

Finance, Administration and Audit Committee Report

DATE: Wednesday, June 05, 2019

WARD(S): ALL

TITLE: 2018 DC RESERVE FUND AND SPECIAL FUND STATEMENT

FROM:

Michael Coroneos, Chief Financial Officer and City Treasurer

ACTION: FOR INFORMATION

Purpose

To provide Council with the 2018 Development Charges Reserve Fund Statement, Special Account Statement for Increased Height and Density (Section 37) payments, and Statement for Cash-in-Lieu Parkland.

Report Highlights

- The *Development Charges Act, 1997* (the “DCA”) and the *Planning Act* require that the Treasurer of the municipality provide to Council, annually, a statement relating to Development Charges (DC), Increased Height and Density (Section 37) and the Cash-in-Lieu of Parkland (CIL) reserve funds and a listing of DC/Lot levy credits.
- The DC reserve funds consolidated opening balance for 2018 was \$289.8 million. The City collected \$240.5 million in DC revenues and funded \$44.8 million in capital projects. The consolidated ending balance was \$493.0 million as of December 31, 2018.
- The City collected \$23.7 million in CIL parkland revenue and spent \$20.7 million in 2018. The ending balance of the CIL parkland reserve fund was \$67.9 million as of December 31, 2018.
- The City received \$1.0 million in revenues through Section 37 agreements during 2018 and spent approximately \$100,000. The closing balance as of December 31, 2018 was \$2.9 million.
- In compliance with the DCA, the City does not impose directly or indirectly a charge related to a development or a requirement to construct a service related to development except as allowed under existing legislative Acts.

Recommendations

1. That the 2018 Development Charges Reserve Fund and Special Fund Statement be received for information purposes.
2. That the 2018 Development Charges Reserve Fund and Special Fund Statement be made available to the public and that a copy be forwarded to the Ministry of Municipal Affairs and Housing on request.

Background

The *Development Charges Act, 1997* (the “DCA”) section 43(1) and 43(2) requires the Treasurer of the municipality to provide Council with an annual financial statement relating to development charge by-laws and reserve funds established under the DCA.

Section 12 of the Ontario Reg. 82/98 prescribed the information that must be included in the Treasurer statement under section 43 of the DCA.

The *Planning Act* Section 42 requires the treasurer of the municipality to give Council a financial statement relating to the special account set up for Cash-in-Lieu for Parkland under Section 42.

The *Planning Act* Section 37 requires the treasurer of the municipality to give Council a financial statement relating to the special account for Increased Height and Density under Section 37.

Previous Reports/Authority

[2017 DEVELOPMENT CHARGES RESERVE FUND AND SPECIAL FUNDS STATEMENT](#)

Analysis and Options

The collection of development charges, payments in lieu of parkland and payments from developers pursuant to a Section 37 agreement are a major source of funding for the City’s growth-related capital works.

There are legislative requirements for the Treasurer to provide Council a financial statement relating to the establishment of these reserve funds and the receipt and disbursement of funds during the fiscal year, and to make these statements available to the public. The inclusion of this report on a public agenda, and subsequent posting of the report to the City’s website, ensures that this report is available to the public.

The required financial statements were prepared on an accrual basis for goods and services received however it does not reflect other commitments of funds.

DC Reserve Fund Statements

The DCA outlines specific reporting requirements for development charge reserves. A municipality that has passed a Development Charge by-law shall establish a separate reserve fund for each service to which the development charge relates; and the fund shall be used only to meet growth related capital costs for which the development charge was imposed. Reporting requirements include identifying all other types of funding applied to each project funded with development charges and providing a detailed summary of the activity for each development charge reserve for the year.

As of December 31, 2018, the consolidated fund balance in the City's development charge reserve funds was \$493.0 million.

The table below summarizes the Development Charges Reserve Fund activities for the period of January 1, 2018 to December 31, 2018:

Table 1: 2018 Development Charge Reserve Balance as of December 31, 2018 (\$million)

	City-Wide Development Charges	Special Area Development Charges	Total
Opening Balance	\$287.9	\$1.9	\$289.8
Revenues	\$246.7	\$1.3	\$248.0
Expenses	-\$50.3	\$5.5	-\$44.8
Closing Balance	\$484.3	\$8.7	\$493.0

Note 1: The Revenues and Expenses include interest accruals.

Note 2: Some numbers may not add due to rounding

Attachment 1 summarizes the development charges reserve established under the authority of the DCA and the City's Development Charge By-laws. The summary schedule provides a breakdown of the funds collected, interest earned and capital expenditures for each reserve fund. There are detailed schedules for each reserve fund providing capital project detail of expenditures processed during 2018, indicating other non-development charge related funding sources.

Attachment 2 provides a description of each service for which the development charge reserve fund was established.

