



Report to: **General Committee – Finance & Admin.** Date Report: November 14, 2011

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**SUBJECT:** Pre DCA Engineering Reserve Fund and the 10% Non DC Growth Reserve Fund  
**FROM:** Mark Visser, Senior Manager, Financial Strategy & Investments ext. 4260  
**PREPARED BY:** Lorri Whetham, Senior Financial Analyst ext. 4630

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**RECOMMENDATION:**

- 1) THAT the report dated November 14, 2011 entitled “Pre DCA Engineering Reserve Fund and the 10% Non DC Growth Reserve Fund” be received.
- 2) AND THAT a new reserve fund be established titled Non DC Growth Reserve Fund for the purpose of funding the non DC component of growth related projects.
- 3) AND THAT the Pre DCA Engineering Reserve Fund (087-2800160) be closed and the remaining balance of approximately \$10.1M be transferred to the Non dc Growth Reserve Fund.
- 4) AND THAT the 10% Non DC Growth Reserve Fund (087-2800220) be closed and the remaining balance of approximately \$6.2M be transferred to Non DC Growth Reserve Fund.
- 5) AND THAT any future transactions related to the Pre DCA Engineering Reserve Fund be deposited into the Non DC Growth Reserve Fund.
- 6) AND THAT staff report back regarding a funding strategy for the Non DC Growth Reserve Fund.
- 7) AND FUTHER THAT Staff be authorized and directed to do all things necessary to give effect to this resolution.

**PURPOSE:**

The purpose of this report is to recommend that a new Non DC Growth Reserve Fund be established and the Pre DCA (Development Charges Act) Engineering Reserve Fund (087-2800160) and the 10% Non DC Growth Reserve Fund (087-2800220) be closed and the corresponding balances be transferred to the Non DC Growth Reserve Fund.

In addition, this report will advise council of the future financial requirements for Non DC growth funding and the need for an overall funding strategy for the new reserve fund.

**BACKGROUND:**

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### Pre DCA Engineering Reserve Fund History

Beginning in the 1980's, road, sidewalk, storm water management and illumination levies for future services had been charged to new residential and employment development at the agreement stage.

These funds were used to fund new roads, sidewalks, storm water management and illumination services required for new development.

The assessment of these levies continued until 1993 when the Town first adopted its Development Charges (DCs) Bylaws.

The Pre DCA Engineering Reserve Fund was established at this same time and the purpose of the reserve was to accumulate and maintain any pre Development Charges Act (DCA) engineering levies contributed by developers. Engineering Levy reserve balances and various other infrastructure reserves balances totaling \$7.47M were transferred to the new Pre DCA Engineering Reserve Fund in 1993 with the intent to fund the non growth related works for Engineering Capital projects in the D.C. Background Study.

The Pre DCA Engineering Reserve Fund continued to receive revenue from developers for specific capital works not included under the DCA By-laws, until approximately 2004. Since this time, there have been no further levies collected in relation to existing development. All inflows into the Pre DCA Engineering Reserve Fund from developers from 2005 onward are specifically related to the Highway 48 Flow Control projects which have been fully funded, from the Pre DCA Engineering Reserve Fund, through the annual budget process.

The Town currently uses the Pre DCA Engineering Reserve Fund to fund recommended infrastructure projects, put forward annually by the Engineering department through the budget process.

As of September 30, 2011 the balance in this reserve is approximately \$10.1M. Since its inception this reserve has funded over \$13.7M in new capital works projects including sidewalks, illumination and intersection improvements. A total of \$9.7M in earned interest has been attributed to this reserve since 1994.

There is expected future inflows to the Pre DCA Engineering Reserve Fund related to the recovery of costs from projects up-fronted by the Town. Projects include the Flood Improvement Project - Hwy 7 & Woodbine Ave due from the Region of York, the 16<sup>th</sup> Avenue Road Reconstruction due from developers in the form of Development Charges which will be attributed back to the reserve and South Unionville Avenue Construction which is due from future development fronting the 3<sup>rd</sup> section of the South Unionville Avenue Extension.

### 10% Non DC Reserve Fund History

In 2005 Council approved the establishment of the 10% Non DC Growth Reserve Fund for the purpose of funding the 10% Non DCA component of growth-related recreational and library facilities. Over the past number of years this reserve has been used to partially fund projects such as the Markham Village Library Design & the East Markham Community Centre.

As of September 30, 2011 the current balance of the 10% Non DCA Reserve Fund is \$6.2M and revenue inflows include interest and the proceeds from the sale of Town land which has averaged \$0.35M per year over the last 4 years.

The balance of funds in this reserve are committed to the East Markham Community Centre and Library, South East Community Centre and Library and the Pan Am facilities.

