

The Corporation of the City of Kawartha Lakes

Council Report

Report Number EA2018-016

Date: December 11, 2018

Time: 2:00 p.m.

Place: Council Chambers

Ward Community Identifier: All

Title: Redirection for Development Charges Reserve Reconciliation

Description: This report seeks redirection for reconciliation of the development charges reserve in light of advancement of the development charges by-law update to 2019.

Author and Title: Adam Found, Manager of Corporate Assets

Recommendation(s):

That Report EA2018-016, **Redirection for Development Charges Reserve Reconciliation**, be received; and

That the 2009-2016 development charges reserve reconciliation referred to by Council Resolution CR2016-894 be expanded to include the 2017-2018 period and be prepared as part of the 2019 DC study and by-law update.

Department Head:_____

Financial/Legal/HR/Other:_____

Chief Administrative Officer:_____

Background:

At the November 24th, 2015 meeting of Council, the following resolution was passed:

CR2015-1242

RESOLVED THAT Report CORP2015-032, **Development Charge Background Study and By-law**, be received;

THAT the City of Kawartha Lakes Development Charge Background Study dated September 21, 2015, as amended by the addenda issued on October 30, 2015 and November 11, 2015, prepared by Watson and Associates Economists Limited and appended hereto as Appendix A, be adopted;

THAT based upon review of the above-noted study, including the proposed development charge by-law appearing therein, for the purpose of subsection 12(3) of the Development Charges Act it is determined that no further public meetings on these documents are required;

THAT for the purpose of paragraph 3 of subsection 5(1) of the Development Charges Act it is the intention of Council to ensure the increase in the need for services attributable to anticipated development will be met and that the committed and future excess capacity identified in the above-noted study shall be paid for by development charges or other similar charges;

THAT the growth-related capital forecast in the above-noted study be integrated into future asset management plans and capital budgets, subject to the annual capital budgeting process and budgetary constraints;

THAT a development charge by-law to implement the development charges calculated in the above-noted study be forwarded to Council for enactment;

THAT a by-law to repeal by-law 2014-238 be forwarded to Council for enactment;

THAT the Manager of Corporate Assets, in consultation with the Treasurer, submit a report to Council in 2016 to address Development Charge reserve fund reconciliation required to correct 2009-2016 draws from and commitments to the Development Charge reserve fund and to make the Development Charge reserve fund whole with respect to Development Charge revenue foregone as a result of exemptions, phase-ins and other unfunded costs; and

THAT the Manager of Corporate Assets submit a report to Council in 2016 to address Development Charges Task Force recommendations P-1 to P-5, as indicated in the schedule of recommendations attached hereto as Appendix B,

and to bring forward a recommended policy respecting the timing of the payment of development charges under agreements pursuant to section 27 of the Development Charges Act.

CARRIED

At the October 18th, 2016 meeting of Council, the following resolution was passed:

CR2016-894

RESOLVED THAT Report ENG2016-031, **Extension for Development Charge Reserve Reconciliation**, be received;

THAT approval be given to extend the time frame for the report for the component of Council Resolution CR2015-1242 related to the development charge reserve reconciliation; and

THAT the Manager of Corporate Assets, in consultation with the City Treasurer, submit a report to Council in 2017-18 to address the reconciliation of the development charge reserve fund required to correct the 2009-2016 draws from and commitments to the fund and to replenish the fund in respect of development charge revenue foregone over 2009-2015 as a result of exemptions, phase-ins and other unfunded costs.

CARRIED

Given the DC by-law update has been advanced to 2019, this report seeks redirection for the reconciliation of the DC reserve.

Rationale:

Periodic reconciliation of a DC reserve is needed to adjust the balance in the reserve for corrections to past DC draws and commitments and for revenue foregone as a result of DC exemptions, phase-ins and other unfunded costs. This exercise is necessary to promote transparent and adequate compliance with the Development Charges Act and ensure that past and committed growth-related projects have been appropriately funded by DCs.

As rationalized in Council Report EA2018-012, attached hereto as Appendix A for reference, staff has advanced the update of the DC study and by-law to 2019 from 2020. This process is expected to occur throughout 2019 whereby the new DC by-law comes into effect no later than January 1st, 2020. The City has retained Watson and Associates Economists Ltd. to prepare the 2019 DC study underlying the new DC by-law.

The 2019 DC by-law update will be supported by a DC Task Force established by Council. Four eligible stakeholders and members of the general public have

applied for membership on the task force. Staff anticipates a confidential report will be presented at the February 5th, 2019 meeting of Council to recommend appointees to the task force.

Given the DC study has been advanced to 2019 and will include a DC reserve reconciliation anyhow, staff recommends the 2009-2016 DC reserve reconciliation be expanded to include the 2017-2018 period and be prepared as part of the 2019 DC study and by-law update instead of independently. This revised approach will avoid duplication of efforts and costs as a DC reserve reconciliation will already form part of the DC by-law update process. It will also make better use of Council's time as Council will be presented with a consolidated reconciliation for 2009-2018 instead of two separate reconciliations, one for 2009-2016 and a subsequent one for 2017-2018.

Other Alternatives Considered:

The alternative to the staff recommendation would be the preparation of two DC reserve reconciliations covering the 2009-2018 period. As this approach would needlessly create duplication of effort and cost, it is not recommended by staff.

Financial/Operation Impacts:

The 2009-2018 DC reserve reconciliation is expected to result in a substantial net corrective transfer from the DC reserve to the capital reserve and water-wastewater reserves. Regarding the 2009-2016 period, this transfer is expected to be approximately \$3.7 million based on reconciliation work completed to date by Corporate Assets Division. Once the 2017-2018 period is incorporated, this figure is anticipated to decrease, largely owing to unfunded DC exemptions provided during that period. At this time, however, the magnitude of the anticipated decrease is inestimable.

Relationship of Recommendation(s) to the 2016-2019 Strategic Plan:

By supporting effective management of the DC reserve, the recommendations of this report align with the "Efficient Infrastructure and Asset Management" strategic enabler identified in the Corporate Strategic Plan.

Consultations:

City Treasurer
CAO

Attachments:

Appendix A: Council Report EA2018-012 Recommended 2018 Development Charges Task Force



EA2018-012
Recommended 2018 I

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