

City of Mississauga
Corporate Report



<p>Date: May 10, 2023</p> <p>To: Mayor and Members of Council</p>	<p>Originator's files:</p>
<p>From: Shari Lichterman, CPA, CMA, City Manager and Chief Administrative Officer</p>	<p>Meeting date: May 17, 2023</p>

Subject

Municipal Finances Audit

Recommendation

That Council endorse the Terms of Reference for the Municipal Finances Audit as proposed by the Ministry of Municipal Affairs and Housing, and direct the CAO and City Manager to work with the provincially-appointed auditors to complete the audit.

Executive Summary

- On November 28, 2022, Bill 23, *More Homes Built Faster Act, 2022* received royal assent. The Bill made significant cuts to the amount of funds municipalities could collect for development charges (DCs) and cash in lieu parkland (CIL) – fees that pay for critical infrastructure and green space in our City.
- After intense opposition to the legislation from municipalities, including Mississauga, the Minister of Municipal Affairs and Housing committed to making cities “whole” for any losses incurred as a result of Bill 23, but only after audits of select municipalities were conducted.
- On May 4, 2023, the City received a letter from the Minister of Municipal Affairs and housing along with a terms of reference for a provincial audit. The stated goal is to better understand municipal finances and to help support municipalities in achieving the provincial goal of building more houses.
- The Ministry has requested Mississauga endorse the terms of reference for this audit by May 26, 2023.
- Mississauga has a long track-record of strong financial management is confident our fiscal stewardship will be confirmed through this audit. Staff recommend Council endorse the terms of reference for the audit and direct staff to cooperate with the provincially-appointed auditors

Council	2023/05/10	2
---------	------------	---

Background

On November 28, 2022, Bill 23, *More Homes Built Faster Act, 2022* received Royal Assent. As part of this legislation, the amount of development charges (DC) and cash in lieu of parkland (CIL) municipalities can collect has been significantly reduced. This change was made ostensibly to incentivize developers to build more housing in Ontario to reach the provincial housing target of 1.5 million homes built in the next ten years.

Many municipalities, including Mississauga, opposed these changes, calling on the government to reverse the proposed DC and CIL cuts. In Mississauga, it is estimated that Bill 23 changes could result in \$885 million in losses over the next decade. In Peel Region, the losses total a projected \$2 billion.

In response to municipal opposition, the provincial government committed to making municipalities “whole” for their losses as a result of Bill 23. At the same time, they indicated that select municipalities would have their finances audited by a provincially-appointed third party. The province committed to appointing these auditors by the end of January 2023. After delay, the province announced on May 4, 2023 that the auditors would be appointed to review the finances of Mississauga, Brampton, Caledon, Peel Region, and the Town of Newmarket. The audit process for Toronto commenced earlier this year.

In the provincial press release on May 4, 2023, the province outlined the objective of the audits as follows:

“The province intends to use these audits to reach a shared understanding of any potential or perceived impacts of the More Homes Built Faster Act as regards changes to development-related fees and charges. This aligns with the province’s previous commitment to ensure that there is no funding shortfall for housing-enabling infrastructure as a result of the More Homes Built Faster Act, provided municipalities meet or exceed their assigned provincial housing targets.”

As part of the announcement, Mississauga received a letter from the Minister of Municipal Affairs and Housing, along with a terms of reference for the audit (Appendix 1). In his letter, the Minister defines the objective of the audits is “to get the facts on municipal finances, including municipal reserve funds and development charge administration.” This Minister also stated the province is “...committed to supporting municipalities in achieving provincial housing targets while promoting financial sustainability.”

The province has asked for the City to endorse the terms of reference and signal its cooperation in writing by May 26, 2023. The audits are expected to begin in July 2023.

Comments

The terms of reference for the audit state two objectives:

1. **Bill 23 impacts:** What is the estimated impact of Bill 23, *More Homes Built Faster Act, 2022* on the City of Mississauga's finances, if provincial housing targets for the City of Mississauga are met/exceeded?; and
2. **Optimizing municipal resources:** How has the City managed its finances and service delivery with due regard for the economy, efficiency, effectiveness, and stewardship?

The scope of the second objective will include a review of the City's actions over the last five years on the following:

- Financial ability to maintain the level and quality of its services and to finance new programs and infrastructure investments over the medium and long-term, using the funding and financing tools at its disposal;
- Fiscal stewardship of assets/resources (including infrastructure assets and reserves);
- Ability to meet its financial obligations, both short and long-term; and
- Short and long-term policy, operating and capital decisions and their impact on its financial health.

The auditors will also assess the City's financial management on the following criteria:

Economy: Did the City carefully use resources to save expense, time, or effort?

Efficiency: Did the City deliver the same level of service for less cost, time, or effort?

Effectiveness: Did the City deliver a better service or get a better return for the same amount of time, or effort?

Stewardship: Did the City's actions and use of resources put it at risk of carrying on or being able to function effectively in the future?

The scope of the audits is broader than just DC and CIL management. It probes deeper into the spending decisions of the City and how the City manages its resources for the last five years.

Recommendation

Staff are confident in the City's financial management practices and recommend the City cooperate and work with the provincially-appointed auditors through this process. The City's representative for these audits will be Shari Lichterman, CAO and City Manager, supported by the Director of Finance, Marisa Chiu.

The City of Mississauga has a long track-record of strong financial management, including maintaining a Triple A credit rating for 19 straight years, and winning multiple financial management awards, including the Canadian Award for Financial Reporting from the Government Finance Officers Association. As required by provincial regulations, the City of Mississauga provides detailed, public financial statements to the province on an annual basis.

The City also finds savings every year. In 2022, \$3.5 million was saved and since 2009, over \$77 million in savings has been found. This is done through ongoing efficiencies and a commitment the Lean program. In fact, as municipal leaders, Mississauga Lean Office staff have been asked to assist the Ontario government with the implementation of their own Lean program.

As part of the development of the City's Development Charges by-law, and the Cash in Lieu of Parkland by-law, a background study is developed by an independent third party, which is followed by extensive consultation with industry stakeholders. All of the funds collected by the City through these fees is assigned to publicly stated projects and the spending is tracked and reported upon annually. How the City manages funds and makes spending decisions is fully transparent and available for the public and province to review at any time.

Financial Impact

There are no financial impacts associated with this report as the province has indicated they will cover the cost of the auditors. Depending on the outcome of the audits, there could be a financial impact to the City, however staff are confident that the audits will show Mississauga to be a strong financial manager and the impacts of Bill 23 to be real and significant. If this is the case, and the province honours its commitment, Mississauga should be made whole for any losses incurred as a result of the changes in Bill 23.

Conclusion

As part of Bill 23, *More Homes Built Faster Act, 2022*, the provincial government has hired auditors to work with the City of Mississauga and other select municipalities to review the impacts of the legislation and determine the losses suffered. Staff recommend Council endorse the terms of reference proposed by the province and signal in writing before May 26, 2023 the City's intent to cooperate with the provincially-appointed auditors.

Attachments

Appendix: Municipal Affairs and Housing Letter and Terms of Reference



Shari Lichterman, CPA, CMA, City Manager and Chief Administrative Officer

Prepared by: Robert Trewartha, Director of Strategic Communications and Initiatives