

**Report from** Parks, Recreation and Culture Services, Business Planning and Strategic Services

**Date of Report:** June 25, 2019

**Date of Meeting:** July 4, 2019

**Report Number:** PRCS-B025-2019

**File:** 68.31.99

**Subject:** Parks Legacy Fund Application, Administration and Funding

## Recommendation

That the Parks Legacy Fund, as outlined in Report PRCS-B025-2019, be approved and begin in 2020 pending Capital Budget approvals; and

That the Director of Parks, Recreation and Culture Services be delegated authority to approve applications and execute agreements for minor projects (City's matching funds are \$30,000 and less) for the Parks Legacy Fund; and

That community consultation and Council approval be required for any major projects, defined as those projects where the City's matching funds are \$30,000 and greater or projects with significant operating or maintenance considerations as determined by the Director of Parks, Recreation and Culture Services; and

That funding for the Parks Legacy Fund be from an 0.25% increase in the infrastructure levy and be considered in conjunction with the 2020 Draft Capital Budget; and

Further, that the City Solicitor be directed to prepare the necessary by-laws.

## Summary

This report includes the Parks Legacy Fund proposed administration and funding. The goal of the Parks Legacy Fund is to maintain and sustain City parks through leveraging alternative sources of funding such as donations and legacy giving. The Parks Legacy Fund will provide up to \$250,000 in annual funding from the Infrastructure Levy to provide matching funds towards community projects in City Parks. Parks Legacy Fund projects will not be completed at the expense of any other projects on the City's work plan or Parks Renewal Plan. The Parks Legacy Fund will help to alleviate the financial implications to the Parks Renewal Plan by leveraging City funds with matching community donations so that twice as much work can be completed.

## Background

At its meeting on June 24, 2019, Council approved the following motion:

That Council approve the recommendation from the 101 South Drive Property Task Force conditional upon:

- (a) the receipt of all pledged amounts and the establishment of the new Parks Legacy Fund; and
- (b) The creation of a Parks Legacy Fund above and beyond the City's annual capital budget that can be used to upgrade, or replace play assets when third party or community raised funding is raised as identified in Parks Renewal Plan Secondary Criteria; and
- (c) Approval of the Parks Legacy Fund after review by the Budget Standing Committee; and further

That staff be directed to report back to Council at its meeting on July 15, 2019 regarding potential sources of funding for the proposed Parks Legacy Fund and allocation parameters to be used; and

Further, that Council encourage the Old Glenridge Community Association (OGCA) / Task Force to continue to raise funds for the project. FORTHWITH

## **Report**

This report proposes how the Parks Legacy Fund will be administered and funded. The goal of the Parks Legacy Fund is to maintain and sustain City parks through leveraging alternative sources of funding such as donations and legacy giving. The Fund will provide matching funds of up to \$250,000 annually towards community projects in City Parks; the program will be funded from the Infrastructure Levy. Parks Legacy Fund projects will not be at the expense of any other projects on the City's work plan or Parks Renewal Plan as it will be funded by a 0.25% increase in the Infrastructure Levy. The Parks Legacy Fund will help to alleviate the financial implications to the Parks Renewal Plan.

## **Parks Legacy Fund Complements Parks Renewal Plan**

Asset condition, including health and safety considerations, is the greatest factor in determining renewal priorities, with the assets in the poorest condition being prioritized for replacement. However, the Parks Renewal Plan's secondary criteria for prioritizing asset renewal for assets in the same condition includes "Ability to obtain external funding – providing the greatest opportunity to maximize the City's funding" as outlined below.

The proposed Parks Legacy Fund would position the City to be able to respond when third parties present funding opportunities aimed at improving parks by having an annually funded program.

The following secondary criteria have been created to evaluate and prioritize renewal of assets that are in the same condition to determine which projects should be pursued first:

1. Ability to obtain external funding – providing the greatest opportunity to maximize the City's funding.
2. Ability to bundle with other asset replacements at same site for a complete park renewal.
3. Anticipated usage (e.g. park use and classification, population served by asset, user data)
4. Proximity to marginalized neighbourhoods.
5. Geographic distribution – considers the condition and availability of nearby assets, including those owned by the City and other organizations (e.g. school boards, other municipalities, etc.).
6. Geographic distribution – the value of recent and upcoming investment in similar assets nearby.
7. Consideration of budget limitations.

