



DCPP-CBC-002
DEVELOPMENT CHARGES - COMMUNITY BENEFITS CHARGES TRANSITION
RESERVE FUND POLICY

Approval: Pending

Audit Finance & Administration Committee Staff Report FCS24042

| RESERVE DETAILS | |
|-------------------------|--|
| Reserve Name | Development Charges - Community Benefits Charges Transition Reserve Fund ("DC-CBC Transition Reserve Fund") |
| Reserve Number | 110501 |
| RESERVE POLICY | |
| Policy Statement | <p>The objective of the DC-CBC Transition Reserve Fund Policy is to establish guidelines for use and ensure adequate financial oversight for the obligatory DC-CBC Transition Reserve Fund.</p> <p>This Policy is prepared in accordance with the requirements of the <i>Planning Act, 1990</i> ("Planning Act").</p> |
| Scope | <p>This Policy applies to the obligatory DC-CBC Transition Reserve Fund (110501) which was established by Council through the adoption of the recommendations to Report FCS22015(b) on June 22, 2022.</p> <p>This Policy is applicable to all members of Council and Staff responsible for the allocation of funds to and from the DC-CBC Transition Reserve Fund.</p> <p>This Policy replaces any existing DC-CBC Transition Reserve Fund Policy.</p> |
| Purpose | The purpose of the DC-CBC Transition Reserve Fund is to hold and distribute funds transferred from the Airport and Parking DC Reserve Funds. These funds are to be distributed exclusively for financing eligible growth-related capital projects as approved by Council. |
| Transparency | <p>The DC-CBC Transition Reserve Fund Policy is to be made available to the public.</p> <p>Reserve expenditures and revenues are expected to be fully disclosed. The disclosure will be facilitated through:</p> |



Hamilton

| | |
|--|---|
| | <ul style="list-style-type: none"> • Annual Special Account Report as required by the Planning Act. • Annual Reserve Report |
| <p>Related Legislation and Principles</p> | <p>CBCs and the DC-CBC Transition Reserve Fund are subject to the following legislation and principles:</p> <p>Planning Act</p> <ul style="list-style-type: none"> • Enables a municipality to establish a By-Law for CBCs and to collect fees in accordance with the By-Law and the Act. • Establishes an upper limit for the calculation of CBCs and various exemptions. • Requires that CBCs collected must be held in a special account that bears interest. The DC-CBC Transition Reserve Fund in conjunction with the Community Benefits Charges Reserve Fund (110500) has been designated as this special account. • Requires that at least 60 percent of the funds held in the special account at the beginning of the year be spent or allocated. • Requires that a special account report be prepared annually on the activities of the special account. <p>Canadian Public Sector Accounting Standards</p> <ul style="list-style-type: none"> • Developed by the Public Sector Accounting Board to establish standards for public sector accounting. <p>Municipal Act</p> <ul style="list-style-type: none"> • Establishes authority and responsibilities related to budgeting, reserve funds and debentures. <p>City of Hamilton CBC By-Law</p> <ul style="list-style-type: none"> • Outlines the specific regulations and procedures for the collection and use of CBCs for the City of Hamilton. <p>Requirements under the Planning Act and Canadian Public Sector Accounting Standards take precedence over the City of Hamilton's CBC By-Law should a conflict arise.</p> <p>Related City of Hamilton Policies</p> <ul style="list-style-type: none"> • Appropriation and Work-In-Progress Transfer Policy |



