
For Information

REPORT TITLE: **Statement of Development Charges Reserve Funds – Fiscal Year 2021**

FROM: Gary Kent, CPA, CGA, ICD.D, Chief Financial Officer and Commissioner of Corporate Services

OBJECTIVE

To provide the statement of development charges reserve funds for fiscal year 2021 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 – Statements of Development Charges Reserve Funds – Fiscal 2021 summarizes the DC reserve transactions and activities for the year ended December 31, 2021, which resulted in a net increase of \$6.7 million (from a consolidated DC reserve funds balance of \$23.3 million to \$30.0 million).
 - The Region issued external debt of \$130 million in October 2021 to help manage the DC cash flow and to provide additional financial flexibility.
 - A report titled, “Peel’s Growth Management Program, Development Charge Performance, and Census Results – 2021 Overview and Progress Report”, will be presented at the June 23, 2022, Regional Council meeting and will provide further details on development patterns in Peel and the Region’s development charge revenue performance.
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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 77-2020, 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:

- a) statements of the opening and closing balances of the reserve funds and of the transactions relating to the funds;

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- 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) Schedule A: Summary of the Statement of Development Charges Reserve Funds;
- b) Schedule B: Details of Project Funding by Program;
- c) Schedule C: Section 14 Credit Holders; and,
- d) Schedule 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, Development Charge Performance, and Census Results – 2021 Overview and Progress Report” will be presented at the June 23rd, 2022 Regional Council meeting and will provide further details on development patterns in Peel and the Region’s DC revenue performance.

In 2021, DC expenditures including debt repayments were greater than DC contributions. As a result, a net draw of \$123.2 million was made from the DC Reserve Fund. During 2020 the Region had a \$200 million debenture maturity, which had sinking fund assets of approximately \$89 million. While the debenture had the option to be refinanced, the net balance of \$111 million was repaid with cash on hand, which led to the majority of the increase in external debt payments. Table 1 below shows 2021 DC revenues and expenditures compared to 2020 results.

Table 1-2020 and 2021 DC Activity Summary (\$ Millions)

	2020	2021	Year Over Year Change
DC Collections	271.0	290.7	7.3%

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Less: Capital Expenditures	226.8	175.0	(22.8%)
External Debt Payments	109.5	238.9*	118.2%
Net Contribution / (Draw)To DC Reserve Fund (excluding internal interest & transfers from other reserves)	(65.3)	(123.2)	

* External debt repayment charges include a repayment of refinancing 2010 debt issuance.

Table 2 presents information reported in Section A of Appendix I, which outlines the 2021 Status Summary of DC Reserve Funds, in which the year's beginning balance includes total gross debt at the time of \$1.6 billion. To help manage the DC cash flow (i.e. net draw of \$123 million), and to provide additional flexibility, \$130 million in debt was issued in October 2021. Consequently, the Regional DC program currently has \$1.7 billion in gross DC debt at the end of 2021 (outstanding debt balance of \$1.2 billion). The consolidated DC reserve funds balance as of December 31, 2021 was \$30.0 million.

**Table 2-2021 Status Summary of DC Reserve Funds
(\$ Millions)**

Beginning Balance as at January 1, 2021	^{a,b}		23.3
Add:			
Developer Contributions		290.7	
Internal Interest Income		(0.1)	290.6
		<u> </u>	
Less:			
Capital Spending		(175.0)	
External Debt Repayment Charges			
Sinking Fund Contribution		(51.0)	
Principal		(124.6)	
Interest Expense		(63.2)	(238.9)
		<u> </u>	<u>(413.9)</u>
			(100.0)
Add:			130.0
Available Funds for Capital Projects			30.0
Less:			
Outstanding Section 14 Credits		(3.7)	
Balance Committed to Active Capital Works Projects (Encumbrance)		(1,933.8)	(1,937.5)
		<u> </u>	<u>(1,937.5)</u>
Over Committed Development Charges Reserve Fund As at December 31, 2021			<u>(1,907.5)</u>

^a The reserve balance has been credited with total gross debt issued for DC purposes of \$1.753 billion. To date \$528.3 million in cumulative sinking fund and principal payments have been made.

^b Numbers may not add up due to rounding.

CONCLUSION

The subject 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 2021 are presented to Council in compliance with the DC Act.

Statement of Development Charges Reserve Funds – Fiscal Year 2021

APPENDICES

Appendix I - Statement of Development Charge Reserve Funds – Fiscal 2021 (Sections A-D)

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