

Town of Ajax Report



Report To: General Government Committee

Prepared By: Michael Chee, CPA, CMA
Lead, Long Range Financial Planning and Development Finance

Report #: FIN-2023-09

Subject: 2022 Development Charge Reserve Funds - Treasurer's Annual Statement

Ward(s): All

Date of Meeting: May 08, 2023

Reference: 2018 Development Charges Background Study and Bylaw 50-2018
2020 Amended Development Charges Background Study and Bylaw 55-2020

Recommendation:

That the report "2022 Development Charge Reserve Funds – Treasurer's Annual Statement" be received for information.

Background:

The Development Charges Act (DCA), Section 43 (1) states that "The treasurer of a municipality shall each year on or before such date as the council of the municipality may direct, give the council a financial statement relating to the development charge by-laws and reserve funds established under section 33."

This statement must include:

- the opening and closing balances of the reserve funds including the transactions relating to the funds;
- a listing of all assets whose capital costs were funded under a development charge by-law during the year, and for each asset, the costs not funded under the by-law and the source of other funding;
- a statement indicating compliance with not imposing directly or indirectly a charge related to a development or a requirement to construct a service related to development except as permitted by the DCA or another Act.

Discussion:

In 2015 Ontario Regulation 82/98 and Bill 73, Smart Growth for Our Communities Act, 2015, provided specific guidance with respect to the information to be included in the Treasurer's annual statement. The recent changes to the DCA enacted by Bills 23, 108 & 197 had no impact on the pre-established annual reporting requirements, however, the ability to defer the payment of development charges for specific development types as allowed by section 26.1 of the DCA has had some impact on the tracking and reporting of these balances. Changes to the DCA enacted

by Bill 109 did have an impact on the pre-established annual reporting requirements in which the Treasurer's Annual Statement is made available to the public. The Town is in compliance with Bill 109 and the Treasurer's Annual Statement can be found on the [Town's website](#).

The Development Charge Reserve Funds Annual Statement in Attachment 1 provides the consolidated opening and closing balances of each service category maintained by the Town of Ajax and reports transfers to/from service categories as applicable.

Attachment 2 provides information, by capital project and service category, of the development charge transfers made to capital accounts or to operating funds during the fiscal year, as well as other sources of financing provided to each project.

The annual statement shows

- the closing balance as of December 31, 2022 for all DCs collected and earned (deferred) in 2022,
- the cash balance as of December 31, 2022 net of the DCs and interest that remain to be collected, and
- the balance net of future DC collections and funding commitments for capital projects approved by Council.

Deferred DCs including interest charges are funds that are recorded upon issuance of a first building permit for specific types of developments as allowed under section 26.1 of the DCA, or as detailed in a Section 27 agreement executed between the developer and the Town. Unless stated otherwise in an early/late payment agreement with the Town, the deferred development charges will typically be collected over 6 or 21 years, with the first instalment being received upon occupancy of the first building.

Capital project funding commitments are monies set aside to fund capital projects that have not yet been completed. A list of capital project commitments related to each service category can be found in Attachment 3.

The Town of Ajax affirms that it is compliant with s.s. 35 (2) of the Development Charges Act, whereby a municipality shall spend or allocate at least 60 per cent of the monies that are in a reserve fund for the services related to a highway at the beginning of the year.

Lastly, the Town of Ajax affirms that it is compliant with s.s. 59.1 (1) of the Development Charges Act, whereby it has not imposed directly or indirectly a charge related to development or a requirement to construct a service related to development, except as permitted by the DCA or another Act.

Development Charge Exemptions

The value of development charge exemptions granted by a municipality, such as those eligible through Community Improvement Plans (CIP) or non-statutory DC implementation policies, must be contributed from Town funds to the Town's DC reserve funds. This is a legislative requirement to ensure the financial burden created by municipal policy decisions is not transferred to future developments. In 2022, DC exemptions totaling \$5,764,127 were provided for a development in the Downtown CIP area for which the DC exemptions had been authorized by Council based on pre-suspension criteria of the related CIP (see September 13, 2021 GGC report for further details.) These exemptions were funded from Town Funds previously applied to DC eligible debentures.

Financial Implications:

The changes to the DCA that became effective January 1, 2020 aimed to increase the supply of affordable housing in Ontario and facilitate the creation of much needed spaces for an aging population and hospice care. The changes enacted on that date introduced DC deferrals for rental housing developments and institutional developments including, but not limited to, retirement homes, long-term care homes, and hospices.

In addition, the changes to the DCA that became effective November 28, 2022 further aims to increase the supply of housing (see December 12, 2022 GGC report for further details.). Full DC exemptions for affordable and attainable housing meeting specific criteria are now required, as well as for non-profit housing developments. DC discounts for purpose built rentals based on number of bedrooms (25% discount for 3 bedrooms, 20% discount for 2 bedrooms and 15% for all others) are also now required. Interest charges on frozen and deferred DCs are set at a maximum of Canadian Banks' prime rate plus 1 per cent per annum.

