



The Corporation of the Town of Milton

Report To: Council

From: Glen Cowan, Chief Financial Officer / Treasurer

Date: April 17, 2023

Report No: CORS-018-23

Subject: 2022 Treasurer's Statement of Development Charges and Cash-in-Lieu of Parkland Reserve Funds

Recommendation: **THAT report CORS-018-23 be received for information.**

EXECUTIVE SUMMARY

- The Town collected \$33.9 million in development charges (DCs) in 2022, along with \$7.2 million in cash-in-lieu of parkland.
- \$22.6 million of those funds were utilized in 2022, leaving balances of \$22.6 million and \$20.8 million in the DC and parkland reserve funds respectively.
- The Town continues to experience an upward trend in the cost of DC exemptions, with 2022 amount exceeding \$4.0 million for the first time. This trend is largely attributable to secondary dwelling units and is expected to continue with the changes introduced through Bills 108 and 23.
- At 2022 year end, Milton held \$169.1 million in financial securities that are intended to protect the Town's financial interest with development-related approval processes or agreements.

REPORT

Background

This report is being submitted in compliance with the requirements of the Development Charges Act, 1997 (the "DCA") and the Planning Act. Section 43 of the DCA requires the Treasurer of a municipality to provide a financial statement relating to the development charge by-laws and reserve funds established under section 33 of the DCA. Similarly, section 42 of the Planning Act requires the Treasurer to provide a financial statement relating to the special account for cash-in-lieu of parkland monies.

This report also includes a summary of the financial securities held by the Town in accordance with Financial Policy No. 117 Financial Management - Development Finance, as well as some activity level indicators for the Development Finance area for 2022.



Discussion

Development charge (DC) revenues collected in accordance with the Town's DC By-laws 044-2021 and 045-2021 are deposited in the DC reserve funds and subsequently applied to eligible growth-related costs once those costs have been incurred. In accordance with the DCA, By-law 044-2021, for the collection of DCs for parking services expired on September 18, 2022 and the balance in the Parking Development Charges Reserve Fund was transferred to the Property Transactions Reserve Fund. Cash-in-lieu of parkland (CIL Parkland) revenues are collected pursuant to the Planning Act and are deposited into a special cash-in-lieu of parkland reserve fund as required under the Act until such time as they are used for the acquisition of land for park or other recreational purposes. This report provides both summary level and transaction information by reserve fund and detailed funding information by project as required under the DCA and the Planning Act.

Appendix 1 illustrates the breakdown of the reserve fund activity for DCs and CIL Parkland from January 1, 2022 to December 31, 2022. During this period, the total DC reserve balances, before accounting for outstanding commitments, increased from \$16.0 million to \$22.6 million. When the Town's contributions to DC revenues through the funding of DC Exemptions as well as outstanding commitments to capital projects are considered, the net balance at year end is a deficit of \$71.4 million.

This projected deficit is largely driven by the services related to a highway development charge for which the Town has secured interim financing through various financial agreements. This interim financing, known as cash flow assistance, is held through letters of credit that will be drawn upon in accordance with the underlying financial agreements and as necessary to manage the Town's cash flow requirements. As approved through CORS-064-20, amending agreements were executed during 2022 and the letters of credit were reduced by 50% to align with projected needs. Although the services related to a highway development charge reserve fund is in a deficit at the end of 2021, no draws against the \$33.9 million of cash flow assistance letters of credit have been processed at this time. Based on current cash flow projections, it is anticipated draws on these letters of credit will be undertaken during the latter portion of 2023 with their eventual repayment funded with future development charge collections.

The balance in the CIL Parkland reserve fund increased from \$13.1 million to \$20.8 million. The current capital forecast anticipates an investment in parkland funded from the reserve in the latter half of the ten year forecast.

Appendix 2 identifies the capital projects to which the \$22.6 million of DC funds was transferred. No transfers from the CIL Parkland reserve fund were made during 2022. DCs are transferred to capital projects as expenses are incurred, effectively matching funding with expenditures. The schedule also identifies DC debt and exemption funding, post-period/interim funding as well as the non-DC funding associated with these capital projects, as required under the DCA and Planning Act.



Discussion

Appendix 3 illustrates the operating costs to which \$0.2 million of funding was transferred. The operating costs are solely for the repayment of principal and interest on debt that was previously issued to fund DC eligible capital projects.

Appendix 4 provides a list of required disclosures as outlined in O.Reg 82/98.

