



July 21, 2021

Chair Evan Woolley and Members of the Audit Committee
City of Calgary
P.O. Box 2100, Station M
Calgary, Alberta T2P 2M5

Dear Councillor Woolley and Members of the Audit Committee,

RE: Assuring Credibility of the Off-Site Levy Bylaw Update

On behalf of BILD, NAIOP and industry members of the Joint City Industry Off-site Levy Governance Committee, we are writing this letter in follow up to our letter of January 26, 2021. We wish to express our sincere thanks to Audit Committee and Calgary's City Council who unanimously supported the direction to the Audit Committee to engage stakeholders. We also wish to thank Deloitte in both engaging industry, to the extent independence rules allowed, and undertaking the work directed by Audit Committee and Council.

We have reviewed Deloitte's report to Audit Committee presented on June 24, 2021, and their July 12, 2021 report which we understand will be presented to Audit Committee on July 22, 2021. While we take a measure of comfort from the work Deloitte completed regarding off-site levy (OSL) accounting and project management, we note their work and recommendations raise a number of issues which need to be addressed to ensure confidence in the OSL stewardship and governance. Industry believes there are further actions required to regain this confidence, some of which we have outlined below:

1. Deloitte's July 12, 2021, report identified four audit observations and a set of corresponding recommendations. Notwithstanding Administration's responses, industry strongly believes Audit Committee should reinforce acceptance of Deloitte's recommendations by providing its support to have Council direct Administration to fully address and implement Deloitte's recommendations. While all of Deloitte's recommendations should be implemented, to utilize finite resources most effectively, priority should be given to the recommendations included as part of Deloitte's observations one and two. Those two observations and associated recommendations address industry's investment income concerns, manual processes used to assemble the OSL annual reports and are aligned with the 2021 Off-site Levy Principles approved by Council.
2. In several responses to Deloitte's recommendations Administration identified timing to complete those as "Q4 2021". Additionally, Administration acknowledges in its response to Deloitte's item 2, many of the internal audit recommendations (AC2019-1241), "... would not have yet been applied during the period of the audit from 2016-2020." Given Deloitte's recommendations are similar to, if not the same as, the internal audit recommendations we ask Audit Committee to support a greater sense of urgency to fully resolving these outstanding matters in a timely manner.
3. Further support for timely resolution of Deloitte's recommendations was exemplified during our review of the 2020 OSL Annual Reports. As noted in our attached letter to the Planning and Urban Development Committee (PUD) July 6, 2021, the time which we had to review the draft copy of the 2020 OSL Annual Reports was brief and did not allow for a complete review and understanding of the reports with Administration. We acknowledge it was a draft copy, however

Administration indicated to us they could not provide the copy until Deloitte's audit work had been made public. Despite the limited time to review we identified numerical errors and noted other items that require clarity. We engaged Administration in an effort to have as many of those errors corrected and sought clarity on other items in question prior to the presentation of the 2020 OSL Annual Reports to PUD.

Given that industry relies on the Annual Reports for several matters, including the OSL Bylaw update, this underscores the need to support timely implementation of Deloitte's recommendations for improvement.

4. We support and ask Audit Committee to recommend follow up internal and external compliance audits in respect of:
 - a. The changes implemented to address the corrective actions outlined in the 2019 audit of the 2017 Annual Reporting (AC2019-1241).
 - b. The recommendations outlined in Deloitte's July 12, 2021, Appendix A – December 31, 2016 to 2020 observations.
5. To ensure ongoing credibility and proper oversight of the OSL funds and project management and compliance with the MGA we request Audit Committee support regular periodic internal and external audits of OSL governance, stewardship, accounting, and project management.

At a recent meeting between City personnel and industry representatives, as well as in prior correspondence (May 7, 2021, letter from Les Tochor), The City identified \$33 million of the \$48 million Community Services investment income allocation errors as a "management decision". We also see a similar reference in Deloitte's June 24, 2021, AC2021-0968 report to Audit Committee. We are unclear as to the need to split the investment income allocation error correction into two categories. We support Management's correction of this error and the related go forward recommendations from Deloitte in respect to investment income determination and fund management included in their July 12, 2021 report.

As also noted in our July 6, 2021, letter to PUD, we have been unable to duplicate or reconcile differences in investment income yields for the various levy pools in the 2020 OSL Annual Reports and would be grateful for Administration's assistance and Audit Committee's support of providing sufficient detail to industry.

We note the reference in one of Administration's responses to the upcoming Corporate realignment. While we look forward to the improvements the Corporate realignment intends to deliver in service levels to industry and all Calgarian's, it is imperative that progress continues to be made towards improving the OSL accounting and project management data, the OSL Bylaw update process, and compliance with the Municipal Government Act with a goal to enhance the credibility and transparency of the process and continue to build trust with industry.

Thanks to the Audit Committee, Deloitte and Administration for continuing to engage us on the important matters of off-site levies and for endeavouring to understand our issues and concerns. We look forward to Audit Committee's support of Deloitte's recommendations, Administration's prompt action in following through on those recommendations and continuing to collaborate with The City on these matters and the OSL Bylaw update work.

