Ottawa

Office of the Auditor General

Follow-up to the 2011 Audit of Budgeting for Growth Funding

Tabled at Audit Committee – October 8, 2015

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Executive Summary

Introduction

The Follow-up to the 2011 Audit of Budgeting for Growth Funding was included in the Auditor General's 2013 Audit Plan.

The key findings of the original 2011 audit included:

- The City has an established process for budgeting for growth related projects, and the controls for the budgeting of growth funding information were operating as intended.
- There is a need to improve communication to Council in order to properly inform the public.
- Key assumptions used to calculate development charges are appropriate and consistent with the legislated requirements in the Development Charges Act.
- The 2009 Development Charges Background Study did not include a specific list of parks capital projects for Committee and Council to review and approve. In 2010, staff has established a four and ten year forecast for parks, and the audit recommends that this be provided to Council for approval.
- The audit identifies opportunities to improve the communication of information on the calculation, collection, and spending of development charges to City Council and the public.
- The audit recommends that the City examine opportunities to include Corporate Finance in growth management planning, establish a standard level of detail and support in the budgeting for growth funding and associated reporting to Council, and put controls in place to facilitate tracking of growth and non-growth portions of projects.

Summary of the Level of Completion

The table below outlines our assessment of the level of completion of each recommendation as of January 2014.

Table 1: OAG's assessment of level of completion

Category	% Complete	Recommendations	Number of Recommendations	Percentage of Total Recommendations
Little or no action	0 to 24	n/a	n/a	n/a
Action Initiated	25 to 49	n/a	n/a	n/a
Partially Complete	50 to 74	n/a	n/a	n/a
Substantially Complete	75 to 99	3	1	17%
Complete	100	1, 2, 4, 5, 6	5	83%
Total			6	100%

The table below outlines management's assessment of the level of completion of each recommendation as in response to the OAG's assessment as of September 2014. These assessments have not been audited.

Table 2: Management's assessment of level of completion

Category	% Complete	Recommendations	Number of Recommendations	Percentage of Total Recommendations
Little or no action	0 to 24	n/a	n/a	n/a
Action Initiated	25 to 49	n/a	n/a	n/a
Partially Complete	50 to 74	n/a	n/a	n/a
Substantially Complete	75 to 99	n/a	n/a	n/a
Complete	100	1, 2,3, 4, 5, 6	6	100%
Total			6	100%

Conclusion

Management has been proactive in addressing the recommendations. All the recommendations have either been fully or substantially completed.

Acknowledgement

We wish to express our appreciation for the cooperation and assistance afforded the audit team by management.

The following section is the detailed follow-up report.

Detailed Follow-up report

Introduction

The Follow-up to the 2011 Audit of Budgeting for Growth Funding was included in the Auditor General's 2013 Audit Plan.

Key Findings of the original 2011 audit

1. The growth related capital projects identified in the Growth Management Plans are prepared by the Planning and Growth Management Department with input from the public, stakeholders, Standing Committees and approval from Council. As a result of these consultations and Council approval, these Growth Management Plans garner attention and visibility and play a key part in identifying the growth capital projects that are used in the Development Charges Background Study. However, the identification of projects in the Growth Management Plans, at the Official Plan stage, involves limited financial evaluation and does not provide an in-depth assessment of affordability as a key element in the identification of projects contained within the Transportation Master Plan and the Infrastructure Master Plan. In this phase, projects are identified on the basis of needs given population and employment projections and implications on funding sources, such as a large increase in development charges, are not considered or communicated and as a result, the Growth Management Plans, which has set public expectations on what is to be developed, may identify a list of capital projects that exceed the potential funds available to execute them.
2. In interviews with City of Ottawa staff from the Planning and Growth Management Department and through our testing of growth projects, we found the City of Ottawa compliant with all clauses of the Development Charges Act, 1997 relevant to calculating development charges that were utilized in budgeting for the growth capital projects examined.
3. The City of Ottawa Development Charges Background Study appropriately considered all required deductions as per the Development Charges Act in all the services in which it intends to apply the development charge rate. However, it was identified that the rationale to support the assumptions used to estimate these deductions are inconsistently documented. For example, the benefit to existing development (BTE) component of road and related services is supported by traffic studies that analyze road usage by volume and capacity (V/C). The BTE component of major indoor recreation facilities provides limited data to support the justification of the estimated BTE component of facilities.