Appendix 5 provides a summary of the development charge exemptions of \$4.0 million funded by the Town during 2022. Under the DCA, the Town is required to ensure that a higher development charge rate is not imposed to fund the share of growth costs that are related to the development of land that is exempt in the DC By-law. This includes growth resulting from both mandatory and discretionary exemptions.

Financial Securities:

Through Financial Policy No. 117 Financial Management - Development Finance, the Town requires the submission of financial securities to ensure compliance with the Town's standards and/or to protect the Town's financial interests with development-related approval processes or agreements. The following table summarizes the Town's financial security holdings activity categorized by approval process/agreement type for 2022. The net decrease of \$34.9 million is largely attributable to the 50% reduction in the cash flow assistance letters of credit.

Approval Process/Agreement Type	Opening Balance January 1, 2022	New/ Increases	Releases/ Reductions	Ending Balance December 31, 2022
Subdivision/Servicing Agreement	\$ 70,558,881	\$ 12,295,509	\$ (23,607,334)	\$ 59,247,056
Cash Flow Assistance	67,851,439	21,000,094	(54,925,814)	33,925,720
Site Plan Agreement/Undertaking	40,365,402	23,597,037	(14,189,719)	49,772,720
Development Agreement	10,967,603	300,000	(4,769,162)	6,498,440
Engineering Permit	6,464,182	4,870,881	(1,551,373)	9,783,691
Local Environmental Monitoring Program	4,849,169	820,426	(302,677)	5,366,919
Other	2,912,337	1,577,016	(10,000)	4,479,353
Total Cash Securities	\$ 203,969,014	\$ 64,460,963	\$ (99,356,079)	\$ 169,073,898

Letters of credit constitute the majority of the Town's financial security holdings with just over \$163 million held at year end 2022. By comparison, the Town held \$5.7 million in cash securities. The overall securities held by type is summarized in the following table.

Approval Process/Agreement Type	Letters of Credit	Cash	Total Financial Securities Held
Subdivision/Servicing Agreement	\$ 59,131,552	\$ 115,504	\$ 59,247,056
Cash Flow Assistance	33,925,720	-	33,925,720
Site Plan Agreement/Undertaking	46,987,869	2,784,851	49,772,720
Development Agreement	5,984,777	513,663	6,498,440
Engineering Permit	8,458,266	1,325,425	9,783,691
Local Environmental Monitoring Program	5,366,919	-	5,366,919
Other	3,472,020	1,007,333	4,479,353
Total	\$ 163,327,122	\$ 5,746,775	\$ 169,073,898



Discussion

Annual Activity Summary:

The Development Finance area supports the financial management of development within the Town through the provision of numerous services including:

- the administration and/or calculation of development charges and financial securities;
- coordinating the growth forecast and guiding budget staff in forecasting financial impacts of growth;
- liaising with the development community and the Development Services department to support and administer development and financial agreements, including subdivision agreements;
- providing financial support and review of various growth-related financial agreements and corporate studies, including secondary plans, tertiary plans and master plans; and
- leading the development of fiscal impact analyses and financial policies that guide the financial management of growth.

The following table highlights activity levels for Development Finance in 2022:

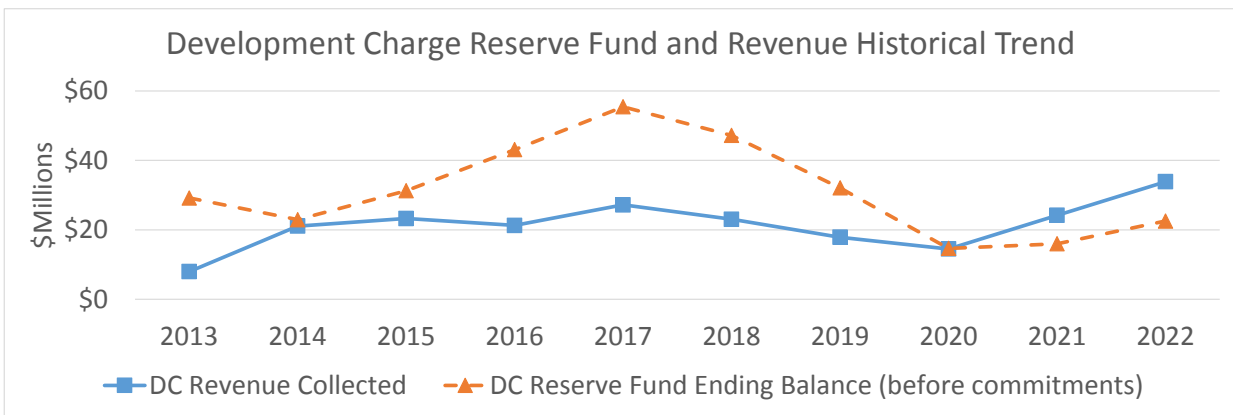
Metric	Measurement
No. of Building Permits - Residential	879
No. of Building Permits - Non-Residential	129
No. of Active Subdivisions	57
Financial Securities:	
- Quantity Held	409
- Number of Transactions	305
- \$ Value	\$169,073,898

