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**For information**


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DATE: June 3, 2019

REPORT TITLE: **STATEMENT OF DEVELOPMENT CHARGES RESERVE FUNDS - FISCAL 2018**

FROM: Stephen VanOfwegen, Commissioner of Finance and Chief Financial Officer

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**OBJECTIVE**

To provide the statement of development charge reserve funds for fiscal 2018 to meet the annual statutory reporting requirement.

**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 – Regional Treasurer’s Statement of Development Charges (DC) Reserve Funds - 2018 summarizes the development charges reserve transactions and activities for the year ended December 31, 2018, which resulted in a net decrease of \$52.7 million (from a positive balance of \$44.6 million to a small deficit of \$8.1 million).
- A staff report, “*Regional Development Charges Update – 2018*”, was presented at the April 11, 2019 Regional Council meeting which provided details on development patterns in Peel and the Region’s development charge revenue performance for the years 2015 to 2018.
- The current DC By-law expires in 2020.

**DISCUSSION**
**1. Background**

The attached statements of Development Charges Reserve Funds – Fiscal 2018 are presented to Council in compliance with the *Development Charges Act, 1997 (the “Act”)*. The *Act* requires that the Treasurer of the municipality provide to Council an annual financial statement in respect of each Reserve Fund created under the mandate of the *Act*. Changes to the development charges legislation (which took effect on January 1, 2016) introduced new requirements under Section 43 of the *Act* for information included in the annual Treasurer’s statement. Section 43 of the *Act* now also includes revised reporting requirements for municipalities, including the Region of Peel.

## STATEMENT OF DEVELOPMENT CHARGES RESERVE FUNDS - FISCAL 2018

### 2. Development Charges Reserve Fund Statement - Requirements

In accordance with Section 33 of the *Act*, the Region maintains separate reserve funds for each program that a development charge 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 Subsection 43 of the *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,

- 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 Development Charges Act, 1997, 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 Development Charges Act, 1997 or another Act.
- d) 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 Development Charges Act* stipulates that current or former owners of land who paid a lot levy are entitled to a credit for those payments. The *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
- 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/)

### Development Charges Reserve Fund Statement

In 2018, DC expenditures including debt repayments were greater than revenues. As a result, a net draw of \$54.4 million was made from the DC Reserve Fund. A staff report, "*Regional Development Charges Update - 2018*", was presented at the April 11, 2019 Regional Council meeting provided further details on development patterns in Peel and the Region's development charge revenue performance for the years 2015 to 2018. The table below shows 2018 development charges revenue and expenditure compared to 2017 results.

## STATEMENT OF DEVELOPMENT CHARGES RESERVE FUNDS - FISCAL 2018

2017 and 2018 DC Activity Summary  
(\$ Millions)

	2017	2018	Year Over Year Change
DC Collections	249.1	257.0	3.2%
Less: Capital Expenditures	214.8	204.6	(4.7%)
External Debt Payments	106.8	106.8	-
<b>Net Contribution / (Draw) to DC Reserve Fund (excluding internal interest)</b>	<b>(72.5)</b>	<b>(54.4)</b>	

The following table presents information reported in Section A of Appendix I, which outlines the 2018 Status Summary of DC Reserve Funds, in which the year's beginning balance includes total gross debt outstanding at the time of \$1.423 billion.

2018 Status Summary of DC Reserve Funds  
(\$ Millions)

<b>Beginning Balance as at January 1, 2018 <sup>a</sup></b>			<b>44.6</b>
Add: Developer Contributions		257.0	
Internal Interest Income		1.7	258.7
		<u>          </u>	
Less: Capital Spending		(204.6)	
External Debt Repayment Charges			
Sinking Fund Contribution	(45.5)		
Principal	(3.0)		
Interest Expense	(58.3)		
		<u>(106.8)</u>	<u>(309.9)</u>
<b>Balance before Debt Proceeds</b>			<b>(8.1)</b>
Add: Debenture Issuances			-
<b>Available Funds for Capital Projects</b>			<b>(8.1)</b>
Less: Outstanding Section 14 Credits		(3.7)	
Balance Committed to Active Capital Works Projects (Encumbrance)		(1,055.8)	(1,059.5)
		<u>(1,055.8)</u>	<u>(1,059.5)</u>
<b>Overcommitted Development Charges Reserve Fund</b>			<b><u>(1,067.6)</u></b>
<b>As at December 31, 2018</b>			

<sup>a</sup> The reserve balance has been credited with total gross debt issued for DC purposes of \$1.423 billion. To date \$255.4 million in cumulative sinking fund and principal payments have been made.

**STATEMENT OF DEVELOPMENT CHARGES RESERVE FUNDS - FISCAL 2018**

**CONCLUSION**

This report complies with the Region of Peel's reporting obligation under Section 43 of the *Development Charges Act, 1997*.



Stephen VanOfwegen, Commissioner of Finance and Chief Financial Officer

**Approved for Submission:**



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D. Szwarc, Chief Administrative Officer

**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](mailto:stephanie.nagel@peelregion.ca).*

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