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**For Information**

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**REPORT TITLE:**      **Statement of Development Charges Reserve Funds – Fiscal Year 2020**

**FROM:**                Gary Kent, Chief Financial Officer and Commissioner of Corporate Services

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**OBJECTIVE**

To provide the statement of development charges reserve funds for fiscal year 2020 to meet annual statutory reporting requirements.

**REPORT HIGHLIGHTS**

- Section 43 of the *Development Charges Act, 1997* requires that the Treasurer of the municipality provide to Council annually a financial statement of development charges (DC) related transactions and balances.
  - Appendix I of the subject report, Statement of Development Charges Reserve Funds – Fiscal Year 2020 summarizes the DC reserve transactions and activities for the year ended December 31, 2020, which resulted in a net increase of \$145.9 million (from a deficit of \$122.6 million to a surplus of \$23.3 million which includes monies from the 2020 debt issuance).
  - The Region issued external debt of \$200 million in June 2020 to help manage the DC cash flow and to provide additional financial flexibility.
  - A report titled Peel's Growth Management Program and Development Charge Performance – 2020 Overview and Progress Report, was presented at the May 13, 2021 Regional Council meeting and provided further details on development patterns in Peel and the Region's development charge revenue performance for the years 2016 to 2020.
  - DC By-law 77-2020 replaced By-law 46-2015 and came into effect on January 22, 2021.
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**DISCUSSION**

**1. Background**

In accordance with Section 33 of the *Development Charges Act, 1997* ("DC Act"), the Region of Peel maintains separate reserve funds for each program that a development charges (DC) relates to (e.g. Water, Roads, and Wastewater). The monies collected from Development Charges By-law 46-2015, as well as GO Transit By-law 45-2001 have been distributed to the appropriate development charges reserve fund. Pursuant to section 43 of the *DC Act*, the Regional Treasurer shall present a financial statement to Regional Council regarding the DC by-laws and reserve funds. The Treasurer's statement must include, for the preceding year:

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- a) statements of the opening and closing balances of the reserve funds and of the transactions relating to the funds;
- b) statements identifying:
  - i. all assets whose capital costs were funded under a development charge by-law during the year,
  - ii. for each asset mentioned in subclause (i), the manner in which any capital cost not funded under the by-law was or will be funded; and,
- c) a statement as to compliance with subsection 59.1 (1), of the *DC Act*, in that it did not impose a charge related to a development, or a requirement to construct a service related to development, except as permitted by the *DC Act*, or another Act.

The Treasurer is also required to provide a copy of the statement to the Minister of Municipal Affairs and Housing upon request.

Section 14 of the 1989 *DC Act* stipulates that current or former owners of land who paid a lot levy are entitled to a credit for those payments. The *DC Act* required owners and former owners to apply for credit by October 31, 1999. The Region of Peel is obligated to fund the total credit claims applied for within the prescribed period.

This required information is provided in the schedules contained in Appendix I structured into the following four sections:

- a) Summary of the Statement of Development Charges Reserve Funds;
- b) Details of Project Funding by Program;
- c) Section 14 Credit Holders; and,
- d) Glossary of Terms.

Council must ensure that the financial statement is made available to the public. Upon receipt of the report, this information will be posted on the Region of Peel website at [peelregion.ca/finance](http://peelregion.ca/finance).

## 2. Analysis-Development Charges Reserve Fund Statement

In 2020, DC expenditures including debt repayments were greater than DC contributions. As a result, a net draw of \$65.3 million was made from the DC Reserve Fund. Table 1 below shows 2020 DC revenue and expenditure compared to 2019 results.

**Table 1-2019 and 2020 DC Activity Summary (\$ Millions)**

	2019	2020	Year OverYear Change
DC Collections	252.4	271.0	7.4%
Less: Capital Expenditures	262.0	226.8	(13.4%)
External Debt Payments	106.8	109.5	2.5%
Net Contribution / (Draw)To DC Reserve Fund <b>(excluding internal interest &amp; transfers from other reserves)</b>	(116.4)	(65.3)	

## Statement of Development Charges Reserve Funds – Fiscal Year 2020

Table 2 presents information reported in Section A of Appendix I, which outlines the 2020 Status Summary of DC Reserve Funds, in which the year's beginning balance includes total gross debt proceeds at the time of \$1.423 billion. To help manage the DC cash flow (i.e. net draw of \$65 million), and to provide additional flexibility, \$200 million in debt was issued in June 2020. Consequently, the Regional DC program currently has \$1.623 billion in gross DC debt proceeds to the end of 2020. Finally, approximately \$11 million has been added to the reserve fund for an adjustment triggered by the LPAT decision of the appeal of the 2015 DC by-law. The DC reserve transactions and activities for the year ended December 31, 2020, resulted in a surplus of \$23.3 million (after the inclusion of the \$200 million of debt issuance proceeds).

**Table 2-2020 Status Summary of DC Reserve Funds (\$ Millions)**

<b>Beginning Balance as at January 1, 2020 <sup>a</sup></b>			<b>(122.6)</b>
Add:	Developer Contributions	271.0	
	Internal Interest Income	(0.4)	
	Transfers From Other Reserves	11.6	282.2
Less:	Capital Spending	(226.8)	
	External Debt Repayment Charges		
	Sinking Fund Contribution	(45.5)	
	Principal	(3.2)	
	Interest Expense	(60.8)	(336.3)
			(176.7)
Add:	Debenture Issuances		200.0
<b>Available Funds for Capital Projects</b>			<b>23.3</b>
Less:	Outstanding Section 14 Credits	(3.7)	
	Balance Committed to Active Capital Works Projects (Encumbrance)	(1,710.0)	(1,713.7)
<b>Over Committed Development Charges Reserve Fund</b>			<b><u>(1,690.4)</u></b>
<b>As at December 31, 2020</b>			

<sup>a</sup> The reserve balance has been credited with total gross debt issued for DC purposes of \$1.423 billion. To date \$352.6 million in cumulative sinking fund and principal payments have been made.

### 3. 2020 Development Charges By-law

A staff report titled Peel's Growth Management Program and Development Charge Performance – 2020 Overview and Progress Report was presented at the May 13, 2021 Regional Council meeting and provided further details on development patterns in Peel and the Region's DC revenue performance for the years 2016 to 2020. The Region's development charge revenue shortfall was \$319 million as of December 31, 2020 compared to the 2015 Development Charge Background Study.

Council passed the 2020 Development Charge By-law in December 2020, and it came into effect on January 22, 2021. Development charges fund growth-related infrastructure projects are required to accommodate residential and non-residential development and are the primary source of funding for the growth-related portion of the Region's capital plan. The

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2020 Development Charge By-law will help fund a significant portion of the Region's capital program from 2021 to 2041. Ongoing work in 2021 includes continued management of the Region's cash flow and capital expenditures in response to the potential reduction in development charge revenues due to the COVID-19 pandemic and other systemic issues contributing to development charge shortfalls.

### **CONCLUSION**

This report complies with the Region of Peel's reporting obligation under Section 43 of the *Development Charges Act, 1997* ("DC Act"). The attached statements of Development Charges Reserve Funds – Fiscal 2020 are presented to Council in compliance with the *DC Act*.

### **APPENDICES**

Appendix I – Statement of Development Charge Reserve Funds (Sections A-D)

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*For further information regarding this report, please contact Stephanie Nagel, Director of Corporate Finance and Treasurer, Ext. 7105, [stephanie.nagel@peelregion.ca](mailto:stephanie.nagel@peelregion.ca).*

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***Reviewed and/or approved in workflow by:***

Department Commissioner, Division Director and Legal Services.