The magnitude of development approvals for DC exempted developments in the Town of Ajax could significantly impact the available cash to fund capital projects in the year subsequent to the issuance of these respective building permits. Future growth related development needs will continue to be balanced with current and anticipated Development Charge collections. Some capital projects currently listed in the long range capital forecast may have to be delayed while other projects deemed essential will require consideration of alternate funding arrangements to match future DC collection timelines.

Communication Issues:

As per O. Reg. 82/98, the Town is required to ensure that the Treasurer's Annual Statement is available to the public, as such, a copy of this report and the attachments will be posted on the Town website.

In addition, under the above noted regulation, a description of the service for which the fund was established and the services in the category must be disclosed. A pamphlet explaining the services for which the fund was established can be found on the [Town's website](#).

It is also a requirement that the annual statement must be provided to the Minister of Municipal Affairs and Housing (MMAH) upon request.

Relationship to the Strategic Plan:

This report aligns with the following section of the 2022-2026 Strategic Plan – Action26:

- Pillar 2: Growing our Community
- Priority: 1. Embrace dynamic and sustainable growth
 - 1.6 Continue to monitor and respond to legislative changes

- Pillar 3: Modernizing our Community
- Priority: 5.1 Manage Financial resources and assets to address growing needs

Conclusion:

The completion of the Development Charge Reserve Funds Annual Statement fulfills the reporting requirements of the Development Charges Act.

Attachments:

ATT-1: Development Charge Reserve Annual Statement

ATT-2: Development Related Capital Growth Reserve Funds Transfers

ATT-3: Development Charge Reserve Fund Commitments

Prepared by:

Michael Chee, CPA, CMA – Lead, Long Range Financial Planning and Development Finance

Submitted by:

Dianne Valentim, CPA, CGA – Director of Finance/Treasurer

Approved by:

Shane Baker – Chief Administrative Officer

Attachment 1
Development Charge Reserve Funds Annual Statement
For the Town of Ajax - Town Services
For the Year Ended December 31, 2022

	Notes	Total	Development Related Capital Growth Studies	Fire Stations, Vehicles and Equipment	Transportation (incl Roads and related)	Parks and Recreation (incl Vehicles and Equipment)	Libraries and Related (incl Materials)
Balance as of January 1, 2022		26,179,486	385,502	(148,429)	19,280,599	6,168,567	493,247
Plus:							
Development Charge Collections		14,576,334	257,778	288,600	10,329,501	3,065,095	635,360
Development Charge Collections (Deferred)		-	-	-	-	-	-
Town Contribution for DC Exemptions	(1)	5,764,127	103,066	104,690	3,618,736	1,605,353	332,282
Interest earned		889,194	16,535	3,483	720,716	134,539	13,921
Subtotal		21,229,655	377,379	396,774	14,668,953	4,804,987	981,563
Less:							
Amount Transferred to Capital (or Other) Funds (Attachment 2)		6,934,743	122,576	242,200	4,477,990	2,087,232	4,745
DC eligible projects or debt funded by non-DC sources	(1)	5,764,127	-	-	-	4,959,763	804,364
Subtotal		12,698,870	122,576	242,200	4,477,990	7,046,995	809,109
December 31, 2022 Closing Reserve Balance		34,710,271	640,305	6,145	29,471,562	3,926,559	665,701
Deferred DCs and Interest Collectible		1,117,715	18,269	21,544	755,642	267,656	54,604
December 31, 2022 Closing Balance net of Deferred DCs Collectible (Cash Balance)		33,592,556	622,035	(15,399)	28,715,920	3,658,903	611,097
Commitments for Capital projects approved as of December 31, 2022 (Attachment 3)		12,539,600	234,399	29,290	9,813,988	2,309,913	152,009
December 31, 2022 Balance net of Deferred DCs Collectible and Capital Commitments		21,052,956	387,636	(44,689)	18,901,931	1,348,991	459,087

Notes

¹ Total DC exemptions funded by non-DC sources

Attachment 2
Development Charge Reserve Funds Annual Statement
For the Town of Ajax - Town Services
For the Year Ended December 31, 2022

