

# Town of Ajax Report



**Report To:** General Government Committee

**Prepared By:** Julie Mephram, CPA, CA  
Acting Manager of Budgets and Accounting

**Subject:** Development Charge Reserve Funds - Treasurer's Annual Statement

**Ward(s):** All

**Date of Meeting:** June 8, 2020

**Reference:** 2018 Development Charge Background Study and Bylaw 50-2018  
Temporary Borrowing Bylaw 71-2019 approved on November 18, 2019

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## **Recommendation:**

That the report "2019 Development Charge Reserve Funds – Treasurer's Annual Statement" be received for information.

## **Background:**

The Development Charges Act (DCA), Section 43 (1) states that "The treasurer of a municipality shall each year on or before such date as the council of the municipality may direct, give the council a financial statement relating to the development charge by-laws and reserve funds established under section 33."

This statement must include:

- the opening and closing balances of the reserve funds including the transactions relating to the funds;
- a listing of all assets whose capital costs were funded under a development charge by-law during the year, and for each asset, the costs not funded under the by-law and the source of other funding;
- a statement indicating compliance with not imposing directly or indirectly a charge related to a development or a requirement to construct a service related to development except as permitted by the DCA or another Act.

## **Discussion:**

In 2015 Ontario Regulation 82/98 and Bill 73, Smart Growth for Our Communities Act, 2015, provided specific guidance with respect to the information to be included in the Treasurer's annual statement.

The Development Charge Reserve Funds Annual Statement in Attachment 1 provides the consolidated opening and closing balances of each service category maintained by the Town of Ajax and reports transfers to/from service categories as applicable.

Attachment 2 provides information, by capital project and service category, of the development charge transfers made to capital accounts or to operating funds during the fiscal year, as well as other sources of financing provided to each project.

The annual statement shows both the closing cash balance as of December 31, 2019 and the balance net of funding commitments for capital projects approved by Council. Capital project funding commitments are monies set aside to fund capital projects that have not yet been completed. A list of capital project commitments related to each service category can be found in Attachment 3.

Lastly, the Town of Ajax affirms that it is compliant with s.s. 59.1 (1) of the Development Charges Act, whereby it has not imposed directly or indirectly a charge related to development or a requirement to construct a service related to development, except as permitted by the DCA or another Act.

### Temporary Borrowing for Development Charge Collection Shortfall

It was anticipated that there would be a temporary development charge collection shortfall from the slowdown in building permit activity experienced in the wake of Bill 108. In order to enable the Town to appropriately fund its growth related capital projects in the short to mid-term, staff obtained Council approval on November 18, 2019 for the borrowing of up to \$9.9 million from the Town's Post Growth Reserve to offset this temporary shortfall.

Given the 2019 year-end DC cash balance remained positive at just over \$6 million the Town did not need to borrow from its internal reserve. The cash balance remained positive because:

- projects were deferred to future years (Range Road Construction, Rossland Road Top Asphalt-West limits to Church)
- \$1.3 million in funding was returned to the DC reserve fund as a result of the closing of the Mulberry Meadows Park capital project and other DC funded projects, and
- some ongoing projects have not reached more advanced stages of completion (eg. Church Street Reconstruction-Rossland to Hydro Corridor)

Once all approved capital project costs are considered, the year-end DC reserve fund (DCRF) is in a shortfall position of \$5,521,565 for 2019 due to the timing of expenditures explained above.

	2019 Actuals	2020 Year End DCRF Balance Forecast
December 31, 2019 closing cash balance	\$6,071,245	
Capital project commitments	(11,592,810)	
<b>2019 DCRF Balance Shortfall</b>	<b>\$(5,521,565)</b>	<b>\$(5,521,565)</b>
2020 budgeted capital expenditures		(6,491,800)
2020 budgeted DC collections		5,602,300
<b>2020 Estimated DCRF Balance Shortfall</b>		<b>\$(6,411,065)</b>

As of the date of this report the Town has collected approximately 15% of the 2020 budgeted DC collections. A shortfall in 2020 DC collections combined with a requirement to fund projects at or nearing completion may result in a cash shortfall which will require the use of temporary borrowing. Other factors that affect cash required include scheduling of capital works and timing of invoice payments. Any slowdown in construction resulting from COVID-19 related restrictions will also impact cash flow needs.

Staff will continue to monitor the cash flow levels and determine the best time to approach the Region to request the issuance of an internal debenture. Debentures are typically issued by the Region twice a year; in the spring and in the fall.

### **Development Charge Exemptions**

The value of development charge exemptions granted by a municipality, such as those eligible through Community Improvement Plans or non-statutory DC implementation policies, must be contributed from Town funds to the Town's DC reserve funds. This is a legislative requirement to ensure the financial burden created by municipal policy decisions is not transferred to future developments. In 2019 there were no new non-statutory DC exemptions required to be funded from Town Reserves.

As communicated during the 2019 budget discussions, the Town will be required to fund significant DC exemptions granted through a previously approved agreement. Staff are currently evaluating the total financial obligations with respect to the Downtown Community Improvement Plan and related agreements. Results of this assessment accompanied by a funding strategy will be presented to Council at a future date as part of a Financial Sustainability Plan update.

