

Information Report



Service Area Corporate Services

Date Friday, May 25, 2018

Subject **2017 Development Charge Reserve Fund Statement**

Report Number CS-2018-45

Executive Summary

Purpose of Report

To report on the 2017 Development Charge Reserve Funds as required by Ontario Regulation 82/98 of the Development Charges Act, 1997.

Key Findings

Development Charge (DC) revenues totalled \$19.9 million in 2017, up from \$16.0 million collected in 2016, but still below the targets identified in the background study.

A total of \$18.7 million of DCs were used to finance eligible capital projects in 2017, representing a 24 per cent decrease from 2016 spending levels. The most significant spending was attributable to the following projects:

- Water: Conservation and Efficiency (WW0106) \$2.9 million
- Wastewater: York Trunk – Phase 2A (PN0109) \$2.3 million
- Police: Headquarters (PS0033) \$4.3 million
- Outdoor Recreation: Eastview Community Park (PK0014) \$1.9 million

The total closing balance after capital commitments of \$52.3 million of all 15 DC Reserve Funds is negative \$5.6 million (2016: negative \$28.3 million), a noted betterment over 2016. The negative balance was expected and is being cash flowed with debt totalling \$29.1 million at year-end.

In 2017, \$5.0 million of DC exemptions were approved, as per the Development Charges Act (DCA), for industrial expansions, University-related purposes and accessory apartments. The City transferred funds from the tax supported and rate supported sources to fund the cost of these exemptions to ensure the DC Reserve Funds are sufficiently funded for future planned growth in accordance with the DC Background Study.

Financial Implications

DC collections continue to lag behind the targets identified in the background study, having realized 56 per cent of the forecasted collections for 2017. It is critical for

staff to monitor and adjust the growth-related capital forecast to reflect the actual rate and type of growth being achieved.

The City is currently completing the next DC Background Study and will incorporate the changes in mix and type of growth into the study where possible.

Report

BACKGROUND

The Development Charges Act, 1997, (DCA) requires the Treasurer of a municipality to provide Council with a financial statement annually, of its DC activity including a reserve fund statement. The statement must include opening and closing balances of the reserve funds and related transactions. In addition, Ontario Regulation 82/98 requires the following 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; and
- A schedule that identifies credits recognized under the Development Charges Act, 1997; and
- 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.

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 that relates to a service for which development charges are chargeable.

ATT-2 shows financing from all sources for each project financed, in whole or in part, by development charges.

The Treasurer's DC Statement must be provided to Council and made available on the City's website.

REPORT

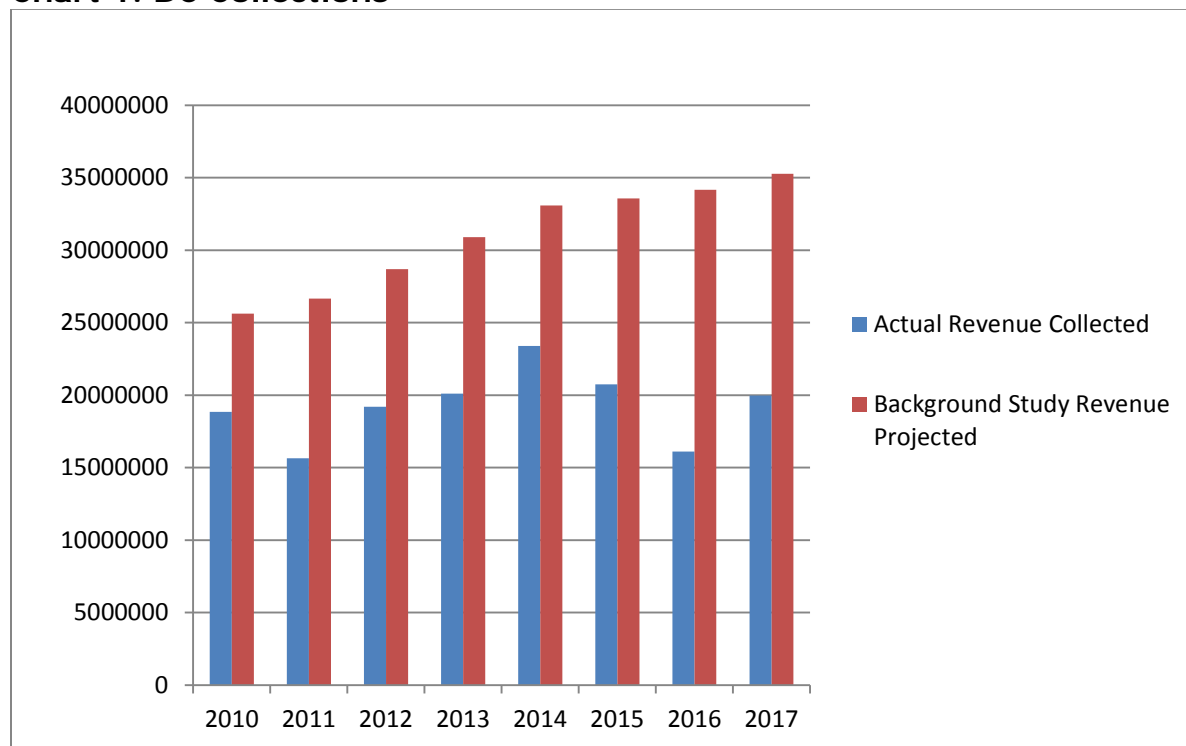
In addition to meeting the legislated requirements, this report also provides the opportunity to highlight information relating to the City's DC collections and expenditures that occurred throughout the preceding year. As DCs play an important role in the achievement of the capital strategy, it is critical that the activity in and out of the DC Reserve Funds is monitored and reported on a regular basis.

