



Report: COR-FSD-17-07

Region of Waterloo

Corporate Services

Financial Services and Development Financing

To: Chair Sean Strickland and Members of the Administration and Finance Committee

Date: March 7, 2017

File Code: F27-50

Subject: 2016 Development Charge Transaction Report

Recommendation:

For Information

Summary:

The collection of development charges in the Region of Waterloo is governed by the Region's Development Charge (RDC) By-law 14-046 which came into effect on August 1, 2014. This report presents the annual summary of development charge transactions as required by the Development Charges Act. A copy will be available on the Region's website.

Although the position of the RDC reserves has improved over 2015, there are indications that current development charge collections and rates are not sufficient to fund the anticipated growth related capital investments. This will be addressed further in the Annual Adequacy of Regional Development Charge Collections Review report to be submitted to the Administration and Finance Committee in April.

Report:

Background

The "Development Charges Act," 1997 ("The DCA"), enables the Council of a municipality to, by by-law, impose development charges against land to pay for increased capital costs due to the increased need for services arising from development of the area to which the

by-law applies. The collection of development charges in the Region of Waterloo is governed by the Region's Development Charge (RDC) By-law 14-046 which came into effect on August 1, 2014. RDC By-law 16-053, which amends the Transit charge and introduces a Waste Management charge, came into effect January 1st 2017. The amending By-law has been appealed by the Waterloo Region Homebuilder's Association.

Development charges are collected by the area municipalities on behalf of the Region at the time of issuance of a building permit. The funds are remitted to the Region on a monthly basis and allocated to reserve funds, which in turn are used to fund approved capital expansion projects in the following areas: Transportation, Airport, Water & Wastewater, Police, General Government (including Administration and Regional Growth Management Strategy), Operations/Facilities, Library, Transit, Paramedic Services, and Waste Management (effective January 1st, 2017).

Through Bill 73, the Province enacted changes to the DCA with regards to the Annual Report of the Treasurer which are reflected in this report. New requirements were added to:

- Identify all assets whose capital costs were funded by DCs and, for each asset, identify costs which were funded by other sources
- Include a statement as to the municipality's compliance in not imposing directly or indirectly, a charge related to a development or requirement to construct a service related to development, except as permitted by the DCA or another Act
- The report must be available to the public
- The report must be submitted to the Ministry of Municipal Affairs if requested by the Minister

All of the above requirements will be met by the Region through this report.

Development Charge Reserve Fund Balances

The Regional Development Charge Reserve Fund (RDC Fund) started the year with a combined balance of \$52.3 million. Contributions to the RDC Fund from collections, community housing grants, interest and funded exemptions and discounts totaled \$82.1 million. Appropriations for capital projects, debt service and prior oversized project recoveries totaled \$68 million resulting in a 2016 closing balance of \$66.4 million. Although the position of the RDC reserves has improved over 2015, there are indications that current development charge collections and rates are not sufficient to fund the anticipated growth related capital investments. This will be addressed further in the Annual Adequacy of Regional Development Charge Collections Review report to be submitted to the Administration and Finance Committee in April.

The continuity of each specific reserve fund is detailed in Appendix A. The continuity of the RDC Reserve Fund for all services for 2016, along with a comparison to 2015, is set out in the table below:

**Table 1
RDC Reserve Fund Continuity**

	<u>2015</u>	<u>2016</u>
Opening Balance	66,268,788	52,327,063
Add Contributions:		
Collections	42,495,696	77,655,319
Community Housing Grants	53,972	120,711
Exemptions/Discounts	1,765,124	2,993,021
Interest Earned	1,516,336	1,301,139
	45,831,128	82,070,190
Less Appropriations:		
To Fund Debt Servicing Costs	6,672,224	6,732,746
To Fund Capital Projects	50,227,356	58,116,289
Prior Oversized Project Recoveries*	2,873,273	3,139,623
	59,772,853	67,988,658
Closing Balance	52,327,063	66,408,595

*Prior oversized projects originally funded from tax levy and user rate reserves that are eligible for development charge recoveries.

2016 Development Charge Collections

Development charge collections in 2016 were in line with expectations and totaled \$77.7 million, an increase of approximately 83% from 2015 collections of \$42.5 million. Of the total collections, \$65.2 million was attributable to residential development and \$12.5 million was for non-residential development (see Appendix B).

