



**City of Kingston
Information Report to Council
Report Number 16-153**

To: Mayor and Members of Council
From: Desirée Kennedy, Chief Financial Officer and City Treasurer
Resource Staff: Stephen Dickey, Director of Financial Services
Lana Foulds, Manager, Financial Planning
Date of Meeting: June 21, 2016
Subject: 2015 Development Charge Reserve Funds Statement
2015 Impost Fee Reserve Funds Statement

Executive Summary:

The purpose of this report is to provide Council with a status report of the City's Development Charge Reserve Funds and Impost Fee Reserve Funds as at December 31, 2015.

Development charges are collected for the purposes of financing new infrastructure and infrastructure capacity expansion, excluding new water and sewer infrastructure, under the *Development Charges Act, 1997*. The basis for these charges is provided in the 2014 Background Study in support of By-law 2014-135.

Impost fees are collected for the purposes of financing new water and sewer infrastructure and the related capacity expansion. Impost fees are established under the *Municipal Act, 2001* and are supported by the 2014 Background Study and By-law 2009-138 as amended.

Recommendation:

This report is for information purposes only.

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Authorizing Signatures:

ORIGINAL SIGNED BY CHIEF FINANCIAL OFFICER AND CITY TREASURER

**Desirée Kennedy, Chief Financial Officer and
City Treasurer**

ORIGINAL SIGNED BY CHIEF ADMINISTRATIVE OFFICER

Gerard Hunt, Chief Administrative Officer

Consultation with the following Members of the Corporate Management Team:

Lanie Hurdle, Community Services	Not required
Denis Leger, Transportation, Facilities & Emergency Services	Not required
Jim Keech, President and CEO, Utilities Kingston	

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Options/Discussion:

In accordance with legislation, the treasurer of the municipality is required to provide Council with an annual financial statement reflecting the activity of the Development Charge Reserve Funds. The structure and detail of this information, which also includes the reporting of activity of the Impost Fee Reserve Funds, has been developed over the past few years in consultation with representatives from the development community with a focus on underlying principles that support transparency, efficiency and ease of use.

With recent changes to the *Development Charges Act, 1997* as a result of the *Smart Growth for Our Communities Act, 2015 (Bill 73)*, the requirements for the information to be included in the annual treasurer's statement have changed. The 2015 reporting format has been revised to ensure alignment with the new legislation while continuing to provide additional information developed over the past few years in consultation with stakeholders. As required, once complete, the statement will be forwarded to the Minister of Municipal Affairs and Housing within 60 days of being presented to Council.

Development charges levies can only be used to fund costs related to new infrastructure and infrastructure capacity expansion, as determined through the development charges calculation process, and in accordance with the City's Development Charge By-law 2014-135. The *Development Charges Act, 1997* requires that development charges collected be placed in a separate reserve fund and accumulate interest. Development Charge Reserve Funds are not consolidated with other municipal reserve funds for investment purposes.

Exhibit A provides a summary of financial activity of the Development Charge Reserve Funds for the year ending December 31, 2015. Inflows consist of contributions from developers, collected at the time of building permit issuance, plus interest earned in the fiscal year. Outflows are in accordance with the City's Development Charge Background Study. Exhibits A1 and A2 provide a summary of project costs funded in whole or in part from development charges in 2015, including information on project costs and related funding sources.

It was identified in 2015 that development charges for the Fire Training Centre project, originally included in the 2009 Development Charge Background Study, were not correctly carried forward to the 2014 Background Study. This has created an interim cash flow adjustment and the need for an interfund borrowing between the Roads Services and Protection Services categories as shown in Exhibit A. This correction will be reconciled and addressed as part of the next background study as required. Interest on the interfund borrowing will be charged and recovered between the two service categories until the correction is made.