The following are highlights related to the 2017 DC activity:

Revenue

DC revenue collected in 2017 totalled \$19.9 million, representing a 24 per cent increase over 2016 revenues and a \$15.2 million shortfall from the 2017 target identified in the DC Background Study. Chart 1: DC Collections, illustrates the divergence between the collections planned in the DC Background Study and actual DCs collected since 2010.

Chart 1: DC Collections



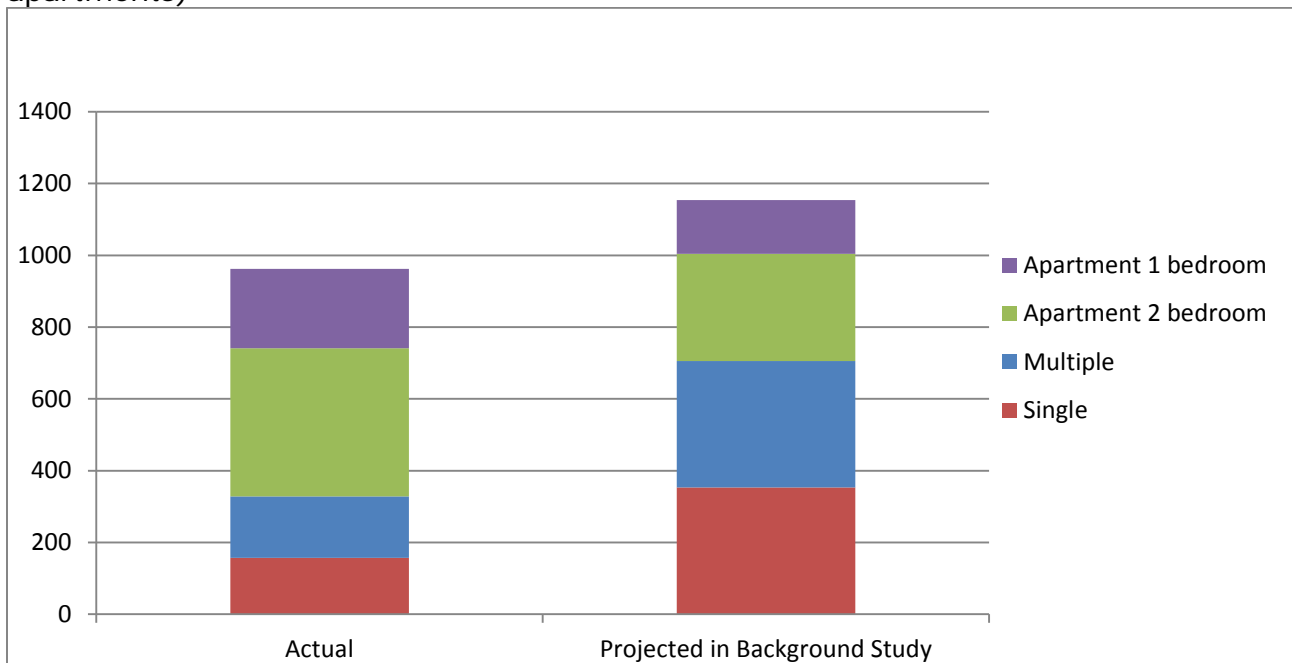
The unfavourable variance in revenue in 2017 can be attributed to two factors; a lack of non-residential development and a shift in the mix of residential development. The planned and actual housing mix is summarized in Table A: Residential Mix.

