

Town of Whitby Staff Report

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Report Title: Annual Statement of Development Charge and Parkland Dedication Cash-in-Lieu Reserve Funds as of December 31, 2022

Report to: Committee of the Whole

Date of meeting: June 12, 2023

Report Number: FS 19-23

Department(s) Responsible:

Financial Services Department

Submitted by:

Fuwing Wong, Commissioner of
Financial Services / Treasurer

**Acknowledged by M. Gaskell, Chief
Administrative Officer**

For additional information, contact:

Erika Watson, Manager of Development
Finance and Long Term Financial
Planning,

1. Recommendation:

1. That Report FS 19-23, the Annual Statement of Development Charge and Parkland Dedication Cash-in-Lieu Reserve Funds as of December 31, 2022 be received.

2. Highlights:

- This report provides statutory statements and information related to the Town of Whitby's Development Charge (DC) Reserve Funds, and Parkland Reserve Fund.
- As detailed in Attachment 1 of this report, the Town of Whitby's overall DC reserve fund balance increased by \$11,924,548, from \$171,431,424 on January 1, 2022, to \$183,355,972 by December 31, 2022.
 - The December 2022/January 2023 balance of \$183,355,972 in DC Reserve Funds is not sufficient to fund the \$974,918,935 of capital projects approved in the 2023 and past budget and the projects, approved by Council, in the Town's ten (10)-year capital forecast (details also available in Attachment 1)

- It is anticipated that the funds to pay for project costs, in excess of December 2022 DC reserve fund balances, will come from future DC collections (and property taxes) as the Town continues to grow.
- A detailed listing of the 2022 growth related capital expenditures (including the annual debt repayment for capital projects), totaling \$27,246,065 is provided in Attachment 2 of this report. The growth related expenditures were funded from DC Reserve Funds (\$18,714,351) and from non-DC sources (\$8,531,714), including property tax based reserves.
- As summarized in Attachment 3 to this report, the Town's Park Reserve Fund (containing cash-in-lieu of parkland dedication revenues) had an opening balance of \$16,540,008 at the start of 2022 and an ending balance of \$9,149,755 million as of December 31, 2022
 - This represents a net decrease of \$7,390,254 due to capital expenditures in 2022
 - Of the December 2022/January 1 balance, \$6,949,278 (or 76%) has been committed or allocated to ongoing capital projects already approved and projects in the Town's ten (10)-year capital forecast, approved in principle by Town of Whitby Council as part of the Town's 2023 Budget.

3. Background:

Section 43(1) of the *Development Charges Act, S.O. 1997 (DCA)* states that "The treasurer of a municipality shall each year on or before such date as the council of the municipality may direct, give the council a financial statement relating to development charge by-laws and reserve funds established under section 33. 1997, c. 27, s. 43 (1)." This statement must include:

- The opening and closing balances of the reserve funds including the transactions relating to the funds;
- A listing of all assets whose capital costs were funded under a development charge by-law during the year, and for each asset, the costs not funded under the by-law and the source of other funding;
- A statement indicating compliance with subsection 59.1(1) to not impose directly or indirectly a charge related to a development or a requirement to construct a service to development except as permitted by the DCA or another Act.

For cash-in-lieu of parkland dedication funds, the funds are to be held in a special account and used as permitted under Section 42(15) of the *Planning Act*. In addition, Section 42(17) of the *Planning Act* requires "a council of a municipality that passes a by-law under this section shall provide the prescribed reports and information to the prescribed persons or classes of persons at such times, in such manner and in accordance with such other requirements as may be prescribed. 2019, c. 9, Sched. 12, s. 12 (9)."

4. Discussion:

This report provides statutory annual reporting in accordance with the DCA related to the Town's development charges and development charge by-law, and statutory annual reporting on cash-in-lieu of parkland dedication reserves in accordance with the Planning Act.

Statutory Annual Statement of Development Charge Reserve Funds

Development Charges are collected from developers to pay for infrastructure, such as roads, new recreational parks and facilities, fire, library facilities, etc. to support growth related to additional population and employment.

Once collected, DCs are allocated to specific DC reserve funds for the each of the growth-related infrastructure service areas in accordance with and the proportions outlined in the Town's DC Background Study.

