
For Information

REPORT TITLE: Statement of Development Charges Reserve Funds – Fiscal 2019

FROM: Stephen Van Ofwegen, Commissioner of Finance and Chief Financial Officer

OBJECTIVE

To provide the statement of development charge reserve funds for fiscal 2019 to meet the annual statutory reporting requirement.

REPORT HIGHLIGHTS

- Section 43 of the *Development Charges Act, 1997 (DC Act)* 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 – Regional Treasurer’s Statement of Development Charges Reserve Funds - 2019 summarizes the DC reserve transactions and activities for the year ended December 31, 2019, which resulted in a net decrease of \$114.5 million (from a deficit of \$8.1 million to a deficit of \$122.6 million).
 - A report titled “Peel’s Growth Management Program and Development Charge Performance – 2019 Overview and Progress Report”, was presented at the April 23, 2020 Regional Council meeting and provided further details on development patterns in Peel and the Region’s development charge revenue performance for the years 2015 to 2019.
 - The current Development Charges By-law 46-2015 would have expired on October 5, 2020, but for the *Coronavirus (COVID-19) Support and Protection Act, 2020*. It will remain in force until the earlier of the date when it is repealed and the date of six months after the end of the current provincial emergency declaration period.
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DISCUSSION

1. Background

In accordance with Section 33 of the *DC Act*, the Region of Peel maintains separate reserve funds for each program that a 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 development charges 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.

2. Analysis - Development Charges Reserve Fund Statement

A staff report titled “Peel’s Growth Management Program and Development Charge Performance – 2019 Overview and Progress Report” was presented at the April 23, 2020 Regional Council meeting and provided further details on development patterns in Peel and the Region’s development charge revenue performance for the years 2015 to 2019. The Region’s development charge revenue shortfall was \$421 million as of December 31, 2019 compared to the 2015 Development Charge Background Study.

In 2019, DC expenditures including debt repayments were greater than DC contributions. As a result, a net draw of \$114.5 million (i.e. \$116.4 million less \$1.9 million internal interest) was made from the DC Reserve Fund. In 2019, the Region received a decision from the Local Planning Appeal Tribunal regarding an amendment to the Region of Peel’s Development Charge By-law 46-2015 to reduce development charges collected for certain services. The Tribunal’s decision required the Region to refund a portion of previously collected development charges retroactive to the date the 2015 DC By-law was originally enacted. The amount owing in the development charge remittances of \$55.0 million as of December 31, 2019 has been reflected as a reduction in contributions in the financial statement. The table below shows 2019 development charges revenue and expenditure compared to 2018 results.

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2018 and 2019 DC Activity Summary (\$ Millions)

	2018	2019	Year Over Year Change
DC Contributions	257.0	252.4	(1.8%)
Less: Capital Expenditures	204.6	262.0	28.1%
External Debt Payments	106.8	106.8	-
Net Contribution / (Draw) To DC Reserve Fund (excluding internal interest)	(54.4)	(116.4)	

The following table presents information reported in Section A of Appendix I, which outlines the 2019 Status Summary of DC Reserve Funds, in which the year's beginning balance includes total gross debt at the time of \$1.423 billion. The DC reserve transactions and activities for the year ended December 31, 2019, resulted in a deficit of \$122.6 million which is internally financed. We anticipate issuing external debt in 2020 to cover the DC reserve fund cashflow shortfall.

2019 Status Summary of DC Reserve Funds (\$ Millions)

Beginning Balance as at January 1, 2019 ^a			(8.1)
Add:			
Developer Contributions		252.4	
Internal Interest Income		1.5	
Transfers from Other Reserves		0.4	254.3
		<u> </u>	
Less:			
Capital Spending		(262.0)	
External Debt Repayment Charges			
Sinking Fund Contribution	(45.5)		
Principal	(3.1)		
Interest Expense	(58.2)	(106.8)	(368.8)
		<u> </u>	<u>(122.6)</u>
Add:			
Debenture Issuances			-
Available Funds for Capital Projects			(122.6)
Less:			
Outstanding Section 14 Credits		(3.7)	
Balance Committed to Capital Projects		(1,379.9)	(1,383.6)
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Ending Balance as at December 31, 2019 (after Commitment)			<u>(1,506.2)</u>

^a The reserve balance has been credited with total gross debt issued for DC purposes of \$1.423 billion. To date \$340.6 million in cumulative sinking fund and principal payments have been made.

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CONCLUSION

This report complies with the Region of Peel's reporting obligation under Section 43 of the *Development Charges Act, 1997*. The attached statements of Development Charges Reserve Funds – Fiscal 2019 are presented to Council in compliance with the *DC Act*.

APPENDICES

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

For further information regarding this report, please contact Stephanie Nagel, Director of Corporate Finance and Treasurer at extension 7105 or stephanie.nagel@peelregion.ca.

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Department Commissioner and Division Director.

Final approval is by the Chief Administrative Officer.



N. Polsinelli, Interim Chief Administrative Officer