

# Information Report



Service Area Corporate Services  
Date Friday, May 5, 2017  
Subject **2016 Development Charge Reserve Fund Statement**  
Report Number CS-2017-13

## Executive Summary

### Purpose of Report

To report on the 2016 Development Charge Reserve Funds as required by Ontario Regulation 82/98 of the Development Charges Act, 1997.

### Key Findings

Development Charge (DC) revenues totalled \$16.11 million in 2016, down from \$20.75 million collected in 2015.

DCs used to finance eligible capital projects in 2016 totalled \$24.4 million, representing a 22% increase over 2015 spending levels. DCs were used to fund the following major projects:

Water	WI9 Wellington: Hanlon-Watson	WD0007	\$1,325,198
Water	Conservation & Efficiency	WW0106	\$2,198,014
Wastewater	WW11 York-Hanlon-Victoria	WS0085	\$2,783,157
Roads	Clair/Laird & Hanlon Interchange	RD0267	\$6,363,567
Police	Police Head Quarters Renovations	PS0033	\$3,618,236

The total closing balance of all fifteen DC Reserve Funds decreased by \$5.17 million in 2016 for a total of \$39.71 million at December 31, 2016.

There is \$68.05 million in the prior year's approved capital budget committed against the reserve funds, which is approximately \$3.82 million higher than the commitment at the end of 2015. These commitments draw the overall DC balance into a negative position showing the on-going need to debt-fund growth related projects.

Legislated DC Industrial exemptions cost the City \$180,287 in 2016 (2015: \$431,974). The City transfers funds from the Tax and Rate Supported Capital Reserve Funds to pay for these exemptions.

## Financial Implications

Commitments for growth related infrastructure continue to trend high due to delays associated with five significant Water projects, paused Wastewater projects during the comprehensive review of the Wastewater capital plan, along with the Wilson Street reconstruction and parkade project postponement.

The City has recently issued a Request for Proposal for the 2018 Development Charge background study. The City will actively be seeking advice on a methodology to better determine the City's tax and rate supported cost of growth, cash flow modeling, as well as related policy amendments.

## Background

The Development Charges Act, 1997, requires the Treasurer of a municipality to give Council a financial statement each year relating to its Development Charge By-law and the reserve funds established for the services to which the Development Charges relate. The statement must include, for the preceding year, opening and closing balances of the reserve funds and the transactions relating to the funds.

In addition, Ontario Regulation 82/98 requires that the following information be included:

- A description of the service for which the fund was established; if the fund was established for a service category, the services in the category.
- Amounts (if any) relating to credits for work performed in relation to the service or service category for which the fund was established.
- The amount of any money borrowed from the fund by the municipality during the previous year and the purpose for which it was borrowed.
- The amount of interest accrued during the previous year on money borrowed from the fund by the municipality.
- The amount and source of any money used by the municipality to repay, in the previous year, money borrowed from the fund or interest on such money.
- A schedule that identifies credits recognized under the Development Charges Act, 1997.
- For each project that is financed, in whole or in part, by Development Charges,
  - i the amount of money from each reserve fund that is spent on the project, and
  - ii the amount and source of any other money that is spent on the project.

The information outlined above is included in **ATT-1 and ATT-2** attached.

**ATT-1** is the reserve fund statement showing opening and closing balances of the reserve funds, as well as the transactions relating to the funds.

There are no amounts to report as credits for work performed.

**ATT-2** shows financing from all sources for each project financed, in whole or in part, by Development Charges.

**Statement available to public**

Council shall ensure that the statement is made available to the public. This report will be made available on the City’s website.

**Copy to Minister**

The Treasurer shall give a copy of a statement to the Minister of Municipal Affairs and Housing on request.