Table A: 2017 Residential Mix (does not include accessory apartments)

2013 DC Background Study	2017 Residential Housing Mix Based on DC Payment Information
30% Low Density	16% Low Density
30% Medium Density	19% Medium Density
40% High Density	65% High Density

The shift in the mix of residential development is illustrated in Chart 2: Residential Development Charge Revenue by Type.

Chart 2: Development Charge Revenue by Type (does not include accessory apartments)



Expenditures

The City spent \$18.7 million on growth-related capital projects. That represents 26 per cent of the \$71.3 million prior year approved budget committed against the DC Reserve Funds. There are a number of reasons for the magnitude of the committed balance, including projects still in the planning stages, that have a timeline of over one year, or projects that are delayed. Capital expenditures in Police, Wastewater, Water and Outdoor Recreation accounted for the most significant portion of the year's spending. ATT-2 identifies all the growth-related projects that received funding in 2017.

Major 2017 project spending includes:

- Water: Conservation and Efficiency (WW0106) \$2.9 million
- Wastewater: York Trunk – Phase 2A (PN0109) \$2.3 million
- Police: Headquarters (PSO033) \$4.3 million

- Outdoor Recreation: Eastview Community Park (PK0014) \$1.9 million

There is \$52.3 million of approved and unspent capital budget against the DC Reserve Funds. The most significant projects contributing to this balance are:

- New Water Supply (WT0002) \$7.1 million
- Paisley Feedermain (PN0268) \$6.2 million
- Decommission Gordon Sewage Pumping Station (SC0023) \$1.3 million
- Police Headquarters (PS0033) \$6.0 million
- Wilson Parkade (PG0078) \$9.9 million
- Niska Bridge (PN0046) \$1.9 million

Exemptions

The Development Charge Exemption Policy By-law Number (2013)-19537 requires the City to recover lost DC revenues relating to DC exemptions from tax and rate supported sources. In 2017, the City incurred \$5.0 million in exemptions relating to:

- Industrial building expansion (legislated): \$479,410 (4,600 meters squared)
- University-related purpose (Council directed): \$273,943 (2,628 meters squared)
- Accessory apartments (legislated): \$4,286,859 (197 units)

The exemptions were funded 57 per cent from rate supported sources and 43 per cent from tax supported sources. Through the detailed work being completed on the DC Background Study, it was noted that exemptions relating to accessory apartments had not been included in the annual exemption entry which was rectified in 2017.

Debt

The Development Charges Act permits the use of external debt to manage the cash flow of the DC Reserve Funds. Often, growth related infrastructure is required prior to the construction of a development, thereby resulting in a gap between when DCs are needed and when DCs are collected. The total DC debt outstanding as at December 31, 2017 is \$29.1 million and the annual interest cost in 2017 totalled \$735,904. Table B: DC Debt Outstanding details the projects for which debt was issued.

Table B: DC Debt Outstanding

Project	Year-end Outstanding Balance	Maturity
Water Supply	\$1,432,694	2019
Biosolids Upgrade	\$1,316,759	2019
Police - Clair Road Emergency Services Centre	\$686,771	2019
Fire - Clair Road Emergency Services Centre	\$213,912	2019
Transit Terminal	\$420,303	2019

Hanlon Interchange	\$17,429,617	2026
Police Headquarters, first of two issues	\$7,562,464	2026
Total	\$29,062,520	

There are three DC debt issuances planned in the next two years relating to Police Headquarters (PS0003) \$7.0 million, Wilson Parkade (PG0078) \$5.2 million and South End Recreation Centre (RP0290) \$32.0 million.