## **How does the Parks Legacy Fund work?**

The City will provide matching funds to a maximum of \$100,000 for approved projects on City land. The applicant's matching funds must be cash applied to the project outlined in the application. Donations of materials, in-kind and volunteer labour would not count towards the applicant's matching funds; however, they contribute positively to an application's evaluation. The intent of the Parks Legacy Fund is to match community cash donations with City funds.

All projects must be completed to City standards and as such, depending on the project, the City may need to assume responsibility for all or a part of executing the project. In this case, the applicant will be responsible for submitting their portion of the funding to the City. The City will then carry out the project in accordance with City policy and procedures such as the procurement policy, and in discussion with the applicant, the project may need to be scoped following quote submissions.

## **What projects are eligible?**

The Parks Legacy Fund will provide matching funds for two project types:

1. Major Projects
  - a. One project per year
  - b. Over \$30,000 up to a maximum of \$100,000 in matching funds
  - c. Project to be approved by Council
2. Minor Projects
  - a. Up to five projects per year
  - b. Project costs between \$2,500 and \$30,000
  - c. Projects to be approved by Director of Parks, Recreation and Culture Services

The Parks Legacy Fund is intended for “Friends of...” groups, community groups, incorporated charities, not-for-profit corporations, businesses, informal groups or organizations. The Parks Legacy Fund is a supportive piece of the Parks Legacy Program that is currently in development (to be presented to Council at a later date). The Parks Legacy Program will also focus on individual donors from the community.

## **Who can apply?**

It is proposed that incorporated charities, not-for-profit corporations and businesses with the necessary insurance are eligible to apply. Informal groups or organizations can apply as long as the project is executed by the City.

The various groups interested in improving City parks are encouraged to work together to identify shared goals for the parks. It is recommended that these groups consider the formation of a “Friends of...” group similar to that of Walker’s Creek, Malcolmson Eco-Park or the 101 South Drive Task Force. These groups would work together to advocate for improvements to City parks, raise funds, leverage partnerships, and bring volunteers together to support the City in achieving these improvements while utilizing the Parks Legacy Fund.

## **How will projects be approved and evaluated?**

Projects must be approved by the City; this approval will be obtained through the application process. Community consultation and Council approval will be required for any major projects (\$30,000 or greater) or projects with significant operating or maintenance considerations. In this situation, staff will report to Council in consultation with the applicant.

For projects less than \$30,000, staff will inform Council through a memo identifying the approved projects. This approach is recommended to reduce the review timeline and is supported by the fact that it is anticipated that most projects will fall within the approval authority of the Director of Parks, Recreation and Culture Services (PRCS). Applications will be evaluated by PRCS staff with input from other departments or agencies as required (e.g. Accessibility Advisory Committee).

Applications will be evaluated based on the following:

1. Alignment with Council’s Strategic Plan, Recreation Facility and Programming Master Plan or other strategic document
2. Alignment with park goals
  - Improve the existing conditions of the park
  - Improve accessibility and inclusivity to the park
  - Renewal of the parks assets such as playgrounds, basketball courts, tennis courts, and playing fields

- Green space improvements including drainage and grading
  - Increase park visitors or attract a wider range of visitors to the park
  - Open sightlines into and/or within the park
  - Improve pedestrian access points and connectivity
  - Removal of some invasive trees and clearing of overgrown vegetation
  - Environmental restoration
3. Other evaluation criteria
- Capacity to support long-term maintenance / operation
  - Demonstrated ability of the group to complete similar projects
  - Confirmation of matching funds
  - Project reach / audience
  - Project supports engagement or is going to be completed through collaboration or partnerships with other organizations, groups, or the public
  - Ability to leverage other funds
  - Use of in-kind or volunteer labour

## **Application Timelines and Review**

There will be a call for applications each year with submissions to be received in the first quarter of the year. Pending approval, it is expected that most projects would be executed during the spring, summer or fall of the following year.

The call for applications will be advertised in the Garden City Current, the City's social media accounts and on the City's website. Applicants will have at least four weeks to submit an application, and applicants are strongly encouraged to discuss the project with staff prior to submitting. It is expected that staff review, communication and notification of the applications will take four to eight weeks, depending on the number of applicants, scope of the projects and the level of communication required between the applicant and the City.

## **Community Matching Funds**

All Parks Legacy Fund-approved projects will be conditional upon the receipt of all pledged amounts from the community and/or written agreements with the City. Project construction will not begin until all of the pledged amounts and/or written agreements have been executed.

