

Subject: Treasurer's Report on 2023 Growth Related Revenues

File Number: ACS2024-FCS-FSP-0016

Report to Planning and Housing Committee on 4 December 2024

and Council 11 December 2024

**Submitted on November 25, 2024 by Cyril Rogers, General Manager and Chief
Financial Officer, Finance and Corporate Services Department**

**Contact Person: Gary Baker, Program Coordinator, Development Charges,
Planning, Development and Building Services Department**

613-580-2424 ext. 27406 Gary.Baker@ottawa.ca

Ward: Citywide

Objet : Rapport du Trésorier sur les 2023 revenus liés à la croissance

Numéro de dossier : ACS2024-FCS-FSP-0016

Rapport présenté au Comité de la planification et du logement

le 4 décembre 2024

et au Conseil le 11 décembre 2024

**Soumis le 25 novembre 2024 par Cyril Rogers, Directeur général et chef des
finances, Direction générale des finances et des services organisationnels**

**Personne ressource : Gary Baker, Coordonnateur de programme, Direction
générale de la planification, des biens immobiliers et du développement
économique**

613-580-2424 poste 27406 Gary.Baker@ottawa.ca

Quartier : À l'échelle de la ville

REPORT RECOMMENDATION

**That the Planning and Housing Committee recommend that Council receive this
report for information.**

RECOMMANDATION DU RAPPORT

Que le Comité de la planification et du logement recommande au Conseil municipal de prendre connaissance du présent rapport.

BACKGROUND

The *Development Charges Act* (DCA) requires the City Treasurer to provide a year-end summary of development charge reserve fund balances to Council. The attached 2023 Summary Statement of Development Charge Reserve Funds (Document 1) lists the transactions relating to the various accounts including: opening and closing balances, interest earnings and expenses, category of services and a summary of the financial transactions. This report also includes information regarding Cash-in-Lieu of Parkland, Section 37 allocations, a summary of discretionary exemptions and forecasted expenditures on projects funded from the roads and related services category.

DISCUSSION

Development charges are one-time fees levied on new residential and non-residential properties to fund a portion of the City's growth-related capital costs. The authority to introduce development charges is authorized by provincial legislation and the schedule of capital projects and rates are outlined within the Development Charges Background Study and By-law.

The total amount of the charge applied varies by dwelling type and location, which reflects different costs associated with providing growth-related infrastructure services. The residential component is comprised of three area-specific charges: inside the greenbelt, outside the greenbelt and the rural area. The rates are structured to reflect growth-related infrastructure requirements within these three geographic locations. The rural area is further divided into serviced and unserved development. Non-residential rates, applied to industrial and non-industrial uses, are calculated on a uniform city-wide basis. The corresponding rates are designed so that the City collects enough revenue to pay for the necessary growth-related infrastructure.

The following engineering services are included in the summary: roads and related services, sanitary (wastewater), water, and stormwater, along with the following general services: public transit, protection (fire and police), recreation facilities, parks development, libraries, paramedic services, affordable housing (discontinued in November 2022) and corporate studies (pending reinstatement as of June 2024).

The City approves most of the growth-related spending during the annual budget process with only those capital projects included in the background study being eligible for funding. This process is used to align the timing of infrastructure needed to accommodate growth with actual collections.

Reserve funds are monitored to ensure account balances follow the various funding policies and financial practices adopted by Council. The City has not utilized the option of temporarily borrowing funds across reserve fund accounts to pay for growth-related capital costs. The attached Summary Statement of Development Charge Reserve Funds (Document 1) provides an overview of financial activity within the various growth-related reserve funds, by service component, for the year ending December 31, 2023.

The principles that were adopted for annual budgetary purposes were designed to limit the City's financial exposure when fulfilling its funding commitments related to allocating development charges. The financial practices taken into consideration when applying growth-related project funding annually from the various service categories, particularly during the budget approval process, are as follows:

- Capital projects not listed within the current background study and approved by-law cannot be funded from development charges to ensure the integrity of the growth-related funding program.
- Inflationary project cost increases will be funded from development charges based on the growth-related allocations referenced within the current background study and approved by-law.
- Development charge revenues are only transferred to fund capital projects when growth-related expenditures have been incurred, not when the capital budget has been approved.
- Sanitary Sewer (Wastewater), Water, Stormwater (citywide) and Public Transit reserve fund accounts are permitted to be in a cash deficit.
- Roads and Related Services reserve fund accounts are permitted to be in a deficit on a commitment basis only.
- All other growth-related reserve fund accounts are not permitted to go into a deficit on either a cash or commitment basis without prior budgetary approval. The rationale for this is that capital work that falls within these categories is typically not required until a majority of the growth is in place and, therefore,

sufficient development charges should have been received at building permit issuance.