Year-end Balances

The DC Reserve Fund closing balances (excluding commitments) at December 31, 2017, are as follows:

Non-Discounted Services		Discounted Services	
Water Services	\$29,033,406	Library Services	\$3,192,520
Wastewater Services	19,613,065	Indoor Recreation	14,329,549
Stormwater Drainage	(1,450,597)	Outdoor Recreation	2,891,030
Roads & Related	(14,087,275)	Transit	925,159
Fire Protection Serv.	(1,405,577)	Administration	746,781
Police Services	<u>(10,769,785)</u>	Ambulance Services	(1,379,359)
	\$20,933,237	Municipal Court	(73,232)
		Parking Spaces	5,979,264
		Health	<u>(883,916)</u>
			\$25,727,796

The total closing balance of all 15 Reserve Funds is \$46.7 million, representing a \$7.0 million increase over 2016. Total interest earned on the cumulative balance of the DC Reserve Funds was \$1.4 million in 2017.

Financial Implications

DC collections continue to lag behind the targets identified in the DC Background Study, having realized 56 per cent of the forecasted collections for 2017. It is critical for staff to monitor and adjust the growth-related capital construction forecast to reflect the actual rate and type of growth being achieved.

The City is currently completing the next DC Background Study and will incorporate the changes in mix and type of growth into the Study where possible.

Consultations

None

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 2017
- ATT-2 Development Charge Project Financing Statement for 2017

Departmental Approval

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City of Guelph
Development Charge Reserve Fund Statement for 2017

Description	Non-Discounted Services						Discounted Services								Total	
	Water	Wastewater	Stormwater	Services Related to a Highway	Fire	Police	Library	Transit	Administration	Indoor Recreation	Outdoor Recreation	Parking	Ambulance	Courts		Health
Opening Balance, January 1, 2017	25,178,771	16,350,804	(1,510,229)	(16,097,851)	(1,262,849)	(6,655,464)	2,686,527	597,988	1,136,078	12,629,858	3,438,747	5,594,998	(1,380,009)	(77,979)	(924,120)	39,705,271
Plus:																
Development Charge Collections	6,443,174	4,679,732	88,733	2,635,183	214,450	307,886	363,570	392,471	251,955	1,727,725	2,257,252	544,824	21,351	4,755	46,402	19,979,461
Exemption Allocation	1,658,922	1,220,197	23,196	656,434	54,663	76,915	86,666	99,409	62,505	411,492	537,555	134,540	5,395	1,417	10,905	5,040,211
Interest Allocated re Late Payments	2,935	2,608	89	1,637	111	128	142	309	70	636	724	262	8	5		9,662
Accrued Interest	546,348	371,016	- 28,008	64,707	- 20,238	- 3,097	55,614	14,408	17,811	255,027	59,878	109,489	- 26,103	- 1,430	- 17,103	1,398,319
Subtotal	8,651,379	6,273,553	84,010	3,357,961	248,986	381,832	505,992	506,596	332,341	2,394,880	2,855,409	789,115	651	4,747	40,204	26,427,653
Less:																
Amount Transferred to Capital (or other) Funds	4,706,909	2,928,727	24,379	984,005	378,300	4,309,443	-	179,425	721,637	695,190	3,403,124	404,848	-	-	-	18,735,988
Debt Charges - Interest	89,835	82,565	-	363,381	13,414	186,710	-	-	-	-	-	-	-	-	-	735,904
Subtotal	4,796,744	3,011,292	24,379	1,347,386	391,714	4,496,153	-	179,425	721,637	695,190	3,403,124	404,848	-	-	-	19,471,892
Closing Balance, December 31, 2017	29,033,406	19,613,065	(1,450,598)	(14,087,276)	(1,405,577)	(10,769,785)	3,192,519	925,159	746,782	14,329,548	2,891,031	5,979,265	(1,379,358)	(73,233)	(883,916)	46,661,031
Less: Commitment not yet spent	16,829,393	5,463,277	513,529	4,065,189	42,699	6,039,115	-	245,704	2,890,603	3,179,340	3,145,693	9,891,217	-	-	-	52,305,759
Closing balance not yet committed	12,204,013	14,149,788	(1,964,127)	(18,152,465)	(1,448,276)	(16,808,900)	3,192,519	679,455	(2,143,821)	11,150,208	(254,662)	(3,911,952)	(1,379,358)	(73,233)	(883,916)	(5,644,728)

