

# The Regional Municipality of York

Committee of the Whole  
Finance and Administration  
April 7, 2022

Report of the Commissioner of Finance

## 2021 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 2021, as required under the *Development Charges Act, 1997*, as amended (the Act).

Key Points:

- As at December 31, 2021, the Development Charge Reserve balances totalled \$469.8 million
- Reserve balances increased by \$86.8 million from 2020 due to collections exceeding draws by \$68.3 million, DC deferred accounts increasing by \$9.6 million and \$9.1 million of interest earned during the year
- This report reflects a change to the treatment of deferred DCs. Beginning with the 2021 reporting, deferred DC amounts were moved to their own Deferred DC Reserves for tracking purposes and will be moved to the main DC reserves when they become payable/are drawn on
- The Deferred Development Charge Reserve has now increased to \$100.8 million
- The Treasurer's Reserve Fund Statement is in compliance with the Act

### 3. Background

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

Development Charges (DCs) are imposed to recover growth-related capital costs from residential and non-residential developments. Since most of York Region's capital

expenditures support growth-related projects, development charges are a key source of funding for the 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 at December 31, 2021, the Development Charge Reserves had a balance of \$469.8 million**

As at December 31, 2021, the Development Charge Reserves had a balance of \$469.8 million, an increase of \$86.8 million from 2020. The activity for the year is shown on Table 1.

**Table 1**

#### **Development Charge Activity in 2021 (in \$ millions)**

<b>Service</b>	<b>Opening Balance</b>	<b>Collections<sup>3</sup></b>	<b>Deferral Activity<sup>4</sup></b>	<b>Draws</b>	<b>Interest</b>	<b>Closing Balance<sup>1</sup></b>
Regional Roads	447.0	180.8	2.4	(98.0)	11.9	544.1
Water Supply <sup>5</sup>	(74.4)	72.4	2.0	(82.9)	(2.5)	(85.4)
Wastewater Servicing <sup>5</sup>	(96.9)	144.6	4.2	(152.4)	(3.1)	(103.6)
General Services <sup>2</sup>	<u>107.3</u>	<u>59.5</u>	<u>1.0</u>	<u>(55.7)</u>	<u>2.7</u>	<u>114.81</u>
<b>Total</b>	<b>383.0</b>	<b>457.3</b>	<b>9.6</b>	<b>(389.0)</b>	<b>9.0</b>	<b>469.8</b>

Note 1: Closing reserve balance includes opening balance plus collections, expenditures and interest accrual and includes both the DC reserves and DC Deferred reserves.

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 and do not include one-time accrual for deferred development charges.

Note 4: Represents change in the deferred DC reserve balances.

Note 5: Water Supply and Wastewater Servicing components of this reserve have deficits because of the need to build capacity in this infrastructure in advance of planned growth. Over time, these deficits will be reduced as growth occurs and the related development charges are received.

## The Region began accruing DC deferrals as collections in 2020

In support of Regional policy objectives, the Region offers the ability to defer payment of development charges for qualifying developments, including purpose built rental, high-rise residential and retail. Before 2020, the Region's outstanding Deferred Development Charges were disclosed as Contractual Rights in the notes to the financial statements. Finance staff reviewed these contracts at the end of 2020 and determined that it would be more appropriate to recognize the development charges when they ordinarily become payable.

As at the 2021 year-end, the deferred amounts were moved to their own Deferred DC Reserve for tracking purposes. Each DC Reserve has a parallel account to store any DC collections arising from deferral agreements.

The balance in these accounts will increase as new deferral agreements are signed and will decrease as the deferral agreement expires and/or draws are made on letters of credit. Once this happens, the deferral amount is journalized back into the main DC Reserves above. The activity for the year is shown on Table 2.

**Table 2**  
**Development Charge Activity in Deferred DC Accounts 2021 (in \$ millions)**

Service	Opening Balance	New Deferrals	Transfer to Main DC Accounts	Closing Balance <sup>1</sup>
Regional Roads	38.1	31.4	(29.0)	40.5
Water Supply	14.3	13.1	(11.1)	16.3
Wastewater Servicing	29.2	27.0	(22.8)	33.4
General Services <sup>2</sup>	<u>9.6</u>	<u>8.5</u>	<u>(7.5)</u>	<u>10.6</u>
Total	91.2	80.0	(70.4)	100.8

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.

