



## Committee of the Whole

May 13, 2025

### Staff Report: #FIN-2025-29

**REPORT BY:** Rhonda Whitmarsh, Treasurer

**REPORT SUBJECT:** Use of Lanark Highlands Development Charges

**DEPARTMENT:** Finance

#### **RECOMMENDATION(S):**

***“THAT** Council direct Staff to reallocate the balance in the Development Charges Reserve Fund at 31 December 2024 of \$297,340.92 to capital and operating reserves as outlined in Staff Report FIN-2025-29;*

***AND FURTHER THAT** the transportation and public works allocation of \$235,493.86 be applied to the Sheridan Rapid’s Bridge project in 2025 to reduce the required long-term financing.*

#### **1. BACKGROUND**

Council passed By-law 2011-1156 on 15 December 2011, to establish development charges (DCs) for the Township. The By-law was in effect from 11 December 2011 to 27 October 2014 and has therefore been expired since this date. In subsequent years, the Township has not updated the background study nor passed a new development charges by-law.

#### **2. DISCUSSION**

Under the Development Charges Act and per Section 11 of By-law 2011-1156 a separate account shall be maintained and income received shall be credited to the development charges reserve fund account for the designated municipal service categories in relation to which the investment income applies. At 31 December 2024, the total amount in the development charges fund is \$297,340.92. No development charges have been collected since 27 October 2014; however, interest has accumulated and been added to the balance each year. For reference, the interest added in 2024 was \$17,057.57. These funds were intended to be spent on growth-related projects included in the development charges background study.

Staff have been unable to locate the original background study to determine which capital projects were included, as it has been purged. The Township’s records retention by-law 1998-10 indicates that reserve funds and financial documents be kept for six years. The development charges by-law is a permanent record but only provides the authority to collect development charges and does not reference the projects that these

charges were intended to fund. It is assumed that the projected growth that the projects identified in the background study were intended to support did not occur which is why monies remain in the development charges fund.

The service areas included in the study and the allocation of the fund balance is as follows:

<b>Service Area</b>	<b>Proportion</b>	<b>Allocation</b>
Studies	1.7%	\$5,054.80
Fire	13.3%	\$39,546.31
Transportation	39.2%	\$116,557.50
Public Works Housing	20.0%	\$59,468.18
Public Works Equipment	20.0%	\$59,468.18
Recreation	0.20%	\$594.86
Planning Services	2.30%	\$6,838.84
Library Services	3.30%	\$9,812.25
<b>Totals</b>	<b>100.00%</b>	<b>\$297,340.92</b>

**Note:** These allocations are from financial reports prepared by previous Treasurers. It is assumed that service area allocations mirror those found in the development charges background study.

Staff reached out to a leading consultant with respect to development charges, Watson & Associates Economists Ltd., to inquire whether a reallocation of the fund is allowable under the *Development Charges, Act*. Although the Act does not specifically address the use of unspent funds, this advice was provided:

“In cases where a municipality stops collecting DCs for a particular service, I believe the respective reserve fund can be transitioned to a general capital reserve fund for the same purposes for which the money in the reserve fund was collected. The Development Charges Act only spells this out for upper-tier municipalities that had a DC reserve fund established for a service that later became an ineligible service (e.g., Social Housing). However, I believe it would be reasonable to apply this by extension to the case where a lower-tier municipality stops collecting charges for a particular service.”

In the absence of specific legislative direction and based on the consultant’s advice, Staff recommend reallocating the balance in the reserve fund as at 31 December 2024 to capital and operating reserves to be used to fund projects in the future for the service areas for which the original charges were collected:

<b>Service Area</b>	<b>Allocation</b>	<b>Reserve</b>
Studies	\$5,054.80	Operating
Fire	\$39,546.31	Fire Capital
Transportation	\$116,557.50	Public Works Capital
Public Works Housing	\$59,468.18	Public Works Capital
Public Works Equipment	\$59,468.18	Public Works Capital
Recreation	\$594.86	Recreation Capital
Planning Services	\$6,838.84	Operating

Library Services	\$9,812.25	Operating
<b>Totals</b>	<b>\$297,340.92</b>	

### 3. **FINANCIAL IMPLICATIONS**

Development charge reserve funds are obligatory and can only be spent on the growth-related projects contained in the background study. Reallocating these funds to operating and capital reserves allows greater flexibility and is a source of future funding related to the above noted service areas.

### 4. **OPTIONS CONSIDERED**

**Option 1- Reallocate development charge reserve funds to operating and capital reserves- and apply the transportation and public works share to the Sheridan Rapids Bridge in 2025 to reduce the long-term financing required for this project. (recommended)**

Reallocating the development charges fund to capital and operating reserves provides another future funding source and greater flexibility as to the projects the funds can be allocated to.

The total of the transportation and public works allocation is 79.2% which translates to \$235,493.86. If Council allocates this funding to the Sheridan Rapids Bridge Project in 2025, the long-term financing implications will result in the avoidance of debt repayments totalling \$357,564 (principal and interest over 20 years @4.5%).

**Option 2-Reallocate development charge reserve funds to the water and sewer reserve**

The water and sewer reserve has been reduced significantly to fund capital projects included in the 2023 and 2024 budgets. This option would act as a partial replenishment of this reserve. This option is not recommended.

**Option 3-Status Quo**

The development charges reserve fund would continue with no changes. This means that there is a funding source for future projects that is not being utilized. This option is not recommended.

### 5. **STRATEGIC PRIORITIES**

### 6. **RELEVANT LEGISLATION AND POLICIES**

*Development Charges Act*

### 7. **OTHERS CONSULTED**

Watson & Associates Economists Ltd.

**8. ATTACHMENTS**

By-law 2011-1156

**Prepared By:** Rhonda Whitmarsh, Treasurer

**Approved By:** Suzanne Charbonneau-Dent, CAO