THE DISTRICT MUNICIPALITY OF MUSKOKA

To: Chair and Members
Muskoka District Council

From: Vineet Bhatia
Director of Tax Policy and Long-Term Financial Planning

Suzanne Olimer
Commissioner of Finance and Corporate Services

Date: June 15, 2026

Subject: Development Charge Reduction Program (DCRP)

Report: 8(2026)-4

Recommendation

THAT staff **be authorized** to submit an application to the Development Charge Reduction Program (DCRP) for the Water Services and Wastewater Services projects identified in this report;

AND THAT District Council **approve**, in principle, a targeted reduction to the residential Water Services and Wastewater Services components of the District's development charge rates for a three-year period, subject to the District receiving satisfactory funding approval and entering into a Transfer Payment Agreement with the Province;

AND THAT the targeted reduction **apply** only to residential development charges for Water Services and Wastewater Services and **not apply** to Rural Area Septage development charges, non-residential development charges, Commercial Accommodation Premises development charges, or any other District development charge service components;

AND THAT the Chief Administrative Officer, the Commissioner of Finance and Corporate Services, and the Commissioner of Engineering and Public Works **be delegated authority** to finalize and submit the DCRP application, including any supporting documentation, project information, financial information, and related materials required by the Province;

AND THAT should the District's DCRP application be successful, the Chief Administrative Officer, the Commissioner of Finance and Corporate Services, and the Commissioner of Engineering and Public Works **be delegated authority** to negotiate,

approve, execute, and amend any Transfer Payment Agreement and related agreements, documents, attestations, reports, or other instruments required to receive DCRP funding, provided that the terms are generally consistent with the principles outlined in this report and are satisfactory to the District Solicitor;

AND THAT **implementation** of any development charge reduction be conditional upon confirmation of satisfactory DCRP funding approval, eligible project costs, reporting requirements, timing requirements, and execution of a Transfer Payment Agreement acceptable to the District;

AND THAT staff **be directed** to bring forward any required development charge by-law amendments, grant agreements, or other implementation mechanisms necessary to give effect to the approved residential Water Services and Wastewater Services development charge reduction, if required.

Executive Summary

On June 1, 2026, the Province released the Development Charge Reduction Program (DCRP), with applications due by June 19, 2026. The program provides municipalities with an opportunity to apply for senior government funding for housing-enabling infrastructure, subject to reducing residential development charges for a three-year period and contributing at least 10% of eligible project costs.

Staff are recommending that the District submit a DCRP application for selected Water Services and Wastewater Services infrastructure projects identified in the District's current Development Charges Background Study and capital plan. These projects support serviced urban growth by expanding water and wastewater capacity required for future housing development.

The proposed project list has a combined gross capital cost estimate of approximately $149.6 million and a potential Development Charge (DC) recoverable cost of approximately $119.1 million, including approximately $98.4 million attributable to residential growth. Final eligible costs and approved funding would be subject to Provincial review and the terms of any Transfer Payment Agreement.

Staff are recommending a targeted approach to the required DC reduction by applying the reduction only to the residential Water and Wastewater components of the District's DC rates. This approach aligns the reduction with the service areas included in the proposed application. Rural or unserviced development would not be impacted, as those developments do not pay Water or Wastewater DCs. Non-residential DCs, including Commercial Accommodation Premises and general non-residential development are excluded from the program and therefore are not proposed to be reduced.

Based on the District's 2026 rates, a 30% reduction to only Water and Wastewater DCs would not achieve an overall 30% reduction to the total serviced residential DC rate. A reduction of approximately 36.7% to the Water and Wastewater components would be

required to meet that threshold. From a financial perspective, staff are recommending a 40% reduction, subject to satisfactory funding approval and execution of a Transfer Payment Agreement.

A 40% reduction is estimated to result in approximately $8.0 million in foregone residential Water and Wastewater DC revenue over three years. Given recent declines in DC collections, including a decrease in total DC revenue from approximately $6.5 million in 2022 to approximately $2.0 million in 2025, staff recommend a cautious and conditional approach.