### **Financial Implications:**

Future growth related development needs will have to be balanced with current and anticipated Development Charge collections. Some capital projects currently listed in the long range capital forecast may have to be delayed while other projects deemed essential will require consideration of alternate funding arrangements.

### **Communication Issues:**

Under Bill 73, the Town is required to ensure that the Treasurer's Annual Statement is available to the public, as such, a copy of this report and the attachments will be posted on the Town website.

It is also a requirement that the annual statement must be provided to the Minister of Municipal Affairs and Housing (MMAH) upon request.

### **Relationship to the Strategic Plan:**

N/A

### **Conclusion:**

The completion of the Development Charge Reserve Funds Annual Statement fulfills the reporting requirements of the Development Charges Act.

### **Attachments:**

ATT-1: Development Charge Reserve Annual Statement

ATT-2: Development Related Capital Growth Reserve Funds Transfers

ATT-3: Development Charge Reserve Fund Commitments

Prepared by:

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Julie Mepham, CPA, CA – Acting Manager of Budgets and Accounting

Submitted by:

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Sandra Serrao, CPA, CMA, - Acting Director of Finance

Approved by:

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Shane Baker – Chief Administrative Officer

**Attachment 1**  
**Development Charge Reserve Funds Annual Statement**  
**For the Town of Ajax - Town Services**  
**For the Year Ended December 31, 2019**

	<b>Total</b>	<b>Development Related Capital Growth Studies</b>	<b>Fire Stations, Vehicles and Equipment</b>	<b>Transportation (incl Roads and related)</b>	<b>Parks and Recreation (incl Vehicles and Equipment)</b>	<b>Libraries and Related (incl Materials)</b>
<b>Balance as of January 1, 2019</b>	8,570,427	225,173	(925,763)	2,389,318	6,448,070	433,629
<b>Plus:</b>						
<b>Development Charge Collections</b>	3,488,362	54,540	66,544	2,305,017	883,205	179,056
<b>Town Contribution for DC Exemptions</b>	-	-	-	-	-	-
<b>Accrued Interest</b>	197,619	5,725	(23,228)	75,313	133,485	6,324
<b>Repayment of Monies Borrowed from Fund and Associated Interest</b>	-					
<b>Subtotal</b>	3,685,981	60,265	43,316	2,380,330	1,016,690	185,380
<b>Less:</b>						
<b>Amount Transferred to Capital (or Other) Funds (Attachment 2)</b>	6,185,163	60,775	-	831,816	4,446,880	845,692
<b>DC eligible projects or debt funded by non-DC sources</b>	-	-	-	-	-	-
<b>Amount Loaned to Other DC Reserve Fund</b>	-	-	-	-	-	-
<b>Credit</b>	-	-	-	-	-	-
<b>Monies Borrowed from Fund for Other Municipal Purposes</b>	-	-	-	-	-	-
<b>Subtotal</b>	6,185,163	60,775	-	831,816	4,446,880	845,692
<b>December 31, 2019 Closing Balance</b>	<b>6,071,245</b>	<b>224,663</b>	<b>(882,447)</b>	<b>3,937,832</b>	<b>3,017,880</b>	<b>(226,683)</b>
<b>Commitments for Capital projects approved as of December 31, 2019 (Attachment 3)</b>	11,592,810	371,122	-	9,160,034	1,783,415	278,239
<b>December 31, 2019 Balance net of Capital Commitments<sup>1</sup></b>	<b>(5,521,565)</b>	<b>(146,459)</b>	<b>(882,447)</b>	<b>(5,222,202)</b>	<b>1,234,465</b>	<b>(504,922)</b>

**Notes**

<sup>1</sup> Bylaw 71-2019 authorizing the borrowing of up to \$9.9 million from the Town's Post Growth Reserve to offset the temporary shortfall in DC collections from a slow down in development activity was approved by Council on November 18, 2019

**Attachment 2**  
**Development Charge Reserve Funds Annual Statement**  
**For the Town of Ajax - Town Services**  
**For the Year Ended December 31, 2019**