In 2023, net transfers to growth-related capital projects totaled \$174.7 million and were made in accordance with accounting guidelines that stipulate development charges may only be applied to eligible capital projects when expenditures are incurred. Overall, the 2023 closing balance was \$805.6 million. Further adjustments were made to account for outstanding approved capital project transfers that totaled \$713.7 million and future debt payment requirements of \$649.4 million. This resulted in an overall negative adjusted total closing balance of \$557.5 million.

Document 2 provides a detailed listing of the various growth-related capital projects that had development charges transferred to or from them, as well as the total budgeted financing and funds that were applied upfront from other sources. The statement fully documents the growth versus non-growth funding shares for all development-related projects. An additional reference number has been added to certain projects, which improves transparency and traceability.

In addition, the capital funding details concerning all cash-in-lieu transactions made in 2023 for parkland dedication purposes from citywide and ward accounts is attached in Document 3. Also, the payments received in 2023 during the development process via Section 37 of the *Planning Act* is attached in Document 4 as well as Community Benefit Charge collections.

Non-statutory development charge exemptions for various uses and services, excluding the public transit component, are listed within the Development Charges by-law. The resulting revenue shortfall may not be recovered through higher rates imposed on other development types in the future. To offset the annual foregone contributions, the City reimburses reserve funds from general revenues on a yearly basis. Council authorizes this contingency amount during the annual budget process.

This approach allows the City to identify the on-going costs associated with providing various discretionary development charge exemptions granted under the by-law. In 2023, \$1.8 million was transferred to offset the overall revenue shortfall, excluding Brownfields credits, with the various exemption types listed in Document 5. Document 6 is the 2023 Summary List of Forecasted Expenditures on Roads and Related Services Capital Projects.

Development charges are a key source of financing of the City's capital program related to the expansion of infrastructure to service new growth. With the City's unique blend of

major urban, suburban, and rural infrastructure needs, it is important that the legislation continue to provide flexibility in how development costs are funded. Without proper levels of growth-related revenue to balance the funding required to pay for new infrastructure the City may need to consider deferring projects, taking on additional debt and/or increasing other revenue sources if projected growth and corresponding revenues are insufficient to pay for the required capital investments. Without alternative funding sources, municipalities must be allowed to levy development charges to provide for the services that can be clearly demonstrated as resulting from growth.

FINANCIAL IMPLICATIONS

There are no financial implications associated with this report.

LEGAL IMPLICATIONS

There are no legal impediments to receiving this report for information. This report is before Council pursuant to the legislative requirement to submit financial statements regarding development charge fund activity under Section 43 of the *Development Charges Act*.

COMMENTS BY THE WARD COUNCILLOR(S)

This is a citywide report.

CONSULTATION

Preparation of the attached documents is a legislative requirement; no public consultation is required.

ACCESSIBILITY IMPACTS

Finance and Corporate Services adheres to the requirements of the *Accessibility for Ontarians with Disabilities Act, (2005)* in its operations, programs and initiatives. This report is administrative in nature and has no associated accessibility impacts.

TERM OF COUNCIL PRIORITIES

This report supports the current 2023-2026 Term of Council Priorities as well as the City's commitment to financial sustainability and transparency.

SUPPORTING DOCUMENTATION

Document 1: Summary Statement of Development Charges Reserve Funds for the

Period Ended December 31, 2023

Document 2: Details of 2023 Development Charge Capital Project Funding for the Period Ended December 31, 2023

Document 3: Details of 2023 Citywide and Ward Cash-in-Lieu Parkland (CILP) Capital Project Funding for the Period Ended December 31, 2023

Document 4: Section 31 Deferred Revenue Accounts for the Period Ended December 31, 2023

Document 5: Summary List of Development Charge Exemptions Granted at Building Permit Issuance for the Period Ended December 31, 2023

Document 6: Summary List of Forecasted Expenditures on Road and Related Services Capital Projects for the Period 2024 to 2033

DISPOSITION

In accordance with recent changes made to the Development Charges Act, a copy of the Treasurer's Statement will be posted to the City's website.