

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF JUNE 27, 2017

Item 6, Report No. 6, of the Finance, Administration and Audit Committee, which was adopted without amendment by the Council of the City of Vaughan on June 27, 2017.

6 2016 DEVELOPMENT CHARGES RESERVE FUND AND SPECIAL FUNDS STATEMENT

The Finance, Administration and Audit Committee recommends approval of the recommendation contained in the following report of the Chief Financial Officer and City Treasurer and the Director of Financial Planning and Development Finance and Deputy City Treasurer, dated June 6, 2017:

Recommendation

The Chief Financial Officer and City Treasurer and the Director of Financial Planning and Development Finance and Deputy City Treasurer recommend:

1. That this 2016 Development Charges Reserve Fund and Special Fund Statement be received for information purposes.

Contribution to Sustainability

The collection of development charges, payments in lieu of parkland and payments from developers pursuant to a Section 37 agreement are a major source of funding for the City's growth related capital works. The work to be completed as part of the Financial Framework initiative includes the forecasting of development charge revenues to assist departments in their capital and resource planning.

Economic Impact

There is no incremental economic impact as a result of this report.

Development charges are collected on a city wide basis from developers to help fund growth related infrastructure.

Payments received in lieu of conveying parkland within a planned development, are typically used to fund land acquisition for the purposes of parks but may also be used to fund other park development activities.

Payments received from developers pursuant to an agreement under section 37 of the Planning Act are to increase the height and/or density of a proposed development in exchange for a benefit to the community such as enhanced park service levels, streetscaping or public art in intensification areas.

Interest earned on development charges collected and held for future use is apportioned to the various development charge reserves on a proportionate basis and is not used to fund the operations of the City. There are also separate reserves for Payments in Lieu of parkland and payments received as a result of executed section 37 agreements into which these funds are allocated when received and interest is accrued.

Communications Plan

The report is available publicly on the Agenda, Minutes & Extract page of the City's website (www.vaughan.ca).

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Purpose

To provide Council with the 2016 Development Charges Reserve Fund pursuant to Section 43 of the Development Charges Act RSO 1997, and Special Account Statement for Increased Density-Section 37 payments and Parkland - Payment in Lieu pursuant to c 26, sections 27 and 28 respectively, of the Planning Act, 2015.

Background - Analysis and Options

The collection of development charges, payments in lieu of parkland and payments from developers pursuant to a Section 37 agreement are a major source of funding for the City's growth related capital works. As a result of the collection of these funds from developers, there is a legislative requirement for the Treasurer to provide Council a financial statement relating to the establishment of these reserves and the receipt and disbursement of funds during the financial year, and to make these statements available to the public. The inclusion of this report on a public agenda, and subsequent posting of the report to the City's website, ensures that this report is available to the public.

Development Charges are a key funding source for the City's growth related capital plan

Development charges are imposed by the City of Vaughan to recover growth-related capital costs from residential and non-residential developments that create the need for capital works

Development charge reserve reporting is required by the Development Charges Act, 1997

The Development Charges Act RSO 1997 (DC Act, 1997) outlines specific reporting requirements for development charge reserves. In accordance with Sections 33 and 43 of the Development Charges Act, 1997, the following is required:

- A municipality that has passed a Development Charge by-law shall establish a separate reserve fund for each service to which the development charge relates; and shall be used only to meet growth related capital costs for which the development charge was imposed.
- The Treasurer of a municipality shall each year give the Council a financial statement relating to development charge by-laws and reserve funds that were established.

Reporting requirements include identifying all other types of funding applied to each project funded with development charges and providing a detailed summary of the activity for each development charge reserve for the year.

The statement is prepared on an accrual basis for goods and services received however it does not reflect other commitments of funds.

Attachment 2 contains the definitions for the reserves.