Collections were significantly higher than usual in May due to the new Education DC By-law and rates coming into effect June 1, 2016. Collections were also significantly higher than usual in December due to the Region’s amending By-law for Transit and Waste Management coming into effect January 1st, 2017.

2016 Development Charge Capital Project Appropriations

In 2016, appropriations to fund growth-related capital projects and debt charges totaled \$64.8 million. Of this amount, \$6.7 million relates to debt servicing costs associated with Wastewater Services projects, which represents 31% of the total 2016 Wastewater RDC cash collections. Prior oversized project recoveries of \$3.1 million were transferred from the RDC Reserves for Water, Wastewater and Police to user rate (Water & Wastewater) and levy (Police) funded capital reserves. This represents a repayment from development charges for projects that were previously constructed and financed from tax levy and user rate reserves and that qualify for RDC recoveries under RDC By-law 14-046. See Appendix A for a breakdown of 2016 appropriations by service area and Appendix C for details by project.

Exemptions & Discounts

The Act requires that any shortfall in development charge revenue resulting from exemptions and discounts be funded from sources other than higher charges on other development. The following exemptions are provided in the RDC By-law:

- 1) Downtown core exemption: Currently, full downtown core exemptions exist in Kitchener and Cambridge. Development in the core area of the City of Waterloo will receive a 77% discount off the Transit RDC and 100% discount off the Waste Management DC effective January 1, 2017. All Regional downtown core exemptions will expire on February 28, 2019.
- 2) Remediated Brownfield Site: an RDC exemption is provided in the amount of the eligible remediation costs to a maximum of the RDC payable.
- 3) Farming, community housing and public hospitals.
- 4) Since August 1, 2014 the Region has discounted the industrial RDC by 50%, in order to encourage new industrial development.

The total cost of development charge exemptions and discounts is financed from user rate reserve funds and property tax reserve funds/levies. Table 2 provides a summary of exemptions & discounts applied in 2016.

Table 2 - 2016 Exemptions & Discounts					
	Downtown Core Exemptions	Brownfield Exemptions	Industrial Discounts	Farming	Total
Residential	\$1,658,153	\$366,147	\$0		\$2,024,300
Non-Residential	11,728	0	801,679	155,314	968,721
Total	\$1,669,881	\$366,147	\$801,679	\$155,314	\$2,993,021

A total of \$1,902,181 of the exemption and discount costs was funded from property taxes (mostly through the Roads Capital Levy Reserve), and \$1,090,840 was funded from User Rate Reserves.

Statement of Compliance:

The Regional Municipality of Waterloo has not imposed directly or indirectly, a charge related to a development or requirement to construct a service related to development, except as permitted by the DCA or another Act.

Corporate Strategic Plan:

This report supports strategic objectives found in the Corporate Strategic Plan, and particularly Focus Area 1.2 - Plan for and provide the infrastructure and services necessary to create the foundation for economic success.

Financial Implications:

Development charges are used to fund a portion of the cost of growth-related capital works. Existing RDC Fund balances along with future RDC revenues will be utilized to fund approved capital projects as set out in each year's capital budget. Although the position of the RDC reserves has improved over 2015, there are indications that current development charge collections and rates are not sufficient to fund the anticipated growth related capital investments. Staff will submit the Annual Adequacy of Regional Development Charge Collections Review report to the Administration and Finance Committee in April. The purpose of that report is to assist Council in determining the sufficiency of the development charge rates established under the current Development Charge By-law. Previous Adequacy Reports were submitted October 27, 2015 (COR-FSD-15-17) and April 12, 2016 (COR-FSD-16-10).

