



**City of Kingston
Information Report to Council
Report Number 19-166**

To: Mayor and Members of Council
From: Desirée Kennedy, Chief Financial Officer and City Treasurer
Resource Staff: Lana Foulds, Director of Financial Services
Date of Meeting: June 18, 2019
Subject: 2018 Development Charge Reserve Funds Statement
2018 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, 2018.

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 Number [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 Number [2009-138](#), as amended.

Recommendation:

This report is for information purposes only.

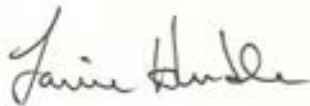
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Authorizing Signatures:



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



**Lanie Hurdle, Acting Chief
Administrative Officer**

Consultation with the following Members of the Corporate Management Team:

Gary Dyke, Commissioner, Corporate Enterprise Services	Not required
Peter Huigenbos, Acting Commissioner, Community Services	Not required
Jim Keech, President & CEO, Utilities Kingston	
Sheila Kidd, Commissioner, Transportation & Public Works	Not required

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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 Fund. The structure and detail of this information, which also includes the reporting of activity of the Impost Fee Reserve Fund, has been developed based on previous feedback from representatives of the development community and with a focus on underlying principles that support transparency, efficiency and ease of use. As required, once complete, the annual financial statement will be forwarded to the Minister of Municipal Affairs within 60 days of being presented to Council.

Development charge levies can only be used to fund costs related to new infrastructure and infrastructure capacity expansion, as determined through the development charge calculation process, and in accordance with the City's Development Charge By-Law Number [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, 2018. Inflows consist of contributions from developers, collected at the time of building permit issuance, plus investment income earned in the fiscal year. Outflows are in accordance with the City's Development Charge Background Study. Exhibit A also reflects interim financing and temporary cash flow balances at year-end. This includes interfund borrowing between service categories, as a result of timing differences between revenues collected and expenditures incurred. Interest on interfund borrowing is charged and recovered between the respective service categories.

Exhibits A1 and A2 provide a summary of project costs funded in whole or in part from development charges in 2018, including information on project costs and related funding sources.

In accordance with Impost Fee By-Law Number [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 Number [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.

Exhibit B provides information relating to the impost fees collected during 2018, 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 2018, including information on project costs and related funding sources.

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

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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 charge and impost fee 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 2018, total amounts outstanding in respect of development charge and impost fee exemptions are \$2,559,932 and \$3,218,092, as reported on Exhibit A and B respectively, including interest calculated at average rates.

Existing Policy/By Law:

Development Charges Act, 1997

Ontario Municipal Act, 2001

By-Law Number [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 Number [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:

Not applicable

Accessibility Considerations:

The exhibits to 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 2018. Allocations to finance capital projects from development charges 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 2014 Development Charge and Impost Fee Background Study.

Contacts:

Lana Foulds, Director, Financial Services, extension 2209

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Other City of Kingston Staff Consulted:

Jim Miller, Director, Utilities Engineering

Exhibits Attached:

- Exhibit A: Annual Treasurer's Statement of Development Charge Reserve Funds (By-Law Number 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 Number 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) - 2018

Description	Total	Services to which the Development Charge Relates						
		Non-Discounted Services			Discounted Services			
		Roads	Protection ¹	Transit	Parks and Recreation	Affordable Housing	Studies	Library
Opening Balance, January 1, 2018	16,931,843	13,175,286	-	-	3,108,734	-	238,804	409,019
Opening Interfund Borrowings, January 1, 2018	-	1,438,056	(848,878)	(538,386)	-	(50,792)	-	-
Adjusted Opening Balance	16,931,843	14,613,341	(848,878)	(538,386)	3,108,734	(50,792)	238,804	409,019
<u>Plus:</u> Development Charge Collections								
Residential, Multi-Residential	5,721,571	3,880,097	280,271	181,164	1,008,122	35,167	45,291	291,460
Industrial (including repayment of exemptions)	356,369	300,238	20,886	13,054	14,359	-	3,916	3,916
Non-Industrial	736,254	637,090	44,827	28,526	14,942	-	6,792	4,075
Investment income	437,815	342,958	-	-	82,358	-	5,466	7,032
Interest on interfund borrowings		68,205	(23,404)	(43,025)		(1,777)		
Sub-Total	7,252,009	5,228,588	322,580	179,719	1,119,782	33,390	61,465	306,484
<u>Less:</u> Amount Transferred to Capital (Exhibit A1)	4,801,268	3,224,154	95,517	1,097,200	124,522	43,599	36,502	179,775
Other Allocations (Exhibit A2)	529,171	-	181,717	21,309	129,767	-	-	196,378
Sub-Total	5,330,439	3,224,154	277,234	1,118,509	254,289	43,599	36,502	376,153
Interfund Borrowings (Interim Financing)	-	(2,341,708)	803,532	1,477,176		61,000		
Cash Closing Balance, December 31, 2017	18,853,412	14,276,067	-	-	3,974,227	-	263,767	339,350
Deferred Exemption Revenue	2,559,932							
Debt to be issued - temporary cash flow	6,108,002							
Adjusted Closing Balance, December 31, 2017	<u>27,521,346</u>							