As of December 31, 2016, the total balance in the City's development charge reserve funds was \$249.0 million

The table below summarizes the Development Charges Reserve Fund activities for the period January 1, 2016 to December 31, 2016:

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Table 1: 2016 Development Charge Reserve Balance as of December 31, 2016

	CityWide Development Charges	Special Area Development Charges	Total
Opening Balance	\$198.9	-\$5.1	\$193.8
Revenues	\$62.6	\$1.8	\$64.4
Expenses	-\$13.7	\$4.5	-\$9.2
Closing Balance	\$247.8	\$1.2	\$249.0

Note: Some numbers may not add due to rounding

Attachment 1 summarizes the development charges reserve established under the authority of the Development Charges Act and Development Charge By-law. The summary schedule provides a breakdown of the funds collected, interest earned and capital expenditures for each reserve. There are detailed schedules for each reserve providing capital project detail of expenditures processed during 2016, indicating other non-development charge related funding sources.

The Treasurer's Reserve Fund Statement is in compliance with the Development Charges Act

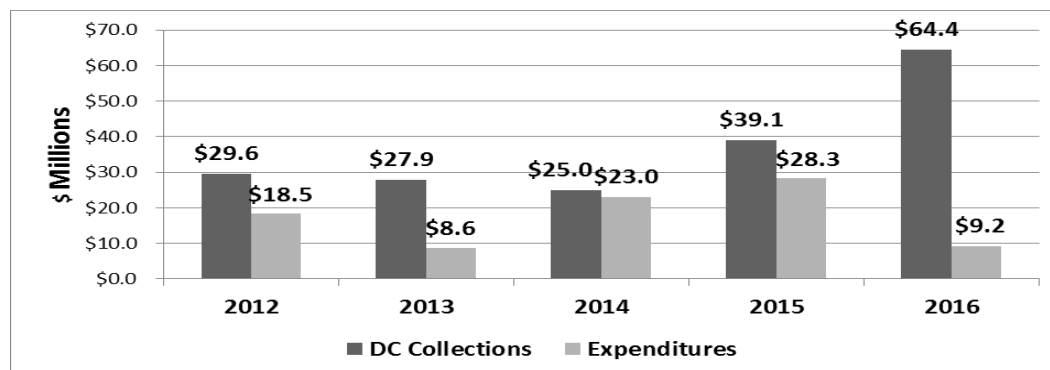
As of December 31, 2016, this reserve fund statement is in compliance with the Development Charges Act, 1997 as amended. The City has, to the best of its knowledge, not imposed any voluntary payments or required construction of a service not authorized under the Act.

Development charge collections for 2016 exceeded expenditures by \$55.2 million

Development charge expenditures in 2016 totaled \$9.2 million. Development charge collections in 2016 were \$60.3 million. These revenues amounted to \$6.5 million less than the 2013 DC Background Study forecast. The 2013 DC Background Study forecasted revenues of \$305.1 million from 2012-2016; actual development charge collections over this period were \$165.6 million, a shortfall of \$139.5 million. Staff continues to monitor reserve levels and associated expenditures during the annual budget process to mitigate the risk related to the decreased collection trend.

Chart 1 illustrates the increase in collections in comparison to previous years. For 2016 this increase can be attributed to development charges collected for a number of new large residential developments in Blocks 11, 12, 61 and 40. For all five years, development charge collections exceeded the draws from the development charge reserves, leaving a balance of \$249.0 million in the reserves as December 31, 2016.

Chart 1: 2012-2016 Development Charge Collections* and Expenditures Comparison (\$M)



*Includes Interest earned

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Bill 73, the *Smart Growth for Our Communities Act, 2015*, established the requirement for an annual statement of funds on special accounts, Conveyance of Parkland-Payment in Lieu (s42) and Increased Density-Section 37 (s37), in the Planning Act.

