

**To: Members of Council**

**From: Joan Ford, Chief Financial Officer**

**C.C.: Tim Commisso, Blake Hurley, Reena Bajwa, Brynn Nheiley, Helen Walihura, Nancy Shea-Nicol**

**Date: December 13, 2022**

**Re: Follow Up, Bill 23 (PL-82-22)**

On December 6, 2022, at the Community Planning, Regulation and Mobility (CPRM) Committee meeting, council discussed report PL-82-22 regarding Bill 23. This new Bill will have a significant impact on the city’s financials. Staff are still waiting on regulation, bulletins, and interpretation matters as it relates to Bill 23 to have a more fulsome picture of all the changes. Staff will report back on this matter in Q1 of 2023, however, as part of the CPRM meeting Council requested an understanding of development charges (DC), and park dedication (PD) funding used in the proposed 2023 capital budget and forecast. The following memo provides information as it relates to the request and additional information for context.

**Historical DC’s and Park Dedication Funding**

The following table provides total development charges and park dedication cash-in-lieu revenue received over the last five years. A comparison to the DC background study for anticipated DC revenues is included (noted as the “Target” receipts). Council will note the Interim Control By-law, and Covid-19 are two notable factors impacting the city’s collection of revenue in these areas since 2019 to present day. Furthermore, staff presume that with the recent provincial legislation (Bill 109, Bill 23) development may have paused until municipalities are required to transition with respect to the regulations imposed by the new legislation, as it serves in the interest of the development community.

<i>(in millions)</i>	<b>Development Charges</b>			<b>Park Dedication</b>
<b>Year</b>	<b>Target</b>	<b>Actual</b>	<b>Over/(Under)</b>	<b>Actual</b>
2017	5,733	6,324	592	6,195
2018	5,876	7,229	1,353	2,403
2019	7,511	3,132	(4,378)	1,656
2020	7,733	4,402	(3,331)	972
2021	7,961	9,328	1,367	2,879
2022	9,152	3,181	(5,972)	618
<b>Total</b>	<b>43,965</b>	<b>33,597</b>	<b>(10,369)</b>	<b>14,722</b>

The average annual revenue over the last 6 years (2017-2022) for DC funding is \$5.6 million and \$2.5 million in park dedication cash-in-lieu funding, over the same period.

**2022 Uncommitted DC and PD Reserve Fund Balances**

To date for 2022, the city has collected \$3.2 million in development charges revenue, and \$618,000 in park dedication revenue. This is significantly below the city's annual projections, and 5-year average referenced in the table above. The following table provides the uncommitted park dedication and development charges (by service) reserve fund balances. Historically, Transportation service has always represented the largest portion (51%) of the city's DC rate, followed by Parks & Recreation due to the number and value of growth-related capital needs in these areas.

Council approved in July 2022, the city's amendment to the park dedication by-law (62-2022). The by-law has been appealed to the Ontario Land Tribunal however remains in force and effect. To date, no park dedication revenues have been collected under the amended by-law.

<b>DC Reserve Funds</b>	<b>November 30, 2022</b>
Transportation	16,821
Storm Drainage	1,667
Studies	54
Parks & Recreation	235
Library	128
Transit	854
Fire	123
<b>Total DCs</b>	<b>19,884</b>
<b>Park Dedication</b>	<b>3,340</b>

*(in millions)*

On an annual basis, the city provides the annual Treasurers statement to council and the public with information on both reserve funds including balances, receipts and spending.

## **2023 Proposed Capital Budget & Forecast**

As part of the 2023 capital budget and forecast, staff continue to plan for growth related capital needs as defined within the city's 2019 DC background study, and most recently amended DC by-law (26-2022). Council has heard through numerous staff presentations, and reports that capital costs are increasing because of inflationary pressures, labour and supply shortages, and commodity escalations. Further as previously stated the city is experiencing a decline in DC revenues over the last few years. The 2023 capital budget and forecast is prioritized under the constraints of a limited funding envelope and the above cost pressures. Bill 23 adds another layer impacting the delivery of the city's growth-related capital program.

Based on the pressures to the capital budget as mentioned above the average DC funding included in the proposed 2023 capital program is \$6.6 million per year. Comparing this to historical average revenue of \$5.6 million demonstrates that with the implementation of Bill 23, growth-related projects within the ten-year capital program will have to be deferred given implications of Bill 23. In the case of Transportation, staff will effectively use the existing reserve fund balance in order to mitigate short-term impacts of reduced DC revenues. In other services areas reserve fund balances are not sufficient to address the funding gap.

The average PD funding in the proposed 2023-2032 capital program is \$1.8 million. Including debt repayment approved from this reserve fund the total is \$2.6 million per annum compared to average annual receipts of \$2.5 million. Furthermore, since the city plans for and approves parkland

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acquisitions outside of the capital budget and forecast it is not included in any of the above information which demonstrates that parkland acquisition, park renewal and development/redevelopment of recreation facilities will be impacted by Bill 23.

**Summary**

The memo provides a high-level overview of development charges and park dedication receipts, reserve fund balances and the planned funding included in the 10-year capital program. Staff will report back in Q1-2023 with a more detailed financial impact analysis with respect to the city's growth funding tools because of Bill 23 legislation once further information regarding transition, regulations and bulletins are known.

Regards,

Joan Ford  
Chief Financial Officer