

**Management’s Response to the Auditor General’s Review of
Administration of Development Funds, Parkland Levies
and Education Development Charges**

<u>Rec No</u>	<u>Recommendation</u>	Agree (X)	Disagree (X)	<u>Management Comments:</u> <i>(Comments are required only for recommendations where there is disagreement.)</i>	<u>Action Plan/ Time Frame</u>
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.	X		Toronto Building and Parks, Forestry and Recreation harmonized the Park Levy fee collection process in 2009 so that all parkland dedication fees are now collected by Toronto Building. The second phase which is underway will include new controls in the IBMS system similar to enhancements made to IBMS for Development Charges that will prevent the issuance of a building permit if Park Levy fees are not received. The hard coded system enhancements require the harmonized Park Levy by-law to be in place prior to implementation. The system enhancements will prevent the issuance of the Building Permit without payment and will also trigger a re-appraisal of the levy by Real Estate when the appraisal is older than 6 months.	Work on IBMS system enhancement and controls began prior to the commencement of the audit. System enhancements and associated staff training will be in place in the first quarter of 2011 prior to the effective date of the harmonized Park Levy by-law.

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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.	X			<p>The DCM & CFO will review the infrastructure construction price index used by the City of Ottawa to determine whether a similar index should be used for the City. The results of the review will be considered as part of the City's next development charge by-law update process.</p> <p>It is noted that over the past six years (2003 to 2009) since its application, the Ottawa infrastructure construction price index has underperformed the City of Toronto non-residential building construction price index by approximately 6% in total.</p> <p>Timeframe: 2012/13 or earlier as directed by Council</p>

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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.	X			Toronto Building will consult with the City Solicitor on the feasibility of this recommendation and take appropriate action based on the results by the end of 2010.

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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.	X		<p>The Affordable Housing Office has commenced consultation with Toronto Building to revise procedures concerning development charge exemptions.</p> <p>Through an intervention from the Affordable Housing Office TCHC has agreed to make payment on the unrecovered fees on the two projects identified in the review.</p>	<p>Non-Profit Exemption Application forms will be revised to more clearly state that only affordable residential areas are exempt from development charges as per By-law 275-2009 and that non-residential space does not qualify. The application forms will clearly indicate the GFA for the proposed residential and non-residential spaces. The format of the new forms will be developed and approved by both Affordable Housing and Toronto Building, expected to be completed by the third quarter 2010.</p> <p>Future reports by the Affordable Housing Office to City Council will clearly state that the exemption for development charges only applies to the affordable residential areas and that development fees are to be paid for the non-residential space as per By-law 275-2009. Timing - immediate.</p>

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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.	X		The CBO, in consultation with the DCM and CFO will review the definitions and policies in the development charges by-law that are the subject of staff misinterpretation. Based on the results of the review, recommended changes, if any, will be incorporated into the City’s next development charge by-law update process. In the interim, by-law clarifications will be communicated to staff by the CBO through interpretation bulletins and memos and/or other appropriate means. Additionally, staff training material used as part of the most recent by-law change will be made available to all staff on-line.	Development charge training material will be made available to staff on line by the second quarter of 2010. Clarifications will be issued as required. Timing for changes to the Development Charge by-law will be in line with the normal review process of 2012/2013.

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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.	X		The office of the Chief Building Official will evaluate the results of the current audit process which has been in place for the past two years. The current process is a performance measure by which each manager is reviewed to ensure that audits have been undertaken. Auditing prior to the issuance of a permit could have operational impacts which may result in delays in permit issuance meeting legislated time frames and as such may not be feasible. The enhancement of supporting documentation used in the audit process will be evaluated as part of this process.	The evaluation of the current audit process, timing and associated enhancements to be completed by the end of the fourth quarter of 2010.

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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.	X			<p>PF&R plans to meet with City Legal and City Planning to review options and determine the best course of action for the remaining 4 sites within the Motel Strip Secondary Plan to ensure consistency. This course of action may or may not include changes to the Official Plan. The parameters will then be adopted, communicated and documented by the division.</p> <p>Time frame: 2011</p>

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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.	X			<p>The file being referenced dates back to 2002 when Letters of Intent were legally viewed as an agreement. Now, PF&R implement only those requirements set out in applicable parkland dedication by-laws including the Alternate Rate By-Laws and Council approved conditions and executed agreements.</p> <p>To ensure this recommendation is acted upon, PF&R will document the parkland dedication protocols and document same in the divisional Resource Manual.</p> <p>Time line: 2010</p>

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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.	X			<p>With the Alternate Rate By-Law that came into effect on January 1, 2008, we do not negotiate parkland dedication rates. The rates are set out by the applicable parkland dedication by-law and they are not negotiable. Only Section 37 agreements are negotiated.</p> <p>PF&R will review pre 2008 active files to check on amounts being collected.</p> <p>Time line: 2010.</p>
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.	X			<p>Complete and in place.</p> <p>PF&R will also document in its Resource Manual and communicate to staff.</p> <p>Time line: 2010.</p>

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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.	X			<p>The DCM & CFO, in consultation with the CBO and appropriate staff, will enter into discussions with the TCDSB to implement, where feasible, consistent definitions and policies affecting the development charge calculations in order to achieve administrative efficiencies.</p> <p>It should be recognized that the City and the TCDSB may have different policy objectives and be subject to different legislative constraints that may not allow the calculations to be fully consistent between the two by-laws.</p> <p>Recommended changes to the City's by-law, if any, will be implemented during the City's next development charge by-law update process.</p> <p>Timeframe: 2012/13 or earlier as directed by Council.</p>

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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.	X		Recording of payments in IBMS and SAP are currently entered separately by Toronto Building and Accounting Services staff with some time lag in between and some systemic differences from district to district. An electronic interface between the two systems would reduce the potential for error and improve the efficiency and accuracy of reconciling information between the two systems.	The Director, Accounting Services in consultation with the CBO and Executive Director, Toronto Building will review practices for depositing and refunding amounts in IBMS and entry into SAP to reconcile entries. Based on the results of the initial reconciliation, the frequency for reconciling will be established, and consideration will be given to the need for an automated interface between IBMS and SAP.

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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.	X			<p>The DCM & CFO will review the pre-amalgamation development charge reserve funds to examine options for expediting the use of and closing the pre-amalgamation development charge reserve fund accounts. Recommendations from the review will be incorporated into the 2011 capital budget process or as an in-year budget adjustment for affected program areas, where appropriate.</p> <p>Time frame: Q1, 2011</p>