



The Corporation of the Town of Milton

Report To: Council

From: Glen Cowan, Chief Financial Officer / Treasurer

Date: April 15, 2024

Report No: CORS-016-24

Subject: 2023 Treasurer's Statement of Development Charges and Cash-in-Lieu of Parkland Reserve Fund

Recommendation: THAT report CORS-016-24 be received for information.

EXECUTIVE SUMMARY

- The Town collected \$22.6 million in development charges (DCs) in 2023, along with \$1.5 million in cash-in-lieu of parkland.
- \$34.0 million of those funds were utilized in 2023, leaving balances of \$12.0 million and \$23.1 million in the DC and parkland reserve funds respectively.
- The Town continues to experience an upward trend in the cost of DC exemptions, with the 2023 amount exceeding \$5.2 million for the first time. This increasing trend is largely attributable to secondary dwelling units and is expected to continue with the recent legislative changes introduced through Bills 108 and 23.
- At 2023 year end, Milton held \$193.1 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.



Background

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 2023.

Discussion

Development charge (DC) revenues collected in accordance with the Town's DC By-law 045-2021 are deposited in the DC reserve funds and subsequently applied to eligible growth-related costs once those costs have been incurred. 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, 2023 to December 31, 2023. During this period, the total DC reserve balances, before accounting for outstanding commitments, decreased from \$22.6 million to \$12.0 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 \$57.9 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 2023, no draws against the \$33.9 million of cash flow assistance letters of credit were processed during 2023. Based on current cash flow projections and the timeframe for draws outlined in the Amending Agreement, the Town is actively drawing on these letters of credit during the first quarter of 2024, with their eventual repayment funded with future development charge collections no later than June 30, 2028.



Discussion

The balance in the CIL Parkland reserve fund increased from \$20.8 million to \$23.1 million. The current capital forecast anticipates an investment in parkland funded from the reserve mid-way through the ten year forecast.

Appendix 2 identifies the capital projects to which the \$34.0 million of DC funds was transferred. No transfers from the CIL Parkland reserve fund were made during 2023. 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.

Appendix 3 provides a list of required disclosures as outlined in O.Reg 82/98.

Appendix 4 provides a summary of the development charge exemptions of \$5.3 million funded by the Town during 2023. 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 2023. The net increase of \$23.9 million is largely attributable to an increase in securities collected under new subdivision/servicing agreements.

Approval Process/Agreement Type	Opening Balance January 1, 2023	New/ Increases	Releases/ Reductions	Ending Balance December 31, 2023
Subdivision/Servicing Agreement	\$ 59,247,056	\$ 45,371,621	\$ (12,815,673)	\$ 91,803,005
Cash Flow Assistance	33,925,720	-	-	33,925,720
Site Plan Agreement/Undertaking	49,772,720	10,179,266	(19,896,262)	40,055,724
Development Agreement	6,498,440	-	(405,750)	6,092,690
Engineering Permit	9,783,691	3,170,597	(2,230,437)	10,723,851
Local Environmental Monitoring Program	5,366,919	752,600	-	6,119,519
Other	4,479,353	500,000	(581,000)	4,398,353
Total Cash Securities	\$ 169,073,898	\$ 59,974,084	\$ (35,929,121)	\$ 193,118,861

Letters of credit constitute the majority of the Town's financial security holdings with just over \$187 million held at year end 2023. By comparison, the Town held \$5.9 million in cash



Discussion

securities. The overall securities held by type and purpose is summarized in the following table.

Approval Process/Agreement Type	Letters of Credit	Cash	Total Financial Securities Held
Subdivision/Servicing Agreement	\$ 91,605,068	\$ 197,936	\$ 91,803,005
Cash Flow Assistance	33,925,720	-	33,925,720
Site Plan Agreement/Undertaking	37,570,690	2,485,034	40,055,724
Development Agreement	5,984,777	107,913	6,092,690
Engineering Permit	8,591,723	2,132,128	10,723,851
Local Environmental Monitoring Program	6,119,519	-	6,119,519
Other	3,391,020	1,007,333	4,398,353
Total	\$ 187,188,517	\$ 5,930,344	\$ 193,118,861

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 2023 compared against 2022:

Metric	2023	2022	Change
No. of Building Permits - Residential	1,125	879	+30%
No. of Building Permits - Non-Residential	187	129	+45%
No. of Active Subdivisions	57	57	0%



