



Office of the Commissioner

Finance

Memorandum

FOR INFORMATION

To: Committee of the Whole

Meeting Date: April 10, 2025

From: Laura Mirabella
Commissioner of Finance and Regional Treasurer

Re: **2024 Development Charge Reserve Fund Statement**

This memorandum provides Committee of the Whole with a year-end summary of development charge (DC) activity and reserve balances for 2024, as required under Section 43 of the *Development Charges Act, 1997*, as amended (Act).

2024 DC Reserves Fund Statement is a prescribed requirement under the Act

The Act specifies how DC Reserves are established and reported upon. Sections 33 and 43 of the Act require:

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

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

The reserve fund statement for 2024 complies 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. Additionally, the Act requires that at least 60% of the monies in the water, wastewater and roads reserve funds have been either spent or allocated to DC eligible expenditures.

In compliance with requirements of the Act, the Region expects to incur the capital costs in its 2022 Background Study during the term of the Bylaw. Although \$22.5 million of DCs were collected by the Region in 2024 for the Yonge North Subway Extension, no actual expenditures were incurred during

the year as the Region did not receive any invoices in 2024 from the project manager, Metrolinx. The Region expects to incur these costs in the future.

Treasurer's Reserve Fund Statement is comprised of five schedules

Attached to this memorandum are five schedules (see Appendix A) which make up the financial statement required by the Act:

- Schedule 1 summarizes the DC reserves established under the authority of the Act, and the DC Bylaw
- Schedule 1 (A) provides a further breakdown of the General Services column on Schedule 1
- Schedule 1 (B) provides details of the DC credits shown on Schedule 1
- Schedule 1 (C) provides details of the activity in the deferred DC reserves
- Schedule 2 shows the 2024 general services capital project expenditure details
- Schedule 3 shows the 2024 roads-related DC expenditure details
- Schedule 4 shows the 2024 water supply-related DC expenditure details
- Schedule 5 shows the 2024 wastewater servicing-related DC expenditure details

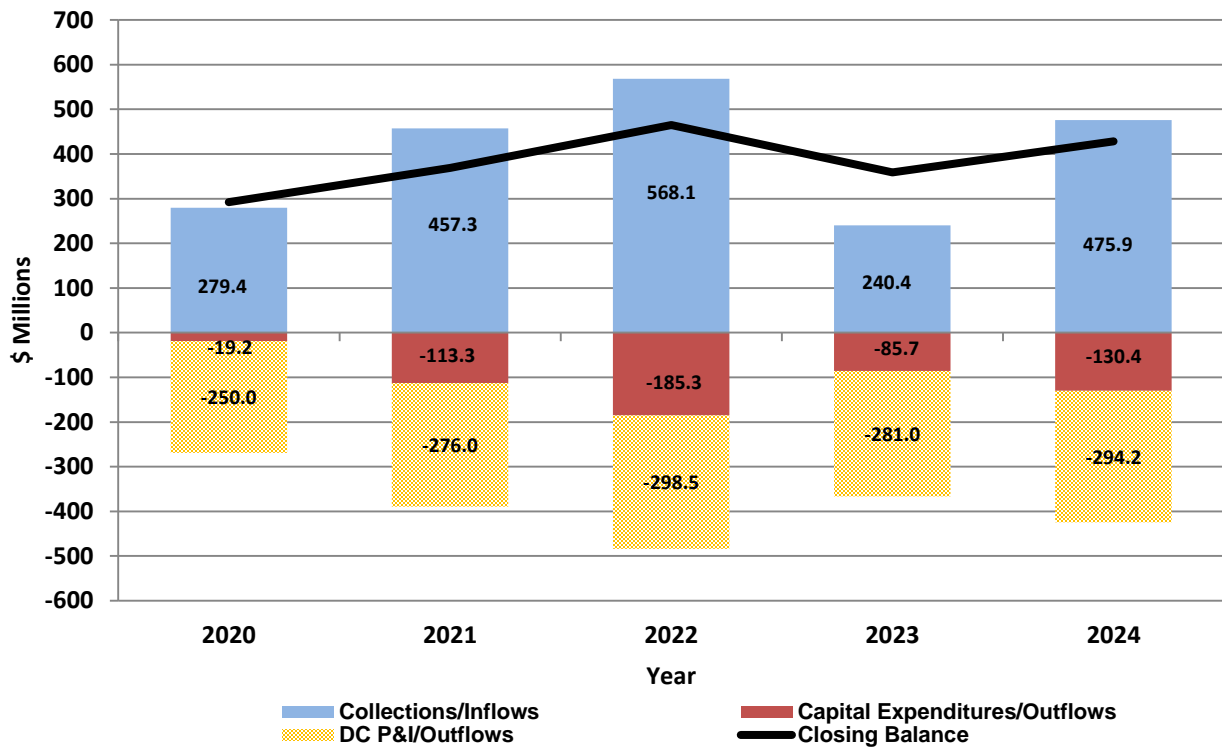
DCs fund half of the Region's ten-year capital plan and about 65% of growth capital