In accordance with Impost Fee By-law 2009-138, as amended, a statement is also filed annually with Council indicating the Impost Fee Reserve Funds balance and activity of the calendar year. Impost fees are collected in accordance with the *Municipal Act, 2001* and the City's Impost Fee By-law 2009-138, as amended. The impost fees are collected and placed in a separate reserve fund and accumulate interest. The impost fee establishes a mechanism for funding water and waste water system capacity required for new growth.

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Exhibit B provides information relating to the impost fees collected during 2015, interest earned on funds and related expenditures for works in accordance with the City's Impost Fee Background Study. Exhibits B1 and B2 provide a summary of project costs funded in whole or in part from impost fees in 2015, including information on project costs and related funding sources.

As part of the 2015 budget recommendations, changes were made to the capital funding for the Point Pleasant Water Treatment Plant. An amount of \$22.72M budgeted originally as pay-as-you-go funding was replaced with the issuance of debt in order to align with the City's updated 2014 Impost Fee Background Study and By-Law. Prior to 2015, expenditures of approximately \$12.4M had already been funded from the Impost Fee Reserve Funds for the Point Pleasant Water Treatment Plant in accordance with the original pay-as-you-go approach. Exhibit B and B1 reflect the funding adjustment made in 2015 to replace this impost pay-as-you-go funding with the issuance of debt.

Existing Policy/By Law:

Development Charges Act, 1997, last amended by Ontario Regulation 206/04, prescribes the information that must be included in the Treasurer's Statement of the Development Charges Reserve Fund.

Ontario Municipal Act, 2001

By-law 2014-135 "A By-Law to Establish Development Charges for the City of Kingston, Cited as the "City of Kingston Development Charge By-Law 2014, and to Repeal By-Law Number 2009-136, Cited as the "City Of Kingston Development Charge By-Law 2009"

By-law 2009-138 "A By-Law to Impose Water Rates and Sewer Rates to Recover the Capital Cost of Installing Water and Sanitary Sewer Services Necessary to Benefit Users of the System, Cited as the "City of Kingston Impost Fee By-law", as amended.

Notice Provisions:

There are no notice requirements under the *Municipal Act, 2001* for this report.

Accessibility Considerations:

This report may be available in alternative formats upon request.

Financial Considerations:

This report reflects the transactions of the City's Development Charge Reserve Funds and Impost Fee Reserve Funds as recorded in 2015. Allocations to finance capital projects from development charge and impost fees are approved by Council in the annual capital budget by-laws or by subsequent reports to Council and are in accordance with the Development Charge and Impost Fee Background Study.

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The City's Development Charge and Impost Fee By-laws include certain exemptions for the purposes of encouraging employment and assessment growth. Exemptions are recorded when building permits are issued and are compensated from a tax incremental financing approach by withholding taxation revenue from the related assessment increases to compensate Development Charge and Impost Fee Reserve Funds. In addition, as previously approved by Council, the City Treasurer is given delegated authority to consider applying additional amounts to the repayment of development charges and impost fees exemptions based on any surplus resulting from assessment growth in a given year. Council may also allocate budget funds to assist with this compensation through the annual budget process or by specific approval. Any additional transfers will accelerate the allocation of the tax incremental financing program and ultimately recognize revenues from assessment growth sooner.

At the end of 2015, total amounts outstanding to be compensated in respect of development charges and impost fees exemptions are \$1,209,531 and \$728,258 respectively.

Contacts:

Desirée Kennedy, Chief Financial Officer and City Treasurer, Extension 2220

Other City of Kingston Staff Consulted:

Randy Murphy, Chief Financial Officer, Utilities Kingston

Jim Miller, Director, Utilities Engineering

Exhibits Attached:

- Exhibit A: Annual Treasurer's Statement of Development Charge Reserve Funds (By-Law 2014-135)
- Exhibit A1: Summary of Capital Financing - Development Charge Reserve Funds
- Exhibit A2: Summary of Other Allocations - Development Charge Reserve Funds
- Exhibit B: Annual Treasurer's Statement of Impost Fee Reserve Funds (By-Law 2009-138)
- Exhibit B1: Summary of Capital Financing - Impost Fee Reserve Funds
- Exhibit B2: Summary of Other Allocations - Impost Fee Reserve Funds

