



Calgary

City Auditor's Office

Off-site Levy Annual Reporting Audit

October 15, 2019

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The City Auditor's Office conducted this audit in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

Executive Summary

The City charges developers an Off-site Levy (OSL) under the Off-site Levy Bylaw (2M2016) to help with the cost of growth related to road, water, sanitary and storm infrastructure, and the land required for this infrastructure as permitted by the Municipal Government Act (MGA) and City Charter. Developers also contribute an OSL for recreation centers, libraries, fire halls and police stations attributable to new developments and subdivisions. Over the years, OSL has represented a significant funding stream to support necessary growth infrastructure. The most current OSL Annual Report issued in December 2018, identifies \$61,198,502 in OSL collection, \$139,188,933 in OSL spend, and a \$435,733,428 OSL closing balance¹ at 2017 year-end. The City has a responsibility to use OSL for the purpose intended and accurately account for and report on the collection and use of the OSL.

The objective of the audit was to determine whether the OSL annual reporting process is effective and ensures complete, accurate, valid and transparent reporting on the collection and use of the OSL in a timely and efficient manner that meets legislative requirements.

Overall, we concluded that the OSL annual reporting process is not effective. There was no evidence of misuse of OSL funds². An absence of a defined governance structure and clear and consistent internal policies and procedures were an underlying root cause impacting the observations noted, specifically:

- Inadequate financial reconciliations;
- Discrepancies in OSL collection and usage reporting;
- Absence of support for the maximum potential project spend eligible for OSL usage;
- Interest on Water Resources OSL balances not reported; and
- Insufficient information included in OSL annual reporting on whether the OSL being collected is sufficient for planned infrastructure spend.

The OSL reporting process is complex since multiple Business Units are involved in tracking and reporting OSL collection and utilization. The process is also highly manual and reliant on the use of spreadsheets to track and report on project spend and budgets. As the levy rates have grown in magnitude over the years, Management recognized a need to address OSL administration. Management advised that this audit is seen as a positive step toward identifying the necessary changes to improve the OSL annual reporting process. To facilitate this, Calgary Growth Strategies Business Unit created the position of Manager, Growth Funding and Investment, in September 2018 to develop an OSL governance model and a new OSL reporting approach. Our recommendations provide a road map to improve stewardship of the annual reporting process and guide coordinated process improvement across multiple departments. Improvements identified support consistent reporting and greater OSL report quality and usefulness to stakeholders, reduced legislative non-compliance risk, and effective use of OSL by The City. Longer term, and budget permitting, additional efficiencies could be gained through automation and greater use of existing financial systems once the recommendations in this report have been addressed.

¹ Intended to be spent in support of new and ongoing infrastructure projects in future years, Off-site Levy 2017 Annual Report

² No evidence of misuse was identified during testing based on our test sample.

Calgary Growth Strategies have agreed to all 11 recommendations, on behalf of the departments identified in the report, and have set action plan implementation dates no later than December 1, 2021. The City Auditor's Office will follow-up on all commitments as part of our ongoing recommendation follow-up process.

1.0 Background

The Off-site Levy (OSL) is a charge that developers pay to The City to help with the cost of growth related road, water, sanitary and storm infrastructure, and the land required for this infrastructure. Developers also contribute funding for recreation centers, libraries, fire halls and police stations attributable to new developments and subdivisions. OSL are assessed at the time of subdivision or development approval and are one of the sources of funding used to fund growth infrastructure. Growth infrastructure not fully covered through OSL are funded through utility rates, property taxes and government grants.

The Municipal Government Act³ (MGA) permits municipalities to charge OSL to developers. The City has been charging developers OSL since 1963 and OSL are currently governed by The Off-site Levy Bylaw (2M2016). This Bylaw was amended by Council on November 12, 2018 to add additional infrastructure needed to serve fourteen new communities not included in the 2016 Bylaw. In addition, City Charter amendments which went into force January 2019 provide greater flexibility for The City to establish OSL, such as Community Services infrastructure which is currently a voluntary charge for developers. It is anticipated that The City will update the OSL Bylaw to apply to community services infrastructure from January 1, 2020. The latest OSL Annual Report was issued in December 2018 and reports on the collection and use of OSL in 2017.

