

**DCPP-DC-001
DEVELOPMENT CHARGES RESERVE FUNDS POLICY**

Approval: Pending

Audit Finance & Administration Committee Staff Report FCS24042

RESERVE DETAILS	
Reserve Name	Development Charges Reserve Funds (“DC Reserve Funds”)
Reserve Numbers	110300 - 110399
RESERVE POLICY	
Policy Statement	<p>The objective of the DC Reserve Funds Policy is to establish guidelines for use and ensure adequate financial oversight for the obligatory DC Reserve Funds.</p> <p>This Policy is prepared in accordance with the requirements of the <i>Development Charges Act, 1997</i> (“DC Act”).</p>
Scope	<p>This Policy applies to the obligatory DC Reserve Funds (110300-110399).</p> <p>This Policy is applicable to all members of Council and Staff responsible for the allocation of funds to and from the DC Reserve Funds.</p> <p>This Policy replaces any existing DC Reserve Funds Policy.</p>
Purpose	<p>The purpose of the DC Reserve Funds is to hold and distribute funds collected in accordance with the DC By-Law. These funds are to be distributed exclusively for financing eligible growth-related capital projects as approved by Council.</p>
Transparency	<p>The DC Reserve Funds Policy is to be made available to the public.</p> <p>Reserve expenditures and revenues are expected to be fully disclosed. The disclosure will be facilitated through:</p> <ul style="list-style-type: none"> • Annual Development Charges Treasurer’s Statement • Annual Reserve Report • Annual Financial Information Return

<p>Related Legislation and Principles</p>	<p>DCs and the DC Reserve Funds are governed by the following legislation and principles:</p> <p>DC Act</p> <ul style="list-style-type: none"> • Requires that a Reserve Fund for each DC service be established. • Requires that DCs collected are held within the DC Reserve Fund to which the charge relates. • Permits funds held in each Reserve Fund to be loaned internally for DC purposes and requires that these loans be repaid with interest. • Requires that at least 60 percent of the funds held in the Reserve Funds for prescribed services at the beginning of the year be spent or allocated. • Requires that a Treasurer’s statement be prepared annually on the activities of the Reserve Funds. <p>Canadian Public Sector Accounting Standards</p> <ul style="list-style-type: none"> • Developed by the Public Sector Accounting Board to establish standards for public sector accounting. <p><i>Municipal Act</i> Establishes authority and responsibilities related to budgeting, reserve funds and debentures.</p> <p>City of Hamilton DC By-Law</p> <ul style="list-style-type: none"> • Outlines the specific rules and procedures for the collection of DCs for the City of Hamilton. <p>Requirements under the DC Act and Canadian Public Sector Accounting Standards take precedence over the City of Hamilton’s DC By-Law should a conflict arise.</p> <p>Related City of Hamilton Policies</p> <ul style="list-style-type: none"> • Appropriation and Work-In-Progress Transfer Policy • Debt Management Policy
<p>Definitions</p>	<p>“Actual cash balance” refers to a reserve fund balance adjusted for non-cash amounts.</p> <p>“DC” refers to Development Charges.</p> <p>“DC Reserve Funds” refers to the Development Charges Reserve Funds (110300-110399).</p>