DCs are fees collected from most new residential and non-residential developments to pay for growth-related infrastructure directly or to pay principal and interest on debt previously issued to build growth-related infrastructure. Based on the 2025 10-year capital plan, DC funding¹ supports 50.8% of spending, with the balance drawn from other sources such as tax levy, user rates and/or senior government contributions.

Figure 1 shows DC collections and draws from 2020 to 2024. Each year, draws are made from the reserves to pay principal and interest on outstanding debt and for other DC funded spending. Then, as per the Capital Financing and Debt Policy, it is the Region's practice to maintain a cash balance in the reserve of between 75% and 100% of the projected annual principal and interest payments needed for the following year for growth-related debt. In 2024, the Region's principal and interest payments were just under \$300 million. For the past five years, the closing balance of the reserve exceeded the amount needed for principal and interest payments in the following year.

¹ DC Funding includes debt, reserves, developer financing and regional contributions to fund discounts and exemptions including those related to recent provincial measures such as Bill 23, More Homes Built Faster Act, 2022

Figure 1
York Region 2020 – 2024 DC
Collections and Expenditures Comparison (\$ Millions)



DC collections are recognized as revenue only once spent

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

Amendments to Act since January 1, 2020 reduced the amount of DCs Region collects

Prior to January 1, 2020, DCs collected for new developments were only based on Council's approved DC rates in effect at time of subdivision approval or building permit issuance. Due to changes to the Act, DCs are now collected based on rates in effect at either date of zoning bylaw amendment or site plan application for the development. In typical bylaw cycles of increasing DC rates, this would result in a discount from the prevailing rates, which would be recovered to an extent through the interest policy.

Also, as of November 28, 2022, further changes to the Act required new DC rates be phased in when a new DC bylaw is passed, which has applied to the Region's 2022 DC Bylaw, passed on May

26, 2022. The Act also removed recovery of Housing Services, growth studies and land costs as a DC-eligible service. In addition, rental developments could receive discounts based on their number of bedrooms, and other residential developments (such as secondary suites, non-profit housing, affordable and attainable housing) would be exempt from DCs.

On June 6, 2024, *Bill 185, Cutting Red Tape to Build More Homes Act*, repealed the phase-in provision of the Act, reverting DCs to full bylaw rates as well as reinstating growth studies as DC-eligible.

DC collections were lower by approximately \$80.2 million due to changes to the Act

For 2024, DC collections were lower by approximately \$80.2 million due to changes to the Act, as seen in Table 1.

Table 1
Lost DC Collections Resulting from Changes to the Act (\$ Millions)

Development Type	DCs Actually Collected	DCs based on Council approved rates	Difference
Singles/Semi-detached	137.7	149.6	(11.9)
Multiples	64.0	68.2	(4.2)
Apartment (small & large)	145.8	177.6	(31.8)
Retail	21.5	24.4	(2.9)
Hotel	(0.6)	(0.5)	0.1
Non-Retail	107.5	136.8	(29.3)
Total	475.9	556.1	(80.2)

Note: totals may not add due to rounding

DC collections were 11.9% below the forecast used in the 2024 Budget

The 2024 Budget assumed accrued DC collections would be \$540.2 million during the year based on a projection of 12,595 housing units and gross floor area for non-residential development of 282,096 square metres. Actual DC collections for 2024 were \$475.9 million, \$64.4 million (or 11.9%) less than forecast, based on 7,180 housing units and 457,801 square metres of non-residential development.

The 2024 Budget forecast assumed DC collections would be higher in 2024 than 2023. The lower than budgeted DC collections in 2024 can generally be attributed to slower housing market and construction activity due to economic conditions such as higher interest rates and material costs as well as construction labour shortages. The 2024 Budget forecast assumed a robust level of growth such that local municipalities would achieve 80% of their Provincial housing targets to be eligible for the Building Faster Fund. This forecasted level of growth was significantly higher than the Region's historic average and did not materialize amidst a record slow housing market.

