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2007 DEVELOPMENT CHARGE RESERVE FUND STATEMENT

The Finance and Administration Committee recommends the adoption of the recommendations contained in the following report, April 1, 2008, from the Commissioner of Finance:

1. RECOMMENDATIONS

It is recommended that:

1. The 2007 Development Charge Reserve Fund Statement, prepared in accordance with the provisions of *The Development Charges Act*, 1997, be received for information purposes.

2. The 2007 Development Charge Reserve Fund Statement to be forwarded to the Minister of Municipal Affairs and Housing, Area Municipalities, the Building Industry and Land Development Association and other interested parties for information purposes.

2. PURPOSE

The purpose of this report is to provide detailed financial information regarding 2007 development charge (DC) collections totalling $189.8 million and capital expenditures funded by DC of $202.1 million in accordance with the reporting requirements outlined in the *Development Charges Act*, 1997 ("the DC Act, 1997") and to provide a year end summary of reserve balances established under the DC Act, 1997 totalling $467.6 million.

3. BACKGROUND

Development Charge Reporting Requirements

In March 1998, the Provincial government enacted the *Development Charges Act*, 1997, which revised existing development charge legislation. The *Development Charges Act*, 1997 outlines specific reporting requirements for DC reserves. In accordance with section 33 and section 43 of the DC 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 which the development charge relates and will fund only eligible capital costs.

- The Treasurer of the municipality shall provide Council a financial statement relating to development charge by-laws and reserve funds established.

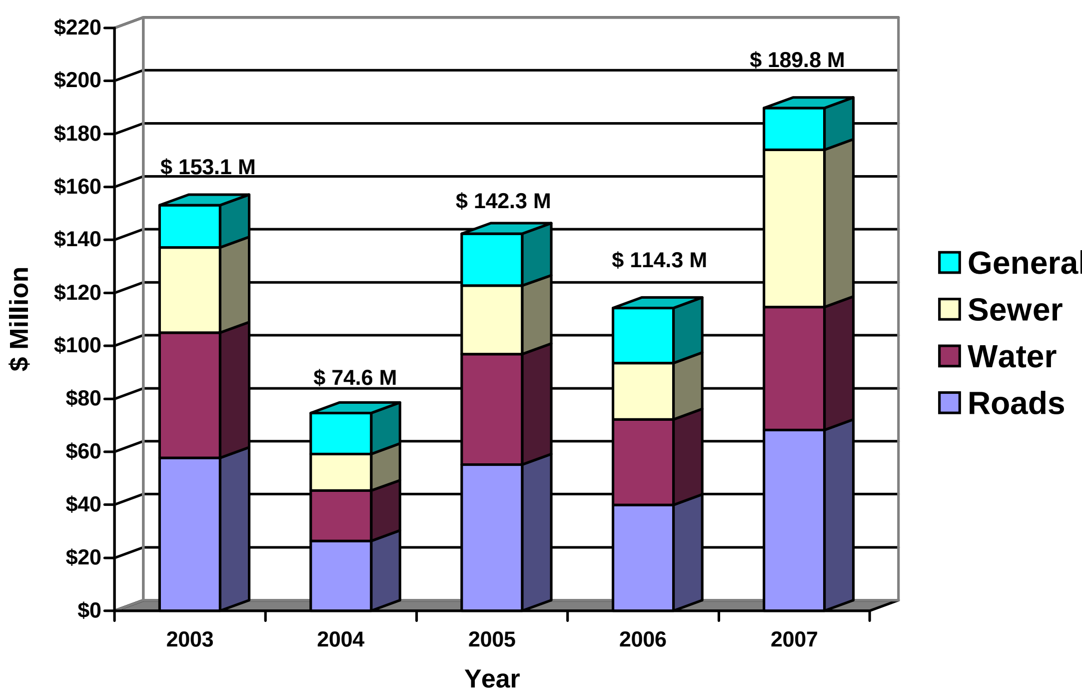
Reporting requirements also identify all other sources of funding applied to each project funded with development charges and provide a detailed summary of activity for each development charge reserve for the year. This varies from municipal reporting requirements as development charges are treated as deferred revenue for reporting purposes.

4. ANALYSIS AND OPTIONS

2007 Development Charge Collections increased to $189.8 million (Five-year comparative analysis)

The following table compares the 2007 development charge collections to the previous four years.

