

City of Mississauga
Corporate Report



<p>Date: March 28, 2024</p> <p>To: Chair and Members of General Committee</p>	<p>Originator's files:</p>
<p>From: Shari Lichterman, CPA, CMA, City Manager and Chief Administrative Officer</p>	<p>Meeting date: April 24, 2024</p>

Subject

Annual Treasurer's Statement Report: Summary of Activity in 2023

Recommendation

1. That the report dated March 28, 2024, entitled "Annual Treasurer's Statement Report: Summary of Activity in 2023" from the City Manager and Chief Administrative Officer be approved in compliance with the reporting requirements of the *Development Charges Act, 1997* and the *Planning Act*.
2. That the report dated March 28, 2024, from the City Manager and Chief Administrative Officer entitled "Annual Treasurer's Statement Report: Summary of Activity in 2023" be made available to the public on the City of Mississauga's website.

Executive Summary

- Legislative requirements in the *Development Charges Act* and the *Planning Act* require the Treasurer of the municipality to provide Council with a financial statement each year for the Development Charges (DC), Bonus Zoning (formerly Section 37), Cash-in-Lieu (CIL) of Parkland, and Community Benefits Charges (CBC) reserve funds.
- The Annual Treasurer's Statement summarizes the financial activities related to those reserve funds as well as DC/Lot Levy credits for the 2023 fiscal year.
- Appendix 2 provides a summary of the opening and closing balances and the reserve fund financial transactions.
- The 2023 closing balances for DCs, Bonus Zoning, CIL Parkland and CBCs were \$231.5 million, \$8.4 million, \$140.5 million, and \$13.3 million, respectively.
- This report is compliant with both the DC Act and the *Planning Act*.

Background

Section 43 of the *Development Charges Act, 1997* (DC Act) requires that the Treasurer of a municipality provide to Council an annual financial statement for activities relating to the development charges (DC) by-law and reserve funds established under section 33 of the DCA, and a listing of DC/Lot Levy credits.

Subsection 37 (51) of the *Planning Act* requires that funds that have been collected under Bonus Zoning (the former Section 37) related to increased density allocations must be reported annually to Council by the Treasurer.

Subsection 42 (17) of the *Planning Act* sets out that if a council of a municipality that passes a Parkland Conveyance by-law, the Treasurer must provide Council with an annual financial statement for activities related to its Cash-in-lieu (CIL) of Parkland reserve funds.

Additionally, subsection 37 (48) of the *Planning Act* states that a council of a municipality that passes a community benefits charges (CBC) by-law shall provide an annual financial statement of the CBC transactions in the preceding year.

Collectively, these four charges are known as Growth Charges. Growth Charges are collected by the City for the sole purpose of funding necessary infrastructure to support new residents and businesses. These revenues can only be used for the purposes for which it was collected, in compliance with the legislation and Council approved policies. Growth Charges are important revenue tools for municipalities so that existing property owners are not unduly burdened by the cost of growth-related infrastructure.

Comments

Development Charges Reserve Fund Activity

Table 1 summarizes the DC reserve fund activity. DC revenue of \$80.3 million was collected in 2023 with an additional \$8.9 million in interest earned.

In 2023, \$90.7 million was transferred from the DC reserve funds to capital projects where roughly 38% (or \$34.5 million) was for roads and related infrastructure projects and a further 48% (or \$43.7 million) was for recreation and park development projects. The exercise of examining and funding of capital projects using DCs is done annually through the capital budget process. An amount of \$11.2 million was returned from capital projects to the DC reserve funds, as the monies were no longer required, due to various reasons. Finally, roughly \$300,000 was returned to developers/builders in the form of DC refunds (e.g. – building permit was cancelled).

Table 1. DC Reserve Fund Activity

DC Reserve Fund Activity	2023 (\$ millions)
Opening Balance	\$ 222.2
Add: DC Revenues	\$ 80.3
Interest Income and Other	\$ 8.9
Total Revenues	\$ 89.2
Less:	
DC Funds Transferred to Capital Projects	\$ 90.7
DC Funds Returned from Capital Projects	\$ (11.2)
Transfers to Revenue and Refunds	\$ 0.3
Total Expenditures	\$ 79.8
Closing Balance	\$ 231.6

The closing balance of the DC Reserve Fund as of December 31, 2023, is \$231.6 million which represents an increase of \$9.4 million, year-over-year. The increase in the reserve fund balance was mainly due to DC revenues and interest income exceeding total expenditures.

