

The Regional Municipality of York

Committee of the Whole
Finance and Administration
April 16, 2020

Report of the Commissioner of Finance

2019 Development Charge Reserve Fund Statement

1. Recommendations

The Regional Clerk circulate this report to the local municipalities and the Building Industry and Land Development Association, York Region Chapter.

2. Summary

This report provides a year-end summary of development charge activity and reserve balances for 2019, as required under the *Development Charges Act, 1997, as amended* (the Act).

Key Points:

- As of December 31, 2019, development charge reserve balances total \$270.0 million
- Reserve balances declined by \$67.9 million from 2018 due to draws exceeding collections by \$78.6 million, partially offset by \$10.7 million of interest earned during the year
- The Treasurer's Reserve Fund Statement is in compliance with the *Development Charges Act, 1997, as amended*

3. Background

Development charges are a major funding source for the Region's capital plan

Development charges are imposed to recover growth-related capital costs from residential and non-residential developments. Since the majority of York Region's capital expenditures are due to growth, development charges are a key source of funding for its capital plan.

Development charge reserves are governed by the Act

The Act specifies how development charge reserves are established and reported upon.

Sections 33 and 43 of the Act require that:

- A municipality that has passed a development charge bylaw shall establish a separate reserve fund for each service to which the development charge relates and fund only eligible capital costs from the reserve fund
- The Treasurer of the municipality shall provide Council a financial statement relating to development charge bylaws and reserve funds established

The financial statement must identify all assets where capital costs were funded under a development charge bylaw. Municipalities are also required to identify all other sources of funding applied to each project funded with development charges and provide details on activities for each development charge reserve for the year.

4. Analysis

As of December 31, 2019, the development charge reserves had a balance of \$270.0 million

As at December 31, 2019, the development charge reserves had a balance of \$270.0 million, a decline of \$67.9 million from 2018. The activity for the year is shown on Table 1.

Table 1

Development Charge Activity in 2019 (in \$ millions)

Service	Opening Balance	Collections³	Draws	Interest	Closing Balance¹
Regional Roads	341.8	82.7	75.4	12.7	361.8
Water Supply ⁴	(31.4)	34.7	78.4	(2.0)	(77.1)
Wastewater Servicing ⁴	(77.4)	69.9	98.1	(3.8)	(109.4)
General Services ²	<u>104.9</u>	<u>29.4</u>	<u>43.4</u>	<u>3.8</u>	<u>94.7</u>
Total	337.9	216.7	295.3	10.7	270.0

Note 1: Reserve balance includes opening balance plus collections, expenditures and interest accrual.

Note 2: General Services includes transit, subway, waste diversion, police, paramedic services, public health, senior services, social housing, public works, growth studies, court services and GO Transit.

Note 3: Development charge collections are reported net of development charge credits.

Note 4: Water Supply and Wastewater Servicing components of this reserve have deficits as a result of the need to build capacity in this infrastructure in advance of planned growth. These deficits will be reduced as the growth occurs in the future and the related development charges are received.

The Treasurer's Reserve Fund Statement is comprised of five schedules

Attached to this report are five schedules (see Attachment 1) which make up the financial statement required by the Act:

- Schedule 1 summarizes the development charge reserves established under the authority of *the Act, 1997*, and the Development Charge Bylaw:
- Schedule 1 (A) provides a further breakdown of the General Services column on Schedule 1.
- Schedule 1 (B) provides details of the development charge credits shown on Schedule 1.
- Schedule 2 shows the 2019 general services capital project expenditure details.
- Schedule 3 shows the 2019 roads-related development charge expenditure details.
- Schedule 4 shows the 2019 water supply-related development charge expenditure details.
- Schedule 5 shows the 2019 wastewater servicing-related development charge expenditure details.

The Treasurer's Reserve Fund Statement is in compliance with the *Development Charges Act, 1997, as amended*

As of December 31, 2019, this reserve fund statement is in compliance with the *Development Charges Act, 1997, as amended*. The Region has not imposed, directly or indirectly, any additional levies or required construction of a service, except as may be permitted under the Act or another act.

5. Financial

Development charge collections were below the 2019 forecast

Development charge collections in 2019 were \$216.7 million (based on units of 4,965 and 192,230 sq. m.), which represented an amount \$123.4 million less than the forecast of \$340.1 million. This forecast was based on a unit forecast of 6,889 and a gross floor area forecast of 277,294 sq. m.