4. During the development process of the DC Background Study, extensive consultation occurred with the Planning and Environment Committee as well as key stakeholders, including developers and the public. A Development Charge External Stakeholders' Group and a Development Charges By-law Sponsor Committee (Sponsor Committee) were also established to solicit input from stakeholders and guide the update of the DC by-law. The public, key stakeholders and Council members on the Planning and Environment Committee are all provided an opportunity to ask questions and provide input in the identification of projects and the calculation process for the development charge rate. The process used to identify growth related capital projects and estimate development charges rates is documented, consultative, and transparent.
5. As part of the annual budgeting process, departmental staff from the City Operations Portfolio and Infrastructure Services and Community Sustainability Portfolio, with the assistance of the staff in the Financial Services Unit, will prioritize the growth capital projects for the upcoming fiscal year. Departmental staff will take into consideration when the project was scheduled to begin with reference to the Development Charges Background Study, Growth Management Plans and/or Capital Programs and will also consider the funding envelope provided to them by the Financial Services Unit. Departmental staff will then make recommendations for projects to be initiated and request spending authority for Committee and Council consideration in the draft budget.
6. For the budget year 2011, the total capital budget was $849,210,000, of which 46 projects totalling $327,427,000 were categorized as growth. A full list of growth capital projects can be found in Appendix B and full list of non-growth projects can be found in Appendix C. Of the $327,427,000 budgeted cost for growth projects, approximately $81,447,000 will come from development charges funding. However, given the complexities of how development charges are collected and spent, it is not practical to assess growth related capital spending on a ward-by-ward basis. This is because residential development charges are collected on a mix of city-wide and area-specific basis for different service areas, while non-residential development charges are calculated on a uniform city-wide basis. As a result, some projects are funded from the DC city-wide accounts; while other projects are funded from the DC area-specific accounts. In 2011, approximately $72.4 million (89%) of the total $81.4 million spending from development charges will be drawn from city-wide DC accounts, while only $9 million (11%) of development charges will be from area-specific DC accounts. Additionally, many of the growth projects listed are located in a specific ward but will provide benefits to individuals across the city. For example, the Light Rail Transit (LRT) (Tunney's to Blair) project is the largest growth

project identified in the 2011 budget with a cost of $148,991,000. Although it will be located in wards 11, 15, and 17, the LRT will certainly benefit individuals beyond those three wards. As such, an analysis of the capital spending by ward would not yield an accurate portrayal of the wards truly benefiting from the project.

7. The audit examined six growth related capital projects totalling approximately $9.9 million to ensure projects were budgeted accurately and funded by the appropriate sources. In the projects selected for examination, it was identified that the growth related projects followed a consistent identification and budgeting process. The growth capital projects examined were appropriately identified in the DC Background Study and were budgeted in accordance with the growth/non-growth ratios identified in the DC background study with minor (equal to or less than 5%) differences. For example, the 2008 Cycling Facilities Program project was identified in the 2004 Development Charges Background Study and was subject to a growth/non-growth ratio of 28/72. It was observed that at the completion of the project, project financing was consistent with the ratios identified with 28% of funding drawn from development charge accounts and the remaining 72% from the city wide capital reserve fund.

8. Significant variances existed from the original spending authority requested in the annual budget from the amount spent at the time of project closure in two instances. The Forest Valley Pumping Station project was originally budgeted for $1,000,000 in the 2003 capital budget; however, an additional spending authority of $500,000 was requested and approved by Council in the 2004 capital budget. The additional authority was required to expand capacity and meet the needs of increased target densities identified in the City's New Official Plan. The Terry Fox Dr (Cope to Eagleson) project also required budget adjustments. $1.7 million was originally committed to the project from the 2005 capital budget with $4.6 million of additional funding coming from subsidies and transfer of fund from other projects. However, an additional $200,000 was requested from Council in 2006 to cover additional construction costs not foreseen at the design stage and an additional $200,000 was transferred from other project accounts in 2009 to cover expropriation settlement costs.

