

Neighbourhood Land Development Fund Allocation of Profits

ISSUE

The Administration requires City Council approval to declare a \$5.02 million dividend from the Neighbourhood Land Development Fund (NLDF) for allocation to the Recreation and Parks – Facilities Game Plan Funding Plan (Game Plan Funding Plan). The Game Plan Funding Plan, including a future year NLDF dividend as a source of funding, was approved by City Council at their March 26, 2018 meeting.

RECOMMENDATION

That the Standing Policy Committee on Finance recommend to City Council:

1. That \$5.02 million in profits be declared from the Neighbourhood Land Development Fund; and
2. That \$5.02 million in profits from the Neighbourhood Land Development Fund be allocated to the Recreation and Parks – Facilities Game Plan Funding Plan.

BACKGROUND

To date, \$134.1 million has been allocated from the NLDF of the Hampton Village, Willowgrove, Evergreen, and Rosewood developments. These allocations have funded various capital projects and operating programs for the City of Saskatoon.

DISCUSSION/ANALYSIS

Return on Investment and Allocation

Financial proformas are prepared for every Saskatoon Land development project and reviewed initially by the Standing Policy Committee on Finance. Annual updates on project performance are prepared for the Chief Financial Officer. The proformas are prepared using current information based on present-day cost estimates, and require certain judgments. Net investment returns between 15% - 30% are targeted for each development project with actual results dependent on overall market conditions experienced throughout the life of the project.

In determining profit allocations, the Administration projects cash inflows and outflows to determine the overall NLDF cash position. This includes a review of accounts receivable, projecting the amounts due from customers in the current year and the monies to be collected in future periods. When considering only revenues and expenses, a positive fund balance of \$26.5 million is anticipated for the NLDF at the end of 2021.

Recreation and Parks – Facilities Game Plan Funding Plan

City Council at the 2020/2021 Multi-Year Preliminary Corporate Business Plan and Budget received the Neighbourhood Land Development Fund Update Report that outlined the proposed the future use of Land Dividends. The report stated that approximately \$25.0 million would be required in the future with allocations of \$10.0 million to the Chief Mistawasis Bridge and North Commuter Parkway Project, \$5.0

million to the Game Plan Funding Plan, \$6.2 million to Property Realized Reserve for future land development acquisitions, and \$3.9 million to the Bus Rapid Transit Funding Plan. Dividends to these projects are based on cash flow projections and availability of funds. Currently the Game Plan Funding Plan is in need of the funds to proceed with City prioritized projects in 2021 to 2023.

The purpose of this plan is to fund prioritized recreation and parks amenities, including consideration of partnership project opportunities. This plan has funded projects such as Merlis Belsher Place, Gordie Howe Sports Complex Master Plan and the Children's Discovery Museum. With the addition of the NLDF dividend as described in the report, additional projects will be presented to City Council at the 2022 – 2023 Multi-Year Preliminary Corporate Business Plan and Budget for approval.

FINANCIAL IMPLICATIONS

As previously mentioned, the NLDF balance is anticipated to be in a \$26.5 million surplus position at the end of 2021. However, it is important to note this is largely dependent on the collection of receivables in the amount of approximately \$21.2 million that is currently due in 2022. The surplus (net of the receivables) equates to \$5.3 million allowing a dividend in the amount of \$5.02 million to be declared, which is equal to the remaining amount left in the Hampton Village Neighbourhood. This dividend will close the Hampton Village Neighbourhood project. The difference of \$248K between the net surplus and the dividend declared will remain in the NLDF for future dividends. Despite the dependence on the collection of the outstanding receivables to maintain the current projected surplus, the Administration is confident that the receivables will be collectible as planned based on the outstanding agreements and current market conditions.

Prior to making future allocations, Administration will continue to monitor the overall fund balance and any potential impact from current outstanding receivables.

OTHER IMPLICATIONS

There are no privacy, legal, social, or environmental implications identified.

NEXT STEPS

There is currently \$10.0 million planned to be declared and allocated to the Chief Mistawasis Bridge and North Commuter Parkway Project, and \$3.9 million planned for the Bus Rapid Transit Project as part of the approved project funding plan. The Administration will bring forward a report in 2023 to declare this dividend pending the sufficiency of the NLDF.

Report Approval

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