

Report from: Financial Management Services, Corporate Asset Management

Report Date: February 17, 2022

Meeting Date: March 7, 2022

Report Number: FMS-024-2022

File: 60.2.13 & 10.57.99

Subject: 2021 Development Charges Treasurer's Statement

Strategic Pillar:

This report aligns with the following St. Catharines Strategic Plan pillars: Economic.



Recommendation

That Report FMS-024-2022, regarding 2021 Development Charges Treasurer's Statement, be received for information.

Relationship to Strategic Plan

Development Charges reserves are restricted use funds that can only be used to fund growth related infrastructure in the categories in which they were collected. These funds provide a potential funding source for future capital projects required to support the future development in the municipality.

Background

The *Development Charges Act, 1997, subsection 43* requires the Treasurer to provide Council a statement each year regarding the status and any activity of the Development Charge Reserve Fund. The purpose of this report is to update Council on the year-end position of development charges as well as outstanding debt. Information on the collection of Development Charges in 2022 is also noted in this report.

Purpose of Development Charges

Development Charges are charges governed under the *Development Charges Act, 1997* and are collected from developers to pay for anticipated increased capital costs related to growth. A municipality can pass a by-law to impose development charges against land to pay for increased capital costs required because of increased need for

services arising from the development of the area to which the by-law applies. The intent is that the end user of the new services pays for the capital cost.

Report

Activity in the Development Charge Reserve Fund

Development Charges collected and any interest income generated are held and accounted for in a separate reserve fund. The interest income generated in the reserve fund assists in covering inflation in construction costs.

Effective June 21, 2009, Council enacted By-law 2009-157 which discontinued the collection of City Development Charges for West St. Catharines. By-law 2009-157 stated that all monies previously collected shall continue to be applied for the purposes for which they were collected.

The activity in the Development Charges Reserve Fund is listed in Schedule 1 of the attached Appendix 1. During 2021 there was a transfer from the Reserve Fund to the Ridley Road Capital Project, to fund eligible expenditures.

There were several capital projects included in the 2021 Capital Budget that are partially funded by Development Charges, which are identified in Schedule 2 of Appendix 1 to provide the information required to comply with the following section of the Act;

”(3) The following is also prescribed as information to be included in the statement of the treasurer of a municipality under section 43 of the Act:

1. For each project that is financed, in whole or in part, by development charges
 - i. the amount of money from each reserve fund established under section 33 of the Act that is spent on the project, and,
 - ii. the amount and source of any other money that is spent on the project. (O Reg. 82/98, s. 12 (3)).”

Implementation of the City Development Charges

For the past 12 years, the City has not collected any Development Charges, and prior to that they were collected on an area-specific basis for several years, meaning that most growth-related infrastructure built in the last 20 plus years has been primarily funded from the tax levy and/or water and wastewater rates. On September 13, 2021, the City approved the Development Charges By-law 2021-140 to establish Development Charges for the City of St. Catharines coming into effect January 1, 2022. By-law 2021-140 imposes uniform municipal-wide charges for the following municipal services: Services Related to a Highway; Public Works; Transit Services; Parks and Recreation Services; Library Services; and Growth Studies. It also imposes uniform charges within the Urban Boundary for the following municipal services: Stormwater Drainage and Control Services; Wastewater Services; and Water Services

The Development Charges rates set in By-law 2021-140 are indexed annually on January 1 based on the non-residential construction cost index, with the first indexation

occurring on January 1, 2022. Using January 1 for indexing will align with rate indexing of the Niagara Region's Development Charges and changes to other Planning and Building Services departmental fees, which will ease administrative burden and confusion.

Foregone revenue from 2021

Based on the permits issued in 2021, the City would have expected to collect an estimated \$1,610,000 in Development Charge revenue. City Development Charges would have been charged to 83 qualified applicants. Of these 83 applications, five were Commercial Spaces, two Business and Office use, one Industrial and 75 Residential encompassing apartments, duplexes, semi-detached and single dwelling homes. The revenue the City would have collected is based on the 2021 fees in Schedule B of By-law 2021-140. These developments were included in the growth forecast of the Development Charges Background Study, and the related shortfall in Development Charge collections because fees did not go into effect until January 1, 2022, will result in non-Development Charge funding needing to make up that shortfall as capital projects proceed in the future. Based on the transition policies included in By-law 2021-140 and requirements included in the Development Charges Act, foregone revenue will continue to be recognized and realized for a number of years into the future.

