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## Report 2024-092

**Report Title:** 2023 Development Charges – Treasurer’s Annual Statement

**Committee Name:** Finance and Audit

**Committee Meeting Date:** July 30, 2024

**Prepared by:** Jennifer Heslinga  
Accounting Services Manager/ Deputy Treasurer  
Finance

**Reviewed by:** Matthew Nitsch  
Director of Finance/Treasurer  
Finance

**Approved by:** Jennifer Moore, CAO

**Council Meeting Date:** August 14, 2024

**Strategic Plan Priorities:**  Innovate for Service Excellence  
 Ignite Economic Opportunity  
 Foster a Thriving Community  
 Propel Sustainable Growth  
 Champion a Vibrant Future

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### Information Report

“**That** the Finance and Audit Committee receive Report 2024-092 ‘2023 Development Charges - Treasurer’s Annual Statement’ for information; and

**Further That** the Committee recommend that County Council receive this report for information.”

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## **Purpose**

The purpose of this report is to provide information related to the Development Charge Reserve Fund transactions for the 2023 fiscal year.

## **Background**

Council formally authorized staff to commence processes for the undertaking of a County-wide Development Charge (D.C.) Background Study in 2019. Further, this was formally identified within the Council approved County Strategic Plan (2019-2023) as a specific objective. Identified as such under the Sustainable Growth Priority to 'Evaluate a County-wide Development Charge' and ensure 'growth pays for growth'. With this direction, staff undertook an extensive process to implement the first County-wide D.C. in 2020.

In 2020, By-law 2020-36 was enacted to impose the first County-wide D.C. effective October 1, 2020. Further, this By-law was subsequently amended under By-law 25-2021. Primarily, the amendment to the By-law was to update the D.C. Background Study and associated By-Law to reflect for changes under the Development Charges Act inclusive of allowing municipalities to recover discounted D.C.'s for certain services that previously had in place a statutory 10% reduction.

The Government of Ontario passed Bill 23, the More Homes Built Faster Act, on November 28, 2022. The immediate impact of Bill 23 on development charges was the removal of Community Housing as a service. The Community Housing portion of the charge was removed from the County development charge on November 28<sup>th</sup>. This has created a significant shortfall for social housing that will require the County to find alternate sources of financing or scale back plans for additional affordable housing-related projects. Funds collected prior to this change can still be used for social housing so, while no new funds will be collected, it will continue to show on our reports/documentation.

The Government of Ontario passed Bill 134, Affordable Homes and Good Jobs Act, on December 4, 2023. Bill 134 further amends the Development Charges Act for Bill 23's definition of Affordable Homes. Bill 134 defines affordable rental units based on the percentile of income for households in the municipality, compared to Bill 23 using a definition of affordability as no more than 80% of the average market rent. The change is considered to define the term *affordability* more practically.

## **Consultations**

Consultations on the accounting treatment for D.C.'s were facilitated with the County auditors, Baker Tilly and, for ensuring application of policy and processes aligned with legislation, with Watson and Associates Economists Ltd.

## **Legislative Authority/Risk Considerations**

The Development Charges Act, 1997 as amended.

## Discussion/Options

D.C.'s are one-time fees levied by municipalities on new residential and non-residential lands to help pay for a portion of the growth-related capital infrastructure. The purpose of D.C.'s is to ensure that new development pays its proportionate share of the capital costs required to service the associated new development. It is common practice for municipalities in Ontario to utilize D.C.'s, thereby, ensuring that the capital cost of providing services to new development is borne by the development receiving the benefit.

On an annual basis, finance staff review the spending on growth related projects as identified in the Background Study, and transfer the applicable D.C.'s collected that can be earned during the year as a source of financing.

The Development Charges Act, 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 Development Charge By-laws and reserve funds established under section 33." In addition, Paragraphs 12 and 13 of Ontario Regulation 82/98 indicate the information to be included in the report. Appendix 'A' provides a summary of the D.C.'s collected during the fiscal year 2023 including reserve fund transactions and balances. Appendix 'B' provides a list of growth-related capital projects that have received contributions from the D.C.'s reserve funds.

## Financial Impact

The total amount of development charge funds collected during 2023 amounted to \$1.5M. Of this, \$663K has been transferred to growth related projects within the D.C. Background Study towards financing eligible costs incurred to date with \$3.1M identified as deferred revenue on the County's 2023 Audited Financial Statements as represented by obligatory reserve funds. These funds will be utilized to source financing as future costs are incurred for identified growth related projects in the D.C. Background Study. Interest attributable to these funds for 2022 was booked to the D.C. deferred revenue accounts in 2023. Interest for 2023 will be allotted in 2024. The interest for 2022 will be identified as such in the 2023 Development Charges – Treasurer's Annual Statement. Further, the County has recorded unfinanced D.C.'s amounting to \$323K as at December 31, 2023 representing future funds to be collected on identified projects where their proportionate share of D.C.'s collected is yet to be realized.

A summary of the D.C. activities and obligatory reserve funds relating to By-law 2020-36, as amended under By-law 25-2021, is detailed below:

January 1, 2023 opening balance	2,235,246
Development Charges received	1,547,614
Transfers to capital projects (revenue earned)	(663,484)
Interest (prior period)	24,336
December 31, 2023 closing balance	<u>3,143,712</u>

## **Member Municipality Impacts**

N/A

## **Conclusion**

That the Finance and Audit Committee and County Council receive the 2023 Development Charges – Treasurer’s Annual Statement for information.

## **Attachments**

- 1) Report 2024-092 ATTACH 1 ‘Appendix A - 2023 Development Charges Reserve Funds Annual Continuity Statement by Service Category’
- 2) Report 2024-092 ATTACH 2 ‘Appendix B - 2023 Annual Development Charges Transfers by Project’