A list of all DC Reserve Funds, including descriptions, can be found in Appendix 1, and the 2023 activity for each DC Reserve Fund can be found in Appendix 2. A list of all capital projects funded by DCs can be found in Appendix 3.

On November 28, 2022, Bill 23 the *More Homes Built Fast Act, 2022* received Royal Assent. The legislation had significant impacts to the City's recently passed 2022 DC By-law. Most notably, a mandatory retroactive 20% discount applied to all residential and non-residential DC rates. In other words, a municipality may only collect 80% of the Council approved DC rates in the first year of its by-law. This 20% discount decreases by 5% annually until the fifth year of the by-law. As Council passed its current DC By-law on June 22, 2022, the City would only be able to begin collecting the Council approved DC rates after June 22, 2026.

The revenue loss associated with the changes in the DC legislation during the 2023 calendar year was \$1,623,300. The DC revenue loss to date, at the time of writing of this report, is approximately \$1,819,300. It should be noted that the City is anticipated to experience further revenue loss as time progresses, as the DC rates are now frozen at the time the planning application is deemed complete. Once those applications with frozen discounted DC rates come forward for permit issuance, it would only be then that the City would experience greater revenue losses.

This change in legislation will reduce DC revenues as well as impeded cash flows. This will impact the City's ability to fund growth-related infrastructure required to maintain existing service levels, unless the burden is shifted to the existing tax base.

Cash-in-lieu of Parkland Reserve Fund Activity

As summarized in Table 2, the City collected \$17.5 million in CIL Parkland revenues and the reserve fund earned an additional \$7.0 million in interest. Capital projects which used CIL Parkland as a funding source amounted to \$34.7 million, and \$96.4 million was returned to the reserve fund. There were no CIL Parkland refunds in 2023.

The closing balance of the CIL Parkland Reserve Fund as of December 31, 2023, is \$140.5 million which represents an increase of \$86.1 million, year-over-year. The increase in the reserve fund balance was mainly due to funds returned from capital projects.

Table 2. CIL Parkland Reserve Fund Activity

CIL-Parkland Reserve Fund Activity	2023 (\$ millions)
Opening Balance	\$ 54.4
Add: CIL-Parkland Revenues	\$ 17.5
Interest Income and Other	\$ 7.0
Total Revenues	\$ 24.5
Less: CIL-Parkland Funds Transferred to Capital Projects	\$ 34.7
CIL-Parkland Funds Returned from Capital Projects	\$ (96.4)
Transfers to Revenue and Refunds	\$ -
Total Expenditures	\$ (61.7)
Closing Balance	\$ 140.5

A list of all capital projects financed by CIL Parkland can be found in Appendix 3.

Bill 23 also impinged on the City’s ability to collect CIL Parkland. The revenue loss associated with the changes to the *Planning Act* during the 2023 calendar year was \$18,082,400. The CIL Parkland revenue loss to date, at the time of writing of this report, is approximately \$18,154,900.

Bonus Zoning (formerly Section 37) Reserve Fund Activity

The Bonus Zoning (formerly Section 37) reserve fund was established with the approval of the 2012 Corporate Policy governing the collection of monies related to the former Section 37 of the *Planning Act*. The City collected \$4.1 million in Bonus Zoning revenue from development during 2023.

In 2023, the existing Bonus Zoning monies were transferred to a newly created reserve fund account per By-law 0147-2023. This transfer is represented in the “Other” category in the amount of \$3.8 million, plus \$0.5 million in interest earned, for a total of \$4.3 million. There were some minor transfers to and from the reserve fund for capital projects in 2023.

The closing balance of the Bonus Zoning (formerly Section 37) Reserve Fund as of December 31, 2023, is \$8.4 million which represents an increase of \$4.8 million, year-over-year. The increase in the reserve fund balance was mainly due to revenue collected from development.