Development charges fund debt payments as well as growth infrastructure

Development charges fund infrastructure in one of two ways; it pays for growth infrastructure directly, or it pays down debt that was issued in order to build growth infrastructure. In 2019, \$302.2 million was taken out of the Development Charge reserves; \$234.1 million was for debt servicing for Development Charge funded projects, while a further \$68.2 million was used to fund capital projects directly.

As at December 31, 2019, the Region had \$2.43 billion of debt outstanding that will be funded through future development charge collections out of a total debt of \$2.65 billion.

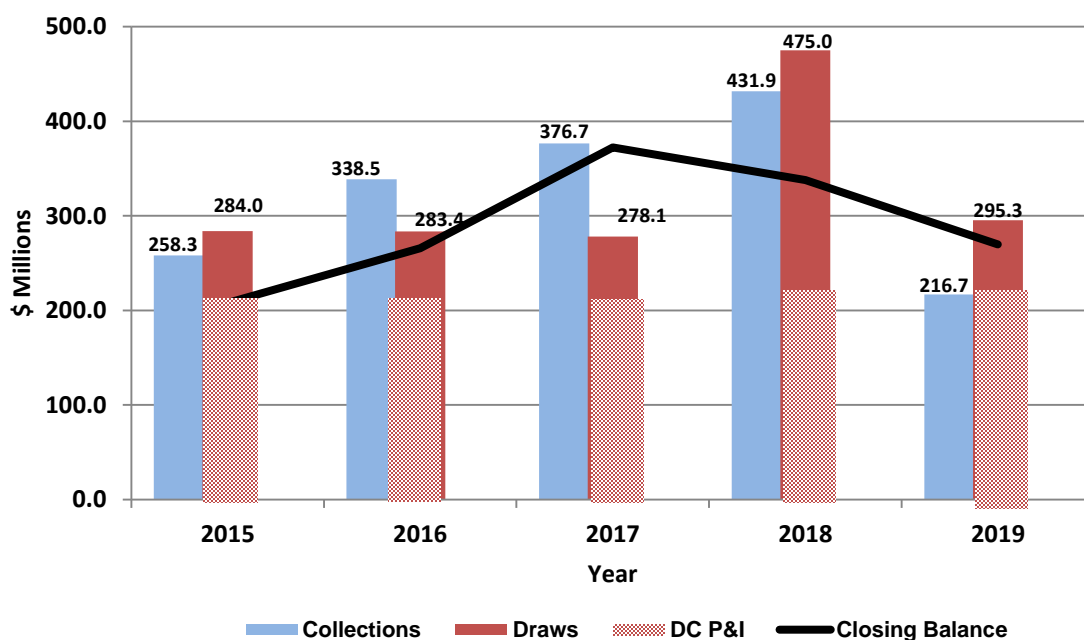
As per the Capital Financing and Debt Policy, it is the Region's practice to maintain a cash balance in the Development Charge Reserves equal to a range of 75 to 100 per cent of the projected annual principal and interest payments during the fiscal year for growth-related debt. In this way the Region manages the total balance in the Development Charge Reserves against uncertainties in the development charge collections and fluctuations in the level of outstanding debt from year-to-year.

Chart 1 compares development charge collections and draws during the past five years. This chart demonstrates that for four of the past five years, the closing balance of the reserves have always been above the principal and interest that has to be repaid

Chart 1

York Region 2015 - 2019 Development Charge

Collections and Draws Comparison (in \$M)



6. Local Impact

Development charges are an important revenue source for funding growth-related infrastructure, which benefits all municipalities in York Region.

7. Conclusion

The 2019 Development Charge Reserve Fund Statement presented in this report satisfies the Region's reporting obligations pursuant to the *Development Charges Act, 1997, as amended*.

For more information on this report, please contact Edward Hankins, Director, Treasury Office and Deputy Treasurer at 1-877-464-9675 ext. 71644. Accessible formats or communication supports are available upon request.

Recommended by: **Laura Mirabella, FCPA, FCA**
Commissioner of Finance and Regional Treasurer

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Chief Administrative Officer

March 6, 2020
Attachments (1)
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