City of Guelph Development Charge Project Financing Statement for 2017											
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					
Services Related to Highway											
NISKA RD:CITY BNDARY/DOWNEY RD PNO046	209,461	140,645				5,577					63239.55
SPDVL TRANS/TRK-PH1-SPDVL:WLCH PNO097	388,663	45,847									342815.85
YRK TRK&PSLY FDRMN-PH3-YRK:VIC PNO110	9,970	6,979				2,991					
STONE:PHASE 2 PNO146	364,707	209,084				155,623					
TRANSPORTATION STRATEGY & TDM PNO174	14,141	7,070				7,070					
STONE:PHASE 1 PNO266	79,038	45,215				33,823					
VICTORIA - STONE-ARKELL RD0078	35,240	24,635				10,605					
EASTVIEW - STARWOOD TO WATSON RD0122	40,546	28,395				12,151					
YORK-VICTORIA TO EAST CITY LIM RD0270	172,665	129,998				42,668					
NISKA BRIDGE REPLACEMENT RD0286	43,477	33,851				9,626					
GORDON: EDINBURGH TO LOWES RD0310	34,308	34,308				-					
ACTIVE TRANSPORTATION RD0321	307,466	83,493				86,865					137,109
ACTIVE TRANSPORTATION STUDY RD0322	12,140	12,140				-					
PTIF TRANS MASTER PL GUE-00 RD0337	17,876	8,938				8,938					
TRAFFIC MGMT INITIATIVES TF0008	22,540	11,270				11,270					
NEW SIGNAL INSTALLATION TF0014	180,304	162,137				18,167					
Subtotal - Services Related to Highways	1,932,543	984,005	-	-	-	405,375	-	-	-	-	543,164
Water											
SPDVL TRANS/TRK-PH1-SPDVL:WLCH PNO097	514,089	257,045				257,045					
YORK TRUNK-PH 2A - WATERWORKS PNO109	1,998,917	999,458				999,458					
YRK TRK&PSLY FDRMN-PH3-YRK:VIC PNO110	2,520	1,260				1,260					
YORK TRUNK-PH 2B - TO VICTORIA PNO257	768	768				-					
PAISLEY FEEDERMAIN-SILVER-RES PNO268	324,598.67	239,936				53,866					30,796
ERAMOS-A-METCALFE > GLENHILL PNO748	4,839.92	583				4,257					
W13 HANLON- WELLINGTON-CLAIR WD0002	16,000.00	12,000				4,000					
WI-A CLAIR - CRAWLEY TO GORDON WD0012	1,822.98	1,769				54					
WI 16 HANLON CROSSING - PAISLEY WD0016	0	1,000				(1,000)					
PERFORMANCE/BENCHMARKING/CRITI WD0029	132,208	132,208									
ARKELL SPRING GROUNDS WT0001	324	324									
NEW SUPPLY WT0002	159,040	159,040									
CONSERVATION & EFFICIENCY WW0106	2,886,946	2,886,946									
W-I-25 DEVELOPMENT OVERSIZING WW0139	14,572	14,572									
Subtotal - Water	6,056,645	4,706,909	-	-	-	1,318,940	-	-	-	-	30,796
Wastewater											
ARTH TRK-PH2-HWTT:WYND/NEEVE PNO066	383,504.89	256,520				126,985					
SPDVL TRANS/TRK-PH1-SPDVL:WLCH PNO097	32,923.87	3,631				29,293					
STEVENSON:GRAN-BENN PNO099	245,096.46	25,578				219,519					
YORK TRUNK-PH 2A - WATERWORKS PNO109	4,558,841.64	2,279,421				2,279,421					
CCTV Admin & Site Inspection PNO750	52,620.55	8,770				43,850					
WW15 NEW GRAVITY SEWERS SC0020	2,380.32	2,142				238					
WW16 NEW FORCEMANS SC0021	4,120.34	3,708				412					
WWF1 DECOMMISSION GORDON SPS SC0023	105,560.34	18,615				86,945					
WWW13 INFRASTRUCTURE IMPROVE SC0026	18,000.00	3,600				14,400					
SERVICING STUDIES - WASTEWATER SC0029	29,261.19	69,303				(40,041)					
WW10/WWS4 FLOW MONITORING SC0035	95,891.50	47,946				47,946					
WWTP - UPGRADES & STUDIES ST0002	96,349.72	25,729				70,620					
WWTP BIOSOLIDS FACILITY UPGRD ST0003	1,794.68	1,256				538					
WWTP PHASE 2 EXPANSION ST0004	40,312.59	40,313				-					
WWTP PROCESS UPGRADES ST0005	12,374.28	4,427				7,947					
SCADA UPGRADES ST0006	67,207.05	16,491				50,717					
WWTP ADMIN BLDG UPGRADE ST0007	250,787.29	121,147				129,640					
WW11 YORK - HANLON-VICTORIA WS0085	-	130				(130)					
Subtotal - Wastewater	5,997,027	2,928,727	-	-	-	3,068,300	-	-	-	-	-
Stormwater											
STORMWATER FUNDING STUDY SW0060	153,829	24,379				102,134					27,316
Subtotal - Stormwater	153,829	24,379	-	-	-	102,134	-	-	-	-	27,316