9. Through our testing of growth projects, we observed that the controls in place were operating as intended. The DC Background Study, annual capital budgets and Closure Reports were all reviewed by the appropriate Standing Committees and approved by Council. The growth portion of the capital project was charged to the appropriate development charges account and reconciled with the amounts in the Closure Reports presented to Standing Committees and approved by Council.

10. It was noted that the 2009 DC Background Study contained “programs” for a portion of Roads and Related Services and for Parks Development rather than specific projects. Programs are different in that they group several like projects together under one program name. For example, Roads and Related Services contains a New Traffic Control Signal Program that is made up of several smaller projects with a total estimated gross capital cost of $36,604,000 from 2010-2031 with a growth/non-growth ratio of 79/21. Programs provide departmental staff with budgeting flexibility but it also makes tracking funds to specific projects difficult since the specific growth/non-growth funding split is not identified for each project.

11. The 2009 DC Background Study did not include a specific list of parks capital projects for Committee and Council to review and approve. The audit found that a 4 and 10 year forecast for parks, listing specific parks projects, has since been established in 2010 by the Planning and Growth Management Department to identify, prioritize and allocate parks based on priority. The 4 and 10 year forecasts of parks are submitted to Financial Planning and functions as a request for future funding envelopes from which the Planning and Growth Management staff begins the budget process every year. The preparation of the 4 and 10 year forecasts of parks puts in place a more transparent prioritization process of parks allocation; however, the forecasts are not submitted to Committee or Council for approval. As part of the preparation of the DC Background Study and DC by-law, Deputy City Manager, supported by the Planning and Growth Management Department communicates regularly and submits a report to the Planning Committee that summarizes how the development charge rate is calculated. The information found in this report contains key information on how the development charges are calculated, and is presented to the Planning Committee for their review and recommendation to Council of the Development Charges Background Study and By-law. Councillors that do not sit on the Planning Committee at the time the Development Charges by-law is being passed do not have this information presented to them and as a result, may not be as knowledgeable in the area of funding for growth related capital projects. Given the importance of the development of growth capital projects to all Councillors, a report that summarizes the key assumptions and factors that influence the calculation, collection, and spending of development charges in a comprehensive manner that presents an appropriate balance of information and detail should be provided and made easily accessible to all Councillors prior to the City Treasurer’s Statement on Development Charge Reserve Fund Activity.

12. The 2009 DC Background Study provides an estimated timeline of when projects are to be executed and estimates the gross capital cost of projects. Once the DC Background Study has been prepared, factors may arise that impact the timing and estimated cost of a growth related capital project by the time spending authority is requested and presented in the annual capital budget. For example, the 2009 DC Background Study may identify a recreation facility to be constructed in 2010; however, due to delays in acquiring land or the environmental assessment, the project may not be able to begin until after the projected timeline of 2010. These factors and the associated financial implications on the DC funds available and original estimated cost are not analysed and presented to Council to provide a complete picture of how the budgeted costs have changed over time.

Status of Implementation of 2011 Audit Recommendations

2011 Recommendation 1

That the City examine opportunities to include Finance in the development of growth management plans in order to allow discussions on affordability and sources of funding to occur early in the process.

2011 Management Response

Management agrees with this recommendation.

The *Development Charges Act* stipulates that the City should examine the "affordability" of the projects for which development charges are being collected.

Growth/non-growth shares are established for each project so that Council can assess the affordability of work. Cash flow requirements are calculated so that inflation, interest and borrowing costs are included to keep the various reserve funds in balance.

During the next update of the Official Plan, staff will develop a financing plan to reflect the City's updated infrastructure master plans to ensure consistency with the principle that growth pays its fair share of costs. It is anticipated that this will be completed by Q4 2013.