Other Department Consultations/Concurrence: Nil

Attachments:

Appendix A – Reserve Fund Transactions by Service Category

Appendix B – Summary of Reserve Fund Transactions

Appendix C – Development Charge Appropriations

Prepared By: Shane Fedy, Manager, Infrastructure Financing

Approved By: Craig Dyer, Commissioner, Corporate Services/Chief Financial Officer

APPENDIX A

The Regional Municipality of Waterloo
Regional Development Charges

2016 Reserve Fund Continuity

Fiscal Year 2016	Transportation	Airport	Water & Wastewater	Police	General Government	Operations	Library	Transit	Paramedic Services	Total Fund
Opening Balance 01-Jan-16	21,910,218	(877,793)	31,349,926	273,771	(1,442,051)	2,757,086	4,715	(1,837,042)	188,233	52,327,063
Contributions										
Collections	40,171,606	1,177,933	30,581,926	1,124,831	474,125	523,432	69,169	3,130,262	402,035	77,655,319
Community Housing Grants	61,674	1,497	48,352	1,735	732	797		5,305	619	120,711
Exemptions/Discounts	1,623,015	57,286	1,090,840	45,294	19,029	22,217		118,295	17,045	2,993,021
Interest Earned	433,446	(7,200)	843,248	11,001	(34,133)	67,780	543	(21,825)	8,279	1,301,139
	42,289,741	1,229,516	32,564,366	1,182,861	459,753	614,226	69,712	3,232,037	427,978	82,070,190
Appropriations										
Debt Service			6,732,746							6,732,746
Capital Projects	44,659,990	140,219	11,362,934	32,116	569,517	45,899	51,582	1,254,032	0	58,116,289
Prior Oversized Project Recoveries*			2,466,802	672,821						3,139,623
	44,659,990	140,219	20,562,482	704,937	569,517	45,899	51,582	1,254,032	0	67,988,658
Closing Balance 31-Dec-16	19,539,969	211,504	43,351,810	751,695	(1,551,815)	3,325,413	22,845	140,963	616,211	66,408,595

*Prior oversized projects originally funded from tax levy and user rate reserves that are eligible for development charge recoveries.

APPENDIX B

**The Regional Municipality of Waterloo
Regional Development Charges**

Summary of Reserve Fund Transactions

Fiscal Year 2016	Residential			Non-Residential			Total		
	Residential Collections	Residential Exemptions/ Discounts	Total	Non-Residential Collections	Non-Residential Exemptions/ Discounts	Total	Total Collections	Total Exemptions / Discounts	Total
Opening Balance*									52,327,063
Collections:									
January	1,684,902	0	1,684,902	3,007,766	59,045	3,066,811	4,692,668	59,045	4,751,713
February	1,492,967	0	1,492,967	1,100,424	2,500	1,102,924	2,593,391	2,500	2,595,891
March	2,971,837	632,750	3,604,587	870,670	95,609	966,279	3,842,507	728,359	4,570,866
April	6,263,476	998,058	7,261,534	1,881,690	33,745	1,915,435	8,145,166	1,031,803	9,176,969
May	10,748,183	0	10,748,183	961,284	59,949	1,021,233	11,709,467	59,949	11,769,416
June	4,016,941	0	4,016,941	401,206	283,203	684,409	4,418,147	283,203	4,701,350
July	6,217,664	0	6,217,664	1,469,577	3,358	1,472,935	7,687,241	3,358	7,690,599
August	3,012,194	108,488	3,120,682	371,731	182,796	554,527	3,383,925	291,284	3,675,209
September	3,658,022	0	3,658,022	1,426,573	17,217	1,443,790	5,084,595	17,217	5,101,812
October	4,338,806	0	4,338,806	332,874	0	332,874	4,671,680	0	4,671,680
November	3,811,712	81,366	3,893,078	122,938	68,821	191,759	3,934,650	150,187	4,084,837
December	16,957,623	203,637	17,161,260	534,260	162,479	696,738	17,491,882	366,116	17,857,998
	65,174,326	2,024,299	67,198,625	12,480,993	968,722	13,449,715	77,655,319	2,993,021	80,648,340
Community Housing Grants									120,711
Interest Earned									1,301,139
	65,174,326	2,024,299	67,198,625	12,480,993	968,722	13,449,715	77,655,319	2,993,021	82,070,190
Appropriations									
Debt Service									6,732,746
Capital Projects									58,116,289
Prior Oversized Project Recoveries									3,139,623
									67,988,658
Closing Balance									66,408,595
31-Dec-16									