Table 1
York Region
Development Charges Collected by Service

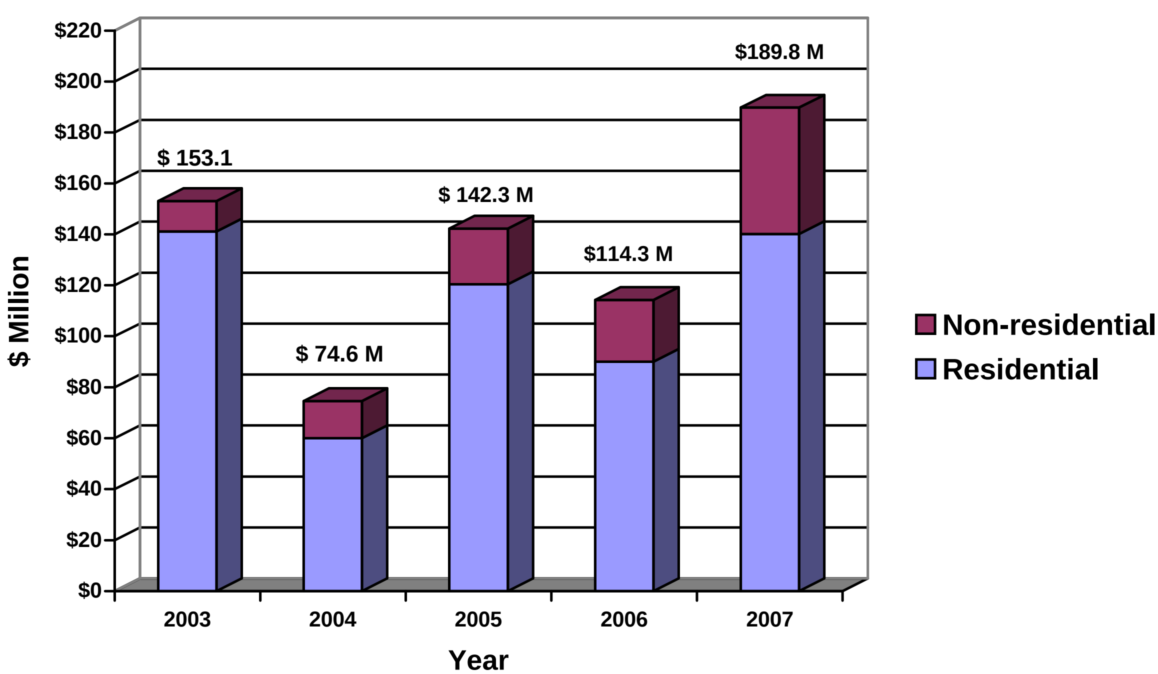


In 2007, York Region's population increased by 32,400 people, a growth of 3.5% over the prior year. The continued growth in York Region resulted in 10,421 residential building permits issued in York Region, an increase of 5.0% from 2006. In 2007, development charge collections increased by $75.5 million or 66% from the prior year. Collections over the past five years, between 2003 and 2007, averaged $134.8 million annually with 2007 being $55.0 million or 41% above the five year average.

Development charge collections were higher in 2007 than 2006 primarily due to the enactment of the new Development Charge By-law which took effect on June 18, 2007. Collections increased in the month of June alone by $46.1 million, prior to the enactment of the new By-law, as development proponents were targeting to submit applications prior to the increase in rates.

As shown in Table 2, non-residential development accounted for 26.2% of 2007 development charge revenue and has averaged 18.0% over the past 5 years. The total value of construction in York Region was $3.5 billion in 2007.

Table 2
York Region
Development Charges Collected – Residential/Non-residential



2007 Development Charge Expenditures Totalled $202.1 million

Total development charges required to fund the 2007 Regional capital program was $202.1 million of which $38.8 million was transferred to the committed reserve for projects approved in 2007 and carried over for completion in 2008.

The summary table below outlines the expenditures by service category:

Table 3
York Region
2007 Development Charge Expenditures
($ Million)

Service	Expenditures
Roads	$39.1 M
Water	76.8 M
Sewer	70.4 M
General	15.8 M
Total	$202.1 M

Attached to this report are six schedules:

- Schedule 1- Detailed 2007 Development Charge Reserves Fund Statement established under authority of the DC Act, 1997, and the DC By-law (including a summary of DC credits issued).
- Schedule 2 - Development Charge Reserve Capital Project Expenditure Summary details 2007 capital project expenditures and development charge funds transferred to each project.
- Schedule 3 - Development Charge Reserve Regional Road Capital Project Expenditure Summary which details the analysis of development charge expenditures for 2007.
- Schedule 4 - Development Charge Reserve Regional Water Supply Capital Project Expenditure Summary which details the analysis of development charge expenditures for 2007.
- Schedule 5 - Development Charge Reserve Regional Sanitary Sewer Capital Project Expenditure Summary which details the analysis of development charge expenditures for 2007.

- Schedule 6 - Development Charge Reserve Capital Expenditures Forecast Report which details the analysis of 2007 Year End DC Reserves and Regional Capital Expenditure forecast for 2008 – 2017.