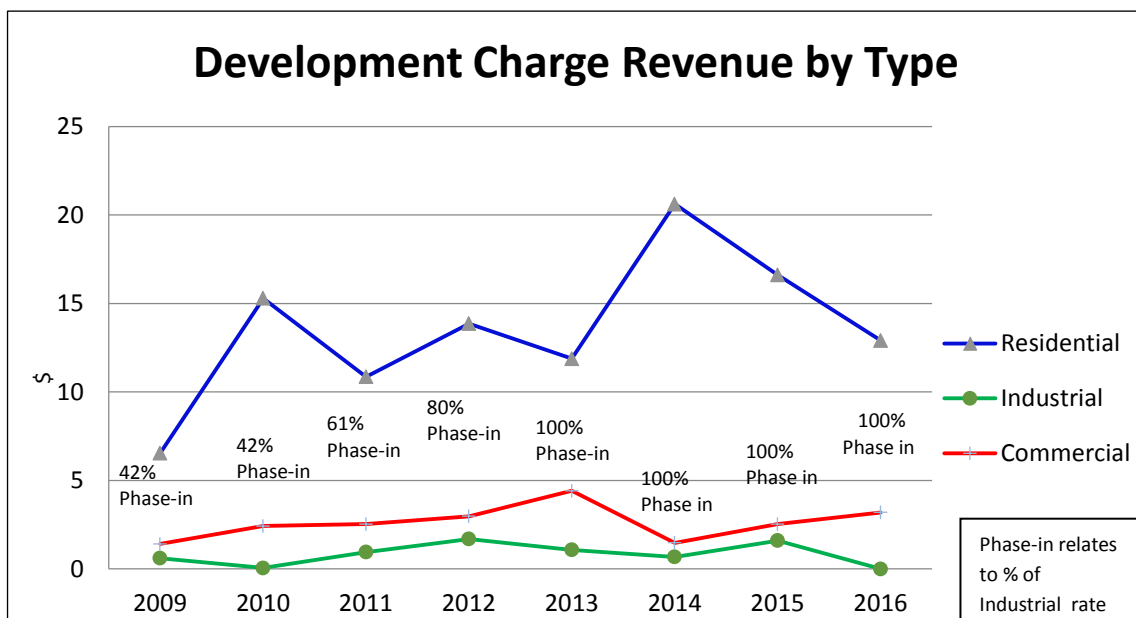
**Report**

In addition to meeting the legislated requirements, this report also provides the opportunity to highlight information relating to the City’s Development Charge collections and expenditures that occurred throughout the preceding year. DCs represent a significant funding source for the City’s growth related capital projects and, therefore, an annual assessment of DC activity is advisable.

The following are highlights related to the 2016 DC activity:

- DC revenue collected in 2016 totalled \$16.11 million, representing a 22% decrease over 2015 revenues.
- As shown in **Chart 1: Development Charge Revenue by Type**, residential development continues to be the City’s most significant source of development charge revenue.

**Chart 1: Development Charge Revenue by Type**



- The City is successfully shifting the mix of residential development from primarily low-density residential development to high-density residential development as mandated by the Province's Place to Grow Act, 2005 (see **Table A: Residential Housing by Dwelling Type**, provided by the Planning department).

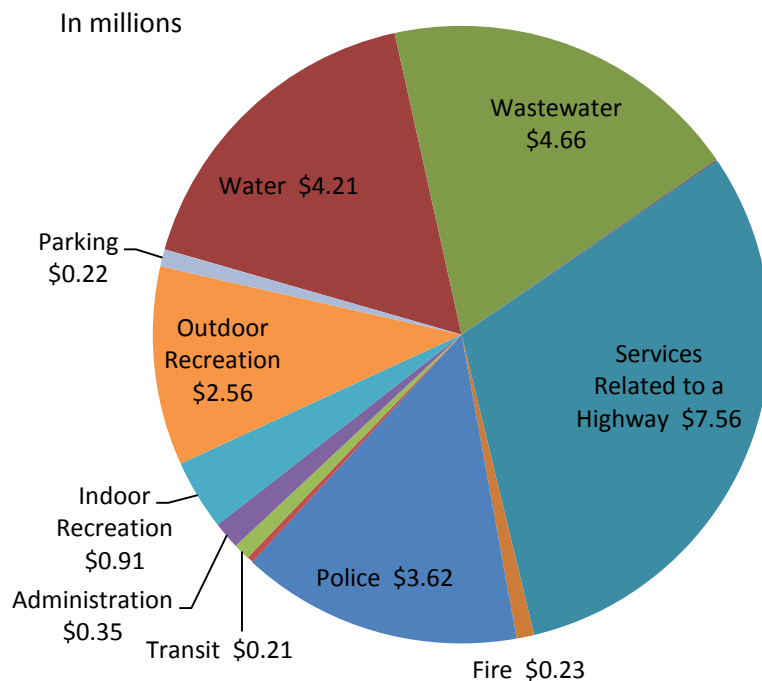
**Table A: Residential Housing by Dwelling Type**

Density	2012	2013	2014	2015	2016	City Target (2013-2023)
High	22%	53%	51%	47%	52%	39%
Med	36%	24%	26%	29%	29%	31%
Low	42%	23%	24%	24%	19%	31%