APPENDIX C - 2016 Development Charge Appropriations

	Expenditures 2016	Funding From RDC Reserves	Funding From Other Reserves	Debentures	Other Sources of Funding*
Transportation					
05274 RR53(Fairway) Zeller to Fountain	80,129	80,129			
05334 RR24 Hespeler Rd at RR N of Dundas	337,625	71,715			265,910
05337 RR8(King) Eagle Fountain Shantz Hill	3,999,017	3,289,697	580,535		128,785
05340 RR69 Manitou Dr Bleams to Fairway	4,181,829	3,152,902	556,395		472,532
05378 RR#5 (Hutchison) Lobsinger to Crosshill	1,763,271	174,661			1,588,610
05389 RR9(Erb) Caroline to Menno	482,771	405,383	71,538		5,850
05425 RR5(Nafziger Rd),HWY 7/8 to Waterloo St	1,095,816	93,810			1,002,006
05549 RR36(Franklin) Myers (RR43) to Hwy 401	15,132,977	13,875,051			1,257,926
05579 RR69(Manitou)Homer Watson to Bleams	3,443,021	370,273			3,072,748
05633 RR15(King) Weber to HWY 85 SB Ramp	(160,552)	(82,457)	(78,395)		300
05664 RR5 (Nafziger Rd) Berletts Rd to Gerber	1,031,944	96,134			935,809
05672 RR43 (Branchton Rd) Lockie Rd to Brancht	719,755	88,624			631,132
05743 RR64(Charles) Kent to Stirling	48,588	48,588			
05752 RR6 (Highland)Eastforest Trail/Westheights	68,170	68,170			
05779 Waterloo Spur Trail	730,777	1,533,776			(803,000)
06433 RR 24 Ainslie St Extension	79,318	79,318			
06753 RR52 (Bridge St) Lexington Rd to Eastbridge	17,064	17,064			
06757 RR53 (Fairway Rd) Wilson Ave to King St	43,728	43,728			
06758 RR55 (Victoria St S) Frederick St	15,603	15,603			
06762 RR28 (Homer Watson Blvd) Ottawa St S	29,202	29,202			
06773 RR55 (Victoria St S) Fisher-Hallman Rd	692,883	686,085			6,797
06811 RR50 (Westmount Rd) University Ave	48,047	48,047			
07042 RR15 (King) Waterloo Inn Service Rd	53,558	53,558			

	Expenditures 2016	Funding From RDC Reserves	Funding From Other Reserves	Debentures	Other Sources of Funding*
07066 Transportation Master Plan	159,764	159,764			
07074 Growth Related Transportation Study	164,052	164,052			
07087 Road 56 River Road Extension King to Wilson	378,601	378,601			
07097 Development Turn Lanes to be Identified	499,087	499,087			
07101 RR8(Weber)Victoria to Guelph St	911,608	774,867	136,741		
07111 RR28(homer Watson) Doon to Conestoga College	185,363	185,363			
07116 RR38(Maple Grove) Beaverdale to Fountain	22,611	22,611			
07121 RR58(FischerHallman)Bleams to Activa	3,692,574	3,687,819			4,755
07122 RR58 (Fischer Hallman) Huron to Bleams	295,831	295,831			
07132 RR36(Franklin)Myers to Camb SE Boundary	479,333	479,333			
07145 RR#56 (Bleams) at FischerHallman	57,705	57,705			
07158 Transportation Tomorrow Survey	60,000	60,000			
07171 RR53(Courtland)at Blockline	1,104,330	1,104,330			
07178 Roundabout Education Program	31,359	15,679	15,679		
07180 Pre and Post Construction-Expansion	80,098	79,732	366		
07192 S.Boundary Rd, Water to Franklin	2,204,662	2,204,662			
07216 RR15(King) at Conestoga Rd	186,356	186,356			
07248 RR#17&26 Sawmill Rd at St. Charles St	22,775	22,775			
07282 RR 70 (Ira Needles) Highview to Erb	4,205,965	2,935,808			1,270,157
07294 RR4(Ottawa St)Homer Watson to Alpine	806,416	806,416			
07299 East Boundary Corridor Protection Study	136,975	136,975			
07303 RR17(Fountain St)Maplegrove to Kossuth	195,311	195,311			
07309 RR28(Fountain) at Limerick	11,501	11,501			
07316 RR22 (Northfield Dr) King to Kraus	966,289	966,289			
07321 RR70 (Erbsville) at Columbia	40,337	40,337			
07327 RR9(ERB STREET)IRA NEEDLES TO WILMOT LN	4,289,522	3,114,266			1,175,256
07334 RR33(Townline Rd) at Ellis Rd		51,992			(51,992)