Annual Treasurer's Statement of Development Charge Reserve Funds (By-Law 2014-135)

Description	Services to which the Development Charge Relates							Total
	Non-Discounted Services			Discounted Services				
	Roads	Protection ¹	Transit	Parks and Recreation ²	Affordable Housing	Studies	Library	
Opening Balance, January 1, 2015	15,792,321	184,143	36,975	3,836,501	276,788	158,004	290,839	20,575,571
<u>Plus:</u> Development Charge Collections								
Residential, Multi-Residential	2,732,727	197,393	127,592	710,014	24,768	31,898	205,274	4,029,665
Industrial (including repayment of exemptions)	368,970	25,667	16,042	17,646	-	4,813	4,813	437,952
Non-Industrial	680,576	47,887	30,474	15,962	-	7,256	4,353	786,508
Investment income	319,456	-	3,571	85,175	2,637	3,374	7,424	421,636
Interest on interfund borrowings	20,480	(20,480)						
Sub-Total	4,122,209	250,468	177,679	828,797	27,405	47,341	221,863	5,675,761
<u>Less:</u> Amount Transferred to Capital (Exhibit A1)	4,911,380	1,160,451	36,982	776,311	187,817	56,415	-	7,129,357
Other Allocations (Exhibit A2)	-	178,038	20,080	129,767	-	-	185,051	512,936
Sub-Total	4,911,380	1,338,489	57,062	906,078	187,817	56,415	185,051	7,642,293
Interfund Borrowings (Interim Financing)	(903,878)	903,878						
Closing Balance, December 31, 2015	14,099,271	-	157,592	3,759,220	116,375	148,930	327,651	18,609,040

¹ Service category includes: Police Services and Fire Services

² Service category includes: Indoor Recreation Services and Parkland Development Services

The Municipality is compliant with s.s. 59.1 (1) of the *Development Charges Act*, whereby charges are not directly or indirectly imposed on development nor has a requirement to construct a service related to development been imposed, except as permitted by the *Development Charges Act* or another Act.

Summary of Capital Financing - Development Charge Reserve Funds

	2014 Background Study				Actual Gross Capital Cost to Date	DC Recoverable Cost Share				Non-D.C. Recoverable Cost Share
	Study Gross Cost	Reserve Fund Adjustment	DC Recoverable Cost	Non-D.C. Recoverable Cost Share		D.C. Reserve Fund Prior Study Carry Forward ¹	D.C. Reserve Fund Current Year	D.C. Reserve Fund Cumulative Total	Post-Period Benefit	Municipal Reserve Funds
<u>Roads Services</u>										
City-wide intersection/Corridor improvements	12,000,000		9,712,800	2,287,200	487,383		394,488	394,488	72,133	20,762
City-wide intersection/Corridor improvements ¹					14,446	58		13,724		722
Cataraqui Woods - Sydenham Rd. to Centennial ¹					264,403	148,363		237,119		27,284
Bayridge Dr. New construction - Sierra to Creekford ¹					2,010,948	1,639,564		1,809,853		201,095
JCB widening from 2 to 4 lanes + bridge-Preload Work	58,479,822		21,023,412	37,456,411	4,560,104		1,639,351	1,639,351	674,895	2,245,858
Highway 15 widening - Phase I - EA/Design/Land	2,103,600		1,613,040	490,560	126,419		94,687	94,687	18,276	13,456
3rd Crossing ¹					1,451,970	725,985		725,985		725,985
Centennial - 2 lane ext. Fortune to 520m E. of Gardiners ¹					96,904	92,144		92,144		4,760
Transit Priority Measures	2,000,000		1,533,600	466,400	136,895		105,052	105,052	20,171	11,672
Additional Fleet	1,400,000		416,358	983,642	241,052		71,688	71,688		169,363
Sub-Total: Roads Services					9,390,522	2,606,114	2,305,266	5,184,091	785,475	3,420,956
<u>Protection Services</u>										
Fire Training Centre Phase II	3,000,000	18,176	699,525	2,282,299	2,705,409		619,733	619,733		2,282,299
Fire Training Centre Phase I & II ¹					5,500,000	540,718		2,075,580		3,227,798
Sub-Total: Protection Services					8,205,409	540,718	619,733	2,695,313	-	5,510,097

