

**Date:** 2023-05-16

**Subject:** **Municipal Finances Audit – Ministry of Municipal Affairs and Housing (MMAH)**

**Contact:** **Nash Damer, Treasurer**  
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**Report Number:** Corporate Support Services-2023-456

**Recommendations:**

1. That the report from Nash Damer, Treasurer, Finance to the Council Meeting of May 17, 2023, re: **Municipal Finances Audit – Ministry of Municipal Affairs and Housing (MMAH)**, be received; and
2. That staff be authorized to execute the audit Terms of Reference (ToR) no later than May 26, 2023, in order to confirm participation in the MMAH Municipal Finances Audit, as per the request received in a letter from the Minister of Municipal Affairs and Housing on May 3, 2023.

**Overview:**

- **In November 2022, the Ontario government introduced Bill 23 – *More Homes Built Faster Act*, which contained sweeping changes to growth financing for municipalities.**
- **At the November 23, 2022 Committee of Council, staff presented significant preliminary financial and non-financial high-level projected implications from Bill 23 of which a summary of the financial impacts has been included in this report for reference.**
- **On May 3, 2023, the City of Brampton received a letter with an accompanying Terms of Reference (ToR) from the Ministry of Municipal Affairs and Housing (MMAH), requesting that Brampton be included in a Municipal Finances Audit with a deadline of May 26, 2023 for the City to confirm participation in the audit. The ToR is in Attachment 1.**

- **The two objectives of the audit are to quantify Bill 23 financial impacts if the housing targets are met or exceeded, and assess how the City has managed its finances and service delivery with due regard for economy, efficiency, effectiveness and stewardship. Findings may further inform the regional assessment review.**
- **Staff highlighted a number of comments and recommendations to discuss with the Province prior to the audit.**
- **Staff recommends confirming participation in the MMAH Municipal Finances Audit by the requested deadline of May 26, 2023.**

### **Background:**

The purpose of this report is to inform Council about the Ministry of Municipal Affairs and Housing's (MMAH) Municipal Finances Audit Request received on May 3, 2023, and seek approval to sign back the Terms of Reference (ToR) in Attachment 1 to confirm participation in the audit.

### Bill 23 Background

In November 2022, the Ontario government introduced Bill 23 – *More Homes Built Faster Act*, which contained sweeping changes to growth financing for municipalities.

At the November 23, 2022 Committee of Council, staff presented preliminary high-level impacts of Bill 23, which amounted to approximately \$2 billion and included the following:

- \$440 million in development charges related to existing growth plans.
- \$260 million to \$800 million of possible impacts due to the definition of affordable housing units being linked to the 80% threshold of average market value.
- Potential CIL Parkland revenue loss for the City of Brampton is estimated to be \$700 million to \$1.05 billion.

The new housing targets established by the Province are a considerable expansion beyond existing growth plans and as such they require substantial additional infrastructure beyond current plans that is estimated at over \$2B and that will have to be met with limited DC revenue tools.

At the February 8, 2023 Committee of Council, staff presented a budget amendment of \$570,000 to implement a Bill 23 Task Force to proactively manage this legislative change, which was approved by Council.

### MMAH Municipal Finances Audit Request

On May 3, 2023, the City of Brampton received a letter from the Minister of MMAH, requesting that Brampton be included in a Municipal Finances Audit with a deadline of May 26, 2023 to sign and return the confirmation to participate in the audit.

The letter included Terms of Reference that were described as Final by the MMAH while not including the timelines for the audit.

### **Current Situation:**

### MMAH Municipal Finances Audit Overview

The MMAH Municipal Finances Audit ToR states the following two focus objectives for the audit:

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

The letter also states that participation in the audit will be valuable in informing the development of future policies and programs supporting investments in housing-enabling infrastructure, and inform the regional assessment review process.

Furthermore, the MMAH Municipal Finances Audit ToR states the following scope for the audit:

#### *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 Municipal Resources*

*The scope for this engagement will include, but is not limited to, an assessment, over the last 5 years (2018-2022), of the City's:*

- 1. 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;*
- 2. fiscal stewardship of assets/resources (including infrastructure assets and reserves);*
- 3. ability to meet its financial obligations, both short- and long-term; and*
- 4. short- and long-term policy, operating and capital decisions and their impact on its financial health.*

Staff is aware City of Brampton is one of six municipalities requested to participate in the audit. Others include City of Toronto, Region of Peel, Mississauga, Caledon, and Newmarket. MMAH engaged with City of Toronto separately. At the March 29, 2023 Toronto City Council Meeting, a notice of motion stated that there had been “several rounds of discussions with Provincial and Municipal staff to ensure an Audit that is expeditious, scoped properly, and effective”. The notice of motion recommended that Toronto City Council approve the negotiated ToR without delay in order to meet an Audit reporting deadline of July 1, 2023.

With the exception of Toronto, the ToR for the other municipalities appears identical to the one City of Brampton received.

### Staff Comments and Recommendations

Staff reviewed the ToR and have identified a number of comments and recommendations to discuss with the Province prior to the audit process.

1. Staff recommends better defining the scope under Section B - Optimizing Municipal Resources and Section B of Appendix A - Assessment of the State of Municipal Finances, in order to clearly articulate evidence-based objectives, followed by transparent outcomes and reports that are not open to subjective interpretation.

2. Staff recommends leveraging the annual Financial Information Return for historical analysis wherever possible. The information is comprehensive and collected consistently against the Provincial criteria.
3. Staff recommends clarifying the audit timeline, which does not exist in the ToR. The Finance department has peak operational times due to budget and year-end, and would prefer to avoid any potential overlaps in order to best support the audit needs.
4. Staff recommends lengthening response time from 5 business days to 10 business days as the audit spans 5 historical years and may require off-site retrieval of certain documents.
5. Staff recommends lengthening the required response time to the final audit report from two weeks to six weeks due to the need to coordinate cross-departmental responses, CLT and possibly Council review.
6. Staff recommends seeking financial support from the Province to offset any additional costs incurred as a result of the audit as it could significantly divert from the limited resources needed for normal operations.

Staff will surface the comments and work with the Province to resolve any potential issues. Staff recommend that the City confirms participation in the MMAH Municipal Finances Audit by the requested deadline of May 26, 2023 since the results of this audit will likely provide a firm basis for establishing a mutually agreed upon estimation of the projected revenue shortfall due to Bill 23.

**Corporate Implications:**

N/A

**Term of Council Priorities:**

This report fulfils the Council Priority of a Well-Run City through strict adherence to effective financial management policies and supports Brampton's 2040 Vision by ensuring sustainable financial operations.

**Conclusion:**

The Municipal Finances Audit is intended to establish evidence-based projections of the revenue shortfall due to Bill 23 and potentially inform the regional assessment review process. Staff recommend that the City confirms participation in the MMAH Municipal Finances Audit by the requested deadline of May 26, 2023.

Authored by:

Reviewed by:

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Nash Damer, Treasurer

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Nash Damer, Treasurer

Approved by:

Approved by:

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Marlon Kallideen, Commissioner,  
Corporate Support Services (Acting)

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Marlon Kallideen,  
Chief Administrative Officer

**Attachments:**

- Attachment 1 – Ministry of Municipal Affairs and Housing, Municipal Finances Audit, City of Brampton – Terms of Reference