## **Donations and Sponsorships**

As the City receives funds for the Parks Legacy Fund, it should be noted that the funds must be given to the City without any conditions or commitments other than to be used towards the specified park projects. In accordance with the City's Donation Policy (Appendix 1), individual donations will qualify for tax receipts. Any business sponsorships must comply with the City's Sponsorship Policy and will require a separate sponsorship agreement. As individuals are receiving tax receipts for their

donations, they will not be able to be formally recognized for their contributions within the park (for example, a donor sign). If businesses are providing a sponsorship, they would be able to be formally recognized within the park, in accordance with the City's Sponsorship Policy.

## **The City is Leading the Way with the Parks Legacy Fund**

The City will be leading the way with the Parks Legacy Fund as currently none of the comparable municipalities or Niagara municipalities administer Parks Legacy Funds. This new program leverages City funds with matching community donations so that City funds enable twice as much work getting done.

## **Parks Legacy Fund Funding Options**

The City has a limited number of funding sources to support new initiatives. Council was very clear in its direction to staff that the Parks Legacy Fund projects will not be at the expense of any other projects on the City's work plan or Parks Renewal Plan.

The following are the options staff considered to provide the matching funds for the Park Legacy Fund.

### **A. Increase in the Infrastructure Levy**

As part of the 2016 budget process, Council approved an Infrastructure Levy to address infrastructure funding gaps. The City's infrastructure policy identifies eligible renewal and replacement projects to be funded by this levy. Park Legacy Fund Projects meet the intent of this policy. The infrastructure levy when introduced was set at one percent of the City's portion of the prior year tax levy. This percentage has not increased since the levy was introduced in 2016; although, the City's infrastructure deficit has risen due in part to increasing construction costs that have rose faster than inflation. A 0.25% increase in the infrastructure levy would create a regular recurring funding source for the Park Legacy Fund. An increase of 0.25% would result in an estimated additional City funding amount of \$260,000 in 2020 for the Parks Legacy Fund. This would be sufficient to provide the recommended \$250,000 in annual funding for the Park Legacy Fund and ideally would create \$500,000 for annual parks funding when considering the community matching contributions

Using the 2019 tax information, the impact of increasing the infrastructure levy by 0.25% would have an annual impact on the median household of \$3.61.

### **B. Increase in the Capital Out of Revenue**

The Capital Out of Revenue represents the portion of capital projects that are funded by the tax levy. Currently projects that are financed by debt have a 10% down payment, which is the capital out of revenue amount. The preliminary estimate for 2020 for the capital out of revenue is \$1,653,000. In order to comply with Council's direction to ensure that Park Legacy Fund projects do not impact other capital works

or Parks Renewal Plan, the capital out of revenue amount would need to increase by \$250,000 to \$1,903,000 for 2020.

Using 2019 final tax rates, the impact of increasing the capital out of revenue by \$250,000 for the Park Legacy Fund in 2020 would have an annual impact on the median household of \$3.58.

### **C. Usage of a portion of the Cash-In-Lieu of Parklands Reserve**

This option is not recommended.

The City of St. Catharines future growth is constrained by geography – Lake Ontario, the Niagara Escarpment, the Welland Canal, and the Specialty Crop areas of the Greenbelt which support the wine and tender fruit industries. As such, almost all future growth, as mandated by the Province through the Growth Plan and the City's Garden City Official Plan, will take place through intensification. As the built form changes over time to a denser typology, ensuring livability for future residents in denser, urban areas is critical. Ensuring adequate recreational space in these urban areas will necessitate the acquisition of privately owned lands at market rates. In order for the municipality to afford this necessity, parkland dedication or cash-in-lieu of must be protected for this purpose. The cash-in-lieu of parkland reserve will protect funding for these future purchases.

Currently, the City's Parkland Reserve fund has an uncommitted balance of \$1.921 million. This is a relatively small balance compared to other municipalities in Ontario. Given the rising costs of land, the reserves' conservative growth history, and the past practice to use this reserve for land acquisitions, it is staff's recommendation to continue to protect these funds for land acquisitions, particularly now with the introduction of Bill 108 and its related Regulations.

## **Financial Implications**

Staff have reviewed the various funding options for the Park Legacy Fund. Staff recommend that the infrastructure levy be increased by 0.25% in 2020 to provide the matching funding for the Park Legacy Fund. An increase of 0.25% of the infrastructure levy would generate an additional \$260,000.