DC deferrals granted, but not collected, total almost \$103 million

Council has put in place deferral policies to trigger certain development such as rental and office developments specifically. Finance staff reviewed these contracts at the end of 2020, as previously they had only appeared in notes to the financial statements, and determined it would be more appropriate to recognize DCs as they ordinarily become payable (i.e., at building permit).

Deciding to recognize the development charges when the building permit is issued and setting up an asset/receivable (with actual draws and payments decreasing the receivable), provided a more accurate representation on the Region's financial statements. At this point, a collection is recorded for accrual purposes.

Each DC reserve fund has a parallel account to store any DC amounts arising from deferral agreements. The Deferred DC Reserve Fund will increase by the value of new deferral agreements signed during the year and will decrease as the deferral agreement expires and/or draws are made on letters of credit (or otherwise paid). Each month end, the net deferral amount is journalized back into the main DC Reserves shown above. The activity for the year is shown in Table 2.

Table 2
Continuity Schedule of Deferred DCs (\$ Millions)

Service	Opening Balance	Deferral Activity ¹			Closing Balance
		New	Collected	Total	
Regional Roads	19.9	22.9	(3.6)	19.3	39.2
Water Supply	7.8	8.6	(1.4)	7.2	15.0
Wastewater Servicing	16.0	18.7	(2.9)	15.8	31.9
General Services	<u>5.9</u>	<u>11.7</u>	<u>(0.9)</u>	<u>10.8</u>	<u>16.7</u>
Total	49.6	61.9	(8.8)	53.1	102.8²

Note 1: These columns represent new deferrals entered into as well as ones for which the deferral period has ended. The total effect matches the Total Deferral Activity column.

Note 2: The outstanding deferrals as at December 31, 2024 includes 1 retail deferrals \$0.1M, 4 high-rise deferrals \$72.8M, 1 office deferral \$1.7M, 2 Section 26.1 not for profit deferral \$3.2M, 7 purpose built rentals \$24.1M and 3 community use deferrals \$0.7M.

As at December 31, 2024, DC Reserve Funds had a balance of \$530.9 million

As at December 31, 2024, DC Reserves had a balance of \$530.9 million, an increase of \$122.7 million from 2023 as a result of the following changes in Table 3. A more detailed table is available in Appendix A.

Table 3
DC Summary of Changes in 2024 (\$ Millions)

	Total Reserve Balance (\$M)
Opening Balance	408.2
Draws from Reserves Exceeding DC Collections	(68.7)
DC Deferred Reserve Funds Increase	53.1
Non-DC funding of DC Discounts and Exemptions Funded	120.0
Interest Earned *	<u>18.3</u>
Closing Balance	<u>530.9</u>

* Interest earned on reserve balances, not on DC's that have been frozen.

DC Reserve Funds have been fully allocated

In 2024, \$544.5 million was withdrawn from the DC Reserve, \$294.2 million to service existing debt on growth-related projects, and \$250.3 million to fund new projects directly. Over the past 5 years, debt servicing made up approximately 65.8% of total draws. Most projects are completed well in advance of the DC collection they are intended to be funded by, which results in debt being required in advance and the continued service of said debt.

As at December 31, 2024, the Region had \$1.9 billion of outstanding DC funded debt. Over the next 10 years, \$3.9 billion will be required to service the Region's existing and new DC debt supporting the 2025 10-Year capital plan. In addition, \$1.7 billion of DCs have been allocated to fund new growth-related projects identified in the 10-year capital plan, timing of which is subject to maintaining 75% to 100% of the projected annual principal and interest payments needed, detailed in Table 4.

Table 4
DC Reserve Fund and Allocations as at December 31, 2024 (\$ Millions)

Service	DC Reserve Fund Balance	Capital Expenditures – DC Reserve Fund Draws	DC Debt Servicing Costs ¹	Unallocated Reserve Balance
Regional Roads	689.3	708.3	774.0	(793.0)
Water Supply	(157.6)	57.5	719.7	(934.8)
Wastewater Servicing	(148.3)	99.1	1636.4	(1,883.8)
General Services	147.6	846.3	745.0	(1,443.7)
Total	530.9	1,711.2	3,875.1	(5,055.4)

Note 1: DC Debt servicing costs include principal and interest payments on existing debentures and debt to be issued for the Region's 10-Year Capital Plan

Note 2: In excess of 60% of the DC Reserves are allocated to eligible projects as required by the Act.

