

SUBJECT: Treasurer's Report on 2021 Growth-Related Revenues

File Number ACS2022-FSD-FSP-0014

Report to Planning Committee on 8 September 2022

and Council 21 September 2022

**Submitted on August 29, 2022, by Wendy Stephanson, Chief Financial Officer/
Treasurer, Finance Services Department**

**Contact Person: Gary Baker, Program Coordinator, Planning, Infrastructure &
Economic Development Department**

(613) 580-2424 ext. 27406, gary.baker@ottawa.ca

Ward: Citywide

OBJET : Rapport de la Trésorière sur les 2021 revenus liés à la croissance

Dossier : ACS2022-FSD-FSP-0014

Rapport au Comité de l'urbanisme

le 8 septembre 2022

et au Conseil le 21 septembre 2022

**Soumis le 29 août 2022 par Wendy Stephanson, Cheffe des finances/
Trésorière, Direction générale des services des finances**

**Personne ressource : Gary Baker, Coordonnateur de programme, Direction
générale de la planification, de l'infrastructure 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 Committee recommend that Council receive this report for
information.**

RECOMMANDATION DU RAPPORT

**Que le Comité de l'urbanisme 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 2021 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, and a summary of discretionary exemptions.

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 rural area. The rates are designed to reflect growth-related infrastructure requirements in 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 following engineering services are included in the summary: roads and related services, sanitary sewers, water, and stormwater, along with the following general services: public transit, protection (fire and police), recreation facilities, parks development, libraries, paramedic services, affordable housing and corporate studies.

The City approves the majority of 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. Development charge revenues are only transferred to capital projects when the expenditures have been incurred, not when the capital budget has been approved. Reserve funds are monitored to ensure account balances are following the various funding policies 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,

2021.

In 2021, net transfers to growth-related capital projects totaled \$210.7 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 2021 closing balance was \$724.3 million. Further adjustments were made to account for outstanding approved capital project transfers that totaled \$654.6 million and future debt payment requirements of \$577 million. This resulted in an overall negative adjusted total closing balance of \$507.3 million.

Document 2 provides a detailed listing of the various growth-related capital projects in 2021 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 format of this document was modified and refined to provide additional information. The statement fully documents the growth versus non-growth funding shares for all development-related projects. This ensures the integrity of the growth-related capital program, which underlies the calculation. 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 2021 for parkland dedication purposes from citywide and ward accounts is attached in Document 3. As well, the payments received in 2021 during the development process via Section 37 of the *Planning Act* is attached in Document 4.

Non-statutory development charge exemptions for various uses 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. In 2021, \$2.3 million was transferred to offset the overall revenue shortfall, excluding Brownfields credits, with the various exemption types listed in Document 5.

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

There are no accessibility impacts associated with this report.

RISK MANAGEMENT IMPLICATIONS

There are no risk management implications.

RURAL IMPLICATIONS

There are no rural implications associated with this report.

TERM OF COUNCIL PRIORITIES

This report supports the City's on-going commitment to financial sustainability and transparency.

SUPPORTING DOCUMENTATION

Document 1: Summary Statement of Development Charges Reserve Funds for the Period Ended December 31, 2021

Document 2: Details of 2021 Development Charge Capital Project Funding for the Period Ended December 31, 2021

Document 3: Details of 2021 Citywide and Ward Cash-in-Lieu Parkland (CILP) Capital Project Funding for the Period Ended December 31, 2021

Document 4: Section 37 Deferred Revenue Accounts as of December 31, 2021

Document 5: Summary List of Development Charge Exemptions Granted at Building Permit Issuance for the Period Ended December 31, 2021

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.