

Development Charges (DC) Exemptions Reserve Policy		Corporate Services Department
Policy No: FPAP-RE-TBD	Hamilton	Approval: 20XX-XX-XX
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Development Charges (DC) Exemptions Reserve	
POLICY STATEMENT	This Policy sets out the guidelines for the sources and uses of the DC Exemptions Reserve.
SCOPE	This Policy applies to City staff involved with the financing and budgeting of DC exemptions.
PURPOSE	<p>To fund the statutory and discretionary DC exemptions required by the <i>Development Charges Act, 1997</i> and the City’s DC By-law.</p> <p>Funding of DC exemptions is required for the City to be aligned with the <i>Development Charges Act, 1997</i> (see Related Legislation Section of this Policy). A formal method of tracking and funding DC exemptions is required to ensure responsible and effective financial management of the DC Reserves and the eligible growth-related projects which are funded from the DC Reserves.</p> <ul style="list-style-type: none"> • DC exemptions shall be funded in the year in which they are provided which may result in the DC Exemptions Reserve being pushed into a deficit position. • A financing plan shall be established to return the DC Exemptions Reserve to a positive balance within 10 years. • A 10-year timeframe has been selected to match the maximum length of time that a DC By-law can be active for as per subsection 9 (1) of the <i>Development Charges Act, 1997</i>.
RELATED LEGISLATION	<p>The <i>Development Charges Act, 1997</i>, legislates several statutory DC exemptions. Clause 5 (1) 10 permits that municipalities may provide for full or partial exemptions through their DC By-laws.</p> <p>Subsection 5 (6) 3 of the <i>Development Charges Act, 1997</i> states that if the DC by-law will exempt, phase in, or otherwise provide for a lower DC than is allowed, that shortfall may not be made up through higher DCs to other forms of development.</p>
TRANSPARENCY	<p>An annual summary of DC Exemptions is provided through the annual DC Treasurer’s Statement (The Statement of the Treasurer is required via Section 43 of the <i>Development Charges Act, 1997</i>).</p> <p>The annual balance in the DC Exemptions Reserve, as well as a forecast, will be provided in the City’s Annual Reserve Book.</p>

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RESERVE TARGET BALANCE	Reserve inflows are anticipated to equal outflows, targeting a \$0 balance. However, due to the nature of DC exemptions varying year over year, it is anticipated that this reserve will often be in a deficit or surplus position with a plan to return it to a zero balance.
DETAILS: USAGE AND LIMITATIONS	<p>Source of Funds</p> <p>1. All amounts budgeted or otherwise approved to be used for funding DC exemptions shall be directed into the DC Exemptions Reserve.</p> <p><i>The source of funds that may be transferred to this Reserve include:</i></p> <ul style="list-style-type: none"> • Amounts specifically budgeted to fund DC exemptions through the Tax and Rate Annual Budgets. • A portion of the year-end operating budget surplus, subject to final approval of the Tax and Rate Operating Budget Variance Report by Council. • Investment income earned on the reserve’s balance. • Any other amounts approved by Council to be directed to this Reserve. <p>Use of Funds</p> <p>2. The General Manager of Finance and Corporate Services shall be provided authority and direction to fund all DC exemptions (statutory and discretionary) provided in a given year, starting in 2024, from the DC Exemptions Reserve.</p> <p><i>Funds may be transferred from this Reserve to:</i></p> <ul style="list-style-type: none"> • Fund in-year statutory and discretionary DC exemptions; starting in 2024. • Clear the unfunded backlog of DC exemptions according to the financing strategy approved through the 2023 and future budget processes. • Fund interest charged on the reserve’s balance <p>Other Considerations</p> <p>3. The DC Exemptions Reserve is permitted to be in a deficit position.</p> <p>4. Borrowing shall not be permitted from the DC Exemptions Reserve.</p>

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POLICY OWNER	Director of Financial Planning, Administration and Policy
ADMINISTRATION	The DC Exemptions Reserve Policy shall be administered by the Financial, Planning, Administration and Policy Division within the Corporate Services Department.
RELATED POLICIES	FPAP-RE-003 Development Charges Reserves Policy
RELATED STANDARD OPERATING PROCEDURES	FPAP-SOP-DC-010 DC Exemption Tracking
POLICY HISTORY	N/A