OAG's Follow-up Audit Findings regarding Recommendation 1

Finance has been included in the development of growth management plans in order to allow discussions on affordability and sources of funding to occur early in the process. This was demonstrated at the Special Ottawa City Council Meeting November 26, 2013, where Council approved five key master plans. The plans included the Official Plan, the Infrastructure Master Plan, the Transportation Master Plan (TMP), the Ottawa Pedestrian Plan and the Ottawa Cycling Plan. These plans set out the vision for Ottawa's future growth to 2031 and were created in consultation with the public. At the same Council meeting the Joint Transit Commission and Transportation Committee tabled the Treasurer's report entitled "Affordability of the Transportation Master Plan, Ottawa Pedestrian Plan and Ottawa Cycling Plan".

The Treasurer's report identified that the "Affordability of the transit plan is dependent on: Attaining Senior Government funding for two thirds of project costs; Transit fares and taxes rising with the rate of inflation of transit costs; Controlling cost pressures in the period beyond 2031; and, Attaining projected Development Charge (DC) increases." Legislation does not allow the inclusion of the full cost of the new light rail system as future investment is limited to a ten year historical average. The Treasurer's report also noted that the City was pursuing a change in the legislation for an exclusion relating to this matter.

The Treasurer's report also noted that, "The City's capacity to provide tax supported funding to the growth related program remains fairly constant for each phase within the TMP and as a result there is no ability to advance funding from later phases into the earlier phase. Consequently, the report recommends that staff be directed to prepare future capital budgets that respect the affordability limits and priority phasing of the projects identified in the proposed Transportation Master Plan."

The financial affordability analysis and recommendations submitted by the Treasurer are dependent upon actions and on-going decisions as noted above.

We consider this recommendation complete.

OAG: % complete 100%

2011 Recommendation 2

That the City establish a standard level of detail and support for all assumptions used in the budgeting for growth funding, and ensure that it is consistently applied.

2011 Management Response

Management agrees with this recommendation.

Management will provide an additional summary analysis comparing the budgeted capital program, based on the funding principles, to various items listed in the Development Charges Background Study. This will be provided as part of an annual technical briefing in Q1 of each year (further detail is provided in the management response to Recommendation 5).

The current development charge funding principles are used as the underlying rationale behind when growth projects can proceed. By definition, projects that support the city's on-going growth are required to be partially funded by development charges. The funding principles determine when a project can proceed based on when it is required in the overall development cycle and on the amount of development charges that have been collected. For example, the growth-related funding principle reflected in the City's guidelines for soft services is that the reserve fund account cannot be in either a cash or commitment deficit at the end of the term of the By-law. In general, soft-service related projects are not required until a majority of the growth is in place and therefore, sufficient growth-related funding has been collected to pay for the projects.

A funding envelope is also established as part of the budget directions report, which is used to determine the amount of non-growth related funding available in order to finance the proposed capital investments.

While the City's funding priorities are initially established in the Background Study they are then subject to annual review during the capital budget process because future revenues are dependent on the level of development activity in the city over the five-year life of the Development Charges By-law. Appropriate adjustments to the capital forecast are made to reflect prevailing economic conditions with Council ultimately approving the eligible capital works through the annual budget approval and planning process.

The City used the foremost expert in development charges to provide staff with the expertise required to update the Background Study. This individual met with staff from each service area to review project submissions and to ensure that their calculations, including 'benefit to existing' (BTE), were completed correctly based on the legislative requirements.

Management Representation of Status of Implementation of Recommendation 2 as of July 1, 2013

The annual technical briefing was provided to Members of Council and their staff on June 21, 2013. The briefing summarized the development charge funding results identified in the 2012 *Treasurer's Statement* and included an overview of the *Development Charges Act*, the various steps required to calculate the charges, internal policy issues, and the impact the legislation had on the City's ability to fund growth-related capital projects. As part of the reporting requirements identified in the 2011 Audit of Budgeting for Growth Funding, staff highlighted actual expenditures greater than 25% of the original capital project estimate.