As required under the Act, this annual memorandum and associated attachments, provides Council with information on the inflows and outflows for all DC and deferred DC reserves. This includes the impact of recent legislative changes on DC collections, activity related to deferrals, as well as the allocation of reserves for future growth-related expenditures. As is practice, and in an effort to make the memo readily available for stakeholders, upon approval this memorandum will also be posted on the Region's DC [webpage](#).

For more information on this memo, please contact David Cohen, Director (A) and Deputy Treasurer at 1-877-464-9675 ext. 71660. Accessible formats or communication supports are available upon request.



Laura Mirabella

Commissioner of Finance and Regional Treasurer



Erin Mahoney
Chief Administrative Officer

March 24, 2025
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Appendix A – DC Activity in 2024
Attachments (1)

DC Activity in 2024 (\$ Millions)					
Service	Regional Roads ¹	Water Supply ²	Wastewater Servicing ²	General Servicing ³	Total
<i>Opening Balance</i>	585.7	(133.9)	(153.4)	109.8	408.2
<i>Decreases to Balances</i>					
<i>Principal and Interest Payments</i>	(78.4)	(73.3)	(108.8)	(33.8)	(294.2)
<i>Direct Funding of Expenditures</i>	<u>(106.5)</u>	<u>(26.0)</u>	<u>(52.9)</u>	<u>(64.8)</u>	<u>(250.3)</u>
<i>Total Decreases</i>	(184.9)	(99.3)	(161.7)	(98.6)	(544.5)
<i>Increases to Balances</i>					
<i>Collections</i>	186.4	63.8	134.3	91.5	475.9
<i>Net Deferral Activity⁴</i>	19.3	7.2	15.8	10.8	53.1
<i>Non-DC Funding of Discounts and Exemptions granted⁵</i>	55.1	11.6	24.6	28.6	120.0
<i>Interest earned⁶</i>	<u>27.6</u>	<u>(7.0)</u>	<u>(7.9)</u>	<u>5.6</u>	<u>18.3</u>
<i>Total Increases</i>	288.4	75.6	166.8	136.5	667.3
<i>Closing Balance</i>	<u>689.3</u>	<u>(157.6)</u>	<u>(148.3)</u>	<u>147.6</u>	<u>530.9</u>

Note 1: Reserves in general are based on spending needs to support growth in the past and are managed on an aggregate level. The Regional Roads reserve fund is at a healthy level and is projected to continue to grow while Water Supply and Wastewater Servicing are in deficit. Flexibility in road spending and fiscal management in the past because roads are not explicitly tied to growth have contributed to the reserves being built up. Projects in the 10-year capital plan have also needed to be deferred thus inflating the balance.

Note 2: 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, often using debt. Over time, these deficits will be reduced as growth occurs and the related DCs are received.

Note 3: General Services includes transit, subway, waste diversion, police, paramedic services, public health, senior services, social housing, public works, growth studies and court services. GO Transit is collected and remitted to Metrolinx quarterly.

Note 4: The net deferral activity in the Deferred DC Reserve Fund Balances during 2024 shown in Table 3 is included in this column.

Note 5: As a result of the 2023 Fiscal strategy report in February 2023, historical shortfalls related to DC exemptions from 2017 to 2022 were funded from the Debt Reduction Reserve (\$5.9 million), the Waste Management Reserve (\$0.2 million), the Roads Capital Reserve \$21.1 million), the Transit Reserve (\$2.1 million), the Water Rate Stabilization Reserve (\$0.2 million) and the Wastewater Rate Stabilization Reserve (\$0.4 million). In addition, as a result of the 2024 Fiscal Strategy report in December 2023, shortfalls related to Bill 23 since 2022 to end of 2023 for Water Supply and Wastewater Servicing have been funded from the Rate Supported Development Reserve (\$21.1 million) and Regional Roads and General Services have been funded from the Tax Levy Development Reserve (\$28.5 million) for the same time period. These two entries were ultimately recorded in the 2024 year. In addition, for activity in the 2024 year, a further \$40.6M was funded, split as follows: for Water Supply and Wastewater Servicing funded from the Rate Supported Development Reserve (\$14.6 million) and Regional Roads and General Services funded from the Tax Levy Development Reserve (\$26.0 million) for the same time period.

Note 6: Interest earned on reserve balances, not on DC's that have been frozen.