Any final DC reduction would be conditional on the District receiving satisfactory DCRP funding approval and entering into a Transfer Payment Agreement acceptable to the District, including confirmation of approved funding, eligible costs, reporting requirements, implementation timing, and ongoing compliance obligations.

Origin

On March 30, 2026, the Governments of Canada and Ontario announced the Canada-Ontario Partnership to Build, which includes funding to support housing-enabling municipal infrastructure and broader housing affordability objectives. On June 1, 2026, the Province released the Development Charge Reduction Program (DCRP) guidelines, with a single application intake deadline of June 19, 2026.

This report has been prepared to seek District Council's direction regarding participation in the DCRP, including authorization to submit an application for eligible water and wastewater infrastructure projects identified in the District's current Development Charges Background Study and capital plan. The report also outlines the associated program requirements, including the requirement to provide an agreement-in-principle to reduce residential development charges for a three-year period, should the District be approved for funding and enter into a Transfer Payment Agreement with the Province.

Background

Development charges (DCs) are imposed under the *Development Charges Act, 1997* to recover a portion of the growth-related capital costs required to support new development. The District's current Development Charges By-law 2024-34 was approved by District Council on October 21, 2024 and came into force on January 1, 2025. The by-law is supported by the District's 2024 Development Charges Background Study and imposes charges for eligible District services including Services Related to Roads, Ambulance, Long-Term Care, Waste Diversion, Transit, Wastewater, Water, and Rural Area Septage.

Under the District's current DC structure, water and wastewater development charges are imposed on lands located within Urban Service Areas where municipal water and wastewater services are or will be provided. For development outside those areas, the District imposes a Rural Area Septage development charge instead of water and wastewater development charges. This distinction is important for the DCRP analysis,

as the projects being recommended for submission are limited to Water Services and Wastewater Services.

The DCRP is an application-based program intended to provide federal and provincial capital funding to municipalities that commit to reducing residential development charges. The program is designed to lower the cost of new residential development while supporting the delivery of housing-enabling infrastructure. Eligible projects must primarily enable the construction of new housing units, accelerate shovel-ready infrastructure projects identified in the municipality's most recent DC Background Study and capital plan, and be completed by October 31, 2035.

To be eligible, a municipality must have an active DC by-law in place as of March 30, 2026, and must provide an agreement-in-principle to reduce residential DC rates by 30% to 50% or greater and maintain the reduction for three years. The reduction applies to residential development charges only; non-residential development charges are not required to be reduced under the program.

The program permits municipalities to determine how the DC rate reduction is achieved, including whether the reduction is applied to certain services or across all services, provided the municipality complies with the program requirements. The District's proposed DCRP application is limited to water and wastewater infrastructure projects, as these projects clearly demonstrate the greatest degree of housing capacity improvement. As a result, staff propose to apply the DC reduction only to the residential Water Services and Wastewater Services components of the District's development charge rate schedule. This would mean that residential development in rural or unserviced areas would not be directly impacted by the proposed reduction, as those developments do not pay Water Services or Wastewater Services DCs under the by-law.

The DCRP may fund up to 90% of eligible project costs, with municipalities required to contribute at least 10% of eligible costs. Funding is not guaranteed, and applications will be assessed based on the depth of the residential DC reduction, the number of housing units projected to be supported by the DC relief and the funded infrastructure, the municipal contribution, and project readiness.

There are also several important limitations. Projects must generally be included in the municipality's most recent DC Background Study and capital plan. Only the growth-related portion of project costs identified as recoverable through DCs will be considered eligible. Costs that benefit existing development, post-period capacity, soft costs, operating costs, maintenance costs, cost overruns, and certain other expenditures are not eligible for program funding. Construction cannot begin before a Transfer Payment Agreement is executed, projects must start construction by July 31, 2030, and projects must be complete by October 31, 2035.

Staff have reviewed the program guidelines and the District's current DC rate structure and have identified Water Services and Wastewater Services as the most appropriate service areas for a potential DCRP application. The analysis section of this report

outlines the proposed DC reduction approach, the rationale for limiting the reduction to residential water and wastewater DCs, and the anticipated implications for serviced and unserviced development areas.