Calgary Growth Strategies (CGS) Business Unit (BU), Planning & Development, is responsible for overall OSL oversight and annual reporting on levies collected and spent. CGS is dependent on Transportation, Utilities & Environmental Protection, Community Services, and Finance, as well as the Calgary Police Service, for information on the use of OSL. CGS also receive information on the collection of OSL from the Calgary Approvals Coordination BU which bills and collects OSL from developers.

Over the years, OSL has represented a significant funding stream to support necessary growth infrastructure. The OSL 2017 Annual Report identifies \$61,198,502 in OSL collection and \$139,188,933 OSL spend, and a \$435,733,428 OSL closing balance at year-end. OSL rates will be reviewed and updated in 2021 and may consider whether expenditures during the 2016 to 2020 period have exceeded or lagged the amounts collected.

The City has a responsibility to use OSL for the purpose for which it was collected and accurately account for and report on the collection and use of OSL. A failure to properly steward OSL collected and utilized may lead to legislative non-compliance, reporting errors, damage to The City's reputation and reduced developer support for the OSL. As a result, this audit is being undertaken as part of the City Auditor's 2019 Annual Audit Plan.

³ Sections 648 and 649 of the Province of Alberta Municipal Government Act February 1, 2019

2.0 Audit Objectives, Scope and Approach

2.1 Audit Objective

The objective of this audit was to determine whether the OSL annual reporting process is effective and ensures complete, accurate, valid and transparent reporting on the collection and use of OSL in a timely and efficient manner that meets legislative requirements.

2.2 Audit Scope

The audit scope focused on accuracy of the 2017 OSL Annual Report which was produced in December 2018, reflecting the OSL collected and utilized to support associated projects. As such, the audit examined supporting documentation from the various service areas that either collect or utilize OSL funds.

2.3 Audit Approach

We performed detailed audit testing for a sample of 15 OSL eligible infrastructure projects across Community Services, Transportation and Utilities & Environmental Protection. Our testing of the 2017 OSL Annual Report and sample of projects included a review of the following:

- Existence of clear OSL processes, authority, roles and responsibility to support OSL annual reporting.
- Verification of the numerical accuracy of spreadsheets supporting annual reporting.
- Completeness and accuracy of OSL balances, collection and spend.
- Accuracy of project capital spend-to-date and OSL spend-to-date; accuracy of project capital budget and OSL spend budget; and, validity of Project OSL eligibility.
- Reporting compliance with legislative requirements.
- Sufficiency of information to help the reader understand whether the OSL being collected is adequate for planned infrastructure spend.

3.0 Results

CGS was aware of the need to improve the OSL annual reporting process and oversight to support accurate and timely reporting to align with the magnitude and importance of the levies as a funding source. Management advised that this audit is seen as a positive step toward identifying the necessary changes to improve the OSL annual reporting process. As a result, CGS created a Manager, Growth Funding and Investment position on September 24, 2018 with responsibilities that included developing an OSL governance model and a new OSL reporting model and approach. CGS set up a committee in June 2018 to begin the review to update the OSL Bylaw (to be completed in 2021) with support from Community Services, Transportation, and Utilities & Environmental Protection and other BUs supporting the OSL process, including Resilience and Infrastructure Calgary, Law & Legislative Services, Calgary Approvals Coordination, Finance and the Calgary Police Service.

We reviewed a sample of 15 OSL eligible infrastructure projects across Community Services, Transportation and Utilities & Environmental Protection and performed detailed audit testing as outlined in Section 2.3 Audit Approach. The OSL reporting process is complex since multiple BUs are involved in tracking and reporting OSL collection and utilization. We noted that BUs had developed their own processes to support annual reporting and were working in isolation with limited direction and oversight.

Overall, we concluded that the OSL annual reporting process is not effective. We did not observe any evidence of misuse of OSL funds during the audit. Our recommendations provide CGS with a road map to improve stewardship of the annual reporting process and guide coordinated process improvement across multiple BUs to ensure greater OSL report quality and usefulness to stakeholders, reduce legislative non-compliance risk, and support effective use of OSL by The City.