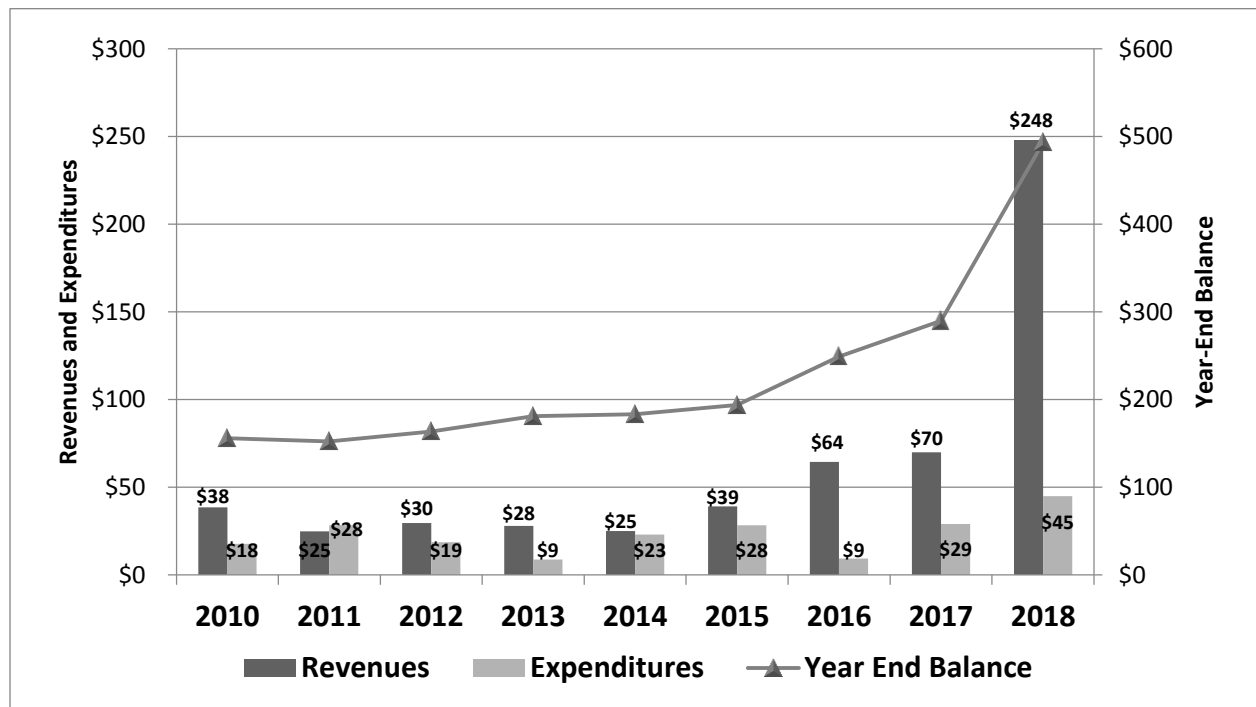
Development charge revenues in 2018 were \$248.0 million, which was approximately \$203.2 million more than 2018 expenditure \$44.8 million.

Chart 1 illustrates the increase in collections in comparison to previous years. In each year since 2012, the City's development charge collections have exceeded the draws from the development charge reserves; as a result, the balances in the development charge reserves have risen in the last five years, leaving a consolidated reserve fund balance of \$493.0 million as of December 31, 2018.

The 2018 DC Background Study and By-laws were approved by Council on May 23, 2018 and went into effect on September 21, 2018. As a part of the DC By-law Update, city services related to General Government, Libraries, Fire and Rescue, Public Works Buildings and Fleet, City-Wide Engineering, Community Services, and Area Specific DCs related to Waste Water and Storm Drainage were reviewed. Parks Development and Recreation Services were combined into a new service category called Community Services.

As a part of the 2018 DC Background Study and DC By-laws approval, Council delegated authority to the City Treasurer and the City Solicitor to enter into DC pre-payment agreements with landowners for developments that met certain criteria and requirements. The pre-payment agreements allowed pre-payment of estimated DCs, in early September of 2018, at the DC rates in effect at that time which were lower than the rates under the 2018 DC By-laws. Many developers took advantage of the pre-payment agreements that resulted in \$167.5 million DC revenues prepaid which in turn contributed to the cash inflow spike seen in the third quarter of 2018.

Chart 1: 2010-2018 Development Charge Revenues and Expenditures Comparison * (\$million)



*Includes Interest revenues and expenses

Special Fund Statement on Cash-in-Lieu Parkland and Section 37

The *Planning Act* outlines specific reporting requirements for payments received in lieu of the conveyance of parkland and payments received in consideration of increases in the height or density of proposed developments. In accordance with Sections 37 and 42 of the *Planning Act*, 1990, the following is required:

All money received by the municipality shall be paid into a separate reserve account and spent only for the acquisition of land to be used for park or other public recreational purposes (CIL Parkland) or infrastructure and services specified in the agreement (Section 37).

Reporting requirements include identifying all other types of funding applied to each project funded with CIL Parkland or Section 37 proceeds and providing a detailed summary of the activity for this special account for the year.