Analysis

Staff are recommending that the District submit an application to the Development Charge Reduction Program (DCRP) for selected Water Services and Wastewater Services growth-related infrastructure projects. These service areas have been identified as the most appropriate for submission because they are directly housing-enabling, support serviced urban growth and align with the program's stated priority for water and wastewater infrastructure.

Under the District's current development charge structure, Water Services and Wastewater Services DCs are imposed within Urban Service Areas where municipal water and wastewater services are or will be provided. Development outside those areas is not subject to Water Services or Wastewater Services DCs and instead is subject to the Rural Area Septage charge. As a result, the proposed reduction would not impact rural or unserviced development, as those developments do not pay Water Services or Wastewater Services development charges.

The DCRP requires a residential DC reduction only, and staff are recommending that the reduction remain limited to residential development charges associated with the Water and Wastewater service components. As a result, staff are not recommending any reduction to non-residential DCs, including Commercial Accommodation Premises or general non-residential development charges.

Targeted Reduction to Residential Water and Wastewater Development Charges

A key consideration is that a reduction applied only to Water and Wastewater Services must be sufficient to meet the overall DCRP reduction threshold. Based on the District's 2026 residential DC rates, Water and Wastewater Services represent approximately 81.8% of the total serviced-area residential DC. Therefore, a 30% reduction to only the Water and Wastewater components would result in an overall serviced-area residential DC reduction of approximately 24.5%.

To achieve an overall 30% reduction to the serviced-area residential DC while leaving all other service components unchanged, the residential Water and Wastewater Services components would need to be reduced by approximately 36.7% as shown in Table 1 below. This reduction would result in reductions for the various serviced development types between $3,563 for a high density unit and $6,754 for a single dwelling. Table 1 also shows the resulting reduced DC rate for each development type in the last column.

Table 1: Impact of Targeted Water and Wastewater Reduction on 2026 Serviced Residential DC Rates

Residential Development Type	Current Total Serviced DC	Current Water + Wastewater DC	Water + Wastewater as % of Total	Approx. W/WW Reduction Required to Achieve 30% Total Reduction	Approx. Dollar Reduction	Approx. Revised Serviced DC
Single, Semi-detached and Duplexes	$22,514	$18,409	81.8%	36.7%	$6,754	$15,760
Low Density Multiple Unit Development	$17,134	$14,010	81.8%	36.7%	$5,140	$11,994
High Density Multiple Unit Development, 2 Sleeping Areas or Greater	$18,122	$14,818	81.8%	36.7%	$5,437	$12,685
High Density Unit Development, Fewer than 2 Sleeping Areas	$11,876	$9,710	81.8%	36.7%	$3,563	$8,313

This targeted approach would preserve the current DC rates for Services Related to a Roads, Ambulance Services, Services Related to Long-Term Care, Waste Diversion Services, Transit Services and Rural Area Septage. It would also preserve all current non-residential development charge rates.

Proposed Projects for Submission

The proposed DCRP application would include Water Services and Wastewater Services projects identified in the District's current Development Charges Background Study and capital forecast. These projects support future serviced-area growth and are required to expand water and wastewater capacity for anticipated development.

Table 2A: Proposed DCRP Project Submissions – Water

Service Area	Project	Timing	Gross Capital Cost Estimate	Post-Period Benefit	Net Capital Cost	Potential DC Recoverable Cost	Residential Share	Non-Residential Share	Comments
Water	GH WTP Expansion	2029–2038	$14,295,300	$14,295,300	$0	$0	$0	$0	Included for Ministry consideration as a housing-enabling project, despite current post-period treatment
Water	Port Carling WTP Expansion	2028	$15,000,000	$0	$15,000,000	$15,000,000	$12,393,330	$2,606,670	Growth-related expansion project
Water	Port Severn WTP Expansion	2028	$12,500,000	$0	$12,500,000	$12,500,000	$10,327,775	$2,172,225	Growth-related expansion project
Water	HV WTP Expansion	2029–2038	$30,080,100	$10,378,400	$19,701,700	$19,701,700	$16,277,977	$3,423,723	Growth-related expansion project
Water	BAYS Water Tower	2027–2028	$5,500,000	$0	$5,500,000	$2,750,000	$2,272,110	$477,890	50% growth-related
Water	PS Water Tower	2025–2026	$5,500,000	$0	$5,500,000	$2,750,000	$2,272,110	$477,890	Subject to confirmation that construction has not started before TPA execution