The estimated annual impact on the median household of increasing the infrastructure levy by 0.25% for 2020 would be \$3.61.

Any unused Park Legacy Fund matching funds at the end of the year will remain in the infrastructure levy reserve and will be earmarked for park renewal projects.

## **Relationship to Strategic Plan**

The approval of this report will support the following Social Sustainability Pillar Goals:

1. Strive for the highest quality of life for all citizens.
2. Connect people, places and neighbourhoods.
3. Provide excellent customer service and communication with citizens.

As well as the following Economic Sustainability Pillar Goals:

4. Attract public and private investment, support local businesses and provide excellent customer service to demonstrate we are open for business.
5. Develop partnerships to enhance the economic vitality of the community.

## **Conclusion**

This report provides an option on how to attract additional third-party funding for City parks through matching City funding and leveraging donations and legacy giving while adhering to the Parks Renewal Plan and the prioritization of the City's parks and playground assets. The Parks Legacy Fund will provide not only matching funds but also the opportunity for the community to work together towards a common goal.

### **Prepared and Submitted by:**

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### **Approved by:**


Phil Cristi  
Director of Parks, Recreation and Culture Services

Kristine Douglas  
Director of Financial Management Services and City Treasurer

## **Appendices:**

Appendix 1 – City's Donation Policy



 CITY OF ST. CATHARINES	<b>Financial Management Services - Administration Division</b>		
	<b>Subject:</b>	Donation Policy	<b>Policy #:</b>
	<b>Approved by F.M.S:</b>		
	<b>Issue Date:</b>	April 16, 2018	<b>Revision Date:</b>
	<b>Review Date:</b>		<b>Page:</b> 1 of 5

## Policy:

The City of St. Catharines will issue official tax receipts for donations that qualify as charitable donations. If requested the City will issue official tax receipts to donors for eligible donations with a minimum \$20 net cash value or net fair market value.

## Purpose:

This policy formalizes the charitable donations receipts program, including accounting for donations of cash or in kind made to the City of St. Catharines.

This policy will apply to donations received by the City of St. Catharines including its bona fide Committees of Council, or as a result of the City working with non-municipal groups who are fundraising for municipal programs. In all cases the donation must provide a direct benefit to the City.

This policy also outlines the standards for evaluating donations in accordance with Canada Revenue Agency (CRA) guidelines.

This policy will serve as the foundation for standard operating procedures for issuing official charitable donation receipts (official tax receipts) to donors for income tax purposes.


## Scope:

This policy applies to all departments within the City of St. Catharines, to all agreements between the City and organizations and individuals that contribute either financially or in-kind to the City's operations, programs, services or facilities.

## References

Under the Income Tax Act, the City of St. Catharines is classified as a "qualified donee" for charitable donation purposes, and is afforded the same privileges as a charitable organization, without the benefit of a registered charity number.

According to sections 110.1 (1) (a) and 118.1 of the Income Tax Act, Canadian municipalities are permitted to issue tax receipts for charitable donations. These donations may be received either in cash or in kind.

 CITY OF ST. CATHARINES	<b>Financial Management Services - Administration Division</b>			
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	<b>Review Date:</b>		<b>Page:</b>	2 of 5

## Definitions


For the purpose of this policy, unless otherwise stated, the following definitions shall apply:

- a) **Charitable Donations.** Voluntary transfer of tangible property, including cash. A donation may be in the form of cash or in kind, including securities, tangible capital assets, or real property. Donated services are not eligible for tax receipt under the Income Tax Act.
- b) **Donations in Kind.** Tangible property, other than cash, which are eligible donations including pieces of art.
- c) **Eligible Donations.** Donations that can be acknowledged with official donation receipts for income tax purposes, in accordance with CRA guidelines.
- d) **Fair Market Value (of valuation).** The highest dollar value that a property would bring in an open and unrestricted market, between the willing buyer and the willing seller who are acting independently of each other. The fair market value of a property does not include taxes paid, taxes are costs incurred by the purchaser.
- e) **Net Amount of Donation.** The fair market value of the donation less any advantage/benefit received or to be received as a result of the donation.
- f) **Non-Qualifying Donation.** Donations that cannot be acknowledged with official donation receipts for income tax purposes, in accordance with CRA guidelines.

