

From: Stan Karwowski
Director, Finance & Treasurer

Subject: Development Charges Reserve Fund – Statement of the Treasurer for the
Year Ended December 31, 2019

Recommendation:

That Report FIN 06-20 of the Director, Finance & Treasurer regarding the Development Charges Reserve Fund be received for information.

Executive Summary: Section 43 of the *Development Charges Act, 1997* (the “Act”) requires that the Treasurer provides Council with a financial statement relating to the development charges by-law and reserve fund established for each service as established under Section 33 of the *Act*.

On December 3, 2015, the Province passed Bill 73 which amended the *Act* to add additional reporting requirements. The Treasurer’s Statement (Statement) attached to this report has been expanded to comply with the new reporting requirements.

Attachment 1 provides details of the activity of the Development Charges Reserve Fund for the year ended December 31, 2019 in the manner prescribed by section 43(2)(a) of the *Act*. Attachment 2 provides details on information related to assets funded by the development charges by-law as stipulated by section 43(2) (b) of the amended *Act*.

The amended *Act* introduced a new section: 43(2.1), which now requires Council to ensure that the Statement is made available to the public. The Statement will be posted on the City’s website to facilitate compliance with the amendment.

Financial Implications: During the three-year period from 2017 to 2019, development charges collected were approximately \$5.3 million in 2017, \$13 million in 2018, and \$7.73 million in 2019. There was a decrease of 45 percent in the 2019 development charges collected compared to the 2018 collections, however, the 2019 collections are still higher than those collected in 2017. The ongoing development in the Duffin Heights neighbourhood, and the new development in the Seaton lands were the main contributors to the development charges collected in 2019. The spike in the 2018 collections was an exception; largely due to a number of medium density multiple residential developments in the urban area of Pickering, and the non-residential development related to Durham Live.

The reserve fund remains at a healthy balance of approximately \$62.5 million pending future use of funds for qualified projects. The funds are well managed with investment returns consistently exceeding market indicators. Investment income is added to the balance of each fund as such income is earned.

Attachment 1 provides a breakdown of the various DC service categories. Two of the service categories are in a negative position due to planned budget activity: DC funding for a new operations centre and a new financial system. Negative balances will be addressed through DC fees collected from current growth related activity and through the next DC Study. For the next DC study, credit balances are treated as a cost that will be recovered through higher DC rates.

Discussion: Funds are not transferred out of the Development Charges Reserve Fund for projects until the funds are actually needed, as required by applicable accounting rules. This ensures that the reserve fund continues to earn interest income on the unspent monies until such time as actual expenses are incurred.

The total reserve fund balance of \$62.5 million represented in Attachment 1 represents the unspent monies as at December 31, 2019. Please note that there are approximately \$27.1 million of committed capital projects and financial obligation that have been approved in prior years, but have not proceeded or are still ongoing as at December 31, 2019. Taking into account these commitments, the net fund balance available for future expenditures is approximately \$35 million.

The financial obligation refers the development charges debenture financing undertaken for the construction of the new Operations Centre, at \$12.1 million, which includes principle and interest payments. This amount is outstanding for the remaining period of 2020-2037. This amount represents approximately 45 percent of the commitments of \$27.1 million.

In order to meet the new requirement under section 43(2.1) of the amended *Act*, it is recommended that the Statement be placed on the City's website upon approval by Council.

Attachments:

1. Pre-audit 2019 Statement of the Treasurer – Development Charges Reserve Fund
 2. Amount Transferred to Assets – Capital & Current Funds Transactions (Pre-Audit)
-

Subject: Development Charges Reserve Fund – Statement of the
Treasurer for the Year Ended December 31, 2019

Prepared By:



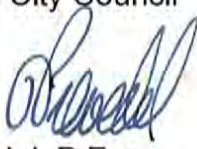
Caryn Kong, CPA, CGA
Senior Financial Analyst – Capital &
Debt Management

Approved/Endorsed By:



Stan Karwowski, CPA, CMA, MBA
Director, Finance & Treasurer

Recommended for the consideration
of Pickering City Council



May 6, 2020

Tony Prevedel, P.Eng.
Chief Administrative Officer

City of Pickering
Pre-Audit 2019 Statement of the Treasurer - Development Charges (DC) Reserve Fund
for the Year Ended December 31, 2019