Table 2B: Proposed DCRP Project Submissions – Wastewater

Service Area	Project	Timing	Gross Capital Cost Estimate	Post-Period Benefit	Net Capital Cost	Potential DC Recoverable Cost	Residential Share	Non-Residential Share	Comments
Wastewater	GH WWTP Expansion	2029–2038	$34,511,600	$345,700	$34,165,900	$34,165,900	$28,228,617	$5,937,283	Growth-related expansion project
Wastewater	Port Severn WWTP Expansion	2029–2038	$12,300,000	$0	$12,300,000	$12,300,000	$10,162,530	$2,137,470	Growth-related expansion project
Wastewater	Port Carling WWTP Expansion	2029	$12,000,000	$0	$12,000,000	$12,000,000	$9,914,664	$2,085,336	Growth-related expansion project

Service Area	Project	Timing	Gross Capital Cost Estimate	Post-Period Benefit	Net Capital Cost	Potential DC Recoverable Cost	Residential Share	Non-Residential Share	Comments
Wastewater	HV GP Upgrade/ Expansion Future	2028	$7,892,000	$0	$7,892,000	$7,892,000	$6,520,544	$1,371,456	Updated project cost to 2024 budget amount

Table 3: Summary of Proposed Project Costs

Service Area	Gross Capital Cost Estimate	Post-Period Benefit	Net Capital Cost	Potential DC Recoverable Cost	Residential Share	Non-Residential Share
Water Services	$82,875,400	$24,673,700	$58,201,700	$52,701,700	$43,543,302	$9,158,398
Wastewater Services	$66,703,600	$345,700	$66,357,900	$66,357,900	$54,826,355	$11,531,545
Total	**$149,579,000**	**$25,019,400**	**$124,559,600**	**$119,059,600**	**$98,369,657**	**$20,689,943**

The total potential DC recoverable cost associated with the proposed project list is approximately $119.1 million. Of this amount, approximately $98.4 million is attributable to residential growth and approximately $20.7 million is attributable to non-residential growth.

If the Province determines that all potential DC recoverable project costs are eligible, the maximum DCRP contribution could be up to 90% of eligible costs, with the District required to fund at least 10% of eligible costs. However, final eligible costs will be subject to Provincial review, confirmation of project eligibility, treatment of post-period benefit, project timing, and the terms of any Transfer Payment Agreement.

Table 4: Potential Funding Envelope Based on Proposed Project List

Cost Basis	Potential Eligible Project Cost	Potential DCRP Funding at 90%	Minimum Municipal Contribution at 10%
Total Potential DC Recoverable Cost	$119,059,600	$107,153,640	$11,905,960
Residential Share of Potential DC Recoverable Cost	$98,369,657	$88,532,691	$9,836,966

Staff recommend that the application be submitted on the basis of the eligible project costs identified in the current DC Background Study, while recognizing that the Province may adjust the final approved funding amount based on program uptake, project eligibility, eligible cost determination, and the reasonableness of the District's projected development charge relief.

Historic Development Charge (DC) Revenue Trends

DC revenues are highly dependent on development activity and the timing of building permits and, for certain development types, occupancy. Recent DC collection trends show a significant slowdown in 2025, reflecting broader housing market conditions and reduced development activity.

