429,778)</u>	<u>\$ 120,992</u>	<u>\$ (781)</u>	<u>\$ 50,990</u>	<u>\$ 769,798</u>	<u>\$ 658,193</u>	<u>\$ 4,054,478</u>	
LESS:										
Amount Transferred to Capital Fund (Schedule "B")	-	833,086	152,658	4,148	196,931	-	81,440	-	1,268,263	
Amount Transferred to Operating Fund (Schedule "C")	38,699	48,750	-	16,288	1,970	112,500	65,730	75,000	358,937	
Sub-total	<u>38,699</u>	<u>881,836</u>	<u>152,658</u>	<u>20,436</u>	<u>198,901</u>	<u>112,500</u>	<u>147,170</u>	<u>75,000</u>	<u>1,627,200</u>	
Closing Balance, December 31, 2023	\$ 248,829	\$ 1,715,700	\$ (582,436)	\$ 100,556	\$ (199,682)	\$ (61,510)	\$ 622,628	\$ 583,193	\$ 2,427,278	
COMMITMENTS:										
DC Reserve Funds Committed towards Active Projects	75,000	-	27,667	-	-	-	75,000	-	177,667	
Available Balance, December 31, 2023	\$ 173,829	\$ 1,715,700	\$ (610,103)	\$ 100,556	\$ (199,682)	\$ (61,510)	\$ 547,628	\$ 583,193	\$ 2,249,611	

Township of West Lincoln
Annual Treasurer's Statement of Development Charge Reserve Funds
Amount Transferred to Capital/Operating Fund - Capital Fund Transactions
As at December 31, 2023

CAPITAL FUNDING SOURCE														
CAPITAL FUND TRANSACTIONS	Gross Capital Cost	DC Reserve Fund	Capital Reserve	Bridge Reserve	Fire Reserve	Community Fund Reserve	Wastewater Reserve	Library Reserve	Road Settlement Reserve	In Lieu of Parkland Reserve	Donations	Canada Community Building Fund	Debtenture	Grant Contribution
<u>Services Related to a Highway</u>														
General Road Rehabilitation and Replacement	2,517,723	251,769	267,446	-	-	-	-	-	188,500	-	-	395,715	776,300	637,993
New Construction of Road and Sidewalk (Spring Creek Road)	222,945	177,578	45,367	-	-	-	-	-	-	-	-	-	-	-
Bridge Rehabilitation and Replacement	1,121,002	112,100	-	14,155	-	-	-	-	142,738	-	-	176,708	-	675,301
Tandem Truck and Plow Unit (Addition to Fleet)	291,639	291,639	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total - Services Related to Highways	\$ 4,153,309	\$ 833,086	\$ 312,813	\$ 14,155	\$ -	\$ -	\$ -	\$ -	\$ 331,238	\$ -	\$ -	\$ 572,423	\$ 776,300	\$ 1,313,294
<u>Fire Protection Services</u>														
Replacement of Fire Station 2	1,813,807	77,069	-	-	40,000	64,138	-	-	-	-	-	40,000	1,592,600	-
Equipment for Additional Volunteer Firefighters	75,589	75,589	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total - Fire Protection Services	\$ 1,889,396	\$ 152,658	\$ -	\$ -	\$ 40,000	\$ 64,138	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 40,000	\$ 1,592,600	\$ -
<u>Parks and Recreation Services</u>														
Addition to New Leisureplex Pavilion	13,211	4,148	-	-	-	-	-	-	-	9,063	-	-	-	-
Sub-total - Parks and Recreation Services	\$ 13,211	\$ 4,148	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,063	\$ -	\$ -	\$ -	\$ -
<u>Library Services</u>														
Smithville Branch - Addition to Collection	16,425	14,400	-	-	-	-	-	2,025	-	-	-	-	-	-
Caistorville Branch - Addition to Collection	8,713	7,563	-	-	-	-	-	-	-	-	1,150	-	-	-
Wellandport Branch - Addition to Collection	10,983	9,483	-	-	-	-	-	-	-	-	1,500	-	-	-
Wellandport Library Addition (Note 1)	Note 1	165,485	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total - Library Services	\$ 36,121	\$ 196,931	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,025	\$ -	\$ -	\$ 2,650	\$ -	\$ -	\$ -
<u>Wastewater Services</u>														
Inflow & Infiltration Reduction - Sewer Relining	259,356	81,440	-	-	-	-	177,916	-	-	-	-	-	-	-
Sub-total - Wastewater Services	\$ 259,356	\$ 81,440	\$ -	\$ -	\$ -	\$ -	\$ 177,916	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Note 1 - the Wellandport Library Addition was constructed between 2017 and 2018, at a total cost of \$1,252,304. Per the 2019 Background Study, 21% of the project was to be funded through Development Charges (total of \$263,918). Due to inadequate Development Charge funds at the time, the Library Reserve was used instead. Therefore, each year, a portion of the Development Charges collected were used to payback the Library Reserve. At the end of 2022, a total of \$98,433 had been repaid to the Library Reserve. In 2023, Administration chose to fully payback the Library Reserve, in the amount of \$165,485.