## Qualifying Donations


To be eligible for an official donation receipt, the donation has to:

- Be made payable to the City of St. Catharines
- Be in cash or in kind
- Be voluntary

 CITY OF ST. CATHARINES	<b>Financial Management Services - Administration Division</b>				
	<b>Subject:</b>	Donation Policy		<b>Policy #:</b>	
	<b>Approved by F.M.S:</b>				
	<b>Issue Date:</b>	April 16, 2018	<b>Revision Date:</b>		
	<b>Review Date:</b>		<b>Page:</b>	3 of 5	

- Be supportive of the City of St. Catharines's mandate or beneficial to the community of St. Catharines, including support of Committees authorized by City Council.
- Donations in kind may be accepted only after the following has been assessed:
  - Compliance with City by-laws and/or policies
  - Compliance with the laws, conventions and treaties of the other levels of government
  - Consistency with the City's priorities, mandates and strategic and business plans
  - If a piece of art, must be consistent with the priorities adopted by Culture Services
  - Associated risks ( Financial, Political, Health and Safety)
  - Condition of the donation
  - Value of the donation
  - Usefulness of the donation to the City
- Written valuation of donations in-kind shall be submitted with the requests for official receipt and is to meet the following requirements:
  - \$1,000 or less:
    - Appraisal by knowledgeable internal staff; and/or
    - Valuation from online auction or shopping website
  - \$1,000 or more:
    - External appraisal of property by and independent appraiser approved by Canada Revenue Agency
    - Costs associated with obtaining a qualified appraisal are the donor's responsibility

All donations and sponsorships received by the City will be acknowledged by a letter of thanks sent immediately following receipt of the donation, or in the case of sponsorship, upon completion of the event or project.

 CITY OF ST. CATHARINES	<b>Financial Management Services - Administration Division</b>				
	<b>Subject:</b>	Donation Policy		<b>Policy #:</b>	
	<b>Approved by F.M.S:</b>				
	<b>Issue Date:</b>	April 16, 2018	<b>Revision Date:</b>		
	<b>Review Date:</b>		<b>Page:</b>	4 of 5	

The City will recognize donations and sponsorships in a manner appropriate to the value of the donation. This may involve inclusion in an annual communication to the public recognizing donors and sponsors, or a more permanent recognition for larger value donations.

In cases where the donor/sponsor does not wish to have public acknowledgement, the City will honour that request, unless legal requirements necessitates disclosure.

### Non-Qualifying Donations

Non-Qualifying donations that cannot be acknowledged with an official donation receipts for income tax purposes, in accordance with CRA guidelines are as follows:


- Intangibles such as services, time, skills and effort.
- Donations that are given to the City intended as flow through to a specified recipient who does not have charitable status
- Donations of business marketing products such as supplies and merchandise.
- Sponsorship in the form of cash, goods or services toward an event, project, program or corporate asset in return for commercial benefit (logo placement or presenting/title sponsorship). The intent of sponsorship is to enhance the image and marketing opportunities of the sponsor in its target market and/or the community. Sponsorships are a reciprocal arrangement benefiting both parties. Usually the sponsorship cost is categorized as a business expense for which a business tax receipt can be issued.

### Naming Rights

A naming right arises when a charitable donation is made in exchange for the right to name a program or piece of property belonging to the City, such as the Performing Arts Centre.

CRA has identified that the following needs to be determined in terms of determining whether naming rights constitute an advantage for tax receipting purposes.

“Provided that there is no prospective economic benefit associated with the naming rights, described in the Naming Rights agreement, then there is no advantage for tax purposes.”

 CITY OF ST. CATHARINES	<b>Financial Management Services - Administration Division</b>				
	<b>Subject:</b>	Donation Policy		<b>Policy #:</b>	
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	<b>Issue Date:</b>	April 16, 2018	<b>Revision Date:</b>		
	<b>Review Date:</b>		<b>Page:</b>	5 of 5	

If a corporation wishes to make a donation in exchange for promotion of its business name, an economic benefit will result, and therefore the donation will not be eligible for an income tax receipt.

If a private individual wishes to make a donation in exchange for the use of a family name no economic benefit will result, and the donation will be eligible for a tax receipt.

Naming rights are subject to HST.

### Use of Donated Funds

The City must retain active control over the use of donated funds, i.e. it must actively oversee the use of donated funds.

The City may grant funds to organizations over which it exerts significant influence or which are considered municipal service organizations.