	2014 Background Study				Actual Gross Capital Cost to Date	DC Recoverable Cost Share				Non-D.C. Recoverable Cost Share
	Study Gross Cost	Reserve Fund Adjustment	DC Recoverable Cost	Non-D.C. Recoverable Cost Share		D.C. Reserve Fund Prior Study Carry Forward ¹	D.C. Reserve Fund Current Year	D.C. Reserve Fund Cumulative Total	Post-Period Benefit	Municipal Reserve Funds
<u>Transit Services</u>										
Transit Buses - Growth	5,780,000		1,487,425	4,292,575	2,560,922		32,177	637,055		1,923,867
Transit Facilities	4,000,000		772,020	3,227,980	39,966	(365)	5,170	4,805		35,161
Sub-Total: Transit Services					2,600,888	(365)	37,347	641,860	-	1,959,028
<u>Parks and Recreation</u>										
Invista Centre South Field	350,000	62,053	246,195	41,752	415,910		366,248	366,248		49,662
Woodhaven Park ¹					253,154	25,128		227,839		25,315
Janette Street Park ¹					133,019	75,773		119,717		13,302
Greenwood Park West Parkette ¹					466,224	55,400		419,674		46,550
Westbrook Meadows	550,000	97,512	386,877	65,611	153,766		127,389	127,389		26,378
Pathways & Trails ¹					1,334,099	118,097		333,525		1,000,574
Artillery Park ¹					14,050,104	8,276		450,000		13,600,104
Sub-Total: Parks and Recreation					16,806,275	282,674	493,637	2,044,391	-	14,761,884
<u>Affordable Housing</u>										
New Housing Projects ¹					2,275,529	187,817		252,859		2,022,670
Sub-Total: Affordable Housing					2,275,529	187,817	-	252,859	-	2,022,670
<u>Studies</u>										
Commercial Land Use Inventory ¹					69,025	34,512		34,512		34,512
Industrial Land Review ¹					74,784	21,903		50,479		24,305
Sub-Total: Studies					143,809	56,415	-	84,992	-	58,817
Total Amounts Transferred to Capital					39,422,433	3,673,373	3,455,984	10,903,506	785,475	27,733,453
						7,129,357				

¹ Remaining works in-progress from prior study period. DC Recoverable Cost Share held to fund these projects.

Summary of Other Allocations - Development Charge Reserve Funds

	2014 Background Study			DC Recoverable Cost Share
	Study Gross Cost	Reserve Fund Adjustment	DC Recoverable Cost	D.C. Reserve Fund Current Year
New firefighter equipment and outfitting	500,000	3,029	129,542	13,524
Additional Police Vehicles	340,000	16,620	323,680	35,036
Outfitting for 17 Additional Police Officers	117,000	5,719	111,281	11,578
700 Division Street (Excess Capacity)	1,179,000	57,364	1,121,366	117,900
Transit shelters	850,000		196,865	20,080
INVISTA Centre Ice Pad (Excess Capacity)	1,414,000	250,694	1,046,975	129,767
New library materials	2,000,000	142,264	1,671,962	185,051
Total Other Allocations				512,936

Annual Treasurer's Statement of Impost Fee Reserve Funds (By-Law 2009-138)