Table 5: Historic DC Revenue Analysis

Year	Actual DC Revenue	Year-over-Year Change
2021	$5,860,210	—
2022	$6,527,398	11.4%
2023	$5,546,916	-15.0%
2024	$4,458,529	-19.6%
2025	$2,024,244	-54.6%

Actual DC revenues declined from approximately $6.5 million in 2022 to approximately $2.0 million in 2025. This represents a decrease of approximately $4.5 million, or 69.0%, from the 2022 peak. Compared to the 2021 to 2024 average annual DC revenue of approximately $5.6 million, 2025 actual collections were lower by approximately $3.6 million, or 63.8%.

This decline is important for the DCRP application because the program requires municipalities to estimate the value of DC relief provided to builders over the three-year reduction period. Given recent revenue trends, staff recommend that the District's application include a conservative and defensible estimate of foregone DC revenue, supported by both the DC Background Study forecast and recent actual collection experience.

Forecasted Residential Water and Waster DC Relief

The District's DC Background Study includes forecasted DC revenues by service area. For the purpose of estimating the potential value of the proposed DCRP relief, staff have used the forecasted Water and Wastewater DC revenues for the three-year reduction period and applied the residential share of 83%.

For this analysis, the three-year period has been approximated as April 2026 to March 2029, reflecting the program announcement date of March 30, 2026.

Table 6: Forecasted Water and Wastewater DC Revenue During Approximate Three-Year Reduction Period

Service Area	Forecasted DC Revenue, Approx. April 2026 to March 2029	Estimated Residential Share at 83%
Water Services	$7,783,438	$6,460,253
Wastewater Services	$16,274,278	$13,507,651
Total	$24,057,716	$19,967,904

Based on this forecast, the estimated residential Water and Wastewater DC revenue over the three-year reduction period is approximately $20.0 million. The estimated value of DC relief varies depending on the reduction percentage applied to the Water and Wastewater components.

Table 7: Estimated Residential Water and Wastewater DC Relief Scenarios

Scenario	Reduction Applied to Residential Water and Wastewater DC Components	Approximate Overall Serviced Residential DC Reduction	Estimated Three-Year DC Relief
Scenario A	30.0%	24.5%	$5,990,000
Scenario B – Minimum Program-Aligned Target	36.7%	30.0%	$7,326,000
Scenario C	50.0%	40.9%	$9,984,000
Scenario D – Approximate Maximum Program-Aligned Target	61.1%	50.0%	$12,210,000

Scenario B in Table 7, reflects the minimum program-aligned target of a 30% reduction in overall serviced residential DC's and results in a 36.7% reduction in the W&WW DC component, providing DC relief estimated at $7.3 million over three years. For the purposes of the application, staff have rounded this reduction to 40% with the approximate relief at $8 million.

This estimate should be treated as preliminary and subject to refinement, as actual DC relief will depend on the pace and type of residential development, timing of building permits, timing of occupancy, and market conditions during the three-year reduction period.

Reasonableness of the Grant Ask

The DCRP application should be supported by two related but distinct measures:

1. the eligible project cost envelope, based on growth-related water and wastewater infrastructure identified in the current DC Background Study and capital plan; and

2. the estimated value of residential DC relief provided to builders during the required three-year reduction period.

The proposed projects have a total potential DC recoverable cost of approximately $119.1 million, with approximately $98.4 million attributable to residential growth. This provides the eligible project cost basis for the application.

At the same time, recent actual DC collection experience indicates that DC revenues have slowed significantly. Actual DC revenue declined by approximately 54.6% in 2025 compared to 2024 and was approximately 63.8% below the 2021 to 2024 average. This supports a conservative approach to estimating foregone DC revenue and demonstrates that the District should not assume development activity will immediately return to historical or forecasted levels.

For this reason, staff recommend that the application request be framed as “up to” the eligible project funding amount, while clearly demonstrating that the District’s proposed DC relief is reasonable and proportionate to the expected value of foregone residential Water and Wastewater DC collections.

Housing-Enabling Rationale

The proposed Water and Wastewater projects are intended to support serviced urban growth by increasing treatment, storage, and system capacity in communities where future residential development is expected. These projects are directly aligned with the DCRP’s housing-enabling objectives because water and wastewater servicing capacity is a key requirement for new residential development in serviced urban areas.

