

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF JANUARY 20, 2015

Item 3 Report No. 2, of the Finance, Administration and Audit Committee, which was adopted without amendment by the Council of the City of Vaughan on January 20, 2015.

3 USER FEE/SERVICE CHARGE REVIEW & BY-LAW UPDATES

The Finance, Administration and Audit Committee recommends:

- 1) That the recommendation contained in the following report of the Commissioner of Finance & City Treasurer and the Director of Financial Planning & Analytics, dated January 12, 2015, be approved; and
- 2) That Communication C1 from Mr. Ben Prosmushkin, dated December 26, 2014, be received.

Recommendation

The Commissioner of Finance & City Treasurer and the Director of Financial Planning & Analytics, in consultation with City departments, recommends:

1. That the user fee/service charge schedule outlined in Attachment #2 be approved and effective February 1, 2015.
2. That the necessary by-laws be introduced.

Contribution to Sustainability

Sustainability seeks to meet the needs and aspirations of the present without compromising the ability to meet those of the future. Therefore, to ensure services are adequately funded it is important to sustain or improve revenue/cost relationships. Otherwise, any reduction in a user fee or service charge cost recovery ratio will have a corresponding and direct impact on the City's levy and/or service level funding. As part of the City's Draft 2015 Budget and 2016-2018 Plan, departments were required to review user fees and service charges and make adjustments to sustain or improve revenue/cost relationships.

Economic Impact

The proposed economic adjustments discussed in this item are price related only and have been incorporated in the Draft 2015 Budget and 2016-18 Plan to be presented at the January 12, 2015 Finance, Administration and Audit Committee.

On December 10, 2013, as part of the 2014-17 Budget process, Council approved a four year User Fee/Service Charge schedule. User Fee/Service Charge adjustments in this report add an additional year to align with the multi-year plan and include some minor adjustments to existing fees and the introduction of some new fees. There are some proposed increases to the 2018 fees in line with the Budget Guidelines.

The following table shows the total impact of changes to Fees and Charges and includes price adjustments previously approved as part of the last year's budget process, additional proposed changes to existing Fees and Charges as well as the introduction of some new Fees. Note that Fees and Charges associated with Water/Wastewater, Recreation and Building Standards Ontario Building Code (OBC) related fees are not included in this report. The associated total budget adjustments from these changes are illustrated below:

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	2015	2016	2017	2018
Previously Approved	\$220,008	\$225,405	\$158,355	n/a
Price Adjustments	43,200	42,799	55,601	\$192,020
New Fees	57,187	57,134	58,191	59,142
Total Fee Adjustment	\$320,395	\$325,338	\$272,147	\$251,162

A summary of the price adjustments is provided in Attachment #1. Proposed individual user fees and service charges are provided in Attachment #2 and include a listing of proposed new fees where applicable.

Communications Plan

Vaughan residents are invited to attend the public meeting to provide comments with respect to this matter. The community has been notified of an opportunity for public input on user fee/service charge adjustments, consistent with the budget communications strategy and actions consisting of local media advertisements, City website, City Page Online, etc. The recommendations of the Finance, Administration and Audit Committee and associated by-law updates will be forwarded to the January 20th, 2015 Council meeting for final adoption.

Purpose

The purpose of this report is to provide the Finance, Administration and Audit Committee with information on proposed changes to user fees and service charges and associated by-laws for the period 2015 to 2018.

The by-laws affected by this report are listed below:

Fees and Charges By-Law	By-Law 171-2013
Special Events Permits	By-Law 172-2013
Planning Application Fees	By-Law 173-2013
Business Licenses and Fees	By-Law 174-2013
Filming Event	By-Law 175-2013
Newspaper Boxes	By-Law 176-2013
Committee of Adjustment	By-Law 40-2009

Not included in this report are fees/charges related to:

- Water/Wastewater - separate fully rate supported services presented as a separate budget planned for introduction in February 2015.
- Recreation - does not have separate fee schedules but rather publishes fees in a bi-annual Recreation Guide. Currently undergoing a fee review.
- Building Standards OBC Fees - subject to limitations as per Building Code Statute Laws Amendment Act and will be presented as a separate report in February 2015.