DC Act S 43 (2)(a)

| Account | Services to which the Development Charges Relates | | | | | | | Total |
|--|---|-------------------|-------------------------------------|------------------|--------------------------------------|--------------------------|---------------------------------|--------------------|
| | 100% Recovery (Non-Discounted) | | | | 10% Statutory Deduction (Discounted) | | | |
| Description | 7605 | 7610 | 7615 | 7611 | 7601 | 7622 | 7630 | |
| | Protective Services | Transportation | Other Services Related to a Highway | Storm Water Mgmt | Studies | Parks & Recreation | Library: Facilities & Materials | |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Opening Balance, January 1, 2019 | 2,225,617 | 27,702,614 | 82,198 | 3,154,525 | (184,512) | 21,805,122 | 4,003,852 | 58,789,415 |
| Plus: | | | | | | | | |
| Development Charges Collections | 743,641 | 2,108,082 | 363,688 | 236,843 | 231,723 | 3,031,479 | 671,088 | 7,386,544 |
| Interest Income-Internal Investment | 1,859 | 23,138 | 69 | 2,635 | 0 | 18,213 | 3,344 | 49,257 |
| Interest Income -External Investment | 48,321 | 601,455 | 1,785 | 68,488 | 0 | 473,414 | 86,928 | 1,280,391 |
| Less Admin Fee | (2,315) | (28,813) | (85) | (3,281) | 0 | (22,679) | (4,164) | (61,338) |
| Sub-Total | 791,505 | 2,703,863 | 365,456 | 304,685 | 231,723 | 3,500,426 | 757,196 | 8,654,854 |
| Less: | | | | | | | | |
| 2019 Transfer to Capital Funds ¹ | (866,883) | (964,083) | (667,843) | | (810,306) | (350,865) | (217,449) | (3,877,428) |
| 2019 Transfer to Current Funds ¹ | 0 | 0 | (412,389) ⁴ | 0 | (292,539) | (263,659) ⁴ | 0 | (968,586) |
| Sub-Total 2019 | (866,883) | (964,083) | (1,080,232) ^o | 0 | (1,102,844) | (614,524) | (217,449) | (4,846,014) |
| Opr Ctr Debt Chrgs-Adjustment to 2018 Transfer to Current Funds, allocate 39% from "Other Services Related to a Highway" to "Parks & Recreation" | | | 262,043 ⁵ | | | (262,043) ⁵ | | 0 |
| Sub-Total | (866,883) | (964,083) | (818,189) | 0 | (1,102,844) | (876,567) | (217,449) | (4,846,014) |
| Closing Balance, December 31, 2019 before Budget Commitments | 2,150,240 | 29,442,394 | (370,535) | 3,459,209 | (1,055,633) | 24,428,981 | 4,543,599 | 62,598,255 |
| Less Budget Commitments ² | (2,208,950) | (4,868,847) | 0 | (3,632,977) | (1,568,231) | (2,410,659) | (270,443) | (14,960,108) |
| Less New Operations Ctr Debt Charges Commitment 2020-2037 | 0 | 0 | (7,457,052) ³ | 0 | 0 | (4,727,795) ³ | 0 | (12,184,847) |
| Sub-Total | (2,208,950) | (4,868,847) | (7,457,052) | (3,632,977) | (1,568,231) | (7,138,455) | (270,443) | (27,144,954) |
| Closing Balance, December 31, 2019 after Budget Commitments-(Deficit) | (58,711) | 24,573,547 | (7,827,587) | 1,250,259 | (2,623,864) | 17,290,527 | 4,273,156 | 35,453,301 |

Notes:¹ See Attachment 2 for details² Budget commitments include capital projects previously approved, but have not proceeded or still ongoing. 2019 & Prior Commitments³ New Operations Ctr outstanding debt charges from 2020-2037. Total amount owing \$12,184,847, allocated in the ratio of 61% "Other Services Related to a Highway" and 39% "Parks & Recreation"⁴ New Operations Ctr DC debt charges- 2019 payment of \$676,048, allocated 61% to "Other Services Related to a Highway" \$412,389 and 39% \$263,659 to "Parks & Recreations"⁵ Adjustment to 2018 debt charges, on which 100% was allocated to "Other Services related to Highway". Per 2018 DC Study: 61% to "Other Services Related to a Highway" and 39% to "Parks & Recreation"

The Municipality is compliant with s.s.59.1(1) of the *Development Charges Act*, whereby charges are not directly or indirectly imposed on development nor has a requirement to construct a service related to development been imposed, except as permitted by the *Development Charges Act* or another Act.