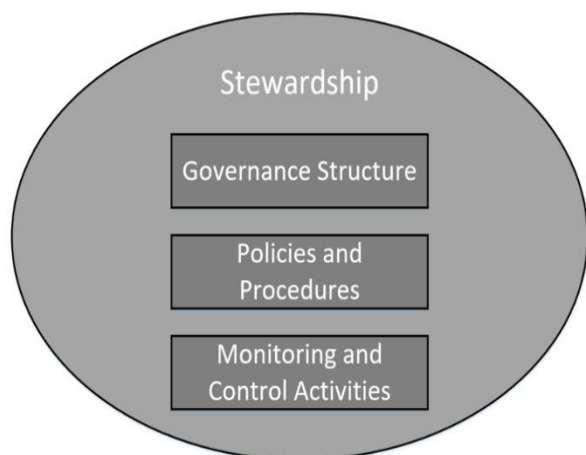


Figure 1: Key Components of Effective Stewardship for the OSL Annual Reporting Process

Adequate stewardship (figure 1) is required to oversee and coordinate the annual reporting process and ensure clear roles and responsibilities. Priority should be given to development of a defined governance structure (Recommendation 1), and internal policies and procedures (Recommendation 2), along with implementation of separate balance sheet accounts to simplify OSL tracking (Recommendation 3). The remaining eight recommendations focus on improvements to monitoring and control activities (Recommendations 4 to 11) and should be prioritized next.

We observed that the OSL process is highly manual and is reliant on the use of spreadsheets to track and report on project spend and budgets. Based on discussions with Finance staff, spreadsheets are currently required due to limitations in the financial system’s ability to track and report on capital project spend and budget information across multiple years or funding sources.

Finance staff indicated that the Hyperion budget system may offer potential opportunities for automation of OSL reporting. We have not made specific automation recommendations as automation alone will not resolve the stewardship gaps identified in this report. We encourage management to address the recommendations included in this report to create a solid foundation for OSL reporting before exploring the costs and benefits of opportunities to automate the reporting process.

We would like to thank staff from Planning & Development, Utilities & Environmental Protection, Transportation, Finance and Community Services for assistance and support throughout this audit.

4.0 Observations and Recommendations

4.1 Stewardship of OSL Funds

Adequate stewardship has not been established to oversee and coordinate OSL processes and ensure clear roles and responsibilities for all BUs and groups supporting key activities. In addition, no defined governance structure or overall internal policies and procedures are in place. A defined governance structure and overall internal policies and procedures are needed to establish appropriate stewardship due to the complexity of the overall OSL process and the involvement of multiple BUs and groups in the decision making, tracking, monitoring, billing, collection, budgeting, spend and reporting of OSL across The City. A failure to properly steward levies collected and utilized may lead to legislative non-compliance, reporting errors, and damage to The City's reputation.

CGS are responsible for overseeing the OSL process. However, we did not identify any documented governance structure with defined roles and responsibilities for OSL coordination, decision making, tracking, monitoring, billing, collection, budgeting, spend, or reporting. During audit testing we were unable to identify any individual, within the BUs examined, who held comprehensive knowledge of all related processes. Absence of a defined governance structure and documented internal policies and procedures were an underlying root cause behind the other observations included in this report such as financial reconciliation control gaps, OSL usage reporting discrepancies, and legislative non-compliance risk related to interest earned.

Recommendation 1

Calgary Growth Strategies develop and propose an effective stewardship governance structure, for ALT endorsement, with defined roles and responsibilities for all BUs and groups supporting key activities including:

- Internal independent review and verification of completeness and accuracy of OSL collection and spend reporting.
- Monitoring OSL usage against budget and ensuring budget does not exceed the maximum eligible OSL amount.
- Oversight of maximum eligible OSL spend to ensure appropriateness based on analysis and defensible rationale.
- Ensuring compliance with the OSL Bylaw, legislative requirements and internal policies and procedures.
- Approval of OSL spend strategy and decision making over unused OSL funds.

Management Response

Agreed.

Action Plan	Responsibility
<p>Due to the complexity of the reporting process, and the concurrent review of the OSL Bylaw (2M2016) and Centre City Levy Bylaw (38M2009), a phased approach will be taken to address the recommendations in the audit.</p> <p>The first phase will include the creation of a committee to develop an action plan. Once the committee has been set up, the Manager, Growth Funding and Investment with committee support will develop a stewardship governance structure with defined roles and responsibilities that will be presented to ALT for endorsement.</p>	<p><u>Lead:</u> Manager, Growth Funding and Investment</p> <p><u>Support:</u> OSL Action Plan Committee:</p> <ul style="list-style-type: none"> • Utilities and Environmental Protection (Water Resources) • Transportation (Transportation Planning) • Community Services (Recreation, Fire, Calgary Neighbourhoods) • Law and Legislative Services (Law) • Chief Financial Office (Finance) • Planning and Development (Calgary Growth Strategies, Calgary Approvals Coordination) • Calgary Police Service <p><u>Commitment Date:</u></p> <ul style="list-style-type: none"> • November 1, 2019 to create committee to develop OSL Action Plan • May 1, 2020 to present roles and responsibilities for ALT endorsement