Respectfully,



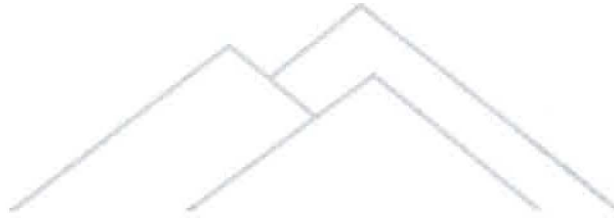
Brian R. Hahn
CEO, BILD Calgary



Robert Homersham
President, NAIOP Calgary

Attachment

- Cc. David Duckworth, City Manager
Stuart Dagleish, General Manager Planning and Development
Carla Male, Chief Financial Officer
Les Tochor, City Treasurer
Members of the Joint City Industry OSL Governance Committee



July 6, 2021

The City of Calgary
P.O. Box 2100, Station M
Calgary, AB T2P 2M5

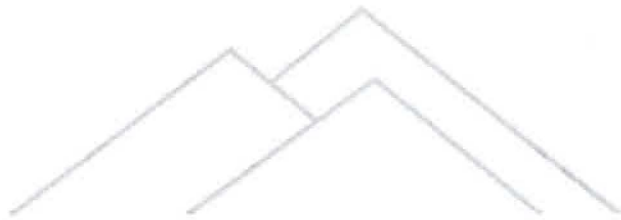
Attention: Stuart Dalglish
GM Planning and Urban Development

Dear Sir:

Re: **Off-site Levies 2020 Annual Reports**

Thank you for forwarding a draft copy of the 2020 Off-site Levies (OSL) Annual Reports to BILD on Friday, June 18, 2021. The BILD team, as well as BILD members, have reviewed the report in the brief time since receipt and offers the following comments:

- BILD appreciates work undertaken by Administration on the 2020 OSL Annual Reports including improvements consistent with internal audit recommendations, feedback from industry, as well as other enhancements to meet increased reporting related to transparency and disclosure requirements in the Municipal Government Act and applicable Regulations;
- BILD also appreciates the effort made by Administration to produce the reports earlier than in past years and to provide both the OSL annual reports and the results of the Deloitte external audit of the OSL to industry for review;
- The draft report BILD reviewed included the following statement, "This report was compiled by The City's planning and finance department and was reviewed by a joint governance committee of land development industry representatives and City Administration." There was a similar statement in the 2019 report. We understand this has been amended in the final 2020 version. For clarity, the most recent meeting of the Joint City-Industry OSL Governance Committee was held on June 15, 2021. Since a draft copy of the report was not available until late Friday, June 18, 2021, no joint review has occurred. While we appreciate the earlier than normal completion of the OSL reports as noted above, going forward, BILD respectfully requests adequate time be allotted for joint review by the Governance Committee and acceptance of the report before it is finalized and presented to Council for information. This is consistent with the Terms of Reference of the Joint City Industry Governance Committee (TOR). BILD also acknowledges ongoing dialogue between The City and BILD regarding questions of clarification and collaborative work undertaken so far to address some of those questions. We expect some of these matters may remain outstanding when the report is presented to the Planning and Urban Development Committee (PUD) on July 7 and look forward to working together to resolve them;
- The TOR also states, "*Provide recommendations to support implementation of the 2019 October 15, Off-Site Levy Annual Reporting Audit (AC2019-1242).*" BILD understands acceptance was received from the internal auditor in terms of approval of the proposed action plans sometime in Q1 of 2021. Further details on the audit action item responses have not yet been provided to the Joint City-Industry Governance Committee. BILD respectfully requests further details on the status of the implementation of the audit action items so it can better understand how those action items have been incorporated in the 2020 and future annual reports.



- In BILD's review of the draft 2020 OSL Annual Reports we have identified some potential reporting inconsistencies. Deloitte's Audit Report (Ref: AC2021-0968, ppg 8-10) indicates "Investment income is allocated monthly to the ending balance of the OSL accounts that are eligible to receive investment income by applying the blended yield to that balance." BILD notes what appears to be meaningful differences between the investment income yield for the respective levy pools. BILD is unable to find sufficient clarifying data or explanations in the draft 2020 OSL Annual Report it has reviewed for these differences; accordingly, we respectfully request Administration clarify how investment income shown in the report has been determined.
- On page 22 of 65 an "Example - How to read detailed project schedule" is provided to illustrate how to read the schedules in the OSL reports. However, each of the "header rows" for the respective Transportation Details, Water Resources Details and Community Services Details schedules are different and some are not consistent with the example. We request Administration provide clear column header definitions for each of the respective schedules so there is no misinterpretation of the meaning.

BILD accepts the 2020 Off-site Levy Annual Reports for information. We also request PUD and Council accept the 2020 Off-site Levy Annual Reports for information and direct Administration continue to enhance the OSL reporting in collaboration with industry consistent with the TOR of the Joint City Industry Governance Committee, as well as the internal and external auditor recommendations.

BILD looks forward to re-engaging with Administration on the OSL bylaw update. We understand the restart of that work has been rescheduled by The City to begin in early August. We anticipate receiving a defined schedule and work plan for meetings and engagement soon.

Please pass on our thanks to all staff who worked diligently on the 2020 OSL Annual Reports including the efforts to improve and enhance the reports. We remain committed to working collaboratively with Administration on all OSL matters.

Yours truly,

Brian Hahn
CEO, BILD Calgary Region

Cc: Josh White, Director, Calgary Approvals Coordination Planning & Development
Les Tochor, Treasurer
Patrick McMahon, A/Manager, Growth Funding and Investment