Background - Analysis and Options

On December 10th, 2013, Council approved User Fee By-Laws covering the period 2014-17. The majority of fees approved last year remain unchanged, with the exception for the following proposed fee adjustments illustrated within the table below.

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PRICE CHANGES FROM 2014 APPROVED BUDGET AND 2015 - 2017 APPROVED OPERATING PLAN												
PROPOSED PRICE CHANGES TO EXISTING USER FEES & SERVICE CHARGES												
By-Law #	FEE SCHED.	DOCUMENTS & INFORMATION	2015 APPROVED FEE/CHARGE	2015 PROPOSED FEE/CHARGE	2015 BUDGET IMPACT	2016 APPROVED FEE/CHARGE	2016 PROPOSED FEE/CHARGE	2016 BUDGET IMPACT	2017 APPROVED VOLUME	2017 APPROVED FEE/CHARGE	2017 PROPOSED FEE/CHARGE	2017 BUDGET IMPACT
40-2009	A	Consents - all land uses	\$1,857.00	\$1,860.00	\$108	\$1,898.00	\$1,895.00	(\$114)	38	\$1,898.00	\$1,935.00	\$1,406
40-2009	A	Minor Variances- industrial & commercial	\$1,868.00	\$1,870.00	\$170	\$1,909.00	\$1,905.00	(\$352)	88	\$1,909.00	\$1,945.00	\$3,168
40-2009	A	Minor Variances - residential, agricultural, institutional	\$934.00	\$935.00	\$339	\$955.00	\$955.00	\$0	354	\$955.00	\$975.00	\$7,080
40-2009	A	Consent - Changing of Conditions	\$870.00	\$930.00	\$0	\$870.00	\$950.00	\$0	0	\$870.00	\$970.00	\$0
40-2009	A	Consent - Application Recirculation	\$990.00	\$1,055.00	\$0	\$990.00	\$1,075.00	\$0	0	\$990.00	\$1,095.00	\$0
40-2009	A	Consent - Certificate of Official	\$190.00	\$200.00	\$0	\$190.00	\$205.00	\$0	0	\$190.00	\$210.00	\$0
40-2009	A	Minor Variance - Application Recirculation - residential, agricultural, institutional	\$560.00	\$600.00	\$0	\$560.00	\$610.00	\$0	0	\$560.00	\$620.00	\$0
40-2009	A	Minor Variance - Application Recirculation - industrial, commercial	\$1,120.00	\$1,195.00	\$0	\$1,120.00	\$1,220.00	\$0	0	\$1,120.00	\$1,245.00	\$0
40-2009	A	Minor Variance & Consent - OMB Appeal Fee	\$650.00	\$690.00	\$0	\$650.00	\$720.00	\$0	0	\$650.00	\$742.00	\$0
171-2013	E	VFRS Mechanical Division normal hourly shop rate for fire apparatus and equipment testing, repair, and maintenance services to other agencies	\$88.00	\$110.00	\$15,268	\$90.00	\$112.00	\$15,268	694	\$92.00	\$114.00	\$15,268
171-2013	K	Pool Fees	\$325.00	\$400.00	\$16,575	\$332.00	\$409.00	\$17,017	221	\$339.00	\$418.00	\$17,459
171-2013	K	Infill Lot Grading Approval	\$271.00	\$450.00	\$10,740	\$277.00	\$460.00	\$10,980	60	\$283.00	\$470.00	\$11,220
171-2013	F	Research and provision of property information; per property	\$150.00	\$150.00	\$0	\$150.00	\$160.00	\$1,750	175	\$150.00	\$160.00	\$1,750
171-2013	F	Building Drawings - Handling Fee	\$22.00	\$22.00	\$0	\$22.00	\$25.00	\$1,200	400	\$22.00	\$25.00	\$1,200
SCHEDULE SUBTOTAL					\$43,200			\$42,799				\$55,601

In addition to the above, and to be consistent with the Draft Budget and Plan term, user fees and service charges are extended to include 2018, the fourth year of the annual budget and plan.

