

POLICY

POLICY TITLE: Development Charges Background Study Continuous Review and Monitoring

POLICY NUMBER:

DATE: January 29, 2019

Purpose:

The Development Charges Background Study-Continuous Review & Monitoring Policy provides a framework for the responsible, responsive and transparent management of Town programs funded through development charges.

Policy Details:

The Development Charges Act (Act) is the legislative authority for growth-related capital spending. The Act requires a municipality to develop a capital program via a Development Charges (DC) Background Study. This study must be completed at a minimum of every five years.

Development of a DC Background Study

DC Working Group: The working group includes representatives from all departments to provide detailed project information and develop a balanced DC-funded capital program. Specifically, the group will include staff from the Planning and Economic Development departments to ensure information related to population, development and growth are captured. In addition, Treasury staff attends to provide financial guidance and expertise.

Project-Specific Information: The DC working group will complete a Capital Budget form (CB1) for each capital project to be included in the DC Background Study. The CB1 will include the project scope, timing, estimated cost and any potential external funding. Forecast lengths are dependent upon service type and are stipulated in the Act:

10 Year Capital Costs – Recreation and Parks, Library, Administration, Parking, Stormwater Management, and Transit

20 Year Capital Costs – Transportation (Public Works, Roads, Sidewalks, Traffic, Street Lighting, Signage), Fire Services

Engaging Consultants: The Town will retain a consultant to coordinate the development of the Background Study and By-law. The consultant will assist the DC working group in compiling the required information that will generate the Town's capital growth program and calculate the DC rates.

Approval: The Act requires a DC Background Study and By-law to be approved by Council via a public process.

Identification of variances (following approval of a DC Background Study): Project variances may occur subsequent to the approval of the DC Background Study.

Types of Variances

Timing – Changes to the timing of a project may occur. If a project is accelerated from its original planned timeframe in the DC Background Study, Accounting staff will evaluate the impact on the DC reserve funds and determine if funding exists prior to confirming accommodation of the project under the Town's current financial plan.

External Funding – If external funding was identified in the DC Background Study and is no longer available or the amount has changed, the DC working group will research alternative external funding options. As above, Accounting staff will evaluate the impact on the DC reserve funds and determine if funding exists prior to confirming accommodation of the project under the Town's current financial plan.

Estimated Project Costs – The Act allows for the Town to fund the actual costs of a project identified in a Background study. Increased costs need to be communicated to Accounting staff. If the increased costs exceed the lower of either ten percent (10%) of the original gross project cost or \$100,000, the DC working group will identify a like project to be deferred to accommodate these increased costs.

Inflationary Increases – The Act requires the Town to update the Background Study at a minimum of every 5 years. As part of this process, capital projects in the forecast are reviewed and updated to reflect current costs, taking into account inflationary pressures.

All costs incurred on a project that differ from the costs identified in a Background Study are recoverable from development charges. These costs are incorporated in the appropriate reserve fund and are part of a future DC rate calculation.

Identification of New Projects – Growth projects not identified in the current DC Background Study must have Council approval to request inclusion in the next DC Background Study prior to commencement of that project. Projects with a cost of less than \$100,000 can be funded from DCs with Council approval. Projects with costs greater than \$100,000 can only proceed if a project of similar value already

listed within the DC Background Study is deferred to accommodate the new one.

All variances in timing, scope and costing need to be communicated by the DC Working Group to the appropriate Accounting staff prior to the project being included in the budget. The DC Working Group will identify potential projects for deferral and Accounting staff can then determine the impact of that deferral on the capital program. Accounting staff will provide an analysis of the following to the Treasurer and/or designate:

- Impacts on services with service level cap restrictions;
- Impacts on reserve fund balances due to changes in cash flow;
- Revised DC eligibility calculations due to changes in cost estimates or external funding availability;
- Eligibility of new projects that have been identified for DC funding.

Monitoring & Reporting:

The DC Background Study revenue collection forecast is based on the timing of development. On a monthly basis, Accounting staff monitors the collection of DCs against the planned forecast, which is an important factor in maintaining a relevant Long Range Financial Plan.

A team comprising of staff from Planning and Building will meet quarterly with the Accounting staff to review the development assumptions outlined in the DC Background Study and determine whether any adjustments are required. Any adjustments to the forecast will be reported by the Treasurer to Council through a revised Long Range Financial Plan. The revised Long Range Financial Plan will set the direction of the next budget. Accounting staff will provide a DC status update to the Budget team prior to the development of the annual capital budget and forecast.

Accounting staff will administer any financing agreements entered into by the Town to ensure DC credits are accounted for and reported.

Should DC revenue not be collected as per the forecast due to delays in development, this will result in the need to defer the capital program. The capital program will be modified to ensure that alternative funding options have been identified and secured prior to the capital program proceeding.

In support of the Town's commitment to transparency, the Treasurer will present an annual DC report to Council. This report outlines the annual costs expended by the Town for growth-related projects and any DC credits associated with financing agreements.