Management: % complete 100%

OAG's Follow-up Audit Findings regarding Recommendation 2

In June 2013, the annual technical briefing of the 2012 Development Charges Project Funding was provided to Members of Council and their staff. The briefing included the development charge funding results identified in the 2012 Treasurer's Statement on Development Charge Reserve Funds. This included opening and closing balances by category. This was a subset of the information provided in a prior report to Planning Committee and Council which noted that "The Financial Statements have not been finalized at this time." The briefing also included: an overview of the Development Charges Act, the steps in calculating the charges, internal policy issues and the impact the legislation has on the City's ability to fund growth-related capital projects.

The briefing also specifically addressed reporting requirements identified as part of this audit relating to capital projects that have growth funding where costs are greater than 25% or where the timing was advanced from the original DC Study.

We found that supporting documentation provided as part of this audit to highlight where expenditures were greater than 25% from the original DC study was not complete. For two of the projects on the technical briefing (906558 2012 TRANS Projects and 901183 Trim Road/St Joseph Watermains), explanations were subsequently provided by Management. For the first project, Management explained there was no cost difference as this was a program and not a project and for the second project the cost difference resulted from a change in the project timing. In our opinion, in future, more complete explanations could be retained with the supporting documentation.

We also found that the supporting documentation contained a project where the budget funding was greater than 25% of the original capital project estimate in the background study. This project (906335 entitled 2012 Safety Improvement Program) identified a variance of 73%. This project had not been included on the listing of projects in the technical briefing to Council. Management explained that this program was calculated using a 22 year planning horizon based on population/employment projections developed for the Official Plan whereas other programs included in the presentation used a 5 to 10 year expenditure horizon. Management further explained this program was not included in the presentation as more funding could be received in response to City Council priorities during the annual budget process. In our opinion, this project should have been provided as part of the technical briefing to Council.

The briefing included some recommended changes for the next DC study. These included listing the individual capital projects instead of a general program, defining timing more clearly and describing the nature and type of work being proposed. The briefing also noted next steps. In 2013, this was to include the approval of the Official Plan, Transportation Master Plan and Infrastructure Master Plan which has been addressed in Recommendation 1. In 2014, this was to include the proposed development charge rates, a public meeting and adoption of the new Development Charge By-Law.

We consider this recommendation complete.

OAG: % complete ***100 %***

2011 Recommendation 3

That the City put in place controls to facilitate tracking of growth and non-growth portions of projects where budgeting is done on the basis of programs.

2011 Management Response

Management agrees with this recommendation.

In the past, a specific listing of individual projects was not provided in the case of programs for several reasons: it is difficult to be precise in forecasting some of the costs given the uncertain nature of the way in which the work will be constructed; certain areas might be brought forward for development at any particular time; and the nature and type of work that the City might require as a prerequisite of development may vary.

In most cases, this project listing is identified in the annual capital budget document, Long Range Financial Plan, and various feasibility studies. Therefore, City Council confirms its intention that the increase in need will be met through approval of the capital program envelope outlined in the above-referenced documents.

In order to fully meet the intent of this recommendation, management will ensure that the planned level of investment by project type be provided in the Development Charges Background Study. This will be completed by the end of Q2 2014.

Management Representation of Status of Implementation of Recommendation 3 as of July 1, 2013

In consultation with Finance, a transportation infrastructure assessment and a financial affordability analysis have been completed. This analysis identifies the required future infrastructure, road, transit, walking and cycling projects within the City's affordability framework to best accommodate the City's future infrastructure and travel demands based on updated populations and employment growth projections. This analysis will inform a Financing Plan to ensure that growth pays its fair share of costs. The Plan will be completed by Q4 2013.

Management: % complete 85%

OAG's Follow-up Audit Findings regarding Recommendation 3

The annual technical briefing referred to recommended changes for the next DC study. This would include listing individual capital projects, including the portion of growth and non-growth, instead of a general program.

We consider this recommendation 85% complete.

OAG: % complete 85 %

Management Representation of Status of Implementation of Recommendation 3 as of September 17, 2014

The new Development Charges By-law is now in place, which places a financial obligation on the City to spend its growth-related revenues on the various capital funding programs listed in the Background Study. The City's annual capital budget process will continue to be the tool by which the various development charge programs will be prioritized and allocated on a standalone item-by-item basis. This will allow staff to verify the accuracy of the growth and non-growth shares of the specific capital works being proposed for construction.