**City of Pickering
Amount Transferred to Assets - Capital & Current Fund Transactions (Pre-Audit)
for the Year Ended December 31, 2019**

DC Act S 43 (2)(b)

| RFs | Description | Project Code | Gross Capital Costs | DC Recoverable Cost Share | | | Non - DC Recoverable Cost Share | | | | | Total Funding |
|--|--|--------------|---------------------|-----------------------------|-----------------------|------------------------------------|---------------------------------|--|----------------|------------------|------------------|-------------------|
| | | | | DC RF: Funded in prior year | DC RF: Funded in 2019 | DC RF: Future Funding ¹ | Other Reserves/Reserve Funds | Type of Funds (R=Reserve, RF=Reserve Fund) | Property Taxes | Other Sources | Type | |
| Development Related Studies | | | | | | | | | | | | |
| 7601 | Phase 2 South Pickering Intensificatio | 2611.2392 | 222,704 | 86,488 | 76,086 | 0 | | | 60,130 | | | 222,704 |
| 7601 | Integrated Transportation Master Plan | 2290.2392 | 376,892 | 171,359 | 110,785 | 59,856 | | | 34,892 | | | 376,892 |
| 7601 | Beachfront Park Rehab & Needs Assessment | 2290.2392 | 56,355 | 0 | 7,233 | 30,807 | | | 18,315 | | | 56,355 |
| 7601 | Age Friendly Community Plan | 2711.2392 | 50,849 | 15,318 | 4,513 | 0 | | | 31,018 | | | 50,849 |
| 7601 | New Financial System | 5203.1801. | 5,000,000 | 7,321 | 810,306 | 1,138,873 | 1,743,500 | R-Rate Stabilization | | 1,300,000 | R-Financial Syst | 5,000,000 |
| 7601 | Infill & Replacement Housing in Establi | 2611.2392 | 132,970 | 7,677 | 26,494 | 25,666 | | | 73,133 | | | 132,970 |
| 7601 | Wayfinding Study for POC, PRC, & Civ | 2711.2392. | 45,497 | 0 | 13,914 | 3,830 | | | 27,753 | | | 45,497 |
| 7601 | Community Engagm on Economic impc | 2611.2392 | 134,753 | 38,150 | 14,205 | 0 | 0.00 | | 82,399 | | | 134,753 |
| 7601 | DC Background Study Amendments | 2127.2392 | 31,411 | 0 | 28,270 | 0 | | | 3,141 | | | 31,411 |
| 7601 | City Centre SWM Strategy | 2613.2392 | 249,156 | 0 | 11,039 | 213,201 | 24,915.60 | R-City's Share | 0 | | | 249,156 |
| Sub-total Studies | | | 6,300,587 | 326,313 | 1,102,844 | 1,472,232 | 1,768,416 | - | 330,782 | 1,300,000 | 0 | 6,300,587 |
| Protective Services | | | | | | | | | | | | |
| 7605 | New Fire Hall to service Seaton - Site I | 5340.1601 | 430,000 | 76,781 | | 342,469 | 10,750 | R-DC City's Share | | | | 430,000 |
| 7605 | New - Pumper Rescue - Seaton Fire St | 5340.1707. | 891,922 | 147,174 | 700,152 | 0 | 44,596 | RF-3rd Party Contribution OPG | | | | 891,922 |
| 7605 | Bunker Gear & Breathing Apparatus Et | 5340.1901. | 126,209 | | 60,491 | 65,718 | | | | | | 126,209 |