Royal Assent was received on December 3, 2015 and these reporting requirements came into effect for 2016. The following table summarizes the reserve activity for these special reserves as of December 31, 2016:

Table 1: 2016 Cash in Lieu Parkland and Section 37 Reserve Balance as of December 31, 2016

	Cash in Lieu Parkland	Section 37
Opening Balance	\$66.3	\$1.1
Revenues	\$13.2	\$0.6
Expenses	-\$11.4	\$0.0
Closing Balance	\$68.1	\$1.7

Note: Some numbers may not add due to rounding

Cash in lieu (CIL) of Parkland and Section 37 reserve reporting is required by the Planning Act, 1990

The Planning Act RSO 1990 outlines specific reporting requirements for payments received in lieu of the conveyance of parkland and payments received in consideration of increases in the height or density of proposed developments. In accordance with Sections 37 and 42 of the Planning Act, 1990, the following is required:

- All money received by the municipality shall be paid into a separate reserve account and spent only for the acquisition of land to be used for park or other public recreational purposes (CIL Parkland) or infrastructure and services specified in the agreement (Section 37).
- The Treasurer of a municipality shall each year give the Council a financial statement relating to this special account.

Reporting requirements include identifying all other types of funding applied to each project funded with CIL Parkland or Section 37 proceeds and providing a detailed summary of the activity for this special account for the year.

The statement is prepared on an accrual basis for goods and services received however it does not reflect other commitments of funds.

As of December 31, 2016, the CIL Parkland reserve balance was \$68.1 million

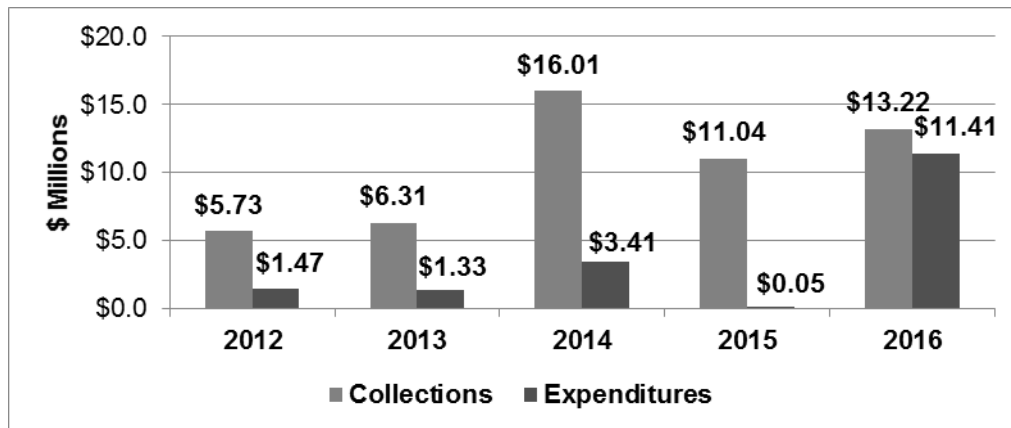
During 2016, \$11.6 million in cash in lieu payments were received and the reserve earned \$0.6 million in interest. There were \$10.5 million in capital expenditures for the year. Attachment 3 provides for the statutory requirement under the Planning Act for 2016. The capital expenditures are detailed by capital project.

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Chart 2: 2012-2016 CIL Parkland Collections* and Expenditures Comparison (\$M)



*Includes Interest earned

As of December 31, 2016, the Section 37 reserve balance was \$1.7 million

During 2016, \$0.6 million in cash in lieu payments were received and the reserve earned \$12,800 in interest. There have been no capital expenditures to date allocated to the Section 37 Reserve. Attachment 4 provides for the statutory requirement under the Planning Act for 2016. The capital expenditures are detailed by capital project.

Relationship to Term of Council Service Excellence Strategy Map (2014-18)

This report is in alignment with the term of council priority to continue to advance a culture of excellence in governance by meeting the reporting requirements as set out in Provincial Legislation

Regional Implications

Not applicable.

Conclusion

The 2016 Development Charges Reserve Fund and Special Account Statement provided pursuant to the reporting requirements of the Development Charges Act, RSO 1997 and Planning Act, RSO 1990, is recommended to be received.

Attachments

1. 2016 Development Charge Reserve Fund Statement
2. Description of City Wide and Area Specific Development Charge Reserves
3. Cash in lieu of Parkland Reserve Fund Statement
4. Section 37 Reserve Fund Statement

Report Prepared By:

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(A copy of the attachments referred to in the foregoing have been forwarded to each Member of Council and a copy thereof is also on file in the office of the City Clerk.)