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					
Fire Services											
FIRE VEHICLE NEW PUMPER 2016 FS0056	845,837	378,300				467,537					
Subtotal - Fire	845,837	378,300	-	-	-	467,537	-	-	-	-	-
Police Services											
POLICE HQ RENOVATIONS PS0033	7,295,943	4,309,443				2,986,500					
Subtotal - Police	7,295,943	4,309,443	-	-	-	2,986,500	-	-	-	-	-
Transit											
CAD/AVL REPLACEMENT TC0026	787,383	177,161				610,222					
MOBILITY VAN - EXPANSION TM0005	3,354	2,264				-					1,090
Subtotal - Transit	790,737	179,425	-	-	-	610,222	-	-	-	-	1,090
Administration											
2019 DC Study GG0238	53,392.00	48,053				5,339					
PARKLAND DEDICATION BYLAW PK0089	82,377.74	59,312				23,066					
ZONING BY-LAW REVIEW PL0021	42,260.73	26,355				15,906					
CLAIR/MALTBY SECONDARY PLAN PLO022	423,259.83	381,706				41,554					
MIXED USE NODES & CORRIDORS PL0036	139,549.50	61,055				78,494					
HOUSING INIT MKTING & COMM PLO049	1,279.86	574				706					
OFFICIAL PLAN REVIEW PLO054	141,192.33	95,305				45,888					
BROWNFIELD INITIATIVES PLO055	10,000.00	6,750				3,250					
URBAN DESIGN GUIDELINES PLO056	20,000.00	9,000				11,000					
TRANSPORTATION STRATEGY TDM INIT RD0118	22,803.99	22,804									
PTIF TRANS MASTER PL GUE-00 RD0337	6,961	6,961				-					
SINGALIZED CONTROL SYSTEM/STUD TF0006	7,526.17	3,763				3,763					
Subtotal - Administration	950,603	721,637	-	-	-	228,966	-	-	-	-	-
Indoor Recreation											
VRRC EXPANSION/RENOVATION RF0051	830,462.51	639,815				190,648					
SOUTH END COMMUNITY CENTRE RP0290	69,615.38	55,376				14,240					
Subtotal - Indoor Rec	900,078	695,190	-	-	-	204,888	-	-	-	-	-
Outdoor Recreation											
SOUTH END COMMUNITY PARK PK0001	105,267	94,740				10,527					
GUELPH TRAILS GROWTH PK0002	964,094	612,863				351,231					
JUBILEE PARK PK0004	26,538	23,885				2,654					
VICTORIA RD NORTHVIEW PK0007	378,948	341,053				37,895					
EASTVIEW COMMUNITY PARK PK0014	2,052,545	1,847,291				205,255					
CEDERVALE PARK PK0030	7,788	7,009				779					
ELLIS CREEK PARK PK0047	401,109	360,998				40,111					
CITYWIDE SKATEPARK PK0048	1,151	495				656					
RIVERWALK PK0060	71,189	64,070				7,119					
PEDESTRIAN RAILWAY BRIDGE PK0075	62,707	28,215				34,492					
BICYCLE SKILLS FACILITY PK0091	8,110	6,488				1,622					
STARWOOD PARK PK0104	5,583	5,025				558					
PARKS EQUIPMENT GROWTH PO0014	11,698	10,534				1,164					
SOUTH END SPLASH PAD RP0459	509	458				51					
Subtotal - Outdoor Recreation	4,097,237	3,403,124	-	-	-	694,113	-	-	-	-	-
Municipal Parking Spaces											
WILSON ST PARKADE PG0078	404,848	404,848				-					
Subtotal - Parking	404,848	404,848	-	-	-	-	-	-	-	-	-
Total	29,425,327	18,735,987	-	-	-	10,086,973	-	-	-	-	602,367