<b>DEVELOPMENT RELATED CAPITAL GROWTH RESERVE FUND TRANSFERS</b>				
	<b>DC Recoverable Cost Share</b>	<b>Non-DC Recoverable Cost Share</b>		
<b>Capital Project</b>	<b>DC Reserve Fund Draw</b>	<b>Reserve Draw</b>	<b>Grants, Subsidies, Other Contributions</b>	<b>Total</b>
<b>Development Related Growth Studies</b>				
0960011 Comp. Zoning By-Law Update	1,403	1,549	-	2,952
0972311 Com Policy Rev/Empl Rpt Updte	29,606	9,349	-	38,955
1009911 Recreation Master Plan	29,766	12,246	-	42,012
<b>Sub-Total Development Related Growth Studies</b>	<b>60,775</b>	<b>23,144</b>	<b>-</b>	<b>83,919</b>
<b>Transportation (incl Roads and related)</b>				
0958811 BRT Street Lights at Westney	79	(7)	-	72
0964011 Rossland Rd Recon - Phase 2	33,604	2,145	328,463	364,212
0976011 Riverside Dr Reconstruction	194,626	46,063	-	240,689
0976611 ChurchStBrDES-Ross./Hydro Corr	24,381	2,709	-	27,090
0976811 RangeRd-Hydro-Ashbury/LakeRidg	693	502	1,194	2,389
0996011 Rossland Widen- Church Westney	30,679	6,284	-	36,963
0996511 Storm Sewer Salem Rd - CONST	88,694	-	-	88,694
0997111 Range Road Reconstruction	458	332	790	1,580
1000711 Hwy2 BRT Street Lighting	35,876	1,888	-	37,764
1004411 Traf Signl Rossl/Riverside-Des	2,001	105	-	2,106
1004511 Lion's Clubhouse Tr Connection	13,543	1,098	-	14,641
1005311 Church-Rossland to Hydro Corr.	344,396	38,263	64,600	447,259
1005511 Rossland EA Westney-Lakeridge	7,862	2,245	-	10,107
1007911 Fleet-Addl OPS Crew Equip 2019	54,924	6,661	-	61,585
<b>Sub-Total Transportation (incl Roads and related)</b>	<b>831,816</b>	<b>108,288</b>	<b>395,047</b>	<b>1,335,151</b>
<b>Major Indoor Recreation Facilities and Related</b>				
0967911 ARC - Future Phases Design	66,847	78,002	-	144,849
0988511 Audley Recreation Ctr - Ph. 2	3,331,664	8,546,845	-	11,878,509
0996911 Mulberry Meadows Park - DES	1,972	551	-	2,523
0997011 Duffins Village Central Park	771,034	85,255	-	856,289
0998711 Fleet-Add'l Mini Sweeper 2018	165,282	28,062	-	193,344
1005911 Mulberry Meadows Parkettes	7,654	1,540	-	9,194
1007911 Fleet-Addl OPS Crew Equip 2019	74,926	9,087	-	84,013
1008511 Fleet-Addl Sat. Fac Truck 2019	27,501	4,643	-	32,144
<b>Sub-Total Major Indoor Recreation Facilities and Related</b>	<b>4,446,880</b>	<b>8,753,985</b>	<b>-</b>	<b>13,200,865</b>
<b>Libraries and Related (incl Materials)</b>				
0967911 ARC - Future Phases Design	4,892	5,709	-	10,601
0988511 Audley Recreation Ctr - Ph. 2	649,737	1,666,796	-	2,316,533
11409 Debt Repayment Reserve	191,063	-	-	191,063
<b>Sub-Total Libraries and Related (incl Materials)</b>	<b>845,692</b>	<b>1,672,505</b>	<b>-</b>	<b>2,518,197</b>
<b>Totals</b>	<b>6,185,163</b>	<b>10,557,922</b>	<b>395,047</b>	<b>17,138,132</b>

**Attachment 3**  
**Commitments from Prior Years' Budgets and and Council Approvals**  
**For the Year Ended December 31, 2019**

Project Number	Project Name	Commitment
<b>Studies</b>		
960011	Comp. Zoning By-Law Update	(24,496)
972311	Com Policy Rev/Empl Rpt Update	(24,444)
982211	Green Dev & Env Des Guidelines	(43,548)
1009911	Recreation Master Plan	(111,935)
1010011	Downtown Ajax Secondary Plan	(166,699)
<b>Total Studies</b>		<b>(371,122)</b>
<b>Transportation</b>		
964011	Rossland Rd Recon - Phase 2	(631,294)
976011	Riverside Dr Reconstruction	(421,831)
976611	ChurchStBrDES-Ross./Hydro Corr	(43,482)
976811	RangeRd-Hydro-Ashbury/LakeRidg	(5,211)
996011	Rossland Widen- Church Westney	(294,575)
996511	Storm Sewer Salem Rd - CONST	(422,685)
997111	Range Road Reconstruction	(462,562)
1000711	Hwy 2 - BRT Street Lights	(70,130)
1004411	Traf Signl Rossl/Riverside-Des	(26,499)
1005311	Church-Rossland to Hydro Corr.	(4,604,127)
1005411	Rossland Asph-W Limits-Church	(1,425,000)
1005511	Rossland EA Westney-Lakeridge	(626,138)
1005611	Sidewalk Infill - Salem Road N	(95,000)
1006611	Bicycle Facilities -Town Roads	(31,500)
<b>Total Transportation</b>		<b>(9,160,034)</b>
<b>Parks and Recreation</b>		
967911	ARC - Future Phases Design	(33,930)
988511	Audley Recreation Ctr - Ph. 2	(1,413,992)
997011	Duffins Village Central Park	(10,148)
1005911	Mulberry Meadows Parkettes	(325,345)
<b>Total Parks and Recreation</b>		<b>(1,783,415)</b>
<b>Library</b>		
967911	ARC - Future Phases Design	(2,483)
988511	Audley Recreation Ctr - Ph. 2	(275,756)
<b>Total Library</b>		<b>(278,239)</b>
<b>Total Commitments from DC Reserve Funds</b>		<b>(11,592,810)</b>