	Expenditures 2016	Funding From RDC Reserves	Funding From Other Reserves	Debentures	Other Sources of Funding*
07342 RR8 King St. at Deer Ridge Dr.	253,797	253,797			
07343 New Dundee at Stauffer Woods Subdiv.	980,327	980,327			
07364 RR51 (Foundry St) at Gingerich Rd (RR6)	13,670	13,670			
07365 RR54 (Lackner Blvd) Fairway Rd (RR53)	23,304	23,304			
07366 RR70 (Trussler Rd) at Bridge St (RR12)	31,779	31,779			
07373 Level 2 Pedestrian Crossover (PXO)	86,011	86,011			
07376 RR36 (Franklin Blvd) Canamera Pkwy to N.	89,522	24,867	64,655		
07377 RR46 Roseville Rd at Dickie Settlement	45,175	45,175			
09025 Growth Related Traffic Signal	25,441	25,441			
09652 RR1 Waterloo St / Snyder's Rd W	106,702	106,702			
09653 RR23 Katherine St at Sawmill Rd	57,136	57,136			
09654 RR53 Fairway Rd at Sims Estate	52,795	52,795			
Various Projects Under \$10,000	173,113	82,462	90,651		
Total Transportation	57,061,738	44,659,990	1,438,165	0	10,963,581
Region of Waterloo International Airport					
03518 Property Acquisition/Obstacle Removal	19,010	1,900	17,109		
03544 Sanitary Forcemain Servicing	4,991	2,246	2,745		
03547 Airport Business Plan Update	108,506	97,655	10,851		
03579 Parking Lot Expansion	42,686	38,418	4,269		
Total Region of Waterloo International Airport	175,193	140,219	34,974	0	0
Water & Wastewater					
04005 MOE Source Water Assessment	144,070	11,458	32,612		100,000
04014 Integrated Urban System Groundwater Supply	111,394	111,394			
04015 Waterloo North Water Supply System	108,675	108,675			
04021 Wilmot Centre Wellfield Standby Well-BNH	28,624	11,078	17,547		
04024 Mannheim WTP RMP Supernatant	388,190	97,436	290,754		

	Expenditures 2016	Funding From RDC Reserves	Funding From Other Reserves	Debentures	Other Sources of Funding*
04082 Watermain Upgrades	1,631,425	409,300	1,164,931		57,195
04083 New Watermains	488,591	488,591			
04090 W&E Research & Development Project	33,904	33,904			
04097 Water Supply Upgrades	164,854	42,862	121,992		
04124 Source Protection Planning & Programming	268,547	69,822	198,724		
04125 Source Protection Technical Assessment	1,573,377	409,078	1,164,299		
04135 Well Optimization & Upgrades	480,331	124,886	355,445		
04159 Asset Management	512,498	133,250	379,249		
04160 William St & K41/K42 Class EA	171,368	43,013	128,354		
04161 Kitchener Zone 4 Feeder Upgrades	414,001	414,001			
04165 Clean Water Act Implementation	60,373	15,216	43,307		1,850
04167 Turnbull PS Upgrades	78,976	19,823	59,153		
04170 Monitoring System Management	267,127	69,453	197,674		
04171 Mannheim Plate Settlers Upgrades	1,118,808	280,821	837,987		
04173 Conestoga Plains and West Montrose System	217,159	54,507	162,652		
04178 Weber St - Connection Kitchener to Water	50,709	50,709			
04179 Charles St - LRT Replacement Cost Sharing	3,036,908	762,264	2,274,644		
04181 Cambridge Water Distribution Upgrades	147,138	36,932	110,206		
04183 Residential Water Efficiency Initiatives	113,903	113,903			
04184 Connection of New wells to water Supply	295,032	76,708	218,324		
04863 CMMS	41,070	10,678	30,392		
04864 Water Efficiency - ICI Programs	206,852	206,852			
04893 Facilities Upgrades	3,214,440	790,672	2,250,374		173,393
04903 PS & Reservoir Decommissioning	801,849	208,481	593,368		
04904 LTWS ASR Stages 1 + 2	86,404	29,679	56,725		
04911 Regulatory Requirements Upgrades	39,130	10,174	28,956		
04943 Water Efficiency-Outdoor Water Use	141,792	141,432			360