| 7605 | #3)Re-design - Design and other consulting fees for new fire station | 5340.1907. | 445,000 | 0 | 106,240 | 327,635 | 11,125 | R-City's Share | | | | 445,000 |
| Sub-total Fire Services | | | 1,893,131 | 223,955 | 866,883 | 735,822 | 66,471 | | | | | 1,893,131 |
| Transportation | | | | | | | | | | | | |
| 7610 | DH-3Tillings Road - Valley Farm Road | 5321.1001. | 255,065 | 134,570 | 94,989 | 0 | 25,506 | R-City's Share | 0 | 0 | 0 | 255,065 |
| 7610 | BR-1 Third Concession Road - Brock F | 5321.1101. | 1,576,525 | 117,844 | 0 | 276,931 | 374,750 | RF-FGT | 1,000 | 806,000 | Debt 15-Yr | 1,576,525 |
| 7610 | DH-12 - Old Taunton Road (William Ja | 5321.1104. | 357,336 | 262,390 | 59,213 | | 35,734 | R-City's Share | | | | 357,336 |
| 7610 | BR-4 Brock Rd. East Side (50/50) Dell | 5321.1203. | 239,314 | 71,000 | 2,149 | 46,508 | 119,657 | R-City's Share | | | | 239,314 |
| 7610 | DH-11 Duffin Heights - North Collector | 5321.1201. | 125,600 | 29,460 | | 83,580 | 12,560 | R-City's Share | | | | 125,600 |
| 7610 | Park Crescent (Sandcastle Court to Cii | 5321.1303. | 1,000,900 | 396,758 | 103,692 | 0 | 500,450 | R-City's Share | | | | 1,000,900 |
| 7610 | W-2 Cliffview Rd. (50/50%) - Park Cre | 5321.1304. | 306,250 | 125,135 | 27,991 | 0 | 153,125 | R-City's Share | | | | 306,250 |
| 7610 | Park Crescent - Road Reconstruction - | 5321.1601. | 613,912 | 243,545 | 63,411 | 0 | 306,956 | R-City's Share | | | | 613,912 |
| 7610 | RU-13 Salem Road - Road Reconstruc | 5321.1608. | 1,409,959 | 329,586 | 297,576 | 77,818 | 0 | | 4,979 | 700,000 | Debt 10-Yr | 1,409,959 |
| 7610 | B-29 Sandy Beach Road - EA, Design | 5321.1609. | 675,000 | 104,506 | 44,267 | 188,727 | 37,500 | R-AIP | | 300,000 | Loan 10- Yr | 675,000 |
| 7610 | Walnut Lane Extension Study & EA an | 5321.1703. | 461,226 | 103,528 | 61,036 | 181,355 | 115,307 | R-City's Share | | | | 461,226 |
| 7610 | WO-3 Kingston Road Sidewalks & Stre | 5321.1805. | 250,671 | 0 | 125,335 | 0 | 125,335 | R-City's Share | | | | 250,671 |
| 7610 | Salem Rd. - Final Lift of Asphalt - Sale | 5321.1907. | 200,174 | 0 | 84,425 | 15,662 | 100,087 | R-City's Share | | | | 200,174 |
| 7610 | City Dev Projects-DCRF only committe | 5321.0000. | 8,954,283 | 0 | | 8,954,283 | 0 | | | | | 8,954,283 |
| Sub-total Transportation | | | 16,426,216 | 1,918,323 | 964,083 | 9,824,864 | 1,906,967 | | 5,979 | 1,806,000 | | 16,426,216 |
| Stormwater Management | | | | | | | | | | | | |
| 7611 | B-20 D Krosno Creek SWM Facility Design | 5321.1802. | 965,400 | 0 | | 463,392 | 502,008 | R-City's Share | | | | 965,400 |
| Sub-total Stormwater Management | | | 965,400 | 0 | 0 | 463,392 | 502,008 | | | | | 965,400 |