The project list includes treatment plant expansions, water tower capacity projects, and wastewater system upgrades that support future development capacity. Several projects are identified as 100% growth-related, while others include both growth and non-growth components. Where projects include a benefit to existing development or post-period benefit, those portions have been identified separately and are not included in the potential DC recoverable cost unless otherwise confirmed through the DCRP application process.

The GH WTP Expansion has been included in the proposed project list because of its potential to support future housing capacity. While the current DC Background Study identifies the project as post-period, staff recommend including it for Ministry consideration due to its strategic role in enabling long-term housing growth, with final eligible costs to be confirmed through the application review and Transfer Payment Agreement process.

Key Implementation Considerations and Risks

Participation in the DCRP provides an opportunity to secure senior government funding for significant water and wastewater infrastructure; however, there are several implementation and financial risks as identified in Table 8.

Table 8: Key Risks and Mitigation Considerations

Risk Area	Consideration	Proposed Mitigation
Funding approval	Funding is competitive and approval is not guaranteed.	Submit a focused application with projects clearly tied to housing-enabling water and wastewater capacity.
Eligible costs	Final eligible costs may be lower than the project cost envelope if the Province excludes post-period costs, non-growth costs, soft costs, or other ineligible costs.	Clearly separate gross cost, post-period benefit, benefit to existing development, DC recoverable cost, and residential share.
DC relief estimate	Actual DC relief may differ from the forecast due to housing market conditions and timing of development. There is some risk that if DC relief does not materialize as anticipated, funds may need to be returned to the Province. This particular risk has been raised by municipalities; however, no direct response has been provided by MMAH at this time.	Use conservative assumptions and include sensitivity analysis based on recent actual collections.
Reduced DC revenue	The District will receive lower residential Water and Wastewater DC collections during the three-year reduction period.	Limit the reduction to Water and Wastewater Services and apply the minimum reduction required to satisfy program eligibility.
Municipal contribution	The District must contribute at least 10% of eligible project costs and fund ineligible costs.	Identify an appropriate funding source through the Water and Wastewater capital financing strategy.
Cash flow	DCRP funding is expected to be milestone-based and may not align with project cash flow needs.	Ensure the District has a financing strategy to manage interim financing, cost escalation, and timing differences.
Construction timing	Projects must start by July 31, 2030, and be complete by October 31, 2035.	Structure applications around phases or components that can meet program timelines.
Projects already started	Projects that began construction before the Transfer Payment Agreement is executed may be ineligible.	Confirm construction status before final submission and exclude or adjust any project that has already started.
Reporting and compliance	Annual reporting, housing unit tracking, DC relief tracking, and audit requirements are expected.	Establish internal tracking through Finance, Engineering and Planning to monitor DC relief, permits, occupancy and project progress.

Recommended Application Position

Staff recommend that the District submit a DCRP application for the Water and Wastewater projects identified in this report and provide an agreement-in-principle to reduce residential Water and Wastewater development charge rates by approximately 40%, subject to the District receiving satisfactory funding approval and entering into a Transfer Payment Agreement.

This approach would:

- target the DC reduction to the service areas directly associated with the proposed DCRP projects;
- avoid reducing non-residential development charges, including Commercial Accommodation Premises and general non-residential charges as these are not the focus of this provincial program;
- meet the minimum overall serviced residential DC reduction threshold of approximately 30%;
- limit the financial exposure to the Water and Wastewater DC reserve funds;
- align the application with housing-enabling infrastructure priorities; and
- provide a defensible basis for the grant request using both eligible project costs and reasonable estimates of foregone residential DC revenue.

Staff further recommend that any final DC rate reduction be conditional on successful execution of a Transfer Payment Agreement that is satisfactory to the District, including confirmation of approved funding, eligible costs, reporting requirements, and implementation timing.

Financial Considerations

Participation in the DCRP would require the District to reduce eligible residential development charges for three years, contribute at least 10% of eligible project costs, and fund any ineligible costs or overruns. The financial analysis below is based on a targeted reduction to the residential Water Services and Wastewater Services components of the District's development charge rate schedule, consistent with the scope of the proposed application.