Development Related Capital Growth Reserve Fund Transfers				
	DC Recoverable Cost Share	Non-DC Recoverable Cost Share		
Capital Project	DC Reserve Fund Draw	Town Reserve Draw	Grants, Subsidies, Other Contributions	Total
Development Related Growth Studies				
1010011 CAIST Study	18,133	8,735	-	26,868
1022311 Transp Demand Mgmt Study Updt	51,081	12,771	-	63,852
1028311 2023 DC Background Study	43,489	-	-	43,489
1028411 2023-28 Library Master Plan	9,873	2,468	-	12,341
Sub-Total Development Related Growth Studies	122,576	23,974	-	146,550
Fire				
1028511 Fire Station 2 Design - FMP	95,000	5,000	-	100,000
Operating - New Recruit / Bunker Gear	147,200	7,747	-	154,947
Sub-Total Fire	242,200	12,747	-	254,947
Transportation (incl Roads and related)				
1005311 Church-Rossland to Hydro Corr.	73,997	9,569	-	83,566
1005511 Rossland EA Westney-Lakeridge	56,785	16,212	-	72,997
1006611 Bicycle Facilities -Town Roads	3,360	2,656	-	6,016
1012911 Westney Rd Streetlighting - R	440,541	23,154	-	463,695
1018611 Ross.Wide Church/Westn Constr	3,619,800	735,289	-	4,355,089
1018811 Harwood AvEA-Taunton-Woodcock	100,568	5,293	-	105,861
1022111 Bicycle Facs on Town Rds 2021	11,768	3,193	-	14,961
1028911 ChrchTop Asphalt Rossl-Hydro C	171,171	18,372	-	189,543
Sub-Total Transportation (incl Roads and related)	4,477,990	813,738	-	5,291,728
Major Indoor Recreation Facilities and Related				
0988511 Audley Recreation Ctr - Ph. 2	24,329	22,246	-	46,575
1029611 Mulberry Mead. NeighPark Const	239,546	19,430	-	258,976
1029711 Meadows North Neigh Park	5,558	446	-	6,004
Audley Recreation Center Debt (2019-2022)	1,817,799	-	-	1,817,799
Sub-Total Major Indoor Recreation Facilities and Related	2,087,232	42,122	-	311,555
Libraries and Related (incl Materials)				
0988511 Audley Recreation Ctr - Ph. 2	4,745	4,338	-	9,083
Sub-Total Libraries and Related (incl Materials)	4,745	4,338	-	9,083
Totals	6,934,743	896,920	-	6,013,863

Attachment 3
Commitments from Prior Years' Budgets and and Council Approvals
For the Town of Ajax - Town Services
For the Year Ended December 31, 2022

Project Number	Project Name	Commitment
Studies		
960011	Comp. Zoning By-Law Update	(21,399)
982211	Green Dev & Env Des Guidelines	(17,542)
1009911	Recreation Master Plan	(14,539)
1022311	Transp Demand Mgmt Study Updt	(9,681)
1028311	2023 DC Background Study	(71,511)
1028411	2023-28 Library Master Plan	(99,727)
Total Studies		(234,399)
Fire		
1028511	Fire Station 2 Design - FMP	(29,290)
Total Fire		(29,290)
Transportation		
996011	Rossland Widen- Church Westney	(16,878)
1001411	Bayly MUP/Harwood-Salem	(112,067)
1005311	Church-Rossland to Hydro Corr.	(178,995)
1005511	Rossland EA Westney-Lakeridge	(146,610)
1006611	Bicycle Facilities -Town Roads	(28,140)
1012911	Westney Rd Streetlighting - R	(160,745)
1013011	Westney Rd Multi-Use Trail	(316,600)
1018611	Rossland Wide Church/Westn Constr	(6,403,022)
1018811	Harwood AvEA-Taunton-Woodcock	(69,721)
1022111	Bicycle Facs on Town Rds 2021	(40,932)
1026511	Salem MUP - Salem to Blowers (north leg)	(85,148)
1028611	Rossland Wide. Westney-Salem	(599,800)
1028711	Harwood Wid.Taunton-Woodcock	(395,000)
1028811	MUT Ravenscrtf-Beverton/Paulyn	(18,900)
1028911	ChrchTop Asphalt Rossl-Hydro C	(34,729)
1029011	Rossland Wide Salem/LakeRidge	(614,400)
1029111	Kingston MUT-Salem/LakeRidge	(141,200)
1029211	Kingston Stligh Wicks/LakeRidg	(111,000)
1029311	Hunt St Ext - EA Addendum	(55,100)
1029411	Street Sweeper	(285,000)
Total Transportation		(9,813,988)
Parks and Recreation		
967911	ARC - Future Phases Design	(24,401)
988511	Audley Recreation Ctr - Ph. 2	(770,303)
1029611	Mulberry Mead. NeighPark Const	(1,488,367)
1029711	Meadows North Neigh Park	(26,842)
Total Parks and Recreation		(2,309,913)
Library		
967911	ARC - Future Phases Design	(1,786)
988511	Audley Recreation Ctr - Ph. 2	(150,224)
Total Library		(152,009)
Total commitments for Capital projects approved		(12,539,600)