Financial Impact

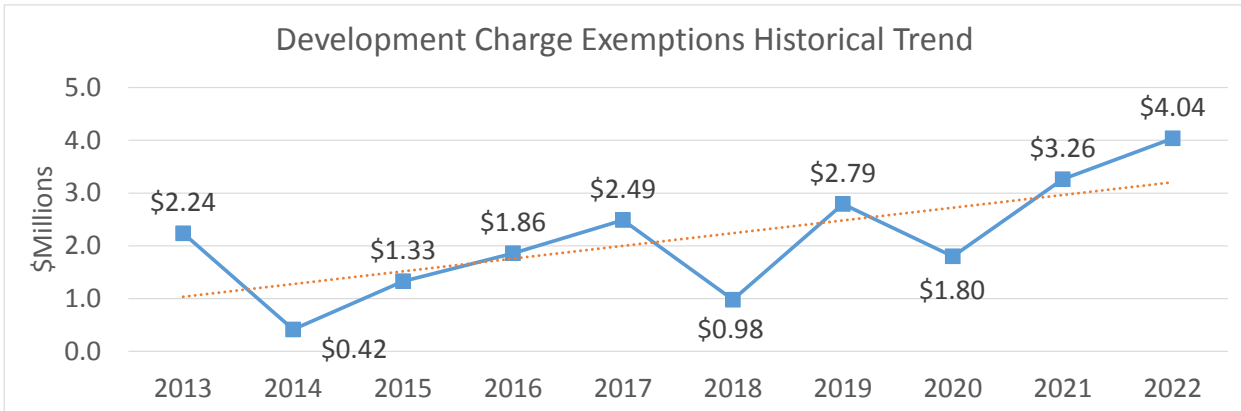
This report provides legislated reporting on the Town's DC and CIL Parkland reserve funds as required under the DCA and Planning Act. The funds collected through DCs and CIL form an important part of the Town's capital financing, as approximately 62% of the 2024-2032.



The table below presents a ten-year historical continuity of DC revenue collections and reserve fund balances in order to add some additional context to the 2022 DC activity. The balance in the DC reserve funds will fluctuate with, amongst other factors, the timing of the growth related projects that DCs are collected to fund. The Town’s DC revenues increased in 2022, reaching their highest level in the 10 year period shown. This upward movement is anticipated to continue in future years in line with projected growth. The reserve fund balances increased marginally over 2021. Expenditures in 2022 were largely focused on investment in roads infrastructure including the redevelopment of Bronte Street from Main Street to Steeles Avenue and the reconstruction and widening of Main Street East to 5th Line.



The following graph further depicts the historical DC exemption values that the Town is required to fund in accordance with the DCA. Although the annual values vary as a result of the activity levels related to exempt development (such as public entities and industrial expansions), the Town continues to experience an upward trend in DC exemptions, with 2022 exemptions topping \$4 million for the first time. Exemptions for secondary dwelling units showed a slight decline from 2021 levels; however, the Town continues to anticipate high levels of secondary dwelling unit development and associated exemptions as the Province continues to introduce legislation, including Bill 108: More Homes, More Choice Act, 2019 and Bill 23: More Homes Built Faster Act, 2022 that remove barriers and increase incentives for this type of growth in an effort to address the housing supply shortage.



Respectfully submitted,

Glen Cowan
Chief Financial Officer / Treasurer

For questions, please contact: Melanie Wallhouse
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Attachments

Appendix 1: Annual Treasurer's Statement of Development Charges and Cash-in-Lieu of Parkland Reserve Funds

Appendix 2: Capital Fund Transactions

Appendix 3: Operating Fund Transactions

Appendix 4: Treasurer's Statement

Appendix 5: Summary of Development Charge Exemptions

Approved by CAO
Andrew M. Siltala
Chief Administrative Officer



Recognition of Traditional Lands

The Town of Milton resides on the Treaty Lands and Territory of the Mississaugas of the Credit First Nation. We also recognize the traditional territory of the Huron-Wendat and Haudenosaunee people. The Town of Milton shares this land and the responsibility for the water, food and resources. We stand as allies with the First Nations as stewards of these lands.