| | |
|-------------------------------------|---|
| | <ul style="list-style-type: none"> • Debt Management Policy |
| <p>Definitions</p> | <p>“CBC” refers to Community Benefits Charges.</p> <p>“DC” refers to Development Charges.</p> <p>“DC-CBC Transition Reserve Fund” refers to the Community Benefits Charges Reserve Fund (110501).</p> |
| <p>Usage and Limitations</p> | <p>Compliance</p> <ul style="list-style-type: none"> • The City of Hamilton must comply with all requirements under the Planning Act, Canadian Public Sector Accounting Standards and any other applicable legislation. <p>Project Funding</p> <ul style="list-style-type: none"> • Funds held in the DC-CBC Transition Reserve Fund are to be used exclusively to fund eligible capital projects related to Airport and Parking services. • Funds are to be transferred from the DC-CBC Transition Reserve Funds to capital projects as expenses are incurred on a proportional basis. i.e., eligible growth share % * total expenses to date. • Appropriations of funding must conform to the City of Hamilton’s Capital Projects’ Budget Appropriation and Work-in Progress Transfer Policy. • All budgeted financing from the DC-CBC Transition Reserve Fund must be approved by Council. <p>External Borrowing</p> <ul style="list-style-type: none"> • External borrowing related to the DC-CBC Transition Reserve Fund is prohibited. <p>Internal Borrowing</p> <ul style="list-style-type: none"> • Internal borrowing from the DC-CBC Transition Reserve Fund is prohibited. <p>Deficits</p> <ul style="list-style-type: none"> • The DC-CBC Transition Reserve Fund is not permitted to enter a deficit position. <p>Reserve Period</p> |



Hamilton

| | |
|---------------------------------|---|
| | <ul style="list-style-type: none"> The DC-CBC Transition Reserve Fund is anticipated to close once all DC Deferrals related to Airport and Parking components are repaid and the Reserve Fund has reached a zero balance. |
| <p>Source of Funding</p> | <p>The sources of funding for the DC-CBC Transition Reserve Fund are:</p> <ul style="list-style-type: none"> Transfer from Airport and Parking DC Reserves: As of September 18, 2022, legislative changes to the Development Charges Act, 1997 prohibited collection of DCs for Airport and Parking Services. Funds within these DC reserves were transferred to the DC-CBC Transition Reserve Fund in accordance with Council adoption of the recommendations to Report FCS22015(b). Ongoing Transfers related to Airport and Parking DCs: The City of Hamilton has a Discretionary DC Deferral program for industrial, non-industrial and high-density residential developments and a Legislated Instalment program for rental and institutional developments (established under Section 26.1 of the <i>Development Charges Act, 1997</i>). Deferrals and Instalment Plans with rates prior to September 18, 2022 include charges for airport and parking DC services which continue to accrue interest. Annual transfers related to deferral interest will continue until all such DC deferrals are repaid. Interest: accrued on the balance in the reserve fund as legislatively permitted and distributed annually. <p>There are no alternative funding sources available, and no other funds are permitted to be held in the DC-CBC Transition Reserve Fund.</p> |
| <p>Target Balance</p> | <p>DC-CBC Reserve Fund balances are primarily driven by development activity and planned capital expenditures. The long-term target balance is nil as all funds shall be allocated to eligible growth projects.</p> <p>There is no maximum balance for the CBC Reserve Fund. Deficits are not permitted as outlined in the Usage and Limitations Section of this Policy.</p> |



| | |
|------------------------|--|
| Policy Owner | Director, Financial Planning, Administration and Policy, Corporate Services Department |
| Administration | <p>Responsible Department</p> <ul style="list-style-type: none"> Development Charges, Programs and Policies, Financial Planning, Administration and Policy, Corporate Services Department is responsible for the administration of the DC-CBC Transition Reserve Fund Policy. <p>Policy Updates</p> <ul style="list-style-type: none"> The DC-CBC Transition Reserve Fund Policy may be updated when legislated changes to the Planning Act or Council adopted changes to the CBC By-Law affect any component of the policy; or when municipal best practices are identified as conflicting with this Policy. <p>Policy Review Frequency</p> <ul style="list-style-type: none"> If no legislative or Council adopted changes occur, the Policy is to be reviewed, at a minimum during the completion of each CBC Strategy review. <p>Policy Update Process</p> <ul style="list-style-type: none"> Amendments to the DC-CBC Transition Reserve Fund Policy must be presented to Council for approval. |
| Version History | (1) 22-Jun-2022: Initial adoption of DC-CBC Transition Reserve Fund Policy |