## **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, 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 1 (C) provides details of the activity in the deferred development charge reserves
- Schedule 2 shows the 2021 general services capital project expenditure details
- Schedule 3 shows the 2021 roads-related development charge expenditure details
- Schedule 4 shows the 2021 water supply-related development charge expenditure details
- Schedule 5 shows the 2021 wastewater servicing-related development charge expenditure details

## **The Treasurer's Reserve Fund Statement is in compliance with the Act**

As at December 31, 2021, this reserve fund statement is in compliance with the Act. 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 above the 2021 forecast**

Development charge collections in 2021 were \$457.3 million (based on 8,060 housing units and 402,586 square metres of non-residential development), which represented \$86.0 million more than the forecast of \$371.4 million. This forecast was based on a forecast of 8,500 housing units and a gross floor area forecast for non-residential development of 236,326 square metres.

## **Development charge collections are not the same as development charge revenue**

Depending on the timing of capital spending, development charge collections within a fiscal period may not equal the revenue recorded in the financial statements. The Region's financial statements are prepared in accordance with generally accepted accounting principles established by the Public Sector Accounting Board. Revenue is recorded in the financial statements as development charge balances are drawn down to pay for principal and interest on previously constructed growth capital or to fund new growth capital projects.

## **Development charges fund debt servicing costs as well as growth infrastructure**

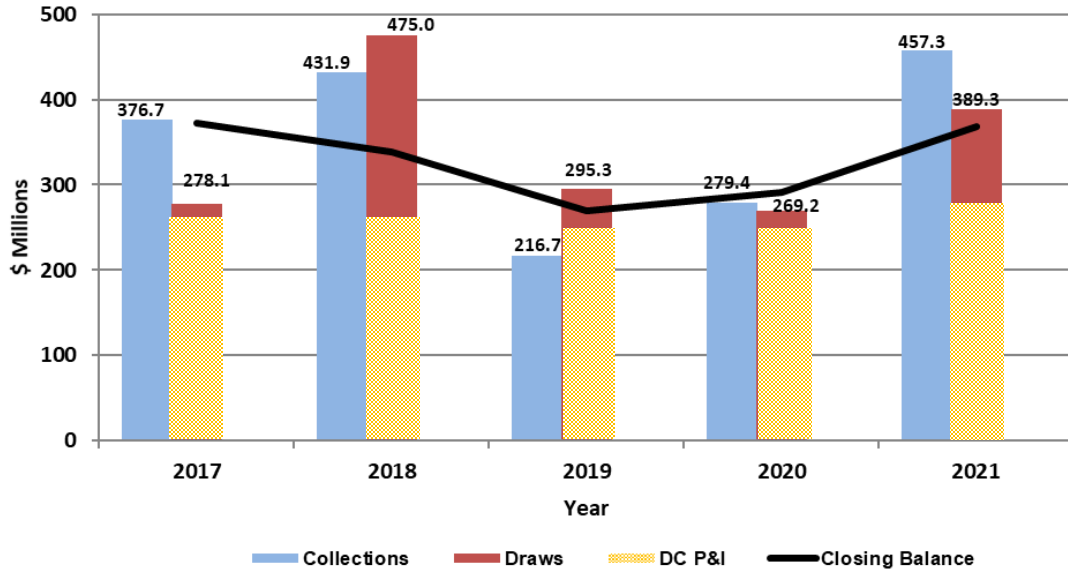
Development charges fund infrastructure in one of two ways, including paying for growth infrastructure directly, or paying down debt that was previously issued to build growth infrastructure. In 2021, \$389.2 million was withdrawn from the Development Charge Reserves, of which \$251.0 million was to service debt for development charge funded projects, and \$138.2 million was used to fund capital projects directly. Over the past 5 years, debt servicing made up approximately 70% of total draws.

As at December 31, 2021, the Region had \$2.54 billion in outstanding debt, of which \$2.40 billion will be repaid from future development charge collections.

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 % 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 the past five years, the closing balance of the reserves has been above the principal and interest repayment amounts.

**Chart 1**  
**York Region 2017 - 2021 Development Charge**  
**Collections and Draws Comparison (in \$M)**



## 6. Local Impact

Development charges are the primary revenue source for funding growth-related infrastructure which benefits all municipalities in York Region.

## 7. Conclusion

The 2021 Development Charge Reserve Fund Statement presented in this report satisfies the Region’s reporting obligations required by the Development Charges Act, 1997, as amended.

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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:

**Kelly Strueby**

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Approved for Submission:

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Chief Administrative Officer

March 25, 2022

Attachments (1)

eDOCS # 13637820