¹ Service category includes: Police Services and Fire 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 - 2018

	2014 Background Study				Actual Gross Capital Cost to Date	DC Recoverable Cost Share				Non-DC Recoverable Cost Share
	Study Gross Cost	Reserve Fund Adjustment	DC Recoverable Cost	Non-DC Recoverable Cost Share		DC Reserve Fund Prior Study Carry Forward ¹	DC Reserve Fund Current Year	DC 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	2,563,312		688,830	2,074,745	260,971	227,597
Centennial Drive a 2 lane road - Resource Road to 520m East of Gardiners Rd	4,758,062		3,425,089	1,332,972	4,450,859		287,523	2,203,229	435,171	1,812,460
CWD - new 2 land road (Sydenham to 560 east) Phase 2 - Design/Construction	1,200,000		1,022,400	177,600	601,636		21,058	512,594	89,042	-
Cataraqui Woods - Sydenham Rd. to Centennial ¹					3,369,598	1,437,726		2,018,830	-	1,350,769
JCB widening from 2 to 4 lanes + bridge over CN. (Sir John A to Princess)	58,479,822		21,023,412	37,456,411	17,229,220		671,422	6,108,002	2,536,663	8,584,555
Highway 15 widening - Phase I - EA/Design/Land	2,103,600		1,613,040	490,560	602,560		31,610	451,316	87,114	64,130
Transit Priority Measures	2,000,000		1,533,600	466,400	204,195		47,261	156,699	30,139	17,356
Cycling/Bike Plan	150,000		63,900	86,100	242,558		26,604	103,330	35,898	103,330
Public Works Garage & Fleet Maintenance	12,000,000		3,390,341	8,609,659	43,270		12,120	12,120	-	31,150
Sub-Total: Roads Services					29,307,210	1,437,726	1,786,429	13,640,865	3,474,998	12,191,346
<u>Protection Services</u>										
Fire Training Centre Phase II	3,000,000	18,176	699,525	2,282,299	2,909,360	-	19,172	695,919	-	2,213,441
Fire Training Centre Phase III	3,500,000	21,205	816,112	2,662,682	319,001	-	76,345	83,983	-	235,018
Sub-Total: Protection Services					3,228,361	-	95,517	779,902	-	2,448,459

	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	9,865,080		1,056,841	2,504,130	-	7,360,950
Transit Facilities	4,000,000		772,020	3,227,980	1,366,640		32,516	187,717	-	1,178,923
New Access Buses	234,000		40,145	193,855	183,947		7,843	23,718	-	160,229
Sub-Total: Transit Services					11,415,667	-	1,097,200	2,715,565	-	8,700,102
<u>Parks and Recreation</u>										
Centennial Drive Park				-	250,000		52,728	175,850	-	74,150
KCHC Parkette Partnership	85,000	15,070	59,790	10,140	102,122	-	(34,129)	89,939	-	12,183
671 Brock St					80,857		39,306	39,306	-	41,550
700 Gardiners Rd.	1,025,000	181,727	720,999	122,274	5,007		2,895	2,895	-	2,112
East End Community Centre	8,500,000		1,147,500	7,225,000	520,872		63,722	72,355	130,069	318,448
Sub-Total: Parks and Recreation					958,857	-	124,522	380,345	130,069	448,443
<u>Affordable Housing</u>										
New Housing Projects ¹					2,502,862	1,368		278,068	-	2,224,794
Affordable Housing - Capital Subsidy	2,000,000	33,328	157,868	1,808,804	2,183,045		41,058	166,960	-	2,016,085
Affordable Housing - Land for Resale ¹					2,131,155	217		68,836	-	2,062,319
Housing and Homelessness Plan Review	110,000	1,833	8,683	99,484	10,000		956	956	-	9,044
Sub-Total: Affordable Housing					6,827,062	1,585	42,014	514,820	-	6,312,242
<u>Studies</u>										
Population Model Update	100,000	6,492	42,079	51,429	74,072		36,502	36,502	-	37,570
Sub-Total: Studies					74,072	-	36,502	36,502	-	37,570

