



## STAFF REPORT ACTION REQUIRED

### Administration of Development Funds, Parkland Levies and Education Development Charges

<b>Date:</b>	June 16, 2010
<b>To:</b>	Audit Committee
<b>From:</b>	Auditor General
<b>Wards:</b>	All
<b>Reference Number:</b>	

#### SUMMARY

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The Auditor General's annual work plan included a review of the administration of development funds.

The objective of this review was to assess the adequacy of procedures implemented by management to ensure that development charges, education development charges, and parkland levies are being effectively and efficiently administered.

Our review identified a number of areas where there are opportunities for administrative improvements. The implementation of the 13 recommendations made in this report will strengthen internal controls for collecting development charges and parkland levies, achieve processing efficiencies by automating manual business processes and improve the accountability for the administration of development funds.

#### RECOMMENDATIONS

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**The Auditor General recommends that:**

1. The Chief Building Official, in consultation with the General Manager of Parks, Forestry and Recreation, implement controls to prevent the issuance of a building permit until parkland dedication fees have been paid.
2. The Deputy City Manager and Chief Financial Officer review the infrastructure construction price index currently used by the City of Ottawa in order to determine whether or not a similar index should be used to adjust annual development charge rates at the City of Toronto.

3. The Chief Building Official, in consultation with the City Solicitor, review the feasibility of including in conditional permit agreements, additional fees payable when terms are not met.
4. The Director of the Affordable Housing Office, in consultation with the Chief Building Official, review procedures to ensure that information provided in regard to exemptions from development charges for non-profit housing projects is accurate and complete.
5. The Chief Building Official and the Deputy City Manager and Chief Financial Officer review those areas of the by-law which are the subject of staff misinterpretation and ensure that such areas are addressed either through amendments to the by-law, policies and procedures manual or through additional staff training.
6. The Chief Building Official evaluate the current audit process to ensure development charge calculations are verified to supporting documentation. Consideration be given to an audit process prior to the issuance of a building permit.
7. The General Manager, Parks, Forestry and Recreation, in consultation with the City Solicitor, develop a corporate policy which formalizes the parameters that should be applied when determining the parkland dedication requirement for developments covered by the Etobicoke Motel Strip Secondary Plan.
8. The General Manager, Parks, Forestry and Recreation ensure that in the future, where parkland dedication fees are set out in negotiated agreements that amounts calculated and collected are in accordance with such agreements and appropriate documentation is maintained for all agreements.
9. The General Manager, Parks, Forestry and Recreation review negotiated parkland dedication fees for projects where the developer still owns the building. This review should ensure the correct amounts were collected and assess the feasibility of recovering any uncollected funds.
10. The General Manager, Parks, Forestry & Recreation in establishing cash payments in lieu of parkland, set up a process to ensure that land appraisals are current and in compliance with the requirements of the applicable by-law.
11. The Deputy City Manager and Chief Financial Officer, in consultation with the Chief Building Official, enter into discussions with the Toronto Catholic District School Board with a view to implement, where feasible, consistent definitions and policies affecting development charge calculations.
12. The City Treasurer and the Chief Building Official ensure there is a regular reconciliation of development charges financial information in IBMS and SAP. An interface between the two systems should be considered.

13. The Deputy City Manager and Chief Financial Officer review those development charge reserve funds which have been in existence since prior to amalgamation to determine how these funds can best be used.

## **Financial Impact**

The extent of any resources required or potential for additional revenues resulting from implementing the recommendations in this report is not determinable at this time.

## **COMMENTS**

The Auditor General's 2009 Audit Work Plan included a review of development funds. For the purposes of this review, development funds refers to those charges determined and collected by the City for development of land under the authority of the Development Charges Act, the Planning Act (section 42) and the Education Act.

Our review did not include a review of community benefits negotiated in return for the approval to build under section 37 or section 45 of the Planning Act. These matters have been reviewed separately and will be the subject of a further report by the Auditor General's Office.

The Auditor General's report entitled "Administration of Development Funds, Parkland Levies and Educations Development Charges is attached as Appendix 1. Management's response to each of the recommendations contained in this report is attached as Appendix 2.

## **CONTACT**

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## **SIGNATURE**

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09-CPD-01

## **ATTACHMENTS**

Appendix 1: Administration of Development Funds, Parkland Levies and Education Development Charges

Appendix 2: Management's Response to the Auditor General's Review of Administration of Development Funds, Parkland Levies and Education Development Charges