The impact of the transitional policy in By-law 2021-140 will be known in time for the 2022 Treasurer's Statement and at that time, staff will bring forward recommendations on how to make-up this funding, with options ranging from increasing debt funding for certain projects to increasing the levy or rate funding over a number of years to offset the reduced Development Charge collections relative to the Study. For reference, funding the \$1,610,000 over 10 years would be an impact of approximately 0.16% if funded directly from the tax levy.

By providing a new funding source for the initial cost of new and expanded infrastructure, the re-introduction of Development Charges will support the increased need for services related to growth moving forward.

Development Charge Reserve Funds in 2022

The City's Development Charge collections are currently reserved in 2 reserve funds covering Services Related to a Highway and Parks and Recreation Services. The City has created new reserve funds to cover: Public Works, Transit Services, Fire Protection Services, Library Services, Growth Studies, Water Services, Wastewater Services and Stormwater Services. With By-law 2021-140 coming into effect on January 1, 2022, identification of these reserves, and related updates to project funding as identified in the [2022 Capital Budget](#) from new projects and funding swaps for previously approved projects will be included in the 2022 Development Charges Treasurer's Statement.

Financial Implications

This report is historic in nature; however, it does identify financial impacts related to making up funding that was not collected during 2021 that will need to be addressed in the future.

Environmental Sustainability Implications

This report is historic in nature; however, Development Charges do provide a funding source for new and expanded services, and forward-looking studies to determine the future needs and impacts of growth in the City's infrastructure, all of which should assist with improving environmental sustainability.

Prepared by

Jenna Northcott, Development Finance Specialist

Submitted by

Adam Smith, Manager of Accounting & Payroll

Approved by

Kristine Douglas, Director, Financial Management Services / City Treasurer

Appendices

1. 2021 Development Charges Reserve Funds Treasurer's Statement

City of St. Catharines 2021 Development Charges Reserve Funds Treasurer's Statement

Schedule 1

Statement of Continuity	West Parks	West Roads	Total
Opening Balance January 1, 2021	\$1,591,389.65	\$2,444,201.88	\$4,037,381.30
Revenue			
Collections	-	-	-
Interest Earned	12,777.91	19,639.83	32,417.74
Expenditures			
Funding to Capital Projects (schedule 2)	-	30,168.99	
Balance - December 31, 2021	\$1,604,167.56	\$2,433,672.72	\$4,069,799.04

**City of St. Catharines 2021 Development Charges Reserve Funds
Treasurer's Statement**

Schedule 2

Capital Projects Funded With Development Charges 2021

	Development Charges Transferred to Projects			Approved Budget by Funding Source				
	Prior year	Current Year	Total	Expenditures to date	Development Charge Fund	Taxpayer Support	Debentures	Total
Roads & Sidewalk								
P19-065 Ridley Rd - Road	1,789.77	30,168.99	31,958.76	107,255.26	938,754	257,000	2,314,246	3,510,000
P19-065 Ridley Rd - Sidewalk	-	-	-	-	228,608	110,000	132,392	471,000
P20-065 New road from Ridley to Go Station	-	-	-	-	128,286	30,000	266,714	425,000
Total	\$ 1,789.77	\$30,168.99	\$31,958.76	\$107,255.26	\$1,295,648	\$397,000	\$2,713,352	\$4,406,000

Prescribed Information:

1. Description of the service for which each fund was established:

West Parks	The fund is used for the growth-related costs of the development of parkland in West St. Catharines.
------------	--

West Roads	The fund is used for growth-related share of costs associated with roads peripheral to subdivisions that are not the direct responsibility of the developer in West St. Catharines.
------------	---

2. For Credits (Ex. Pre-payments, front-ended projects) in relation to the service or category for which the fund was established:

No credits have been received, used or are outstanding for the previous year.

3. The amount of any money borrowed from the DC reserve during the previous year and the purpose for which it was borrowed:

No money was borrowed.

4. The amount of interest accrued during the previous year on money borrowed from the fund by the municipality:

No interest was accrued as no money was borrowed.

5. The amount and source of any money used by the municipality to repay, in the previous year, money borrowed from the fund, or interest on such money:

No source of money to repay as no money was borrowed.

6. A schedule that identifies credits recognized under section 17 and, for each credit organized, sets out the value of the credit, the service against which the credit is applied and the funds used to finance the credit:

No schedule as there are no credits to recognize per section 17.

7. Statement respecting additional levies under Section 59.1(1) & (2) of the *Development Charges Act, 1997*, as amended.

In accordance with Section 59.1(1) & (2), the City of St. Catharines has not imposed any additional payments nor required the construction of a service not authorized under the *Development Charges Act, 1997*, as amended.