Recommendation 2

Calgary Growth Strategies prepare and maintain clear internal policies and procedures for OSL decision making, tracking, monitoring, billing, collection budgeting, spend and reporting as required to support OSL stewardship and consistent delivery of key processes including:

- Financial accounts to be used and reconciliation support to be maintained.
- Basis of OSL spend reporting (i.e. OSL usage applied in PeopleSoft).
- Basis of OSL collection reporting (i.e. OSL billed or OSL received).
- Maximum OSL eligible amount analysis and rationale support to be maintained.
- Annual reporting and other information requirements.
- Clear definition of authority and responsibility, including responsibility for correcting errors.

Management Response

Agreed.

Action Plan	Responsibility
<p>The Manager, Growth Funding and Investment with OSL Action Plan Committee support will develop internal policies and procedures for OSL decision making, tracking, monitoring, billing, collection budgeting, spend and reporting.</p>	<p><u>Lead:</u> Manager, Growth Funding and Investment</p> <p><u>Support:</u> OSL Action Plan Committee</p> <p><u>Commitment Date:</u> December 1, 2020 to create all policies and procedures excluding revised reporting format requirements</p>

4.2 Financial Reconciliations and Accounts for OSL Tracking

The OSL financial reconciliations do not include sufficient detail or support to allow CGS to verify whether OSL balances, spend or collection are correctly reported. OSL is tracked using spreadsheets rather than in separate financial accounts which results in a mix of OSL and other non-OSL balances being held in the same financial account. Legislation requires that off-site levies collected must be accounted for separately for each type of infrastructure. Without an appropriate independent review of the OSL financial reconciliations there is a risk that errors or inconsistencies in the OSL balances, spend and collection reported may not be detected.

Financial reconciliations are prepared annually by Water Resources, Transportation, and Community Services that reconcile the reported OSL balances (total of \$435,733,428 as at December 31, 2017) to the financial balances in PeopleSoft. Each of the reconciliations include adjustments to reflect financial consolidation entries for OSL paid by The City. However, the reconciliations also include other adjustments to reflect various non-OSL amounts held in the same financial accounts in PeopleSoft, such as “City Centre Levy”, “Redevelopment and Local Improvement” and “Others”. The reconciliations do not include sufficient detail and support necessary to confirm whether all adjustments related to non-OSL amounts were complete, accurate or valid.

Water Resources held an OSL balance (\$60,615,456 as at December 31, 2017) in “Sustainment Reserves” and reconcile the reported amount to the financial balance in PeopleSoft. This reconciliation includes adjustments for OSL held in Capital Deposits, OSL Deferred revenue and “Non Developer Deposits Off-site levy in the Sustainment Reserves”. This reconciliation did not include sufficient detail and support necessary to confirm whether all adjustments related to non-OSL amounts were complete, accurate or valid.

CGS compare the OSL collected as reported by the Public Infrastructure group within the Calgary Approvals Coordination BU to the OSL collected as reported by the Transportation, Water Resources and Community Services BUs (total of \$61,198,502 in 2017). CGS identified that the 2017 OSL collections reported by Public Infrastructure was \$331,025 higher than the OSL collected as reported by Transportation and \$125,072 less than reported by Water Resources. CGS identified the differences as OSL invoiced in 2017 but received in 2016, and OSL invoiced in 2016 but credited in 2017. However, the OSL collection report provided by Public Infrastructure is available only in summarized form by infrastructure type and month

and is not supported by a list of OSL invoices and adjustments. As a result, we were unable to verify whether the reported OSL collected in 2017 is complete or accurate. Public Infrastructure have indicated that they currently have a project underway to improve reporting on OSL collected by Q4 2019.

