



**Ministry of Municipal Affairs and Housing**  
**Municipal Finances Audit**  
**Town of Caledon**

**Terms of Reference**

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May 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 municipal sector 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 municipalities in achieving their housing targets, while promoting financial sustainability, by launching a third-party audit, paid for by the Province, into municipal finances.

Working together, the Province and select municipalities will use this process to get the facts on the state of municipal finances and obtain cogent independent advice on measures that can be taken to support long-term municipal financial sustainability.

## Objectives

The proposed municipal finances audit will focus on two objectives:

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

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 participating municipalities to support and inform municipal processes.

Findings may also be used to inform the regional assessment review process.

## Scope

The scope may be modified as agreed to 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 Town 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 Town'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.

Activities and decisions will be evaluated according to the following factors, in the context of medium-term and long-term municipal financial sustainability,

- *Economy* – Did the municipality carefully use resources to save expense, time, or effort?
- *Efficiency* - Did the municipality deliver the same level of service for less cost, time, or effort?
- *Effectiveness* – Did the municipality deliver a better service or get a better return for the same amount of expense, time, or effort?
- *Stewardship* – Did the municipality's actions and use of resources put it at risk of carrying on or being able to function effectively in the future?

## **Deliverables and Timing**

For each objective of the engagement, the vendor will produce the following deliverables over the course of the assignment:

1. For each objective (A and B), separate interim and final reports will be provided. These reports would include the methodology, procedures, evaluation criteria, assumptions, metrics, benchmarks, findings, and recommendations.
2. Regular status updates will be provided throughout the fieldwork stage, including preliminary observations and recommendations, which will be discussed with key Ministry stakeholders.
3. Ministry and Municipal management will be expected to review and provide responses.

## Key Contacts

Ministry of Municipal Affairs & Housing – key stakeholders:

- o Caspar Hall, Assistant Deputy Minister, Local Government Division
- o Ruchi Parkash, Director, Municipal Finance Policy Branch
- o Shira Babins, Manager, Municipal Finance Policy Branch
- o Joanna Alpajaro, Municipal Finance and Accountability Specialist, Municipal Finance Policy Branch

For the Town of Caledon:

- o Director, Chief Financial Officer
- o Hillary Bryers, Treasurer

## 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 Town's responsibilities are as follows:
  - o Provide requested information (all financial and non-financial records) in a timely manner (i.e., within five business days).
  - o Provide vendor staff with appropriate accommodations for the duration of the engagement as necessary (e.g., working space, internet).
  - o Grant timely and sufficient access to municipal staff.
  - o Provide responses to the draft report in a timely manner (i.e., two weeks of receipt).
  - o Receive the final audit report.
- Vendor engagement responsibilities:
  - o Ensure vendor staff is available to Ministry and municipal personnel (e.g., for status meetings, to answer questions).
  - o Engage with subject matter experts.

- o Provide regular status updates throughout the fieldwork stage as well as preliminary observations and recommendations.
- o Complete the engagement with as minimal an impact on the municipality's daily operations as possible while achieving the timing framework of the review.
- o Provide clear and concise reports, recommendations and advice on issues and findings.
- Ministry responsibilities:
  - o Outline clear objectives, scope, and timing for the engagement.
  - o Facilitate the resolution of any disagreement between municipal staff and engagement personnel regarding audit matters.
  - o Provide responses to the draft report in a timely manner (i.e., two weeks of receipt).
  - o Engage with subject matter experts and provide data as needed.
  - o Receive and review final audit report, including making decisions on partial or full release of the audit report

The parties acknowledge that they are bound by the *Freedom of Information and Protection of Privacy Act* (Ontario) or the *Municipal Freedom of Information and Protection of Privacy Act*, as the case may be.

## Approvals

For MMAH:

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

Date

For the Town of Caledon:

Director, Chief Financial Officer  
Town of Caledon

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. Assessment of the State of Municipal Finances**

The methodology for this engagement will include, but is not limited to:

- *Municipal Governance* – Develop an understanding of decision-making and approval policies and frameworks in the municipality as they relate to strategic, financial, and administrative decision-making. (This will not be an evaluation of a two-tiered governance structure).
- *Municipal Practices and Procedures* – Review municipal procedures, directives, guidance, policies, and practices covering a broad range of municipal activities (e.g., strategic plans, internal financial policies, asset management plans, capital plans, budgets, DC background studies, staff reports to Council, audited financial statements) to understand the current operating environment.
- *Municipal Activities* – Review activities that support the financial and service delivery (operating and capital) decision-making in the municipality. This includes benchmarking to best practices in jurisdictions in and outside of Ontario who have similar financial and service delivery responsibilities.
- *Municipal Decisions* – Review decisions to understand their implications/impact on municipal financial sustainability and service delivery outcomes. This includes

reviewing financial/budgeting decisions to determine whether they positioned the municipality for long-term financial sustainability.

- o Engagement with municipal staff.
- o Review literature for best practices and engage with subject matter experts.
- o Where possible, use opportunities to leverage data analytics and/or other technology in the engagement.