As growth-related capital projects are approved in the Town's budget and capital projects are started, funds are subsequently drawn from the DC reserve funds to pay or partially pay for capital project expenditures.

As detailed in Attachment 1 of this report, the Town of Whitby's overall Development Charge (DC) reserve fund balance at the beginning of 2022 was \$171,431,424 and increased (net) by \$11,924,548 to \$183,355,972 at December 31, 2022. A summary of the increase is provided below:

Summary of Change in DC Reserve Funds (Details provided in Attachment 1)	Total
Increase in the DC reserve funds is mainly from DCs collected from Developers and Interest Income	\$45,653,314
Decrease in DC reserve funds relating to draws to fund growth-related capital projects, and repayment of the West Whitby Landowners Group Front Funding Agreement through DC credits, net of the expected recovery from MTO for Rossland Road.	(\$33,728,766)
Net overall increase to DC reserve funds that will be used to fund current projects in progress and future growth-related infrastructure projects	\$11,924,548

Attachment 1 of this report also shows \$974,918,935 of the \$183,355,971 ending 2022/beginning 2023 balance of DC Reserve Funds has been committed or allocated to ongoing capital projects already approved and projects in the Town's ten (10)-year capital forecast, approved in principle by Town of Whitby Council as part of the Town's

2023 Budget. This means that the December 2022/January 2023 balance of \$183,355,972 in DC Reserve Funds is not sufficient to fund future growth-related capital projects. It is anticipated that the funds to pay for project costs, in excess of December 2022 DC reserve fund balances, will come from future DC collections (and property taxes) as the Town continues to grow.

The legislated changes to the DCA that came into effect on January 1, 2020 included Section 26.1 of the Act, which defers the payment of development charges for specific development types until first occupancy, and then permits 6 or 21 equal annual installment payments. Interest is applied on the deferred amount from the date of first building permit issuance until the date development charges are paid in full.

The reporting and tracking of the balances owed (to the Town) are reflected in Attachment 1.

At the end of 2022, Town of Whitby development charges totaling \$3,764,3318 are to be collected in a future year for 3 developments under Section 26.1 of the DCA. The timing of those collections is dependent on their first occupancy.

Attachment 2 provides detailed information on the \$27,246,065 of growth-related expenditures, including specific capital projects the DC's funded, and other Non-DC funding for the projects. In total, \$27,246,065 of growth-related capital expenditures were funded by \$18,714,351 from development charges and \$8,531,714 from other Non-DC funding sources in 2022.

As per the West Whitby Landowners Front Funding Agreement, for the construction of Des Newman and Rossland Road, DC Credits are tracked and payable (by the Town, to the West Whitby Landowners Group) based on the cost of works completed and up-fronted by the landowners group. The minimum repayment, by the Town, in any given year is 50% of "Roads and Related – Town Wide Infrastructure" development charges collected from the West Whitby Landowners Group that year (to a maximum of the up-fronted costs). In 2022, the Town recognized that the West Whitby Landowners Group earned an additional \$15,014,415 for up-fronted works and the Town reimbursed the landowners group \$14,308,640.

Legislated change to the DCA from Bill 23 pertaining to Section 35.2 of the Act notes that a municipality shall spend or allocate at least 60% of the monies that are in the reserve fund for priority services (i.e., water, wastewater, and roads). For the Town of Whitby, as a lower tier municipality within Durham, only the roads service is applicable. The commitments include approved capital projects that are currently in progress but were not completed in 2022, and those approved by Council in the Town's 10-Year capital forecast:

Description	DC – Roads & Related - Townwide	DC – Roads & Related – Alternate Route
Total DC Roads & Related funds available as of Dec.31.2022	\$ 76,535,197	\$ 19,456,618
Commitments for Capital Projects approved but not complete as of Dec.31.2022	(\$62,347,933)	(\$1,336,358)
Allocated for Capital Projects approved Capital Forecast	(\$523,766,143)	(\$92,713,050)
Percentage of DC Funds Allocated/Committed	766%	483%

As shown in the Table above, the Town has allocated more than 100% of DC funds on hand at the end of 2022/beginning of 2023 as part of the 2023 and past budget and the Town's ten (10)-Year capital forecast, which was approved by Council as part of the Town's 2023 budget. It is anticipated that the funds to pay for project costs, in excess of December 2022 DC reserve fund balances, will come from future DC collections (and property taxes) as the Town continues to grow.

