

The Regional Municipality of York

Committee of the Whole
Finance and Administration
April 11, 2019

Report of the Commissioner of Finance

2018 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 2018, as required under the *Development Charges Act, 1997, as amended (the Act)*.

Key Points:

- As of December 31, 2018, the development charge reserve balance was \$337.9 million
- The Treasurer's Reserve Fund Statement is in compliance with the *Development Charges Act, 1997, as amended*
- Development charge draws exceeded collections by \$43.1 million during 2018

3. Background

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

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

Development charge reserve reporting is required by the *Development Charges Act, 1997, as amended*

The Act outlines specific reporting requirements for development charge reserves. 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, 2018, the development charge reserve balance was \$337.9 million

The development charge reserve balance, as at December 31, 2018, was \$337.9 million as shown on Table 1, a decline of \$34.4 million from 2017.

Table 1

Development Charge Activity in 2018 (in \$ millions)

Service	Opening Balance	Collections³	Draws	Interest	Closing Balance¹
Regional Roads	356.8	137.1	160.0	7.9	341.8
Water Supply ⁴	(16.6)	84.0	98.5	(0.3)	(31.4)
Wastewater Servicing ⁴	(103.3)	168.4	140.8	(1.6)	(77.4)
General Services ²	<u>135.4</u>	<u>42.4</u>	<u>75.7</u>	<u>2.8</u>	<u>104.9</u>
Total	372.3	431.9	475.0	8.8	337.9

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 2018 general services capital project expenditure details.
- Schedule 3 shows the 2018 roads-related development charge expenditure details.
- Schedule 4 shows the 2018 water supply-related development charge expenditure details.
- Schedule 5 shows the 2018 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, 2018, this reserve fund statement is in compliance with the *Development Charges Act, 1997, as amended*. The Region has not imposed any voluntary payments or required construction of a service not authorized under the Act.

5. Financial

Development charge collections exceeded the 2018 forecast

Development charge collections in 2018 were \$431.9 million, which was \$21.6 million more than the forecast of \$410.3 million.

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 2018,

\$475 million was taken out of the Development Charge reserves; \$241.5 million was for debt servicing for Development Charge funded projects, while a further \$233.5 million was used to fund capital projects directly.

As at December 31, 2018, the Region had \$2.4 billion of debt outstanding that will be funded through future development charge collections out of a total debt of \$2.7 billion.

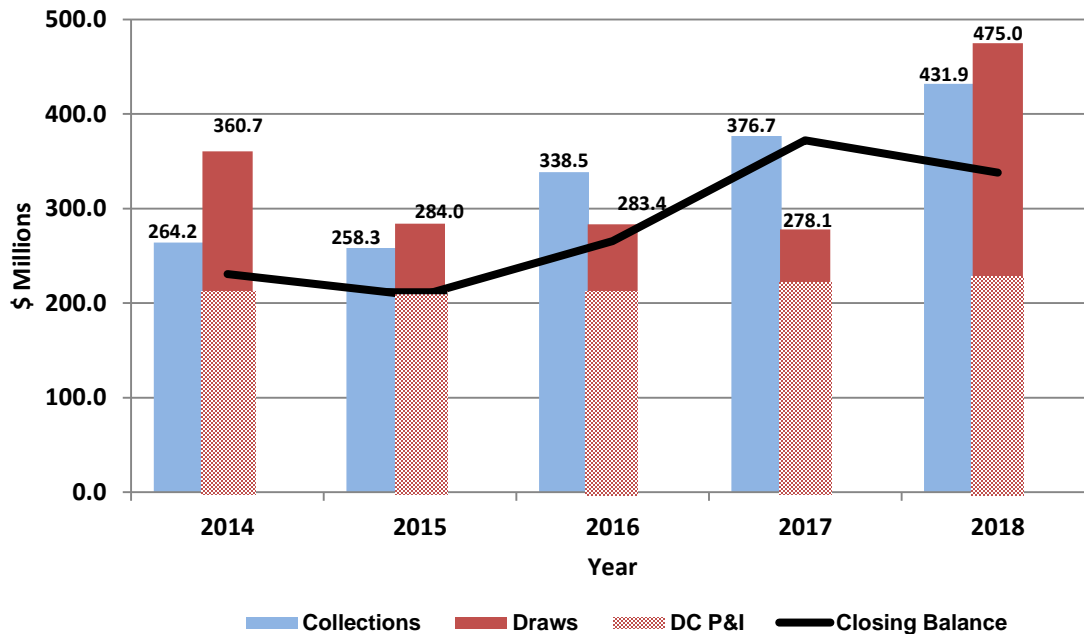
As per the Capital Financing and Debt Policy, it is the Region’s practice to maintain a cash balance in the Development Charge Reserves equal to a range of 75 to 100 per cent of the projected annual principal and interest payments during the fiscal year for growth-related debt. In this way the Region 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 2014 - 2018 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 2018 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 at 1-877-464-9675 ext.71644. Accessible formats or communication supports are available upon request.

Recommended by:

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Approved for Submission:

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March 26, 2019
Attachments (1)
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