- The City has increased spending on growth related projects over the past 3 years, having moved from \$14.28 million in 2014, \$20.06 million in 2015 and \$24.43 million in 2016. Capital expenditures in Water, Wastewater, Roads and Police accounted for a significant portion of the spending in 2016.
- Chart 2: 2016 Spending by Service Area**, illustrates the distribution of growth related spending activity for the year and **ATT-2** identifies the growth related projects that received funding in 2016. Significant DC funding occurred for the following capital projects:

Water	WI9 Wellington: Hanlon-Watson	WD0007	\$1,325,198
Water	Conservation & Efficiency	WW0106	\$2,198,014
Wastewater	WWI1 York-Hanlon-Victoria	WS0085	\$2,783,157
Roads	Clair/Laird & Hanlon Interchange	RD0267	\$6,363,567
Police	Police Head Quarters Renovations	PS0033	\$3,618,236

**Chart 2: 2016 Spending by Service Area, \$24.4 million**



**ATT-1** indicates the total exemption allocation for 2016 was \$2,459,611:

- \$180,287 was exempted for Industrial expansions (2015: \$431,974). The Development Charge Exemption Policy (By-law Number (2016)-20111 requires the City to recover lost DC revenues relating to exemptions. An entry was done to transfer \$180,287 from the Tax and Rate Supported Capital Reserves to the Development Charge Reserve Funds to account for the exemptions relating to the industrial expansion exemptions.
- \$2.28 million relates to an in-year adjustment to recognize DC funding of exemptions in capital projects on an actual expenditure basis rather than based on budgeted expenditures. This was administrative in nature and had a positive impact on the DC balances.
- DC reserve funds are managed as a total fund from a cash flow perspective meaning that funds with a negative balance have borrowed from other positive balance funds. These funds have paid interest to the other funds.
- Collectively the DC Reserve Funds earned \$1.27 million in interest in 2016.
- The City manages the DC Reserve Fund cash flow levels by issuing external debt when necessary. Revenue collections have not reached the projected levels that were identified in the Background Study, however, growth-related capital spending continues to increase. The timing gap between the need for infrastructure ahead of development growth is managed through the issuance of external debt. Careful monitoring and financial planning around the timing of approvals for DC projects is also required. The total DC debt outstanding as at December 31, 2016 is \$32.35 million. Annual debt servicing costs totalled \$2.19 million for principal and \$336,392 for interest. Interest is paid from the corresponding Development Charge Reserve Funds.

The DC Reserve Fund closing balances, before unspent commitments at December 31, 2016, were as follows:

**DC Reserve Fund Closing Balances**

**Non-Discounted Services**

Water Services	25,178,770
Wastewater Services	16,350,803
Stormwater Drainage	(1,510,228)
Roads & Related	(16,097,850)
Fire Protection Services	(1,262,849)
Police Services	(6,655,464)
	<hr/>
	<b>\$16,003,182</b>

### **Discounted Services**

Library Services	2,686,528
Transit	597,988
Administration	1,136,077
Indoor Recreation	12,629,859
Outdoor Recreation	3,438,747
Municipal Parking	5,594,997
Ambulance Services	(1,380,010)
Municipal Court	(77,979)
Health	(924,119)
	<u><b>\$23,702,088</b></u>
<b>Total</b>	<u><b>\$39,705,270</b></u>

- The total closing balance of all fifteen of the DC reserve funds is \$39.71 million, representing a \$5.17 million decrease in 2016.
- The total unspent Council approved commitments against the DC Reserve Funds at the end of 2016 totalled \$68 million, leaving the total DC Reserve Fund balance in an over-drawn position of \$28.3 million. The City currently has \$32.35 million of external debt issued to assist with addressing this timing difference.

### **Financial Implications**

Commitments for growth-related infrastructure continue to trend high due to delays associated with five significant Water projects, paused Wastewater projects during the comprehensive review of the Wastewater Capital Plan, along with the Wilson Street reconstruction and parkade project postponement.

The City has recently issued a Request for Proposal for the 2018 Development Charge background study. The City will actively be seeking advice on a methodology to better determine the City's tax and rate supported cost of growth, cash flow modeling as well as related policy amendments.

