



Report to: General Committee

Report Date: June 10, 2013

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**SUBJECT:** Development Charges December 31, 2012 Reserve Balances and Annual Activity of the Accounts  
**PREPARED BY:** Raymond Law, Senior Financial Analyst

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**RECOMMENDATION:**

That the report titled “Development Charges December 31, 2012 Reserve Balances and Annual Activity of the Accounts” be received by Council as required under Section 43(1) of the *Development Charges Act, 1997*.

**PURPOSE:**

Section 43(1) of the *Development Charges Act, 1997* requires the Treasurer to submit annually to Council a financial statement relating to Development Charge by-laws and reserve funds established under Section 33 of the *Development Charges Act, 1997*.

**BACKGROUND:**

As part of the *Development Charges Act, 1997* the Treasurer is to report annually on the funds received and dispersed as shown in the attached schedules. Once received by Council a copy of this report will be forwarded to the Ministry of Municipal Affairs and Housing as required by the *Development Charges Act, 1997*.

Enclosed are the statistics for the twelve (12) months ended December 31, 2012.

**FINANCIAL CONSIDERATIONS:**

The December 31, 2012 closing balance of the development charges (DC) reserve accounts before capital commitments was \$114,610,953 (Schedule A). This balance represents the cash, letters of credit and receivable balances in the reserves, but does not take into account commitments for approved capital projects. Approved capital commitments against the reserves as at December 31, 2012 totaled \$59,587,050 resulting in an adjusted (uncommitted) reserve balance of \$55,023,903 [\$114,610,953 less \$59,587,050].

The net increase in the reserve fund before capital commitments from January 1, 2012 [\$91,354,559] to December 31, 2012 [\$114,610,953] was \$23,256,394 (Schedule B).

Schedule B outlines the net amount transferred to capital projects in 2012 as \$54,982,398 which is broken down into two components: transfer to capital and transfer from capital. These two components of the transfer include \$62,726,197 of growth-related projects (Schedule C) funded from development charges as well as net transfers to development charges of \$7,743,799 resulting mainly from the closure of capital projects.

During 2012, investment of development charge reserves through various investment vehicles yielded net interest of \$915,163 (Schedule D).

A summary of the development charge activity for the year is detailed as follows:

January 1, 2012 opening balance	\$ 91,354,559
Development Charges received	\$ 77,323,629
Interest earned	\$ 915,163
Net amount transferred to capital projects	<u>\$ (54,982,398)</u>
Balance as at December 31, 2012	<u>\$ 114,610,953</u>

Schedule E provides information on the service-in-lieu agreements and indicates that the City has an obligation in the amount of \$6,946,728 to be offset from development charges payable when the respective developers execute their agreements.

#### COMPONENT CATEGORIES

The balance of the Reserve Fund is made up of the following major categories:

City-Wide Soft	\$ 59,641,201
City-Wide Hard	\$ 54,946,843
Area-Specific	<u>\$ 22,909</u>
Total	<u>\$ 114,610,953</u>

Schedule F provides the year-end balance of each reserve for 2010 through 2012 along with the percentage change over the three-year period.

The chart below summarizes the year-end DC reserve balances by component category:

	YEAR-END BALANCES			%
	2010	2011	2012	CHANGE 2010-12
CITY-WIDE SOFT SERVICES	\$73,573,211	\$58,533,663	\$59,641,201	-19%
CITY-WIDE HARD SERVICES	\$33,835,710	\$30,343,577	\$54,946,843	62%
AREA-SPECIFIC CHARGES	(\$547,048)	\$2,477,319	\$22,909	104%
<b>TOTAL DEVELOPMENT CHARGE RESERVE</b>	<b>\$106,861,872</b>	<b>\$91,354,559</b>	<b>\$114,610,953</b>	<b>7%</b>
<b>CAPITAL COMMITMENTS AT YEAR-END</b>	<b>(\$89,650,240)</b>	<b>(\$65,223,431)</b>	<b>(\$59,587,050)</b>	<b>-34%</b>
<b>ADJUSTED DC RESERVE BALANCES</b>	<b>\$17,211,632</b>	<b>\$26,131,128</b>	<b>\$55,023,903</b>	<b>220%</b>

The reduction of the City-wide soft services reserves is primarily related to the funding of the East Markham Community Centre (EMCC) as outlined in Schedule C. In addition, capital commitments from 2010 to 2012 have decreased by 34% as a number of large capital projects approach

completion. The transfer of funds related to East Markham Community Centre (EMCC) – \$25.3M, Rodick Road extension between 14<sup>th</sup> Avenue and Esna Park Drive – \$4.7M, and South Unionville Avenue extension – \$3.4M, resulted in significant reductions to capital commitments.