Legislation requires that the municipality provides full and open disclosure of all levy costs and payments and include in the report the details of all levies received for each type of infrastructure within each benefitting area. CGS indicated that OSL collected is reported on the basis of the amount billed rather than received. However, based on the reconciliation performed by CGS above, Transportation excluded \$331,025 from the OSL collected reported in 2017 related to OSL billed in 2017 but received in 2016. There is a risk that OSL collected may not be reported consistently across BUs.

Recommendation 3

Calgary Growth Strategies, in collaboration with Finance, set up separate balance sheet accounts for OSL by infrastructure type, and benefitting areas where applicable to be used for all new OSL collected and used.

Management Response

Agreed.

Action Plan	Responsibility
<p>The Finance Manager of Planning and Development, with support from the Manager, Growth Funding and Investment, will set up separate balance sheet accounts for OSL by infrastructure type and benefitting area to be used commencing January 1, 2021.</p>	<p><u>Lead:</u> Finance Manager, Planning & Development</p> <p><u>Support:</u> Manager, Growth Funding and Investment</p> <p><u>Commitment Date:</u> January 1, 2021</p>

Recommendation 4

Calgary Growth Strategies analyze and reconcile existing OSL balances in PeopleSoft, in sufficient detail and with appropriate supporting documentation to identify all OSL and non-OSL balances held in the same financial accounts. CGS then to transfer existing OSL balances to the OSL accounts set-up through recommendation 3.

Management Response

Agreed. It may not be possible for all of the departments to provide sufficient and detailed supporting documents. This will need to be confirmed through the review and development of the action plan (see recommendation #1).

Action Plan	Responsibility
<p>The Finance Manager of Planning and Development, with support from the Manager, Growth Funding and Investment and the OSL Action Plan Committee, to prepare analysis and reconcile existing OSL balances in PeopleSoft and transfer existing OSL balances to the OSL accounts set-up through recommendation 3.</p>	<p><u>Lead</u>: Finance Manager, Planning & Development</p> <p><u>Support</u>: Manager, Growth Funding and Investment and OSL Action Plan Committee</p> <p><u>Commitment Date</u>: March 1, 2021</p>

Recommendation 5

Calgary Growth Strategies ensure that a detailed and accurate report on OSL collection is available to support OSL collection reporting by infrastructure type and development area.

Management Response

Agreed. The reconciliation should be based on what is received. However, due to the lack of separate accounts, the bills have been used to determine the OSL balances collected.

Action Plan	Responsibility
<p>Manager, Growth Funding and Investment will work with Calgary Approvals Coordination and Finance to develop an appropriate OSL collection report to support OSL annual reporting. This will align to the new bylaw that is proposed to be enacted January 1, 2021.</p>	<p><u>Lead</u>: Manager, Growth Funding and Investment</p> <p><u>Support</u>: Calgary Approvals Coordination and Finance Manager, Planning & Development</p> <p><u>Commitment Date</u>: January 1, 2021</p>

Recommendation 6

Calgary Growth Strategies clarify through procedural requirements the preferred basis of reporting OSL collected and monitor to ensure consistency in reporting across Business Units.

Management Response

Agreed.

Action Plan	Responsibility
<p>Manager, Growth Funding and Investment to develop and agree on procedures to ensure consistent reporting on OSL collected with OSL Action Plan Committee and Finance support (commencing with the 2021 OSL Annual Report).</p>	<p><u>Lead</u>: Manager, Growth Funding and Investment</p> <p><u>Support</u>: OSL Action Plan Committee and Finance</p> <p><u>Commitment Date</u>: December 1, 2020</p>

4.3 OSL Eligibility

We observed an absence of documented analysis and rationale to support the maximum potential OSL eligible amounts for several infrastructure projects tested. Analysis should be available to support the maximum potential OSL eligible amounts for each project reported based on the method The City establishes to determine the benefit from each type of infrastructure identified. The City will be unable to properly steward OSL collection or spend, or demonstrate the need for and anticipated benefits from the new facilities, without appropriate analysis and rationale to support OSL eligibility for all projects for which OSL is being collected and used.

The Community Services OSL collection and spend reported in the 2017 OSL Annual Report were not enabled through legislation and were therefore adopted by Council Resolution and were voluntary in nature. However, it would still be appropriate for Community Services to apply the same principles as applied to Transportation and Water Resources. In addition, it is anticipated that The City will update the OSL Bylaw and that legislation will apply to Community Services from January 1, 2020.