Revised Development Charge By-law Enacted in 2007

The Region's current Development Charge By-law came into force on June 18, 2007 and the area-specific development charge for the Nobleton Community for sanitary sewers came into force on September 21, 2006.

The Region-wide By-law was implemented with an initial increase in rates on June 18, 2007 with a phase-in to full cost recovery rates according to the type of development. The specific rate categories are at full cost recovery rates as per the table below.

Table 4
York Region
Schedule of Rate Changes

Rate Category	Full Cost Recovery Effective Dates	Full recovery rate[1,2]
Residential		(per unit)
Singles / Semis	September 18, 2007	$21,864
Multiple Dwelling Units	September 18, 2007	$18,087
Apartments 2 + bedrooms	December 18, 2007	$13,623
Apartment < 2 bedrooms	December 18, 2007	$8,810
Non-Residential		(per square foot)
Retail	June 18, 2008	$21.58
Industrial/Office/Institutional	June 18, 2008	$6.93
Industrial/Office/Institutional	June 18, 2009	$8.92
Industrial/Office/Institutional	June 18, 2010	$10.93

Notes:
1. Rates exclude annual indexing.
2. Rate excluding GO Transit and Nobleton Area Specific.

York Region received five appeals of the new Region-wide By-law. Efforts to resolve these appeals are on-going.

GO Transit By-law Continues to be in Force

In order to recover growth-related GO Transit capital costs, the GTA municipalities were required to enact a development charge by-laws for GO Transit. In November 2001, Council enacted a Development Charge By-law for GO Transit capital costs, with an expiry date of December 31, 2003. The GTA Municipalities attempted to revise the by-law however outstanding issues with Province have prevented its completion. In recognition of these outstanding issues, the Province has extended the term of the GO by-law three times. As these issues still have not been resolved, the Province has once again extended the by-law to December 31, 2008.

A Nobleton Wastewater Area Specific Development Charge is in Effect

The Regional Municipality of York enacted By-law No. DC-0006-2006-090 on September 21, 2006. By-law No. DC-0006-20006-090 imposes an area-specific development charge for sanitary sewers in the Nobleton community. Land in the Nobleton Community is exempt from the Region-wide sanitary sewer development charge imposed under the Region-wide by-law. All other Region-wide development charges continue to apply.

5. FINANCIAL IMPLICATIONS

Budgeted Development Charge Capital Expenditure Commitments for 2008 total $245.7 million

Capital commitments to the Development Charge reserves per the 2008 Budget and 10 year capital forecast are outlined in Schedule 6. The 2008 Budget commitment from development charge reserves is $245.7 million. It is estimated that $144.7 million in debt will be required in 2008 for long term growth-related infrastructure, particularly for water, sewer, transit, and roads capital. Future development charge collections will be used to pay off the principal and interest on the outstanding debt. A significant portion of the debt repayment, which would commence in 2008, will be funded from the development charge reserves. The balance of proposed ten-year capital program that accommodates the significant growth within York Region will also be funded primarily through Development Charges.

With the new Development Charge By-law approved in May 2007, the Region significantly changed its discounting methodology. Effective June 18, 2007, the Region began to phase out the existing discount with an initial increase of 25% for retail rates and 10% for industrial rates. Retail rates will be at full cost recovery effective June 18, 2008. Industrial rates will continue to be phased in with annual increases on June 18th in 2008, 2009, and 2010 when rates will be at the full cost recovery level.

These changes will allow York Region to more adequately recover growth-related infrastructure costs from the development creating the need for the infrastructure and will provide relief to future years tax levy and rate supported budgets.

Development charge revenue as approved by Regional Council must be continually monitored through the annual budget approval process to ensure development reserve balances are consistent with capital expenditures. This will ensure that the infrastructure required for growth is provided in a fiscally responsible manner, in accordance with Financial Growth Management policies adopted in the Regional Official Plan.

6. LOCAL MUNICIPAL IMPACT

Development charges are an important revenue source for constructing growth-related infrastructure which benefits all municipalities in York Region. The long term infrastructure master plans and detailed ten year capital plans upon which the Development Charge Background Study is based, allows for co-ordinated planning with area municipalities.

7. CONCLUSION

The 2007 Development Charge Reserve Fund Statement is provided pursuant to the reporting requirements of the Development Charges Act R.S.O. 1997.

For more information on this report, please contact Kelly Strueby, Director Business Planning & Budgets at ext. 1611 or Mary T. Coates at ext. 1693.

The Senior Management Group has reviewed this report.

(The attachment referred to in this clause was included in the agenda for the June 5, 2008 Committee meeting.)