DCRP Project Funding Request

As shown in Table 9 below, the proposed project list has a gross capital cost of approximately $149.6 million and a potential DC recoverable cost of approximately $119.1 million, including approximately $98.4 million attributable to residential growth.

Table 9: Proposed DCRP Project Funding Envelope

Cost Basis	Amount
Gross Capital Cost Estimate	$149,579,000
Post-Period Benefit	$(25,019,400)
Net Capital Cost	$124,559,600
Potential DC Recoverable Cost	$119,059,600
Residential Share of Potential DC Recoverable Cost	$98,369,657
Non-Residential Share of Potential DC Recoverable Cost	$20,689,94

Historical DC Revenue Trends for Water and Wastewater DCs

As illustrated in Table 5 of this report total DC collections have declined significantly since 2022. Water and Wastewater DC collections have followed a similar trend. Water and Wastewater collections decreased from approximately $2.4 million in 2024 to approximately $1.1 million in 2025, representing a decline of approximately $1.3 million or 54.5% as shown in Table 10.

Table 10: Historical Water and Wastewater DC Revenue Collections

Year	Water DCs Collected	Wastewater DCs Collected	Total Water/Wastewater DCs Collected	Water/Wastewater Share of Total DC Collections
2021	$1,033,284	$2,194,357	$3,227,641	55.1%
2022	$1,239,774	$2,459,500	$3,699,274	56.7%
2023	$1,216,797	$2,011,464	$3,228,261	58.2%
2024	$777,777	$1,632,967	$2,410,744	54.1%
2025	$368,725	$727,946	$1,096,671	54.2%

The 2025 collection year was materially below projected DC revenues estimated in the DC Background Study. As shown in Table 11, actual Water DC collections were approximately $368,725 compared to a projected amount of approximately $2.4 million. Actual Wastewater DC collections were approximately $727,946 compared to a projected amount of approximately $5.0 million.

Table 11: 2025 Actual Water and Wastewater DC Collections Compared to Forecast

Service	2025 Actual DC Revenue	2025 Projected DC Revenue	Revenue Shortfall	Actual as % of Projection
Water	$368,725	$2,399,906	$(2,031,181)	15.4%
Wastewater	$727,946	$5,016,852	$(4,288,906)	14.5%
Total Water/Wastewater	**$1,096,671**	**$7,416,758**	**$(6,320,087)**	**14.8%**
Total DC Revenues	**$2,024,244**	**$10,497,931**	**$(8,473,687)**	**19.3%**

This significant variance supports a conservative approach to estimating the value of DC relief under the DCRP. While the DC Background Study forecast remains an appropriate basis for estimating long-term growth-related revenues, recent collection experience demonstrates that actual DC revenues may be materially lower if current market conditions continue.

Reserve Fund Position

The District's DC reserve fund position also needs to be considered in assessing the financial impact of participation in the DCRP. As at December 31, 2025, the Water DC reserve had a positive balance of approximately $6.8 million. The Wastewater DC reserve had a negative balance of approximately $14.8 million. The negative Wastewater DC reserve balance reflects the timing of growth-related capital expenditures being incurred in advance of future DC collections.

Table 12: 2025 Water and Wastewater DC Reserve Fund Position

Item	Water	Wastewater	Total Water/Wastewater
Opening Balance at January 1, 2025	$5,615,023	$111,504	$5,726,527
Development Charges Collected	$368,725	$727,946	$1,096,671
2025 Interest Earned	$846,498	$0	$846,498
Expenditures	$(6,404)	$(15,608,596)	$(15,615,000)
Closing Balance at December 31, 2025	**$6,823,843**	**$(14,769,147)**	**$(7,945,304)**

Any reduction to Water and Wastewater DC rates would reduce future DC collections that would otherwise support these reserve funds. While DCRP funding may reduce the need to fund certain eligible growth-related capital projects from DC reserves, grant payments are expected to be milestone-based and may not align with the timing of DC revenue losses, project cash flows, or reserve fund requirements. The structure and timing of grants, should they be approved, has not been detailed within the program information received to-date. Staff will assess the financial implications of construction-financing, along with the cost-benefit analysis of grant funding versus forgone revenues, of any projects that receive approval.