### **Consultations**

Policy Planning and Urban Design and Building Services

### **Corporate Administrative Plan**

#### **Overarching Goals**

Financial Stability

#### **Service Area Operational Work Plans**

Our Resources - A solid foundation for a growing city

## Attachments

ATT-1 Development Charge Reserve Fund Statement for 2016  
ATT-2 Development Charge Project Financing Statement for 2016

## Departmental Approval

Greg Clark,  
Program Manager, Capital Accounting and Planning

## Report Author

Raquel Gurr,  
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### Approved By

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Annual Treasurer's Statement of Reserve Funds for By-Law (2014)-19692

Description	Non-Discounted Services						Discounted Services									Total
	Water	Wastewater	Storm Water	Services Related to a Highway	Fire	Police	Library	Transit	Administration	Indoor Recreation	Outdoor Recreation	Parking	Ambulance	Courts	Health	
<b>Opening Balance, January 1, 2016</b>	<b>23,789,420</b>	<b>16,097,719</b>	<b>(1,654,075)</b>	<b>(10,356,038)</b>	<b>(1,230,600)</b>	<b>(3,247,090)</b>	<b>2,195,270</b>	<b>295,028</b>	<b>1,049,345</b>	<b>11,596,210</b>	<b>3,634,066</b>	<b>5,131,142</b>	<b>(1,376,334)</b>	<b>(102,637)</b>	<b>(951,138)</b>	<b>44,870,288</b>
<b>Plus:</b>																
Development Charge Collections	4,635,059	3,408,848	64,635	1,831,502	230,483	323,059	358,694	426,712	272,813	1,697,660	2,217,280	566,787	24,079	6,787	45,845	16,110,244
Exemption Allocation	534,761	1,235,755	90,458	267,923	2,383	3,375	397	78,188	141,721	2,184	75,880	6,491	199	19,697	199	2,459,611
Interest Allocated re Late Payments	3,928	3,658	133	2,688	174	209	263	470	97	1,194	1,321	379	11	7	-	14,532
Accrued Interest	546,616	374,917	(32,100)	65,489	(17,904)	2,387	49,533	9,083	22,187	245,808	71,774	108,857	(27,965)	(1,833)	(19,025)	1,266,846
<b>Sub-Total</b>	<b>5,720,364</b>	<b>5,023,179</b>	<b>123,127</b>	<b>2,036,625</b>	<b>215,135</b>	<b>329,031</b>	<b>408,887</b>	<b>514,452</b>	<b>436,818</b>	<b>1,946,846</b>	<b>2,366,255</b>	<b>682,514</b>	<b>(3,676)</b>	<b>24,658</b>	<b>27,019</b>	<b>19,851,233</b>
<b>Less:</b>																
Amount Transferred to Capital (or Other) Funds	4,209,196	4,658,427	20,795	7,562,220	231,001	3,618,236	82,371	211,492	350,086	913,198	2,561,575	218,659	-	-	-	24,430,923
Amounts Refunded	3,415	2,845	75	1,164												7,500
Debt Charges - Interest	118,402	108,821		215,053	16,383	119,169										577,828
<b>Sub-Total</b>	<b>4,331,013</b>	<b>4,770,093</b>	<b>20,720</b>	<b>7,778,437</b>	<b>247,385</b>	<b>3,737,404</b>	<b>82,371</b>	<b>211,492</b>	<b>350,086</b>	<b>913,198</b>	<b>2,561,575</b>	<b>218,659</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25,016,251</b>
<b>Closing Balance, December 31, 2016</b>	<b>25,178,770</b>	<b>16,350,804</b>	<b>(1,510,228)</b>	<b>(16,097,850)</b>	<b>(1,262,849)</b>	<b>(6,655,464)</b>	<b>2,686,528</b>	<b>597,988</b>	<b>1,136,077</b>	<b>12,629,859</b>	<b>3,438,747</b>	<b>5,594,997</b>	<b>(1,380,010)</b>	<b>(77,979)</b>	<b>(924,119)</b>	<b>39,705,270</b>
<b>Less: Commitment Not Yet Spent</b>	<b>(14,510,186)</b>	<b>(19,941,712)</b>	<b>(425,967)</b>	<b>(3,584,714)</b>	<b>(420,999)</b>	<b>(10,348,558)</b>	<b>(964,802)</b>	<b>(276,629)</b>	<b>(1,280,183)</b>	<b>(958,531)</b>	<b>(5,034,554)</b>	<b>(10,303,870)</b>				<b>(68,050,705)</b>
<b>Closing Balance Not Yet Committed</b>	<b>10,668,584</b>	<b>(3,590,908)</b>	<b>(1,936,195)</b>	<b>(19,682,564)</b>	<b>(1,683,848)</b>	<b>(17,004,022)</b>	<b>1,721,726</b>	<b>321,359</b>	<b>(144,106)</b>	<b>11,671,328</b>	<b>(1,595,807)</b>	<b>(4,708,873)</b>	<b>(1,380,010)</b>	<b>(77,979)</b>	<b>(924,119)</b>	<b>(28,345,435)</b>

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.