Table 3. Bonus Zoning Reserve Fund Activity

Bonus Zoning Reserve Fund Activities	2023 \$(millions)
Opening Balance	\$ -
Add: Bonus Zoning Revenue	\$ 4.1
Interest Income and Other	\$ 4.3
Total Revenues	\$ 8.4
Less: Bonus Zoning Funds Transferred to Capital Projects	\$ 0.1
Bonus Zoning Funds Returned from Capital Projects	\$ (0.1)
Transfers to Revenue and Refunds	\$ -
Total Expenditures	\$ -
Closing Balance	\$ 8.4

Community Benefits Charges (CBC) Reserve Fund Activity

As a result of the Royal Assent of Bill 197, *COVID-19 Economic Recovery Act, 2020*, the CBC replaced Section 37, the bonus zoning provision, in the *Planning Act*. City Council approved its first Community Benefits Charge Strategy and By-law in 2022.

The 2022 year-end closing balance of the Bonus Zoning (formerly Section 37) reserve fund forms the opening balance of the CBC reserve fund. The opening balance consisted of the former Bonus Zoning and former DC Parking reserve funds.

The CBC Revenue is comprised of one CBC receipt in 2023 in the amount of \$1.9 million and the collection of \$0.9 million in Parking DCs from the frozen rates of the 2019 DC By-law, for a total of \$2.8 million. Additionally, this revenue fund earned \$0.9 million in interest, but was offset in the form of the \$3.8 million transfer to the Bonus Zoning reserve fund.

The closing balance of the CBC Reserve Fund as of December 31, 2023, is \$13.3 million which represents an increase of \$3.7 million, year-over-year. The increase in the reserve fund balance was mainly due to revenue collected from development.

Table 4. Community Benefits Charges Reserve Fund Activity

	2023
Community Benefit Charges Reserve Fund Activity	\$(millions)
Opening Balance	\$ 13.4
Add: CBC Revenue	\$ 2.8
Interest Income and Other	\$ (2.9)
Total Revenues	\$ (0.1)
Less: CBC Transferred to Capital Projects	\$ -
CBC Returned from Capital Projects	\$ -
Transfers to Revenue and Refunds	\$ -
Total Expenditures	\$ -
Closing Balance	\$ 13.3

DC and Lot Levy Credit Activity

The majority of the lot levy credits are related to the road and storm services that were waived during the lot levy regime in the development agreements. These credits are redeemed at the time of building permit issuance.

In 2023, Finance and Building staff conducted a line-by-line review to verify the stated liabilities under Section 14 lot levy credits. As a result of that review, total funds of \$12.8 million were identified in relation to properties that are built-out. Therefore, the City is no longer required to set aside funds of \$12.8 million, as the liability decreased by the same amount. Amounts totalling \$12.8 million from various lot levy reserves were transferred to the respective DC reserve funds. Appendix 4 summarizes the amount of lot levies held by the City.

Developers are also entitled to DC credits if they construct infrastructure on behalf of the City. There was no DC credit activity during 2023, as shown in Appendix 5.

A Statement of Compliance, required by the DC Act, is acknowledged by the City Treasurer, and attached as Appendix 6.

Financial Impact

There are no immediate financial impacts as a result of the recommendations in this report.

Conclusion

The Annual Treasurer's Statement is required by the DC Act and the *Planning Act*. This report and its accompanying appendices have been prepared for Council's information and to fulfill the legislative and regulatory reporting requirements of the Annual Treasurer's Statement. This statement will be available to the public on the City's website following Council's approval of the recommendation.

Attachments:

Appendix 1: 2023 DC Reserve Funds Description

Appendix 2: 2023 DC, CBC, Bonus Zoning and CIL Parkland Reserve Fund Continuity Schedule

Appendix 3: 2023 Capital Projects Financed

Appendix 4: 2023 Development Levy Credits Continuity Schedule

Appendix 5: 2023 DC Credits Continuity Schedule

Appendix 6: 2023 Statement of Compliance



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