We could not find analysis or rationale to support the OSL eligible amounts for debt financed Water Resource Projects completed under the 2011 OSL Bylaw for which OSL was utilized to pay principal and interest in 2017. Water Resources OSL rates in the 2011 OSL Bylaw were negotiated with developers assuming 50% OSL eligibility for sanitary sewer collection and treatment infrastructure and water distribution and treatment infrastructure, although the OSL allocation of principal and interest for these projects has since changed.

We did not observe analysis or rationale to support the OSL eligible amounts for two out of five Transportation projects tested. These projects reported the maximum OSL eligible amount for greenfield projects, i.e. 60.3% of total budget allocation to OSL. However, staff indicated that these projects were a roll-up of a both greenfield and established area projects which have a lower maximum OSL eligible amount.

Recommendation 7

Calgary Growth Strategies reinforce through procedural requirements and monitor to ensure that documented analysis and rationale is available to support the maximum potential OSL eligible amount for all projects for which OSL is being collected and used.

Management Response

Agreed.

Action Plan	Responsibility
<p>Manager, Growth Funding and Investment with OSL Action Plan Committee support, to develop procedures to ensure that documented analysis and rationale is available and in place for the maximum potential OSL eligible amount for all projects being reported (commencing with the 2021 OSL Annual Report).</p>	<p><u>Lead:</u> Manager, Growth Funding and Investment</p> <p><u>Support:</u> OSL Action Plan Committee</p> <p><u>Commitment Date:</u> December 1, 2020</p>

4.4 Interest

Water Resources is not accounting for and using interest for the purpose for which the OSL was collected. Interest is not currently applied by The City to Community Services OSL balances. Legislation requires that any interest earned from the investment of the levy must be accounted for separately for each type of infrastructure and be used only for the specific infrastructure for which it is collected and any land required in connection with that infrastructure. Failure to account for and use interest for the purpose for which the OSL was collected could result in reputational damage to The City.

Water Resources financial reconciliations identified over \$4 Million in reserve interest that was not included in the reported OSL balance at December 31, 2017 or used to offset the interest costs on debt financed Water Resource projects.

The Community Services OSL collection and spend reported in the 2017 OSL Annual Report were not enabled through legislation and were therefore adopted by Council Resolution and were voluntary in nature. However, it would still be appropriate for Community Services to apply the same principles as Transportation and Water Resources. In addition, it is anticipated that The City will update the OSL Bylaw and legislation will apply to Community Services from January 1, 2020.

Recommendation 8

Calgary Growth Strategies reinforce through procedural requirements and monitor to ensure interest earned from the investment of the OSL is only used for the specific purpose for which the OSL was collected.

Management Response

Agreed.

Action Plan	Responsibility
<p>Manager, Growth Funding and Investment to develop procedures to ensure OSL interest earned is reported and used appropriately with OSL Action Plan Committee and Finance support (commencing with the 2021 OSL Annual Report).</p>	<p><u>Lead:</u> Manager, Growth Funding and Investment</p> <p><u>Support:</u> OSL Action Plan Committee and Finance</p> <p><u>Commitment Date:</u> December 1, 2020</p>

4.5 OSL Usage Reporting

We observed discrepancies in the way OSL usage is reported. Legislation requires that the municipality provides full and open disclosure of all levy costs and payments and include in the report the details of all levies utilized for each type of infrastructure within each benefitting area, but does not require OSL usage reporting at the individual project level. There is a risk that reporting discrepancies may reduce developer confidence in The City’s management of OSL spend.

The OSL spend for three out of five Transportation projects tested exceeded the maximum potential eligible amount. In addition, the OSL budgets exceeded the maximum potential OSL eligible amount for three out of five Water Resources projects tested. We could not identify anyone responsible for monitoring OSL usage or budgets against maximum potential OSL eligibility on an individual project basis.

Water Resources track OSL usage by infrastructure type and benefitting area but report OSL usage by individual project by prorating OSL usage across projects using a spreadsheet. This can make it difficult to track individual projects from year to year as the OSL spend-to-date in 2017 will not equal the 2016 spend-to-date plus 2017 OSL spend as expected and may lead to other unintentional reporting anomalies.

