

**Report to
Rapport au:**

**Planning Committee
Comité de l'urbanisme
11 July 2017 / 11 juillet 2017**

**and Council
et au Conseil
23 August 2017 / 23 août 2017**

**Submitted on July 4, 2017
Soumis le 4 juillet 2017**

**Submitted by
Soumis par:**

**Marian Simulik, General Manager, Corporate Services and City Treasurer /
Directrice générale et Trésorière municipale, Services généraux**

Contact Person

Personne ressource:

**Gary Baker, Program Coordinator, Development Charges/Coordonnateur,
Coordonnateur de programme, Redevances d'aménagement
613-580-2424 ext./poste 27406, gary.baker@ottawa.ca**

Ward: CITY WIDE / À L'ÉCHELLE DE LA VILLE File Number: ACS2017-CSD-FIN-0019

SUBJECT: TREASURER'S REPORT ON GROWTH-RELATED REVENUES

OBJET: RAPPORT DE LA TRÉSORIÈRE SUR LES REVENUS LIÉS À LA CROISSANCE

REPORT RECOMMENDATIONS

That the Planning Committee and Council receive this report for information.

RECOMMANDATIONS DU RAPPORT

Que le Comité de l'urbanisme et le Conseil prennent connaissance du présent rapport.

BACKGROUND

Section 43 of the *Development Charges Act (DCA)* requires the City Treasurer to provide to Council a year end summary of development charge activity and reserve fund balances. The attached Summary Statement of Development Charges Reserve Funds, provided as Document 1, lists the transactions relating to the various reserve fund accounts including, opening and closing balances, interest earnings, descriptions of the category of services and a summary of the financial transactions for the year. In compliance with the requirements of Bill 73 – *Smart Growth for Our Communities Act*, this report also includes information concerning Cash in Lieu of Parkland and Section 37 allocations.

DISCUSSION

Development charges are one-time fees levied and collected at the time of building permit issuance. They are used to fund the growth-related component of eligible capital projects based on increased needs for services arising from development. After by-law passage there are ongoing requirements such as monitoring discretionary exemptions, tracking of collections, annual reporting obligations and verification of capital project funding. The attached statement (Document 1) provides a summary of financial activity in the various reserve funds by service component for the year ending December 31, 2016.

The DCA continues to provide the legislative framework for municipalities to impose development charges. The most recent changes impacting the collection of development charges are now reflected in the City's amended Public Transit service rates as of May 25th, which include the removal of the statutory 10 per cent deduction and the use of a planned level of service rather than the more restrictive historical average level of service.

Growth-related spending authority will continue to be approved as part of the City's annual budgeting process with only those capital projects included in the Development Charges Background Study (Study) being eligible for funding or reimbursement. As part of the process, for all services except water and sewer, actual development charge collections are compared to projections based on forecasted assumptions in order to establish yearly growth-related funding envelopes. This review is designed to reduce the financial risk to the City by continually aligning the timing of infrastructure needed to accommodate growth with the on-going receipt of payments made at building permit issuance. Reserve fund balances are monitored through the capital budget approval process to ensure they are in compliance with the policies adopted by Council.

The 2016 revenue total consists of collections, exemption reimbursements and interest earned during the fiscal year that amounted to \$173M. Net transfers to capital projects of \$127.6M were made in accordance with standard accounting practice that stipulates development charges may only be applied to capital projects when expenditures are incurred. Overall, the 2016 closing cash balance was \$412.9M. Further adjustments were required to account for both outstanding unapplied funding requirements (commitments), which were \$464.4M and unapplied future debt requirements of \$100.6M. This resulted in a year-end deficit in the adjusted closing balance of \$152.2M.

When the Province passed Bill 73 they made significant changes to the reporting requirements that were designed to enhance transparency and accountability to stakeholders. The City is now required to provide the amount of other funding sources allocated against over 350 growth-related capital projects and to provide a detailed summary for each service category (Document 2). The City, at the end of 2016, required approximately \$2.9B from various sources to pay for the non-development charge recoverable capital cost of these projects. In addition, as part of this report, Council will receive the capital project funding details concerning cash payments received for parkland dedication purposes from city-wide and ward accounts (Document 3) and during the development process through Section 37 of the Planning Act (Document 4).

The DCA also requires that if a by-law provides for a discretionary exemption that any resulting revenue shortfall cannot be recovered by way of higher rates applied to other development. The City currently reimburses, from property taxes and user rates, growth-related reserve funds on an annual basis for the loss in revenue that would have been available but was waived under the application of voluntary exemptions listed in the by-law. Council authorizes this transfer during the annual budget process. In 2016 \$5.7M was transferred to offset the revenue shortfall (Document 5). In addition, municipalities have no option when it comes to providing statutory exemptions, which creates a structural capital funding gap in the recovery of eligible growth-related costs. Staff will continue to monitor and evaluate the impact resulting from discretionary exemptions.

RURAL IMPLICATIONS

There are no rural implications associated with this report.

CONSULTATION

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

COMMENTS BY THE WARD COUNCILLOR(S)

This is a city-wide issue (not applicable).

ADVISORY COMMITTEE(S) COMMENTS

Not applicable.

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*.

RISK MANAGEMENT IMPLICATIONS

There are no risk implications.

FINANCIAL IMPLICATIONS

The *Development Charges Act* requires that a yearly Treasurer's Statement be prepared for Council. In the past the City was required to file a copy of the Treasurer's Statement with the Ministry of Municipal Affairs and Housing. That requirement has been removed with the passage of Bill 73 and replaced by a new measure that Council ensure that the statement is available to the public on the City's website.

ACCESSIBILITY IMPACTS

There are no accessibility impacts associated with this report.

TECHNOLOGY IMPLICATIONS

There are no technology impacts associated with this report.

TERM OF COUNCIL PRIORITIES

There are no impacts.

SUPPORTING DOCUMENTATION

Document 1 - Summary Statement of Development Charges Reserve Funds

Document 2 - Details of 2016 Development Charge Capital Project Funding

Document 3 - Details of 2016 City-wide and Ward Cash-in-Lieu of Parkland Funding

Document 4 - Section 37 Deferred Revenue Accounts

Document 5 - Summary List of 2016 Development Charges Exemptions

DISPOSITION

In accordance with the *Development Charges Act*, a copy of the Treasurer's Statement is available to the public on the City's website or upon request from staff.