**City of Pickering
Amount Transferred to Assets - Capital & Current Fund Transactions (Pre-Audit)
for the Year Ended December 31, 2019**

DC Act S 43 (2)(b)

| RFs | Description | Project Code | Gross Capital Costs | DC Recoverable Cost Share | | | Non - DC Recoverable Cost Share | | | | | Total Funding |
|--|--|--------------|---------------------|-----------------------------|-----------------------|------------------------------------|---------------------------------|--|----------------|------------------|-----------------|-------------------|
| | | | | DC RF: Funded in prior year | DC RF: Funded in 2019 | DC RF: Future Funding ¹ | Other Reserves/Reserve Funds | Type of Funds (R=Reserve, RF=Reserve Fund) | Property Taxes | Other Sources | Type | |
| Other Services Related to a Highway | | | | | | | | | | | | |
| 7615 | 4 Ton Dump Truck with Snow Plow - N | 5319.1805 | 248,188 | 0 | 248,188 | 0 | 0 | | | | | 248,188 |
| 7615 | Additional Street Sweeper (Seaton) - N | 5319.1809 | 288,403 | 0 | 288,403 | 0 | 0 | | | | | 288,403 |
| | Garbage Packer - New | 5780.1813 | 145,835 | | 131,251 | 0 | 14,583 | R-City's Share | | | | 145,835 |
| | New Operations Centre-Debt Charges | | | | | | | | | | | |
| 7615 | 61% of total debt charges | 1920.7600.2 | 8,279,302 | 409,861 | 412,389 | 7,457,052 ² | 0 | | | | | 8,279,302 |
| | Sub-total | | 8,961,728 | 409,861 | 1,080,232 | 7,457,052 | 14,583 | | | | | 8,961,728 |
| Parks & Recreation Services | | | | | | | | | | | | |
| 7622 | Village Green - Mattamy (Seaton) Dev. | 5780.1723 | 246,514 | 174,821 | 40,879 | 0 | 30,814.28 | RF-Seaton Infrastructure | | | | 246,514 |
| 7622 | D.H. Village Green Park (East) - New | 5780.1708 | 190,000 | 0 | | 166,725 | 23,275.00 | | | | | 190,000 |
| 7622 | Indoor Soccer Facility and Land - Desig | 5719.1401 | 7,296,605 | 3,369,586 | | 114,543 | 78,375 | R-DCs City's Sh | 101 | 3,734,000 | Debt 15-Yr 2 | 7,296,605 |
| 7622 | Duffin Heights Neighbourhood Park Cc | 5780.1808 | 600,000 | 18,350 | | 508,150 | 73,500 | R-DCs City's Share | | | | 600,000 |
| 7622 | Rotary Frenchman's Bay West Park Pt | 5780.1822 | 2,091,761 | 839,890 | 2,644 | 35,758 | 1,073,469 | R-DCs City's Share | | 140,000 | Other Agency-Su | 2,091,762 |
| 7622 | Brock Ridge Village Green Constructio | 5780.1810 | 262,433 | 0 | 230,941 | 0 | 6,767 | R-DCs City's Share | | 24,725 | Landowner | 262,433 |
| 7622 | Seaton (P103) Village Green Construc | 5780.1816 | 210,000 | 0 | 0 | 184,275 | 25,725 | RF-FIA | | | | 210,000 |
| 7622 | Seaton (P104) Village Green Construc | 5780.1817 | 285,000 | | | 250,087 | 34,913 | RF-FIA | | | | 285,000 |
| 7622 | Seaton (P-102) Neighbourhood Park C | 5780.1819 | 950,000 | | | 833,625 | 116,375 | RF-FIA | | | | 950,000 |
| 7622 | Pickering Heritage & Community Ctr (Design)-Community Ctr component | 5719.1806 | 891,814 | 22,191 | 76,401 | 100,192 ³ | 693,030 | R-Rate Stabilization | | | | 891,814 |
| 7622 | New Operations Centre - DC Debt Charges. 39% Construction of a new | 1920.7600.2 | 5,253,497 | 262,043 | 263,659 | 4,727,795 ² | | | | | | 5,253,497 |
| | Sub-total | | 18,277,624 | 4,686,882 | 614,524 | 6,921,150 | 2,156,243 | | 101 | 3,898,725 | | 18,277,624 |
| Library Facilites & Materials | | | | | | | | | | | | |
| 7630 | Pickering Heritage & Community Ctr (Design)-Archive Facility component | 5719.1806 | 611,965 | 63,160 | 217,449 | 270,443 ³ | 60,914 | R-DCs City's Share | | | | 611,965 |
| | Sub-total | | 611,965 | 63,160 | 217,449 | 270,443 | 60,914 | | | | | 611,965 |
| | Grand Total | | 53,436,652 | 7,628,494 | 4,846,014 | 27,144,955 | 6,475,602 | | 336,862 | 7,004,725 | | 53,436,652 |

¹ Projects ongoing. Future funding for incomplete component. DC RF will be drawn when expenses are incurred.

² New Operations Ctr 20-year DC debt-principal & interest of \$13,532,799. Allocation: 61% for 7615-"Other Services Related to a Highway" & 39% for 7622- "Parks & Recreation". Total amount owing from 2020- 2037 \$12,184,847

³ The Pickering Heritage & Community Centre is treated as one capital project. In order to show the two DCs service categories, the components related to the Community Centre and Library are presented separately.