The development charge consultation process has also helped to ensure that the various stakeholders understand the assumptions in calculating and attributing program costs.

Management: % complete 100%

2011 Recommendation 4

Given the visibility of parks, that the City present the 4 and/or 10 year forecasts of parks development to Committee or Council for approval.

2011 Management Response

Management agrees with this recommendation.

The 2009 Development Charges Background Study calculation of the Parks Development component of the charge did not set-out the planned investment by project type for the three area locations; however, the 2011 Development Charges by-law amendment did provide a specific listing of planned parks until 2019. Management believe this meets the intent of this recommendation.

A four-year forecast for individual Parks Development projects will be brought forward to Committee/Council for approval as part of the next capital budget process in 2013. Management notes that this is now being done on a project basis for development charge projects.

Management Representation of Status of Implementation of Recommendation 4 as of July 1, 2013

A four-year forecast for individual parks development projects has been in place since the 2012 budget cycle. The forecast will be brought forward for the next Capital Budget process in 2013.

Management: % complete 100%

OAG's Follow-up Audit Findings regarding Recommendation 4

In each of the capital budgets for 2012, 2013 and 2014 detail has been provided by individual parks development project for the current year only. The forecast for the following three years is provided as a total for the program only and not by individual parks development project.

Management also provided a detailed ten-year parks plan for the period from 2014 to 2023 by project. The estimated costs were class D estimates defined as rough order-of-magnitude estimates used for comparison based on historical costs for similar work including 40 to 50% contingency. The plan listed individual parks projects from 2014 to 2023. For 2014, we noted some differences between the parks plan and the approved Capital Budget. For example, Millenium Park # 907424 in the amount of $2,030,000 was included on the approved Capital Budget but not on the parks forecast. This project should have also been reflected on the forecast. Management described the detailed 10 year parks plan as a forecast and indicated that priorities change and that this was why the project was included in the budget.

We consider this recommendation complete.

OAG: % complete 100%

2011 Recommendation 5

That the City identify opportunities to provide information on the calculation, collection, and spending of development charges to all Councillors. This should be provided in a manner that summarizes the detailed information and assumptions in the DC Background Study to address the key issue of whether growth appropriately pays for itself to the full extent provided by legislation.

2011 Management Response

Management agrees with this recommendation and it has been implemented.

A technical briefing was provided to all members of Council and their staff on March 5, 2012, which summarized the current Development Charges Policy Framework. Included in the briefing session was an overview of the *Development Charges Act*, the various steps required in calculating the charges, internal policy issues and the impact the legislation has on the City's ability to fund growth-related capital projects. Copies of the 2009 Development Charge Background Study, as well as the presentation, were made available to all of the participants. An update will be provided prior to the release of the Treasurer's Statement (the Treasurer's Report is provided annually in April of each year).

The schedule contained in the Treasurer's Statement provides detailed information that summarizes the yearly collection and spending for each service component for Councillors. The treatment of reserve fund balances outlined in the schedule is based on widespread municipal practice in Ontario. In addition, detailed information outlining actual project funding, outstanding commitments and yearly revenue fluctuations are available upon request from the Program Co-ordinator.

Management Representation of Status of Implementation of Recommendation 5 as of July 1, 2013

Implementation of this recommendation is complete as per the management response.

Management: % complete 100%

OAG's Follow-up Audit Findings regarding Recommendation 5

In June 2013, the annual technical briefing of the 2012 Development Charges Project Funding was provided to Members of Council and their staff and included information on calculations.

We consider this recommendation complete.

OAG: % complete 100%

2011 Recommendation 6

That the City clearly identify the factors that contribute to changes in timing and gross capital project costs between the DC Background Study and the approval for spending authority as part of the capital budgeting process.

2011 Management Response

Management agrees with this recommendation.