Reported Transportation infrastructure OSL spend currently includes City “front-ended” amounts, where spend was in excess of budget and is to be applied against OSL financial balances in PeopleSoft in future years. OSL spend for two out of five Transportation projects included \$7.4 Million in OSL project spend front-ended by The City not yet applied against OSL financial balances.

Recommendation 9

Calgary Growth Strategies report OSL usage by infrastructure type and benefiting area if feasible. Alternatively, CGS reinforce through procedures a consistent approach to accounting for OSL usage by project and monitor to ensure that project maximum OSL eligibility is not exceeded.

Management Response

Agreed.

Action Plan	Responsibility
<p>Manager, Growth Funding and Investment to develop procedures to report OSL usage by infrastructure type and benefiting area if feasible with OSL Action Plan Committee and Finance support (commencing with the 2021 OSL Annual Report).</p>	<p><u>Lead:</u> Manager, Growth Funding and Investment</p> <p><u>Support:</u> OSL Action Plan Committee and Finance</p> <p><u>Commitment Date:</u></p> <ul style="list-style-type: none"> • February 1, 2020 to determine if feasible to report OSL usage by infrastructure type and benefiting area and confirm action plan • December 1, 2020 to develop procedures

Recommendation 10

Calgary Growth Strategies reinforce through procedures and monitor to ensure that OSL usage is to be reported by BUs based on what has been applied to OSL financial balances in PeopleSoft.

Management Response

Agreed.

Action Plan	Responsibility
<p>Finance Manager, Planning & Development to develop procedures to report OSL usage and monitor to ensure reporting is based on what has been applied to OSL financial balances in PeopleSoft with OSL Action Plan Committee and Manager, Growth Funding and Investment support (commencing with the 2021 OSL Annual Report).</p>	<p><u>Lead:</u> Finance Manager, Planning & Development</p> <p><u>Support:</u> OSL Action Plan Committee and Manager, Growth Funding and Investment</p> <p><u>Commitment Date:</u> December 1, 2020</p>

4.6 Transparency

The 2017 OSL Annual Report does not include adequate information on whether the OSL being collected is sufficient for planned infrastructure spend or what The City will do with any surplus or shortfall in OSL collected. Without sufficient and relevant information, developers and other stakeholders may question whether The City's OSL rates are appropriate.

The 2017 OSL Annual Report shows an unspent OSL balance on December 31, 2017 of \$435,733,428. During our review of the 2017 OSL Annual Report we noted:

- Water Resources do not report OSL collected for drainage by benefiting area and Community Services do not report OSL collected by infrastructure type. Legislation requires that the municipality provides full and open disclosure of all levy costs and payments and include in the report the details of all levies received for each type of infrastructure within each benefiting area.
- \$60,615,456 of unspent OSL is held in Water Resources Reserves, but there is no explanation of the purpose of this reserve in the OSL Annual Report or why the OSL in this reserve is not being applied to Water Resources projects during the current year.
- Water Resources have been funding the OSL portion of projects up-front with debt financing. However, the report does not clearly communicate the amount "front-ended".
- The Transportation and Water Resources Appendices in the OSL Annual Report include details on individual projects outside of the current OSL Bylaw collection window (2016 to 2020) that make it more difficult for the reader to understand whether OSL being collected is sufficient. For example, Transportation details include project budget and spend related to the periods prior to 2015 and Water Resources details include project budget and spend during the period 2021 to 2024 which are outside of the current OSL Bylaw collection window.
- There is no explanation in the OSL Annual Report of what The City will do with any surplus or shortfall in the OSL collection window or the mechanisms the City will use to carry-forward surplus and deficit balances into future levy or charge calculations to address any variations in funding and costs over time.
- No OSL collection forecast information is included in the report that could aid in the understanding of whether or not to expect a surplus or shortfall during the current collection window.

Recommendation 11

Calgary Growth Strategies consider revisions to the report layout format to enhance reader clarity on present budget and spend, and answer potential questions on whether OSL being collected is sufficient and what The City will do with any surplus or shortfall.

Management Response

Agreed.

Action Plan	Responsibility
Manager, Growth Funding and Investment to develop a revised OSL Annual Report layout format with OSL Action Plan Committee and Finance support to be used in preparing the 2022 OSL Annual Report.	<u>Lead:</u> Manager, Growth Funding and Investment <u>Support:</u> OSL Action Plan Committee and Finance <u>Commitment Date:</u> December 1, 2021