	Expenditures 2016	Funding From RDC Reserves	Funding From Other Reserves	Debentures	Other Sources of Funding*
04969 SCADA Communication Upgrade	282,618	73,481	209,138		
08242 Hespeler Expansion	237,212	237,212			
08270 Biosolids Masterplan Update	367,779	96,726	271,053		
08279 SCADA System	1,879,838	494,397	1,385,440		
08281 River Sampling Program	400,538	105,341	295,196		
08289 Galt Process Upgrades & Expansion	247,125	68,701	178,424		
08302 East Side Final PS & Force Main	81,295	81,295			
08305 Wastewater Treatment Upgrades	240,740	63,315	177,425		
08307 Kitchener & Waterloo Infrastructure Upgrades	423,396	106,272	317,124		
08308 Cambridge Infrastructure Upgrades	3,376,143	844,036	2,531,449		659
08309 Rural Infrastructure Upgrades	1,216,861	501,347	715,515		
08310 Sewage PSs Infrastructure Upgrades	563,777	148,273	415,504		
08317 Baden/New Hamburg Expansion	186,051	186,051			
08322 Cogeneration & Other Biosolids Upgrades	320,910	84,399	236,511		
08323 Preston Treatment Upgrades	3,802,216	828,883	2,973,333		
08324 Southern Ayr Wastewater System	1,651,656	1,651,656			
08327 Wastewater Asset Management	218,622	56,842	161,781		
08750 Rural Water Quality Program	250,000	65,750	184,250		
08779 Wastewater Master Plan Update	133,989	133,989			
90167 Asset Management System Implementation	494,741	129,600	365,141		
Various Projects Under \$10,000	65,415	18,316	47,100		
08797 Kitchener Process Upgrades (RDC Debt Servicing)	69,313,044	3,568,355		61,218,000	
08809 Waterloo Process Upgrades (RDC Debt Servicing)	2,296,785	3,164,391	499,599		1,550,000
Total Water and Wastewater	104,488,270	18,095,680	21,681,652	61,218,000	1,883,457
Waterloo Regional Police					
50022 Replacement of North Division	80,291	32,116			
Total Waterloo Regional Police	80,291	32,116		0	0

	Expenditures 2016	Funding From RDC Reserves	Funding From Other Reserves	Debentures	Other Sources of Funding*
General Government					
22007 Regional Smart Growth Initiative	117,896	106,107	25,000		
22021 Watershed Growth Studies	434,144	390,729	36,500		
60005 RDC By-law Review	80,756	72,681	8,072		
Total General Government	632,796	569,517	69,572		
Operations					
90109 Waterloo Regional Voice Radio System	209,875	32,320		735,000	
90076 Kitchener Transit Terminal Security	86,493	13,579	72,914		
Total Operations	296,368	45,899	72,914	735,000	0
Library					
20002 Library Holdings Acquisitions	44,000	39,600	4,400		
20009 Other Branch Furnishings	13,313	11,982	1,331		
Total Library	57,313	51,582	5,731		0
Transit					
66029 iXpress Station Development	696,968	126,848		970,000	
66059 Card Fare Payment Technology	2,404,599	437,636		4,092,000	
66062 Garage Expansion Strasburg	241,822	44,012		(2,599,039)	
66071 Advanced Transit Technology	393,722	71,658	322,064		
66088 Cambridge Centre Terminal	2,542,611	462,755		2,203,000	
66090 UW Transit Plaza	99,654	11,051	88,603		
66091 RT Station Integration	545,061	99,201	4,860	441,000	
66092 Fairview Mall Terminal	4,783	871	3,912		
Total Transit	6,929,220	1,254,032	419,439	5,106,961	0

Note: Total Funding in 2016 may not equal total expenditures in some instances due to the timing of debenture issuance and transfers.

* Includes, grants, subsidies and other third party funding.