<p>Usage and Limitations</p>	<p>Compliance</p> <ul style="list-style-type: none"> The City of Hamilton must comply with all requirements under the DC Act, Canadian Public Sector Accounting Standards, and any other applicable legislation. <p>Project Funding</p> <ul style="list-style-type: none"> Funds held in the DC Reserve Funds are to be used exclusively to fund eligible capital projects identified through the DC Background Study or subsequent review. <ul style="list-style-type: none"> Projects identified in the DC Background Study must be funded in accordance with the growth share identified in the study, subject to changes to project scope. Eligible capital projects not identified through the DC Background Study must have sufficient rationale to be funded through DCs. With the approval of the General Manager of Finance & Corporate Services, funding may be changed from debt funding to DC reserve funding. Appropriations of funding must conform to the Capital Projects' Budget Appropriation and Work-in Progress Transfer Policy. Funds are to be transferred from the DC reserve funds to capital projects as expenses are incurred on a proportional basis. i.e., eligible growth share % * total expenses to date. All budgeted financing from the DC Reserve Funds must be approved by Council. <p>Internal Borrowing</p> <ul style="list-style-type: none"> Internal borrowing from DC Reserve Funds for non-DC purposes is prohibited. Internal borrowing among DC Reserve Funds is permitted either by allowing service specific DC reserve funds to go into a deficit where others remain in surpluses whereby interest is addressed via the City's annual interest allocation or through a formalized internal loan agreement where borrowed funds are repaid with interest according to the City's Debt Management Policy
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	<p>External Borrowing (Debt Issuances)</p> <ul style="list-style-type: none"> External borrowing from DC Reserve Funds is permitted subject to Council authorization. <p>Deficits</p> <ul style="list-style-type: none"> At no time shall the actual or forecasted consolidated DC Reserve Fund balance (110300-110399 inclusive) be permitted to enter a deficit balance. DC Reserve Funds for an individual service are permitted to enter deficit positions such that the deficit is forecasted to be resolved within a 10-year period. <p>Reserve Period</p> <ul style="list-style-type: none"> The DC Reserve Funds are expected to remain open indefinitely as they are a tool to fund the long-term growth within the City.
<p>Source of Funding</p>	<p>The sources of funding for the DC Reserve Funds are:</p> <ul style="list-style-type: none"> Development Charges: charges applied to development and redevelopment in accordance with the DC Act and the City of Hamilton DC By-Law. Developer Contributions: charges applied to development, redevelopment or existing land uses to connect to growth related infrastructure subject to cost recovery by-laws or a condition of a development agreement where the original funding source had been DCs. Exemptions funding: distributions from the City of Hamilton’s tax and rate budgets to offset the cost of the DC exemptions provided by Council through the City of Hamilton’s DC By-Law and as required by the DC Act. Cash Balance Interest: accrued on the actual cash balance in the Reserve Funds and distributed annually. Non-Cash Balance Interest: accrued on DC Deferral Agreements and Legislated Instalment payment plans in accordance with the terms of the agreement / plan and distributed annually or at expiration of agreement / plan. <p>There are no alternative funding sources available and no other funds are permitted to be held in the DC Reserve Funds.</p>

<p>Target Balance</p>	<p>DC Reserve Fund balances are primarily driven by development activity and planned capital expenditures. Since hard infrastructure is required to be in place before a development can proceed, debt or deficit balances related to individual services are common.</p> <p>Accordingly, there is no target balance for any individual service DC Reserve Fund; however, there are limitations around deficits as described in the Usage and Limitations Section of this Policy. DC Reserve Fund balances and forecasted balances are reviewed annually during the budget process.</p>
<p>Policy Owner</p>	<p>Director, Financial Planning, Administration and Policy, Corporate Services Department</p>
<p>Administration</p>	<p>Responsible Department</p> <ul style="list-style-type: none"> Development Charges, Programs and Policies Team of the Budgets and Fiscal Policy Section, within the Financial Planning, Administration and Policy Division of the Corporate Services Department is responsible for the administration of the DC Reserve Funds Policy. <p>Policy Updates</p> <ul style="list-style-type: none"> The DC Reserve Funds Policy may be updated when legislated changes to the DC Act or Council adopted changes to the DC By-Law affect any component of the policy; or when municipal best practices are identified as conflicting with the policy. <p>Policy Review Frequency</p> <ul style="list-style-type: none"> If no legislative or Council adopted changes occur, the Policy is to be reviewed, at a minimum, during the completion of each DC Background Study. <p>Policy Update Process</p> <ul style="list-style-type: none"> Amendments to the DC Reserve Funds Policy must be presented to Council for approval.
<p>Version History</p>	<p>(1) 15-May-2013: Adoption of Development Charges Reserves Policy (FCS-DC1)</p>