### **OPTIONS/ DISCUSSION:**

Many Engineering projects in the DC background study have a non-growth component that requires a funding source other than DCs (i.e. a new sidewalk or illumination in an established area of Town). The Pre DCA Engineering Reserve Fund has typically been used to fund the non DC components of these projects. Although there continues to be a demand for these types of capital works, there are currently no specific commitments for this reserve.

#### 10% Non Growth Reserve Fund

As with the case for Hard Services, many Soft Services in the DC Background study require a non DC funding source. Of note, Library, Recreation and Parks all require at least 10% non DC funding.

As noted above, the 10% Non DC Growth Reserve Fund was established for the purpose of funding the 10% non DCA component of growth-related recreational facilities and libraries. The non DC component of Parks Development is typically funded through the annual capital budget.

#### Consolidation of the Reserve Funds

As both the Pre DCA Engineering and the 10% Non Growth Reserve Funds are similar in purpose, staff recommends that the Pre DCA Engineering Reserve Fund and the 10% Non DC Reserve Fund be closed and the balance of funds be transferred to the new Non DC Growth Reserve Fund. The consolidations of these reserves will provide greater flexibility for funding the non DC component of the Town's growth projects.

### **FINANCIAL CONSIDERATIONS AND TEMPLATE: ([external link](#))**

Forecast

The combined balance of the two reserves would be approximately \$16.3M. Of that amount \$7.3M has been committed to future projects as follows:

East Markham Community Centre	\$5.8M
South East Community Centre	\$0.4M
Pan Am project	<u>\$1.1M</u>
<b>Total</b>	<b>\$7.3M</b>

Furthermore, the following is the forecast of the non-DC component of growth related projects, which do not have a funding source, to the year 2018:

Warden Avenue Sports Park	\$2.0M
Milliken Mills Community Centre Expansion	\$0.9M
Public Works Yard non growth component	<u>\$2.4M</u>
<b>Total</b>	<b>\$5.3M</b>

In addition the Engineering Department 10 year Capital Program (2012 to 2021) has identified the following projects that require funding for the non growth share.

Main Street – Markham	\$1.9M
Rodick Road – Millar to 14th Avenue	\$1.8M
Helen Avenue	\$0.1M
Old Woodbine Avenue	\$0.8M
Old 9th Line	\$1.2M
Sidewalk	\$3.0M
Illumination	\$1.5M
Intersection Improvements	\$1.0M
Downstream Improvements	\$2.3M
Streetscape	<u>\$0.7M</u>
<b>Total</b>	<b>\$14.3M</b>

If the consolidated reserve is expected to be the non DC funding source for these projects, it is estimated that the reserve will be depleted between 2015-2018.

The only regular funding sources currently attributable to either reserve are interest earned and the sale of Town land (which in total have averaged approximately \$0.60M per year). Currently there is not a sustainable funding source, of a proper magnitude, for either the Pre DCA Engineering or the 10% Non DC Growth Reserve Funds.

Need for a Sustainable Funding Source

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In order to ensure the Town is able to continue the build out of future growth projects, consideration should be given to establishing a permanent funding source for the Non DC Growth Reserve Fund.

Staff will report back during ~~in~~ 2012 with funding options for the consolidated reserve fund.

#### Future Transactions

In the past where the Town has entered a cost sharing agreement with a third party, the Pre DCA reserve has been used to upfront the project until such time as the project is complete and the funding is collected from the third party. Future repayment of these funds will be credited to the Non DC Growth Reserve Fund account. Outstanding balances requiring repayment to the reserve include the Flood Improvement Project - Hwy 7 & Woodbine Ave (\$0.2M) which has been invoiced to the Region of York, 16<sup>th</sup> Avenue Road Reconstruction (\$1.0M) which ~~are~~ is repaid from Area Specific DCs as fees are collected from developers and South Unionville Ave (\$0.5M) which is due from future development fronting the 3<sup>rd</sup> section of the South Unionville Avenue Extension.

All projects with Pre DCA Engineering Reserve Fund or 10% Non DC Growth Reserve Fund funding, once completed, will have any unspent balances returned to the Non DC Growth Reserve Fund.

#### **HUMAN RESOURCES CONSIDERATIONS**

Not Applicable

#### **ALIGNMENT WITH STRATEGIC PRIORITIES:**

Not Applicable

#### **BUSINESS UNITS CONSULTED AND AFFECTED:**

Engineering Department

#### **RECOMMENDED BY:**

07/11/2011

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Joel Lustig  
Treasurer

11/7/2011

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Nasir Kenea  
Acting Commissioner, Corporate Services