The following table summarizes the reserve activity for these special reserves as of December 31, 2018:

Table 2: 2018 Cash-in-Lieu Parkland and Section 37 Reserve Balance as of December 31, 2018 (\$million)

	Cash in Lieu Parkland	Section 37
Opening Balance	\$63.5	\$1.9
Revenues	\$25.1	\$1.1
Expenses	-\$20.7	-\$0.1
Closing Balance	\$67.9	\$2.9

*Note: Some numbers may not add due to rounding
Note: Include interest earned*

As of December 31, 2018, the Section 37 reserve balance was \$2.9 million

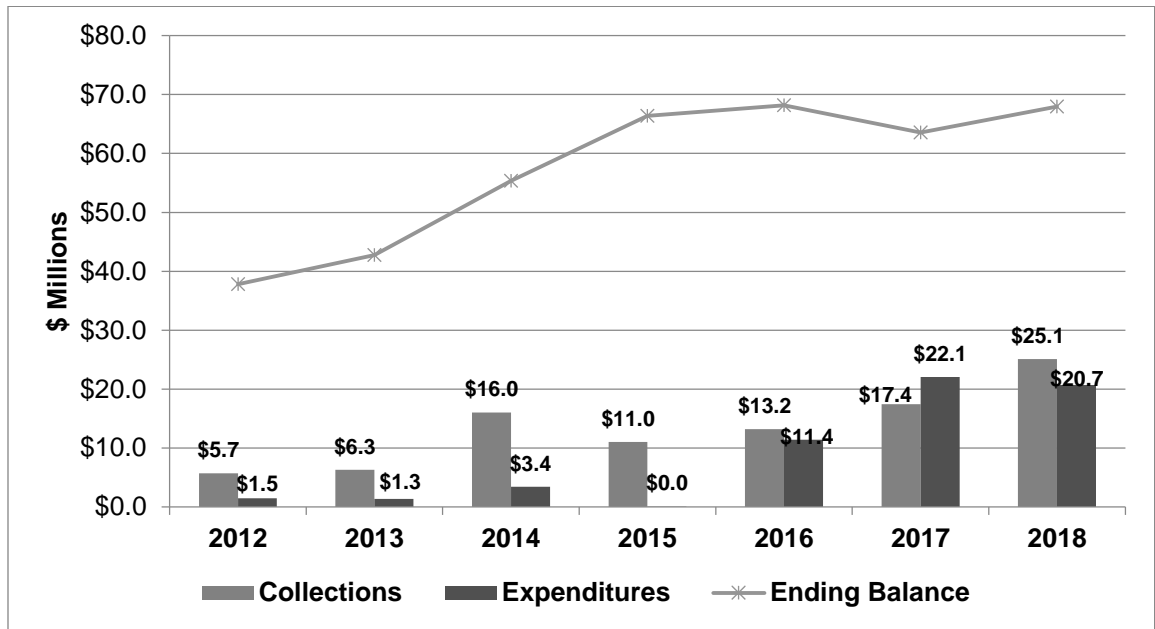
During 2018, \$1.0 million in revenue was received through a Section 37 agreement. There were approximately \$100,000 in capital expenditures for the year.

As of December 31, 2018, the CIL Parkland reserve balance was \$67.9 million

During 2018, \$23.7 million in cash in lieu payments were received and the reserve earned \$1.4 million in interest. There were \$20.7 million in capital expenditures for the year.

Attachment 3 provides information of the capital expenditures that were funded from the CIL Parkland reserve fund in 2018. Following chart illustrate CIL Parkland collections and expenditures for the period of 2012-2018.

Chart 2: 2012-2018 CIL Parkland Collections* and Expenditures Comparison (\$million)



*Includes Interest earned

Financial Impact

Development charges are collected on a city-wide basis from developers to help fund growth related infrastructure.

Payments received in lieu of conveying parkland within a planned development, are used by the City to fund acquisition of land required for parks and other recreation purposes.

Payments received from developers pursuant to an agreement under section 37 of the Planning Act are to increase the height and/or density of a proposed development in exchange for a benefit to the community such as enhanced park service levels, streetscaping or public art in intensification areas.

Interest earned on development charges collected and held for future use is apportioned to the various development charge reserves on a proportionate basis and is not used to fund the operations of the City. There are also separate reserves for Payments in Lieu of parkland and payments received as a result of executed section 37 agreements into which these funds are allocated when received and interest is accrued. The City did not issue any development charge credit in the fiscal year 2018.

Broader Regional Impacts/Considerations

Not Applicable.

Conclusion

The 2018 Development Charges Reserve Fund and Special Account Statement are provided pursuant to the reporting requirements of the *Development Charges Act, 1997* and the *Planning Act*.

In compliance with the DCA and to the best of staff's knowledge and belief, the City does not impose directly or indirectly a charge related to a development or a requirement to construct a service related to development except as allowed under existing legislative Acts.

For more information, please contact:

Michael Marchetti, Director, Financial Planning & Development Finance, Ext. 8271

Attachments

1. 2018 Development Charge Reserve Fund Statement
2. Description of City Wide and Area Specific Development Charge Reserves
3. 2018 Cash-in-Lieu of Parkland Reserve Fund Statement
4. 2018 Section 37 Reserve Fund Statement

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