	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
Library										
Branch Expansion Study North/East Kingston	40,000	2,845	6,688	30,467	49,597	-	888	2,510	-	47,087
North End Branch Collection	700,000	49,792	117,037	533,171	3,073,110	-	165,390	167,521	-	2,905,589
Pittsburgh Branch Expansion	2,400,000	170,717	1,003,177	1,226,106	27,594	-	13,496	13,496	-	14,098
Sub-Total: Library					3,150,300	-	179,775	183,527	-	2,966,773
Total Amounts Transferred to Capital					54,961,529	1,439,311	3,361,958	18,251,527	3,605,068	33,104,934
						4,801,268				

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 - 2018

	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	14,350
Additional Police Vehicles	340,000	16,620	323,680	37,180
Outfitting for 17 Additional Police Officers	117,000	5,719	111,281	12,287
700 Division Street (Excess Capacity)	1,179,000	57,364	1,121,366	117,900
Sub-Total Protection Services	2,136,000	82,732	1,685,869	181,717
Transit shelters	850,000		196,865	21,309
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	196,378
Total Other Allocations				529,171

Annual Treasurer's Statement of Impost Fee Reserve Funds (By-Law 2009-138) - 2018

Description	Total	Services to which the Impost Fee Relates	
		Non-Discounted Services	
		Water	Wastewater
Opening Balance, January 1, 2018	31,204,041	13,858,994	17,345,047
<u>Plus:</u> Impost Fee Collections			
Residential, Multi-Residential	4,788,470	1,629,153	3,159,317
Industrial (including repayment of exemptions)	400,468	142,861	257,607
Non-Industrial	1,877,596	644,592	1,233,004
Investment Income	1,501,714	693,560	808,002
Sub-Total	8,568,248	3,110,166	5,457,929
<u>Less:</u>			
Amounts Transferred to Capital (Exhibit B1)	4,779,704	420,677	4,359,027
Other Allocations (Exhibit B2)	2,278,559	1,438,202	840,357
Sub-Total	7,058,263	1,858,879	5,199,384
Closing Balance, December 31, 2018	32,714,026	15,110,282	17,603,592
Deferred Exemption Revenue	3,218,092		
Adjusted Closing Balance, December 31, 2018	35,932,118		

Summary of Capital Financing - Impost Fee Reserve Funds - 2018

	2014 Background Study			Actual Gross Capital Cost to Date				Non-Impost Cost Share	
	Study Gross Cost	Impost Cost Share	Non-Impost Cost Share		Impost Reserve Fund Current Year	Impost Reserve Fund Cumulative Total	Impost Debt Financing	Municipal Reserve Funds	Debt Financing
<u>Water Services</u>									
Watermain - King Street - Sand Bay Lane to Trail Head Place	1,650,000	825,000	825,000	452,164	43,702	226,082		226,082	
Watermain - Catwoods Drive - Centennial Dr to Sydenham	1,200,000	1,200,000	-	277,883	274,019	277,883		-	
Watermain - John Counter Blvd - Indian to Princess St.	1,200,000	600,000	600,000	205,912	102,956	102,956		102,956	
Sub-Total: Services Related to Water				935,958	420,677	606,920	-	329,038	-
<u>Wastewater Services</u>									
Cataraqui Bay Wastewater Treatment Plant	85,000,000	51,000,000	34,000,000	76,597,091	2,124,582	11,930,457	34,027,798	6,963,408	11,874,096
Portsmouth PS - Posts PS to Cat Bay	6,325,000	6,325,000	-	1,621,983	1,001,215	1,621,983		-	
Pumping Station - Portsmouth	2,700,000	2,700,000	-	504,800	69,872	498,466		6,335	
Pumping Station - Days Road	9,200,000	5,520,000	3,680,000	172,033	46,336	103,220		37,922	
Pumping Station - Riverview	2,000,000	1,600,000	400,000	1,268,942	828,899	1,015,154		46,565	
Pumping Station - Westbrook	500,000	300,000	200,000	534,740	288,124	320,845		21,814	
Sub-Total: Services Related to Wastewater				80,699,590	4,359,027	15,490,124	34,027,798	7,076,043	11,874,096
Total Amounts Transferred to Capital				81,635,548	4,779,704	16,097,044	34,027,798	7,405,081	11,874,096

Summary of Other Allocations - Impost Fee Reserve Funds - 2018

		Debt Principal	Debt Interest	Total
Wastewater Services				
Ravensview Excess Capacity	Debt repayment - \$14M issued 2010, for 30 years, 5.05%	300,370	610,692	911,061
	Borrowing Costs - Temporary Construction Financing - Catarauqui Bay WWTP (\$23.9M)		324,795	324,795
Water Services				
	Debt repayment - \$2M issued 2015, for 25 years, 3.24%, \$26.5M issued 2017, for 30 years, 3.41%	574,990	960,125	1,535,115
Total Other Allocations		875,360	1,570,817	2,770,972
Post period benefit recovered from rates - Water				(96,913)
Post period benefit recovered from rates - Wastewater				(395,500)
Total Allocations and Adjustments				2,278,559