Inherent in the 2015-2018 Budget Guidelines is a continued emphasis on maximizing the cost recovered on services provided. In addition to adjusting revenues for anticipated changes in activity volume, departments were requested to:

- Increase fees and charges in relation to annual cost increases, at minimum by the rate of inflation, in scheduled increments, unless otherwise specified.
- Incorporate a net full cost benefit in fees set for external inter-municipal services
- Submit new user fee and service charge opportunities

User Fee Cost Recovery Philosophy and Targets

It is important to recognize that there is an ongoing balance between funding through a fee for specific user based services versus funding City services through the general tax rate. To the extent that there is a user fee, that fee should be adjusted annually to reflect changes in the cost of delivering the service; otherwise, by default, there would be a requirement to fund cost increases through the property tax rate.

Approximately 90% of the City's user fees are generated by the following 5 areas:

- Recreation
- Building Standards
- Planning and Committee of Adjustment (COA)
- By-law & Compliance
- Licensing

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As a result, the majority of the above departments have conducted various fee studies. Some studies resulted from legislative requirements and others were staff-initiated in-depth studies, resulting in the development of cost recovery policies, principals and targets endorsed by Council. In addition, various benchmarking comparisons have been performed by departments and external consultants indicating Vaughan's recovery targets are on-par or better than neighbouring municipalities. Detailed below is a summary of department and estimated full cost recovery ratios for these areas:

2015-18 Final Budget - Department Recovery Analysis

2015 Department Budgeted Recovery (Figures in Thousands)	Recreation	Licensing	By-Law & Compliance	Animal Services	Planning	COA	Building Standards (OBC)	Building Standards (Non-OBC)	Total
Revenues	\$ 18,994	\$ 1,243	\$ 1,904	\$ 550	\$ 4,594	\$ 480	* \$ 10,231	\$ 488	\$ 38,486
Expenditures	\$ 20,524	\$ 624	4,702	1,370	3,877	612	6,251	575	38,536
Subsidy/(Surplus)	1,530	(619)	2,798	820	(718)	132	(3,979)	87	50
2015 Dept Budget Recovery Ratio	93%	199%	41%	40%	119%	78%	164%	85%	100%
2016 Dept Budget Recovery Ratio	93%	184%	40%	40%	122%	82%	167%	92%	101%
2017 Dept Budget Recovery Ratio	98%	212%	40%	42%	125%	86%	168%	94%	105%
2018 Dept Budget Recovery Ratio	97%	215%	40%	42%	127%	89%	169%	93%	104%
Full Cost Estimate (ABC Model)	** \$ 43,264	\$ 1,594	\$ 4,431	\$ 2,012	\$ 6,333	\$ 1,240	\$ 10,231	\$ 1,427	\$ 70,532
Subsidy/(Surplus)	24,270	350	2,527	1,462	1,738	760	-	939	32,046
2015 Full Cost Recovery Ratio	44%***	78%	43%	27%	73%	39%	100%	34%	55%
2016 Full Cost Budget Recovery Ratio	43%	81%	43%	27%	75%	40%	100%	37%	55%
2017 Full Cost Budget Recovery Ratio	43%	81%	42%	28%	75%	42%	100%	37%	55%
2018 Full Cost Budget Recovery Ratio	43%	82%	42%	28%	76%	43%	100%	37%	54%
Policy Recovery Goal	95% Dept. Cost	100% Full Cost			100% Full Cost	100% Full Cost	100% Full Cost		

* Building Standards revenues include a draws from Building Standards Continuity Reserve of: \$2.8 in 2015, \$2.8 in 2016, \$2.9 in 2017, and \$2.8 in 2018.

** Recreation Building & Facility costs approximately: \$22.5 in 2015, \$23.0 in 2016, \$24.1 in 2017, and \$24.5 in 2018.

*** Licensing full cost recovery is lower than 100% due a portion of the department being devoted to risk management and fee restrictions applied to certain licensing activities (e.g. lottery, livestock).

Overall most areas are recovering a significant portion of their department budgets and projected recovery targets remain stable. As illustrated above, a few areas are "below policy recovery goals", but moving towards their target. Achieving these goals would increase revenue by approximately \$4.4M. Resetting all fees to full cost recovery could potentially generate \$32.0M in additional revenues. Although moving in this direction appears attractive, caution is advised when setting fees and recovery targets as there is a need to balance price increases with service demand, process compliance and local competition.

Illustrated below are brief comments related to each of the above sections.