In addition to the information provided in the annual statements attached to this report, the Treasurer must provide a statement each year regarding the Town's compliance with subsection 59.1(1) of the DCA.

The Town of Whitby affirms that it is compliance with subsection 59.1(1) of the DCA for the 2022 reporting period, whereby it has not imposed directly or indirectly a charge related to development or a requirement to construct a service related to development, except as permitted by the DCA or another Act.

Statutory Annual Statement of the Parkland Dedication Cash-in-Lieu Reserve Fund

The *Planning Act* provides for the conveyance of land to a municipality for park or other public recreational purposes as a condition of development or redevelopment of land.

Instead of conveying land, Developers may make a payment known as a cash-in-lieu of parkland dedication payment for the Town to fund a future park or other public recreational projects. These payments are allocated to the Town's Park Reserve Fund.

The Statement for the Park Reserve Fund (Attachment 3) summarizes the cash-in-lieu of parkland dedication funds collected and drawn for capital expenditures during 2022.

Overall, the fund decreased (net) by \$7,390,254, from \$16,540,009 as of January 1, 2022 to \$9,149,755 as of December 31, 2022.

The legislated change to the *Planning Act* from Bill 23 pertaining to Section 47 requires a municipality to spend or allocate at least 60% of the monies collected as cash-in-lieu of parkland dedication, which are allocated to the Park Reserve Fund. Attachment 3 of this report also shows \$6,949,278 (or 76%) of the \$9,149,755 December 31, 2022 balance/ January 1, 2023 balance has been committed or allocated to ongoing capital projects already approved and projects in the Town's ten (10)-year capital forecast, which were approved in principle by Town of Whitby Council as part of the Town's 2023 Budget.

5. Financial Considerations:

The value of development charge non-statutory exemptions granted by a municipality, such as those eligible through Community Improvement Plans or the Town of Whitby's DC By-Law must be contributed from Town Funds to the Town's DC reserve funds. This is a legislative requirement to ensure the financial burden created by municipal policy decisions is not transferred to future developments.

As shown in Attachment 1, during 2022 a transfer of \$581,608 from the One-Time Reserve to the applicable Development Charge Reserve Fund(s) was made in 2022 to account for non-statutory development charge exemptions provided in 2022.

- \$376,409 for a high-density residential developments approved under the Downtown CIP Grant program.
- \$205,199 for a non-residential farm buildings used for bona fide farm use.

As outlined in this report, the Town's approved capital budgets and ten (10)-year capital forecasts for growth-related infrastructure exceeds current December 2022/January 2023 balances in the Town's Development Charges Reserve Funds. As the Town continues to grow (e.g. residential and non-residential developments), the Town will continue to collect DC's to fund the growth-related infrastructure projects. The changes to the Development Charges Act introduced by Bill 23, the More Homes Built Faster Act, 2022, may shift some of the growth-related infrastructure costs from Developers/DC's to taxpayers and/or result in delays in the projects. Due to the timing of Bill 23 (i.e. the Bill received Royal Assent on November 28, 2022) the Town's 2023 budget was prepared excluding the impact of Bill 23.

6. Communication and Public Engagement:

As per O. Reg. 82/98, the Town is required to ensure that the Treasurer's Annual Statement is available to the public, as such a copy of this report and the attachments will be posted on the Town's [Development Charge](#) webpage.

7. Input from Departments/Sources:

N/A

8. Strategic Priorities:

Through the development of Whitby's Community Strategic Plan, a focus on the value for money, financial sustainability as well as transparent reporting were identified as priorities. Under the Government Pillar, timely and transparent reporting was identified as the highest priority with long term financial planning being identified as the third highest priority. This report supports these priorities identified in the Community Strategic Plan.

9. Attachments:

Attachment 1 – Statement of Development Charge Reserve Funds, December 31, 2022

Attachment 2 – Expenditures Financed from Development Charge Reserve Funds and Other Sources, December 31, 2022.

Attachment 3 – Statement of the Park Reserve Fund, December 31, 2022