Estimated Three-Year DC Revenue Impact of Water and Wastewater Reduction Options

The following table outlines the estimated three-year foregone residential DC revenue under 30%, 40%, 50%, 60% and 100% reduction scenarios applied only to the residential Water and Wastewater components.

Table 13: Estimated Three-Year Foregone Residential Water and Wastewater DC Revenue

Reduction to Residential Water/Wastewater DCs	Estimated Water DC Relief	Estimated Wastewater DC Relief	Estimated Total DC Relief / Foregone Revenue
30%	$1,938,076	$4,052,295	**$5,990,371**
40%	$2,584,101	$5,403,060	**$7,987,162**
50%	$3,230,127	$6,753,825	**$9,983,952**
60%	$3,876,152	$8,104,591	**$11,980,742**
100%	$6,460,253	$13,507,651	**$19,967,904**

These estimates are preliminary and will vary based on actual development activity, unit mix, timing of building permits, timing of occupancy, and market conditions during the three-year period.

In contrast, Table 14 details the potential net fiscal position of the District under five (5) different scenarios of approvals and demonstrates further support for the recommendation of a proposed 40% reduction to the residential water and wastewater DCs within the District's submissions. While a 30% reduction to the water and wastewater DCs reflects the best overall fiscal position, the total discount to the residential DC would not meet the minimum threshold of 30% overall as previously documented.

Table 14: Estimated Net Financial Position for Submitted Residential Water and Wastewater Projects Based on 90% of Eligible Expenses Approved Under Each Discount Scenario

Proportion of Projects / Submissions Approved	Net Financial Position Assuming 30% Reduction	Net Financial Position Assuming 40% Reduction	Net Financial Position Assuming 50% Reduction	Net Financial Position Assuming 60% Reduction
20%	$9,748,774	$7,751,983	$5,755,193	$3,758,403
30%	$17,618,347	$15,621,556	$13,624,766	$11,627,976
40%	$25,487,919	$23,491,128	$21,494,338	$19,497,548
50%	$33,357,492	$31,360,701	$29,363,911	$27,367,121
60%	$41,227,064	$39,230,273	$37,233,483	$35,236,693

Recommended Financial Position

Given the recent decline in DC collections, the negative Wastewater DC reserve balance, and uncertainty regarding development activity over the next three years, staff recommend that any DC reduction remain conditional on satisfactory DCRP funding approval and execution of a Transfer Payment Agreement acceptable to the District.

Based on the analysis completed, a targeted 40% reduction to the residential Water and Wastewater development charge components is the most financially prudent option. It exceeds the approximate minimum reduction threshold, aligns with the DCRP-eligible service areas, and limits the estimated three-year foregone revenue to approximately $8.0 million.

A higher reduction could improve application competitiveness; however, any reduction above 40% would increase financial exposure to the Water and Wastewater DC reserve funds and should be weighed against the value of funding ultimately approved.

Climate Change Implications

The District assesses climate implications in all staff reports using the Clean Air Partnership's 'Municipal Climate Lens Tool' to consider climate impacts or benefits associated with any project, program or initiative. There is no climate impact related to this report.

Communications

Staff will continue to advise the Committee/Council regarding the status of the project.

Strategic Plan

This report includes information or recommendations that impact or influence the following Strategic Plan Objectives:

- Objective 3 Housing for everyone – Create more safe, attainable, and sustainable housing to call home – and transportation between our places and spaces.
- Objective 4 Good jobs and workers to fill them – Stimulate a year-round, diverse economy and develop the workforce needed to sustain it.
- Objective 6 Service alignment – Modernize municipal services and deliver them in the way that makes most sense – best value, efficiency, and outcomes for residents.
- Objective 8 Future thinking – Plan and invest so that we have the services and infrastructure our residents and communities need – now and in the future.

Respectfully submitted,

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Julie Stevens, CPA, CA, Chief Administrative Officer