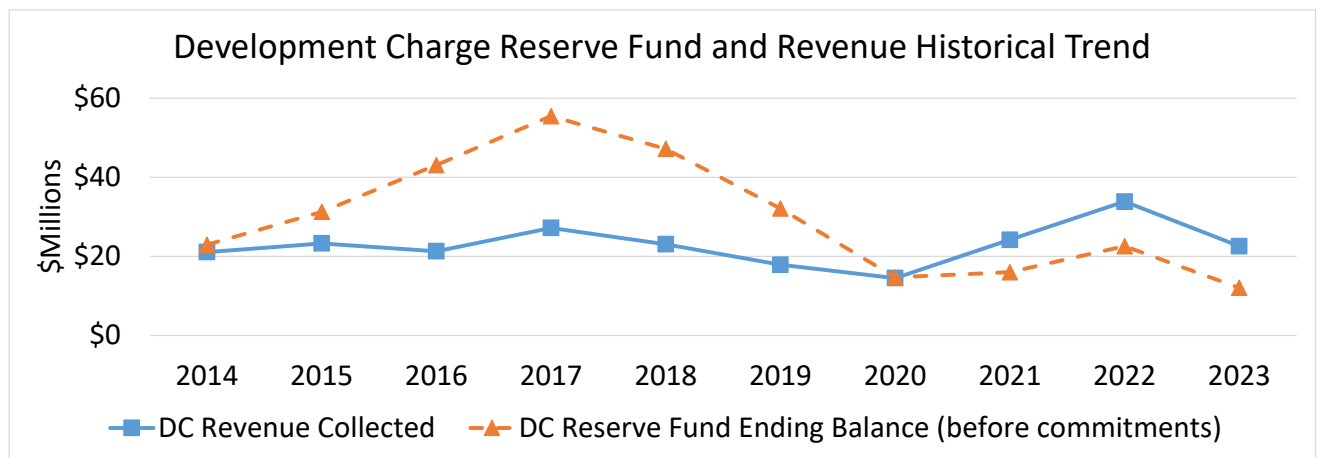
Discussion

Financial Securities:			
• Quantity Held	396	409	-3%
• No. of Transactions	194	305	-36%
• \$ Value	\$193,118,861	\$169,073,898	+14%

Financial Impact

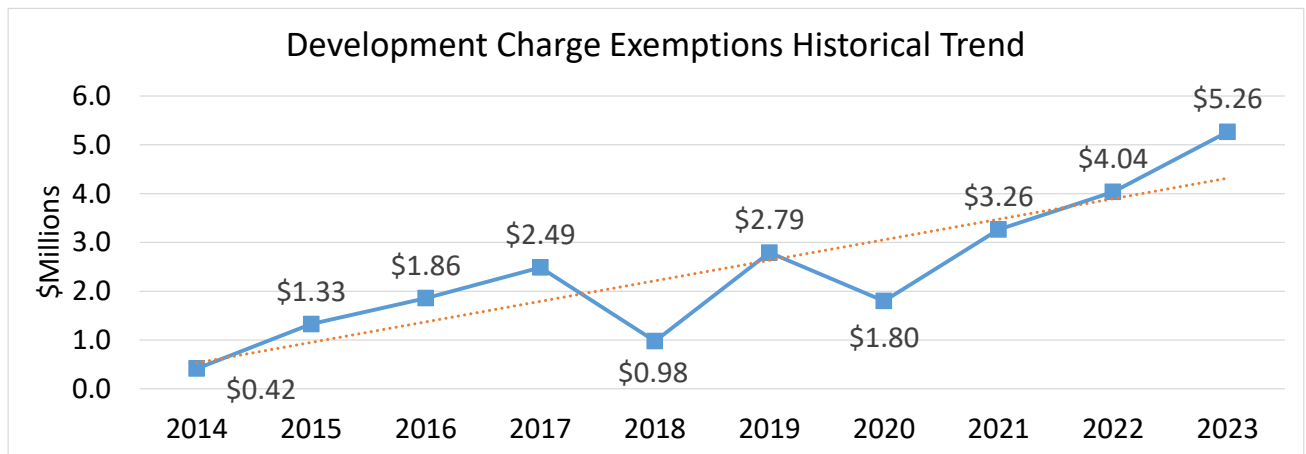
This report provides legislated reporting on the Town’s DC and CIL Parkland reserve funds as required under the DCA and Planning Act. The funds collected through DCs and CIL Parkland form an important part of the Town’s capital financing, as approximately 82% of the 2024-2033 Capital Budget and Forecast are funded from these sources (inclusive of post period benefit and DC debt).

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 2023 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 decreased from the ten-year high achieved in 2022 to more average levels. An upward movement in DC revenues is anticipated in future years as the Town’s growth is projected to increase. The reserve fund balances decreased in 2023 largely driven by the funding of capital expenditures focused on the continued investment in roads infrastructure including the reconstruction and widening of both Fifth Line from Hwy 401 to Derry Road and Main Street East from James Snow Parkway to 5th Line as well as the redevelopment of Bronte Street from Main Street to Steeles Avenue.



Financial Impact

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 2023 exemptions topping \$5 million for the first time ever; representing an increase of over 30% of the previous year’s record high of \$4 million. Exemptions for secondary dwelling units showed an increase of 84% over 2022 and the Town continues to anticipate high levels of secondary dwelling unit development and associated exemptions as the Province continues to 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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& Financial Consulting

Phone: Ext. 2314



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: Treasurer's Statement
- Appendix 4: 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.