It should be noted that a number of large growth-related capital projects have been identified but are not yet reflected in the DC capital commitments. These projects and their preliminary funding requirements include, but are not limited to the following:

<b>PROJECT DESCRIPTION</b>	<b>PRELIMINARY ESTIMATE OF DC FUNDING</b>
South East Markham Community Centre Construction	\$55.9M
Pan-Am Facility Construction	\$35.6M
Sports Field Park	\$15.4M
Public Works Yard	\$21.6M
Main St. Markham, Reconstruction Phase III	\$10.8M
CN Bridge Construction	<u>\$5.7M</u>
<b>TOTAL</b>	<b><u>\$145.0M</u></b>

A DC cash-flow forecast was developed taking into consideration current capital commitments, identified growth-related projects and anticipated DC collections, and initial indications are that the reserves are forecasted to be sufficient to fund capital commitments through to mid-2015.

The timing of capital projects along with other variables (i.e. future collections and capital commitments) will continue to be monitored and assessed, to determine when the City will be required to borrow, in order to finance its growth-related projects.

#### DEVELOPMENT CHARGES COMMITTED TO APPROVED PROJECTS

Growth-related projects that are approved as part of the annual budgets generally denote development charges as the major funding source, but the actual cash funding for large capital expenditures is not transferred to the project until required. This process retains cash within the Development Charge Reserve Fund to earn as much interest as possible for the reserve. Upon the approval of the budget, the reserve balances in the Development Charge Reserve Fund are considered to be committed to projects underway, or about to start.

The reserve balance for the year ended December 31, 2012 is significantly lower when capital commitments of \$59,587,050 are taken into account, leaving the adjusted (uncommitted) reserve balance at \$55,023,903. The total capital commitment for 2012 represents a decrease of \$5.6M [\$59.6M less \$65.2M] compared to the prior year. The largest share of the capital commitments are related to City-wide hard (engineering) services projects which totals approximately \$44.7M and includes projects such as, the Birchmount Road crossing at Rouge River [\$9.0M], the Highway 404 Ramp extension at Highway 7 [\$8.1M], the Highway 404 mid-block crossing, north of Highway 7 [\$5.2M] and Main Street Markham, 16<sup>th</sup> Avenue to Major Mackenzie Drive [\$4.1M]. The remainder of the total capital commitments is related to various projects for Recreation Services, and Park Development. The adjusted (uncommitted) reserve balance of \$55.0M represents a \$28.9M increase from the prior year closing balance of \$26.1M.

The chart below summarizes the 2012 year-end reserve balances and capital commitments:

	<b>YEAR-END RESERVE BALANCE</b>	<b>CAPITAL COMMITMENTS</b>	<b>ADJUSTED RESERVE BALANCE</b>
CITY-WIDE SOFT SERVICES	\$59,641,201	\$14,703,870	\$44,937,330
CITY-WIDE HARD SERVICES	\$54,946,843	\$44,883,180	\$10,063,663
AREA-SPECIFIC CHARGES	\$22,909		\$22,909
<b>TOTAL DEVELOPMENT CHARGE RESERVE</b>	<b>\$114,610,953</b>	<b>\$59,587,050</b>	<b>\$55,023,903</b>

Further details on the specific City-Wide Soft reserves with commitments are shown in Schedule A.

**RECOMMENDED BY:**

04/06/2013

04/06/2013

X 

Mark Visser  
Acting Treasurer

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Trinela Cane  
Commissioner, Corporate Services

**ATTACHMENTS:**

[Schedule A-F](#)

- Schedule A – Balances in the individual components of the reserve fund
- Schedule B – Funds received and dispersed by category
- Schedule C – Capital projects funded in 2012
- Schedule D – Investment details as required under Reg. 74/97 Section 8 of the Municipal Act
- Schedule E – Statement of service-in-lieu credits
- Schedule F – Statement of change in year-end balances