

The Corporation of the City of Kawartha Lakes

Council Report

Report Number EA2019-014

Date: October 22, 2019
Time: 1:00 p.m.
Place: Council Chambers

Ward Community Identifier: All Wards

Title: Development Charges Reserve Reconciliation

Description: This report appries Council of the 2009-2019 reconciliation of the Development Charges Reserve, and requests Council to approve the resulting net corrective transfers required from that reserve to applicable ratepayer-supported reserves.

Author and Title: Adam Found, Manager of Corporate Assets

Recommendation(s):

That Report EA2019-014, **Development Charges Reserve Reconciliation**, be received;

That the net corrective transfers indicated in Table 1 of Report EA2019-014 be approved by Council; and

That the City Treasurer implement these transfers by January 10, 2020.

Department Head:_____

Financial/Legal/HR/Other:_____

Chief Administrative Officer:_____

Background:

At the Council Meeting of December 11, 2018, Council adopted the following resolution:

CR2018-651

That Report EA2018-016, **Redirection for Development Charges Reserve Reconciliation**, be received; and

That the 2009-2016 development charges reserve reconciliation referred to by Council Resolution CR2016-894 be expanded to include the 2017-2018 period and be prepared as part of the 2019 DC study and by-law update.

With the draft 2019 DC study now published, this report addresses that direction.

Rationale:

The Development Charges (DC) Reserve must be reconciled periodically to ensure that:

1. Approved, often completed, growth-related capital projects have their DC funding adjusted retroactively as needed to reflect the degree of DC funding authorized by the DC study and by-law.
2. DC Reserve balance shortfalls caused by DC exemptions, DC rate phase-ins, foregone interest and other unfunded measures are made up with funding from non-DC sources as required by the DC Act.

Such reconciliation involves determining the net corrective transfers required between the DC Reserve and other reserves as may be appropriate. In accordance with Council Resolution CR2018-651, Watson and Associates has extended the DC Reserve reconciliation to 2019 (not just to 2018) and incorporated it into the DC rate calculations in the 2019 DC study. Tables 1 and 2 below indicate the net corrective transfers required for compliance with the DC Act and to ensure growth pays for growth to the extent permitted pursuant to the DC study and by-law.

Table 1: Summary of 2009-2019 DC Reserve Reconciliation (\$)

DC Reserve Account by Municipal Service	DC Funding Corrections to Approved Capital Projects	Unfunded 2014-2015 DC Rate Phase-In	Unfunded DC Exemptions	Foregone Interest	Net Corrective Transfer from DC Reserve	Recipient Reserve
Health and Social	48,465	(186,953)	(18,240)	(29,867)	(186,594)	Capital Reserve
Library	564,708	(77,338)	(54,203)	51,639	484,806	Capital Reserve
Parks and Recreation	(2,758,102)	0	(119,198)	214,198	(2,663,102)	Capital Reserve
Fire	804,828	0	(137,816)	112,017	779,030	Capital Reserve
Paramedic	104,149	(86,981)	(22,426)	(3,867)	(9,125)	Capital Reserve
Police	59,471	0	(88,800)	(7,676)	(37,005)	Capital Reserve
Airport	39,170	(113,181)	(14,760)	(16,825)	(105,597)	Capital Reserve
Transit	276,171	0	(11,059)	37,641	302,753	Capital Reserve
Administration	1,869,374	(57,744)	(31,802)	264,842	2,044,670	Capital Reserve
Roads and Related	4,163,147	(1,270,325)	(1,188,892)	344,696	2,048,625	Capital Reserve
Water Treatment	(28,540)	(111,461)	(392,134)	(79,234)	(611,369)	Water Reserve
Water Distribution	2,260,831	(111,461)	(202,205)	148,846	2,096,011	Water Reserve
Sewage Treatment	(4,607,652)	(149,114)	(316,784)	(485,543)	(5,559,093)	Sewer Reserve
Sewage Collection	8,383,510	(149,114)	(365,000)	628,334	8,497,730	Sewer Reserve
Total	11,179,529	(2,313,673)	(2,963,318)	1,179,202	7,081,740	N/A

Table 2: Summary of Net Corrective Transfers (\$)

Recipient Reserve	Net Corrective Transfer from DC Reserve
Capital Reserve	2,658,460
Water Reserve	1,484,642
Sewer Reserve	2,938,638
Total	7,081,740

Other Alternatives Considered:

The alternative for Council is to not authorize the net corrective transfers resulting from the 2009-2019 DC Reserve reconciliation. Staff, however, does not recommend this approach because the reconciliation:

1. Is in part required to transparently comply with paragraph 3 of subsection 5(6) of the DC Act.

2. Forms a critical component of the City's Long-Term Financial Plan.
3. Is reflected in the calculated DC rates included in the proposed DC by-law slated to take effect January 1, 2020.
4. Aligns with the intent of DCs, that being to ensure growth, instead of existing ratepayers, pays for growth-related capital works.

While the reconciliation was deferred through Council Resolution CR2018-651 to align with the timing of the 2019 DC by-law update, it has long been anticipated by the City and included in the City's overall fiscal resource management strategy.

Financial/Operation Impacts:

If the net corrective transfers resulting from the 2009-2019 DC Reserve reconciliation are not undertaken, the City's long-term financial health will be compromised in the amount of \$7,081,740, unnecessarily placing upward pressure on tax and user rate increases in future. Moreover, the net corrective transfer of \$2,658,460 to the Capital Reserve is critical to the 2020 Tax-Supported Capital Budget.

Relationship of Recommendation(s) To The 2016-2019 Strategic Plan:

The recommendations of this report align with the following strategic enablers:

1. Responsible Fiscal Resource Management.
2. Efficient Infrastructure and Asset Management.

Consultations:

Watson and Associates Economists Limited
Director of Corporate Services
City Treasurer

Department Head E-Mail: jrojas@kawarthalakes.ca

Department Head: Juan Rojas, Director of Engineering and Corporate Assets