Capital Fund Transactions	Gross Capital Cost	DC Recoverable Cost Share					Non-DC Recoverable Cost Share				
		DC By-Law Period			Post DC By-Law Period		Other Reserve/Reserve Fund Draws	Tax Supported Operating Fund Contributions	Rate Supported Operating Fund Contributions	Debt Financing	Grants, Subsidies Other Contributions
		DC Reserve Fund Draw	DC Debt Financing	Grants, Subsidies Other Contributions	Post-Period Benefit/Capacity Interim Financing	Grants, Subsidies Other Contributions					
<b>FIRE VEHICLE NEW PUMPER 2016 FS0056</b>	516,493	231,001					285,492				
Debt Charge - Interest	16,383	16,383									
<b>Sub-Total - Fire</b>	<b>532,876</b>	<b>247,385</b>	-	-	-	-	<b>285,492</b>	-	-	-	-
<b>Police Services</b>											
GPS HQ Renovations (PS0033)	10,730,836	3,618,236					7,112,600				
Debt Charge - Interest	119,169	119,169									
<b>Sub-Total - Police</b>	<b>10,850,005</b>	<b>3,737,404</b>	-	-	-	-	<b>7,112,600</b>	-	-	-	-
<b>Library Services</b>											
HANLON CREEK BUSINESS PARK SS0002	362,481	100,000					462,481				
BAKER ST REDEVELOPMENT PH3 SS0019	17,629	17,629					-				
<b>Sub-Total - Library</b>	<b>380,110</b>	<b>82,371</b>	-	-	-	-	<b>462,481</b>	-	-	-	-
<b>Transit</b>											
CAD/AVL REPLACEMENT TC0026	939,966	211,492					728,474				
<b>Sub-Total - Transit</b>	<b>939,966</b>	<b>211,492</b>	-	-	-	-	<b>728,474</b>	-	-	-	-
<b>Administration</b>											
FIRE SERVICE REVIEW FS0055	79,373	39,686					39,686				
PARKLAND DEDICATION BYLAW PK0089	10,496	7,557					2,939				
ZONING BY-LAW REVIEW PL0021	60,034	36,518					23,515				
CLAIR/MALTBY SECONDARY PLAN PL0022	279,606	210,020					69,587				
HERITAGE INITIATIVES PL0024	20,000	661					19,339				
MIXED USE NODES & CORRIDORS PL0036	91,222	41,758					49,464				
HOUSING INIT MKTING & COMM PL0049	2,067	984					1,083				
HOUSING INIT STRATEGY PL0050	36,385	17,151					19,234				
TRANSPORT STRATEGY & TDM INIT RD0118		(25,803)					25,803				
SINGALIZED CONTROL SYSTEM/STUD TF0006	43,108	21,554					21,554				
<b>Sub-Total - Administration</b>	<b>622,290</b>	<b>350,086</b>	-	-	-	-	<b>272,204</b>	-	-	-	-
<b>Indoor Recreation</b>											
VRRC EXPANSION/RENOVATION RF0051	14,164,736	949,105					13,215,632				
SOUTH END COMMUNITY CENTRE RP0290	17,421	14,233					3,188				
<b>Sub-Total - Indoor Rec</b>	<b>14,182,157</b>	<b>963,338</b>	-	-	-	-	<b>13,218,820</b>	-	-	-	-
<b>Outdoor Recreation</b>											
WILSON FARM PARK GG0219	27,062	23,021					4,041				
SOUTH END COMMUNITY PARK PK0001	21,531	19,378					2,153				
GUELPH TRAILS PK0002	351,705	314,196					34,911				2,598
JUBILEE PARK PK0004	822,523	740,271					82,252				
VICTORIA RD NORTHVIEW PK0007	502,241	452,017					50,224				
EASTVIEW COMMUNITY PARK PK0014	109,981	98,983					10,998				
ELLIS CREEK PARK - New Park PK0047	21,836	19,653					2,184				
CITYWIDE SKATEPARK FACILITY PK0048	411,649	288,059					98,590				25,000
RIVERWALK PK0060	2,936	2,643					294				
PEDESTRIAN RAILWAY BRIDGE PK0075	60,860	27,418					33,441				
NORTHERN HEIGHT TRAIL REIMBURS PK0085	531	478					53				
PARKS EQUIPMENT GROWTH P00014	258,252	245,254					12,998				