Once a development charge is in place, there is a legislative obligation on the part of the City to spend its development charge receipts on the projects listed in the Background Study within the timelines stipulated. The capital budget process is the tool by which the City is guided in its expenditures of development charge money.

The Background Study estimates were based on current tender prices in order to establish the cost of future works and provide an accurate costing for projects included in the charge. However, actual expenditures on certain components may not reflect the most up-to-date costs resulting in projects exceeding original estimates. Since development charges are indexed annually by the construction price index, this protects the City's liability in situations where construction costs increase more than the initial project estimate.

There may also be subsequent deviations in the timing of expenditures to more accurately reflect anticipated revenues. The financial viability of each reserve fund is based upon actual collections and projections in order to smooth out any cash imbalances in the account. Shortfalls may occur for several reasons such as: substantial overruns on project costs that were identified in the background study; new legislative requirements for works increasing project costs or altering timing; and loss of revenue due to any significant decline in growth projections.

The City will, however, accept deficit positions in some reserve funds and does use a predictable and systematic approach to prioritizing and funding development charge works based on available revenues. It is important for the City to prioritize capital works to not only ensure the appropriate contribution from development charges but also ensure the availability of the amount benefiting existing development. This non-growth share is applied to all growth-related capital expenditures and must be funded by taxpayers.

Finally, the City is required, every five years, to conduct an update through an external consultant of the City's population, household, infrastructure costing, and growth projections for residential and non-residential land use. These numbers are then used for forecasting in any subsequent background study, over the planning horizon, the expected cost and timing of capital requirements required to support the planned level of growth. The review and update also include assumptions regarding benefit to existing taxpayers and residential and non-residential allocations. The development charge rates are then updated based on these more accurate assumptions.

In order to enhance our current processes, if actual expenditures on a particular growth-related capital project are greater than 25% of the original estimate or if the project timing has been advanced from what is shown in the Background Study, staff will conduct an analysis of the reasons for the differences. The results of the review will be available from the Program Co-ordinator as part of the annual technical briefing for Councillors. This will be done for the next reporting process in Q1 2013.

Management Representation of Status of Implementation of Recommendation 6 as of July 1, 2013

The annual technical briefing was provided to Members of Council and their staff on June 21, 2013. As part of the reporting requirements identified in the 2011 Audit of Budgeting for Growth Funding, staff highlighted actual expenditures greater than 25% of the original capital project estimate.

Management: % complete ***100%***

OAG's Follow-up Audit Findings regarding Recommendation 6

In June 2013, the annual technical briefing of the 2012 Development Charges Project Funding was provided to Members of Council and their staff.

We consider this recommendation complete.

OAG: % complete ***100 %***

Summary of Level of Completion

The table below outlines our assessment of the level of completion of each recommendation as of Jan 31, 2014.

Table 3: OAG's assessment of level of completion (repeat of Table 1 in Executive Summary)

Category	% Complete	Recommendations	Number of Recommendations	Percentage of Total Recommendations
Little or no action	0 to 24	n/a	n/a	n/a
Action Initiated	25 to 49	n/a	n/a	n/a
Partially Complete	50 to 74	n/a	n/a	n/a
Substantially Complete	75 to 99	3	1	17%
Complete	100	1, 2, 4, 5, 6	5	83%
Total			6	100%

The table below outlines management's assessment of the level of completion of each recommendation as in response to the OAG's assessment as of September 2014. These assessments have not been audited.

Table 4: Management's assessment of level of completion (repeat of Table 2 in Executive Summary)

Category	% Complete	Recommendations	Number of Recommendations	Percentage of Total Recommendations
Little or no action	0 to 24	n/a	n/a	n/a
Action Initiated	25 to 49	n/a	n/a	n/a
Partially Complete	50 to 74	n/a	n/a	n/a
Substantially Complete	75 to 99	n/a	n/a	n/a
Complete	100	1, 2,3, 4, 5, 6	6	100 %
Total			6	100%

Conclusion

Management has been proactive in addressing the recommendations. All the recommendations have either been fully or substantially completed.

Acknowledgement

We wish to express our appreciation for the cooperation and assistance afforded the audit team by management.