- Building Standards continues to maintain a 100% building code full cost recovery target for OBC revenues, but requires a draw of \$2.8M-\$2.9M from the Building Standards Service Continuity Reserve in each year of the plan. A separate report from the Building Standards' department will be presented at a future FA&A meeting to address the current fees. Any proposed changes to those fees have not been incorporated in this report or in the Draft budget, but would have no impact on the tax rate only on the forecasted withdrawal from the Building Standards Service Continuity Reserve.
- Licensing also continues to achieve their target of full cost recovery for business licensing. The department's full cost recovery is lower than 100% due to a portion of the department being devoted to risk management and some licensing fee restrictions.

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- Recreation is planning to recover 93-98% of their departmental costs during the 4 year plan, attaining the departmental goal of 95% recovery in 2017. Note that the actual recovery in years 2016 and beyond may be lower depending on collective labour agreements.
- By-Law & Compliance is planning to recover 41% of their departmental costs. It should be noted that a recovery policy is not in place for By-Law & Compliance, as this service is driven by compliance.
- Animal Services is planning to recover 40% of their departmental costs and 27% of their full cost in 2015. There currently is no recovery policy in place for Animal Services, though services provided to other municipalities are being fully recovered.
- Planning full cost recovery increases from 73% to 76% recovery over the four years of the plan, moving closer to target.
- COA recovery targets are increasing slightly from 39% in 2015 to 43% in 2018.

User Fee/Service Charge Review Results

The budget adjustments associated with department submitted user fee and service charge price increases discussed above are as follows:

By-Law	Dept/Desc	2014	2015		2016		2017		2018	
		Budget	Price Var.		Price Var.		Price Var.		Price Var.	
			\$	%	\$	%	\$	%	\$	%
By-Law 171-2013	General Fees - Multiple Dept.	2,770,631	101,702	3.7%	61,726	2.1%	52,305	1.8%	53,018	1.8%
By-Law 173-2013	Development Planning	4,435,956	133,928	3.0%	179,461	3.9%	141,501	3.0%	110,912	2.3%
By-Law 174-2013	Clerks/Licensing	1,039,116	22,234	2.1%	23,136	2.2%	15,719	1.4%	23,242	2.1%
By-Law 172-2013	Clerks/Perm. Spec. Events	9,443	209	2.2%	215	2.2%	146	1.5%	264	2.6%
By-Law 175-2013	Clerks/Perm. Filming Events	8,646	198	2.3%	198	2.2%	132	1.5%	231	2.5%
By-Law 176-2013	Clerks/Perm. Newspaper boxes	3,796	73	1.9%	73	1.9%	73	1.9%	73	1.8%
By-Law 40-2009	Committee of Adjustment	506,896	4,864	1.0%	3,395	0.7%	4,080	0.8%	4,280	0.8%
TOTAL		8,774,484	263,208	3.0%	268,204	3.0%	213,956	2.3%	192,020	2.0%

The above adjustments are included in the Draft 2015 Budget and 2016-2018 Plan. It should be noted, that the above only reflects budget adjustments related to price adjustments and does not incorporate any volume changes.

In general, departments followed the budget guidelines and increased fees accordingly. As illustrated above, the revenue budgets increased on average by 2.6% over the 4 year term and total increases per by-law ranged from 0.7% to 3.7%. There are a few fees, which are based on activity cost recovery and these items will not illustrate price increases. Most 0% increases are a result of regulations, demand restrictions, or periodic increases every number of years. The most significant average budget increase is related to the Development Planning Department, which is gradually increasing fees in an effort to achieve full cost recovery. The second largest average budget increase is related to the General Fees by-law 171-2013, which includes fees for services offered by several departments.

Enclosed in Attachment #2 are the department proposed user fees and service charges for Finance, Administration and Audit Committee's consideration.

New User Fees & Service Charges

As a result of the process, a few new user fees related to the General Fee By-law are proposed and detailed below:

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- Building Standards added one new fee for Solar Resolution related to the FIT program. This new fee is expected to generate approximately \$1K per year.
- Fire and Rescue Services added several new fees including fees related to the review and approval of Risk Safety Management Plans, re-inspection of liquor sales license establishments and review of fire safety plans (2nd or subsequent revisions). These new fees are expected to generate approximately \$42K per year.
- Public Works added four new fees including a document search fee and a fee for complex encroachment agreements. These new fees are expected to generate approximately \$14K for 2015.