**Township of West Lincoln
Annual Treasurer's Statement of Development Charge Reserve Funds
Statement of Reserve Fund Balance Allocations
As at December 31, 2023**

Reserve Fund:	Water Services
Balance in Reserve, January 1, 2023	\$ 603,761
60% of Balance to be Allocated (at a minimum)	\$ 362,257

Projects to Which Funds Will be Allocated

Project Description	Future Funding	Current Year Funding	Allocated to Date
Water Master Plan		\$ 75,000	\$ 75,000
Watermain Upsize and Replacement Projects (per 2024 Ten-Year Capital Plan)	\$ 1,571,000		\$ 1,571,000
Total	\$ 1,571,000	\$ 75,000	\$ 1,646,000

Reserve Fund:	Wastewater Services
Balance in Reserve, January 1, 2023	\$ 725,033
60% of Balance to be Allocated (at a minimum)	\$ 435,020

Projects to Which Funds Will be Allocated

Project Description	Future Funding	Current Year Funding	Allocated to Date
Inflow & Infiltration Reduction - Remedial Works (Future Funding per 2024 Ten-Year Capital Plan)	\$ 186,000	\$ 132,170	\$ 318,170
Pollution Control Plan - CSO Program		\$ 15,000	\$ 15,000
Sewer Main Upsize and Replacement Projects (per 2024 Ten-Year Capital Plan)	\$ 1,175,000		\$ 1,175,000
New Wastewater Servicing for Urban Boundary Expansion (per 2024 Ten-Year Capital Plan)	\$ 14,400,000		\$ 14,400,000
Total	\$ 15,761,000	\$ 147,170	\$ 15,908,170

Reserve Fund:	Services Related to a Highway
Balance in Reserve, January 1, 2023	\$ 2,290,492
60% of Balance to be Allocated (at a minimum)	\$ 1,374,295

Projects to Which Funds Will be Allocated

Project Description	Future Funding	Current Year Funding	Allocated to Date
Traffic Master Plan		\$ 48,750	\$ 48,750
General Road Rehabilitation and Replacement (Future Funding per 2024 Ten-Year Capital Plan)	\$ 4,719,700	\$ 251,769	\$ 4,971,469
New Construction of Road Infrastructure (Future Funding per 2024 Ten-Year Capital Plan)	\$ 5,276,300	\$ 177,578	\$ 5,453,878
Bridge Rehabilitation and Replacement (Future Funding per 2024 Ten-Year Capital Plan)	\$ 834,000	\$ 112,100	\$ 946,100
New Equipment (Future Funding per 2024 Ten-Year Capital Plan)	\$ 851,000	\$ 291,639	\$ 1,142,639
New Public Works Operations Facility (per 2024 Ten-Year Capital Plan)	\$ 5,650,000		\$ 5,650,000
Total	\$ 17,331,000	\$ 881,836	\$ 18,212,836