



DRAFT

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MEDIUM SENSITIVITY

Ministry of Municipal Affairs and Housing
Municipal Finances Engagement
City of Toronto

Terms of Reference

March 2023
Municipal Finance Policy Branch (MFPB)
Local Government Division (LGD)
Ministry of Municipal Affairs & Housing (MMAH)

Background

The government of Ontario (the Province) and the City of Toronto (the City) have a strong longstanding partnership with key goals in common, including increasing the supply of new housing. Building on this relationship, on November 30, 2022, the Hon. Steve Clark, Minister of Municipal Affairs and Housing, committed to supporting the City in achieving its housing targets, while promoting financial sustainability, by launching a third-party audit, paid for by the Province, into municipal finances pertaining to the development of housing related infrastructure.

Working together, the Province and the City will use this process to get the facts, make improvements to how municipal funds are managed, and infrastructure projects are contracted.

Objectives

- The objective of this engagement is to provide advisory support to the City of Toronto on areas of municipal finance critical to the development of new housing. The engagement will also contribute to building a financially resilient City.
- The engagement will provide lessons learned. Best practices identified through this engagement will be included in the reports to be provided to the Province and the City to support and inform municipal processes.

Specifically, the engagement will focus on:

- A. *Bill 23 financial impacts*: What is the estimated impact of Bill 23, More Homes Built Faster Act, 2022, on the City's finances, if provincial housing targets for the City are met/exceeded?
- B. *Optimizing growth-related infrastructure investments*: Have growth-related capital planning decisions been managed with due regard for economy, efficiency, and effectiveness?

Scope

The scope may be modified as agreed in writing by the parties during the course of fieldwork.

A. Bill 23 Financial Impacts

The scope for this engagement will include, but is not limited to, an independent estimate of the financial impacts of Bill 23 assuming the City would meet/exceed the new housing targets, over the 10-year period, 2022 to 2031. The engagement will ensure modeling assumptions are supportable, probable, and complete.

B. Optimizing growth-related infrastructure investments

The scope for this engagement will include, but is not limited to, an examination of the activities and decisions supporting investments in growth-related infrastructure (e.g., planning, spending) since 2018.

Activities and decisions will be evaluated according to the following factors:

- *Accountability* – Did the City levy and use municipal development-related charges, such as development charges (DCs) and parkland dedication levies, according to their intended purpose consistent with the DC background study, appropriate legislation and having regard for council direction?
- *Effective* – Did the City follow a prudent process to ensure DC funds collected are appropriately applied against DC eligible growth projects included in the DC Background study?
- *Efficient* – Did the City make timely investments in growth-related infrastructure through well-organized project management and administrative processes?

Deliverables and Timing

- Separate draft and final reports including findings, methodology, assumptions, and recommendations to be developed in response to each objective (A and B).
- The final report on objective A (Bill 23) is to be completed by July 1, 2023, and the final report on objective B (Infrastructure) is to be completed by September 30, 2023.
- Regular status updates will be provided throughout the fieldwork stage and preliminary observations and recommendations will be discussed with key Ministry stakeholders.
- Ministry and City management will be expected to review and provide responses, as applicable. Final reports to be made public following approval from both parties.

Key Contacts

- Ministry of Municipal Affairs & Housing – key stakeholders:
 - Caspar Hall, Assistant Deputy Minister, Local Government Division
 - Ruchi Parkash, Director, Municipal Finance Policy Branch
 - Shira Babins, Manager, Municipal Finance Policy Branch

- Joanna Alpajaro, Municipal Finance and Accountability Specialist, Municipal Finance Policy Branch
- City of Toronto
 - Heather Taylor, Chief Financial Officer and Treasurer
 - Andrew Flynn, Controller

Engagement Requirements

- External vendors must be in good standing with their respective professional associations and comply with relevant ethical requirements, including objectivity and independence, as applicable
- With regards to the execution of the engagement, the City's responsibilities are as follows:
 - Provide requested information (all financial and non-financial records) in a timely manner (i.e., within five business days).
 - Provide vendor staff with appropriate accommodations for the duration of the engagement as necessary (e.g., working space, internet).
 - Grant timely and sufficient access to municipal staff.
 - Provide responses to the draft report in a timely manner (i.e., two weeks of receipt).
- Vendor engagement responsibilities:
 - Ensure vendor staff is available to Ministry and City personnel (e.g., for status meetings, to answer questions).
 - Engage with subject matter experts.
 - Provide regular status updates throughout the fieldwork stage as well as preliminary observations and recommendations.
 - Complete the engagement with as minimal an impact on the City's daily operations as possible while achieving the timing framework of the review.
 - Provide clear and concise reports, recommendations and advice on issues and findings.
- Ministry responsibilities:
 - Outline clear objectives, scope, and timing for the engagement.
 - Facilitate the resolution of any disagreement between municipal staff and engagement personnel regarding audit matters.
 - Provide responses to the draft report in a timely manner (i.e., two weeks of receipt).
 - Receive and review final audit report before its public release.

Access to all information will be in compliance with the provisions of the Freedom of Information and Protection of Privacy Act and the Municipal Freedom of Information and Protection of Privacy Act.

Approvals

For MMAH:

Caspar Hall
Assistant Deputy Minister, Local Government Division
Ministry of Municipal Affairs and Housing

Date

For the City of Toronto:

Heather Taylor
Chief Financial Officer and Treasurer
City of Toronto

Date

Appendix A: Methodology

A. Bill 23 Financial Impacts

- The methodology for this engagement will include, but is not limited to:
 - Review of infrastructure investments using DC collections, other own-source revenues, and senior government funding over the period.
 - Estimate the increase in net municipal revenues (e.g., from property tax and investment returns on applicable reserves) over the period.
 - Development of estimate based on relevant socio-economic conditions.
 - Review to be informed by planning documents such as strategic plan, internal policies (e.g., reserves, investments, etc.), DC background studies, capital plans, budgets, audited financial statements.
 - Engagement with municipal staff.
 - Engagement with subject matter experts

B. Optimizing growth-related infrastructure investments

- The methodology for this engagement will include, but is not limited to:
 - Review infrastructure investment history (strategic, financial, administration) since 2018.
 - Review of municipal planning documents (e.g., strategic plans, internal financial policies, asset management plans, capital plans, budgets, contracts/agreements, DC background studies, staff reports to Council, audited financial statements).
 - Review of collection and use of own-source revenues (property tax, investment income, etc.) for growth-related infrastructure.
 - Engagement with municipal staff.
 - Review literature for best practices and engage with subject matter experts.
 - Where possible, use opportunities to leverage data analytics and/or other technology in the engagement.