
REPORT TITLE: **Municipal Finances Audit (Bill 23 Financial Impacts and Optimizing Municipal Resources) Terms of Reference**

FROM: Gary Kent, CPA, CGA, ICD.D, Chief Administrative Officer

RECOMMENDATION

1. That Peel Region participate in the upcoming audit of municipal finances focusing on the financial impacts of Bill 23, More Homes Built Faster Act, 2022 and optimizing municipal resources, as requested by the Minister of Municipal Affairs and Housing in a letter dated May 3, 2023 attached as Appendix I; and
2. That the Chief Financial Officer and Commissioner of Corporate Services be authorized to sign the provided Terms of Reference attached as Appendix II to confirm Peel Region's participation in the audit process.

REPORT HIGHLIGHTS

- On May 3, 2023, the Minister of Municipal Affairs and Housing advised that Peel Region had been selected to participate in a third-party audit into municipal finances and provided the terms of reference for review and execution.
- The Province has also selected five other municipalities to participate in the audit process: Brampton, Caledon, Mississauga, Newmarket and Toronto.
- The audit will focus on two objectives: to estimate the impacts of *Bill 23, More Homes Built Faster Act, 2022* on Peel Region's finances and to optimize municipal resources by assessing the Region's management of its finances and service delivery.
- The audit is expected to start later this year after the Province's selection of an auditor, however, no specific timelines have been provided.
- The audit's findings may also be used to inform the regional assessment review process.
- The Minister has requested that Peel Region sign and return the Terms of Reference no later than May 26, 2023, to confirm participation in the process.

DISCUSSION

1. Background

On November 30, 2022, Minister of Municipal Affairs and Housing Steve Clark committed to supporting municipalities in achieving their housing targets, while promoting financial sustainability, by initiating a third-party audit into municipal finances. This was in response to concerns raised by municipalities regarding the anticipated significant financial impacts of

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changes to development-related fees and charges as a result of Bill 23, *More Homes Built Faster Act, 2022*.

On May 3, 2023, Minister Clark advised the Regional Chair in writing that Peel Region had been selected to participate in the proposed audit (Appendix I) and provided Terms of Reference (Appendix II) for review and execution.

In addition to Peel Region, the Province has indicated that it intends to partner with five other municipalities: Caledon, Brampton, Mississauga, Newmarket and Toronto, as part of the audit process, which is expected to begin later this year following the selection of third-party auditors.

2. Audit Objectives and Terms of Reference

The proposed audit has two objectives:

- to determine the estimated impacts of *Bill 23, More Homes Built Faster Act, 2022* on Peel Region's finances, assuming each of Peel Region's local municipalities meet or exceed the new housing targets over a ten-year period;
- to assess the efficiency and effectiveness of the Region's management of its finances and service delivery over the last five years (2018-2022).

The Minister also indicated in a news release issued on May 4, 2023 (Appendix III), that the Region's participation in the audit process "will be valuable in informing the development of future policies and programs supporting investments in housing-enabling infrastructure."

The Terms of Reference also state that the audit "will provide lessons learned. Best practices identified through this engagement will be included in the reports to be provided to the Province and participating municipalities to support and inform municipal processes. Findings may also be used to inform the regional assessment review process."

The roles and responsibilities of the Ministry, Peel and the selected auditor are outlined in the attached Terms of Reference. Key responsibilities of Peel include: providing requested information in a timely manner (within 5 business days); providing the auditor with appropriate workspace; granting access to municipal staff; providing responses to the draft report in a timely manner (within two weeks); and receiving the final audit report.

The selected auditor will produce separate interim and final reports on each objective and provide regular status updates throughout the fieldwork stage including preliminary observations and recommendations. At the time of the writing of this report, the timing of the completion of the third-party audit and the final reports is unknown.

The Minister has requested that Peel Region sign and return the Terms of Reference no later than May 26, 2023, to confirm participation in the process.

RISK CONSIDERATIONS

Forgoing participation in the audit process could result in a diminished opportunity to recover compensation from the Province for the anticipated financial impacts of Bill 23 to Peel Region. Indeed, it will be helpful to clarify the rules regarding Bill 23 for Development Charges in particular, to allow the Minister to introduce measures to make municipalities "whole".

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It also is important to note that the period under review was significantly disrupted with the response to the COVID -19 pandemic.

FINANCIAL IMPLICATIONS

The proposed Terms of Reference indicate that the cost of the third-party audit will be paid by the Province.

APPENDICES

Appendix I - Letter to Regional Chair Iannicca from the Hon. Steve Clark, Minister of Municipal Affairs and Housing, dated May 3, 2023

Appendix II - Municipal Finances Audit – Peel Region – Terms of Reference, dated May 2023

Appendix III - MMAH News Release - Ontario Moves Forward with Third-Party Audit Process of Municipal Finances and Development Fees, dated May 4, 2023

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