	Services to which the Impost Fee Relates		
	Non-Discounted Services		
<u>Description</u>	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Opening Balance, January 1, 2015			16,513,650
Point Pleasant WTP (funding correction)			12,446,221
Opening Balance, January 1, 2015, adjusted	8,370,822	20,589,049	28,959,871
<u>Plus:</u>			
Impost Fee Collections			
Residential, Multi-Residential	986,997	1,256,177	2,243,174
Industrial (including repayment of exemptions)	34,143	107,615	141,759
Non-Industrial	462,095	588,120	1,050,215
Accrued Interest	85,363	571,275	656,638
Sub-Total	1,568,598	2,523,188	4,091,786
<u>Less:</u>			
Amounts Transferred to Capital (Exhibit B1)	2,025,046	2,272,235	4,297,281
Other Allocations (Exhibit B2)	-	911,061	911,061
Sub-Total	2,025,046	3,183,296	5,208,342
Closing Balance, December 31, 2015	7,914,374	19,928,941	27,843,315

Summary of Capital Financing - Impost Fee Reserve Funds

	2014 Background Study			Actual Gross Capital Cost to Date	Impost Cost Share				Non-Impost Cost Share	
	Study Gross Cost	Impost Cost Share	Non-Impost Cost Share		Impost Reserve Fund Prior Study Carry Forward	Impost Reserve Fund Current Year	Impost Reserve Fund Cumulative Total	Impost Debt Financing	Municipal Reserve Funds	Debt Financing
<u>Water Services</u>										
Point Pleasant Water Treatment Plant (WTP)	59,200,000	35,520,000	23,680,000	31,590,919		1,348,865	8,735,261	10,392,177		12,463,481
Point Pleasant WTP (prior year study)				21,322,810			12,620,799		8,702,011	
Point Pleasant WTP (funding correction)							(12,446,221)	12,446,221		
Point Pleasant WTP Total				52,913,729		1,348,865	8,909,839	22,838,398	8,702,011	12,463,481
Watermain - Bayridge - Cloverdale to Forest	3,300,000	1,320,000	1,980,000	2,828,613		22,075	1,131,445		1,697,168	
Watermain - Avenue Road - Sir John A. McDonald to McMahan	560,000	336,000	224,000	769,720		456,289	461,832		307,888	
Watermain - King Street - Sand Bay Lane to Trail Head Place	1,650,000	825,000	825,000	89,364		44,682	44,682		44,682	
Watermain - Princess St. - Taylor Kidd Blvd. to Ambassador Hotel	300,000	150,000	150,000	299,674		149,837	149,837		149,837	
Cataraqui River Crossing - soil management (remaining works in-progress - prior study period)				872,635	3,298		345,096		527,539	
Sub-Total: Services Related to Water				57,773,735	3,298	2,021,748	11,042,731	22,838,398	11,429,125	12,463,481
<u>Wastewater Services</u>										
Cataraqui Bay Wastewater Treatment Plant	85,000,000	51,000,000	34,000,000	3,992,482		2,161,259	2,399,383		1,593,099	
Pumping Station - Portsmouth	2,700,000	2,700,000	-	221,432		69,773	221,432		-	
Pumping Station - Riverview	2,000,000	1,600,000	400,000	106,371		33,605	85,096		21,274	
Pumping Station - Westbrook	500,000	300,000	200,000	9,735		5,841	5,841		3,894	
Cataraqui River Crossing - soil management (remaining works in-progress - prior study period)				378,998	1,757		75,799		303,199	
Sub-Total: Services Related to Wastewater				4,709,018	1,757	2,270,478	2,787,551	-	1,921,466	-
Total Amounts Transferred to Capital				62,482,753	5,055	4,292,226	13,830,282	22,838,398	13,350,591	12,463,481

Summary of Other Allocations - Impost Fee Reserve Funds

		Debt Principal	Debt Interest	Total Debt Payment
<u>Wastewater Services</u>				
Ravensview Oversizing	Debt repayment - \$14M issued, 30 years, 5.05%	258,629	652,432	911,061
Total Other Allocations		258,629	652,432	911,061