

The Corporation of the City of Kawartha Lakes

Council Report

Report Number EA2018-011

Date: April 24th, 2018
Time: 2:00 p.m.
Place: Council Chambers

Ward Community Identifier: All wards

Subject: Committed Excess Capacity Designation for Ongoing Growth-Related Projects

Author Name and Title: Adam Found, Manager of Corporate Assets

Recommendation(s):

RESOLVED THAT Report EA2018-011, **Committed Excess Capacity Designation for Ongoing Growth-Related Projects**, be received;

THAT it be the intention of Council to finance with development charges the projects identified in Appendix A attached to Report EA2018-011;

THAT the excess capacity created by these projects be designated as committed excess capacity in accordance with the Development Charges Act and its regulation O. Reg. 82/98; and

THAT the development charges financing of these projects be retroactively determined and corrected, as may be required, at an appropriate time through a future Council-approved reconciliation of the Development Charges Reserve.

Department Head:_____

Financial/Legal/HR/Other:_____

Chief Administrative Officer:_____

Background:

The Development Charges Act (DCA) sets out the legal framework for the determination and administration of development charges (DCs) in Ontario. A DC by-law setting out a municipality's DC rates must be supported by a Development Charges Background Study (DCBS). A DC by-law has a legislated shelf life of at most 5 years.

Inclusion of growth-related projects in the DCBS ensures their costs are DC-recoverable in accordance with the DCA. During the life of a municipality's DC by-law, however, it is not uncommon for growth-related projects unidentified in the DCBS to be undertaken by the municipality. Typically, these are projects previously unanticipated at the time the DCBS was prepared, but whose completion prior to the next DCBS and DC by-law is nonetheless considered necessary.

The DCA permits municipalities to designate such projects as committed excess capacity through an express intention by the municipality's council to finance them with development charges or other similar charges. In accordance with the DCA's sole regulation, such an expression must be made before or at the time the excess capacity is created; otherwise, the municipality foregoes the opportunity to recover project costs with DCs. Once a project, or more precisely the excess capacity it creates, is designated as committed excess capacity, it can be financed with development charges and carried forward to the next DCBS and incorporated into DC rates.

As indicated in Appendix A, attached hereto, certain growth-related projects unidentified in the City's current DCBS are currently being undertaken by agencies on behalf of the City. The purpose of this report is to obtain the expression of Council necessary to finance these projects in part with DCs.

Rationale:

Paragraph 5 of subsection 5(1) of the DCA stipulates that uncommitted excess capacity cannot be made DC-recoverable as follows:

"The increase in the need for service attributable to the anticipated development must be reduced by the part of that increase that can be met using the municipality's excess capacity, other than excess capacity that the council of the municipality has indicated an intention would be paid for by new development. How excess capacity is determined and how to determine whether a council has indicated an intention that excess capacity would be paid for by new development may be governed by the regulations."

Section 5 of O. Reg. 82/98, the sole regulation under the DCA, defines committed excess capacity implicitly as follows:

“For the purposes of paragraph 5 of subsection 5 (1) of the Act, excess capacity is uncommitted excess capacity unless, either before or at the time the excess capacity was created, the council of the municipality expressed a clear intention that the excess capacity would be paid for by development charges or other similar charges.”

Appendix A, attached hereto, contains the ongoing growth-related projects staff has identified as being eligible for and in need of a committed excess capacity designation. Overall, such a designation is expected to result in a transfer from the DC Reserve to the Capital Reserve. Already incorporated into the City’s long-term financial plan, this transfer will help keep future tax increases lower than otherwise, all else equal. The value of the transfer will depend on a number of factors and will be determined as part of a future reconciliation of the DC Reserve.

Other Alternatives Considered:

The alternative to the staff recommendation would be for Council to take no action on this matter, in which case the resulting deficiency in the Capital Reserve will place upward pressure on future tax increases, all else equal.

Financial/Operation Impacts:

Staff anticipates the recommended committed excess capacity designation to result in a net transfer in the neighbourhood of \$300,000 from the DC Reserve. This estimate is based on anticipated DC recoverability rates as indicated in Appendix A, deductions for DCs already committed to the subject projects and a further 10% legislated deduction to the growth-related share of costs. In accordance with the long-term financial plan, almost all of the net transfer would go to the Capital Reserve. The definitive value, timing and destinations of the transfer will be determined as part of a future reconciliation of the DC Reserve.

Relationship of Recommendation(s) To The 2016-2019 Strategic Plan:

N/A

Consultations:

Kawartha Region Conservation Authority
Kawartha Lakes-Haliburton Housing Corporation
City Treasurer

Attachments:

Appendix A: Ongoing Growth-Related Projects in Need of Committed Excess Capacity Designation



Ongoing
Growth-Related Proje

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Department Head: Juan Rojas, Director of Engineering and Corporate Assets