A table of proposed new user fees/service charges and associated budget adjustments for each year from 2015 to 2018 is provided below. Fees and charges remain constant over the period and will be adjusted through future budgets as more experience is obtained with these fees/charges.

PROPOSED NEW USER FEES & SERVICE CHARGES									
Department	DOCUMENTS & INFORMATION	2015 PROPOSED FEE/CHARGE	2015 BUDGET IMPACT	2016 PROPOSED FEE/CHARGE	2016 BUDGET IMPACT	2017 PROPOSED FEE/CHARGE	2017 BUDGET IMPACT	2018 PROPOSED FEE/CHARGE	2018 BUDGET IMPACT
Bldg. Standards	Solar Resolution (FIT Program)	\$100.00	\$1,000	\$100.00	\$1,000	\$100.00	\$1,000	\$100.00	\$1,000
Fire	VFRS MEchanical Division Hourly Shop Rate for Warranty Services to Other Agencies	\$95.00	\$19,380	\$97.00	\$19,788	\$99.00	\$20,196	\$101.00	\$20,604
Fire	Review and Approval of Risk Safety Management Plans - Existing 5000 USWG or less	\$250.00	\$3,750	\$255.00	\$3,825	\$260.00	\$3,900	\$265.00	\$3,975
Fire	Review and Approval of Risk Safety Management Plans - Existing Greater than 5000 USWG	\$2,250.00	\$4,500	\$2,295.00	\$4,590	\$2,341.00	\$4,682	\$2,388.00	\$4,776
Fire	Fireworks Vendor Training / Vendor Permit	\$150.00	\$3,450	\$153.00	\$3,519	\$156.00	\$3,588	\$159.00	\$3,657
Fire	Reinspection for Family Fireworks Vendor License	\$111.00	\$555	\$113.00	\$565	\$115.00	\$575	\$117.00	\$585
Fire	Reinspection of a Liquor Sales License	\$111.00	\$2,220	\$113.00	\$2,260	\$115.00	\$2,300	\$117.00	\$2,340
Fire	Review of Fire Safety Plans - 2nd or Subsequent Revisions	\$110.00	\$8,250	\$112.00	\$8,400	\$114.00	\$8,550	\$116.00	\$8,700
Fire	Review and Approval of Risk Safety Management Plans - New/Modified 5000 USWG or less	\$500.00	\$0	\$510.00	\$0	\$520.00	\$0	\$530.00	\$0
Fire	Review and Approval of Risk Safety Management Plans - New/Modified Greater than 5000 USWG	\$2,500.00	\$0	\$2,550.00	\$0	\$2,601.00	\$0	\$2,653.00	\$0
Fire	Review and Approval of Risk Safety Management Plans - If necessary to retain 3rd party engineer or other firm	\$ at cost	\$0	\$ at cost	\$0	\$ at cost	\$0	\$ at cost	\$0
Fire	Fire Investigations	\$ at cost	\$0	\$ at cost	\$0	\$ at cost	\$0	\$ at cost	\$0
PW	Additional Fee for 3rd Submission - Pool/Infill Grading Approval & Lot Grading Subdivision	\$100.00	\$5,000	\$102.00	\$4,080	\$104.00	\$4,160	\$106.00	\$4,240
PW	Document Search Fee - additional fee to be applied once information is printed	\$50.00	\$1,250	\$51.00	\$1,275	\$52.00	\$1,300	\$53.00	\$1,325
PW	Complex Encroachment Agreement (shoring, tie-backs and hoarding)	\$5,000.00	\$5,000	\$5,000.00	\$5,000	\$5,000.00	\$5,000	\$5,000.00	\$5,000
PW	Toters for condos	\$236.00	\$2,832	\$236.00	\$2,832	\$245.00	\$2,940	\$245.00	\$2,940
SCHEDULE SUBTOTAL			\$57,187		\$57,134		\$58,191		\$59,142

Relationship to Vaughan Vision 2020/Strategic Plan

This report is consistent with the budget guidelines and priorities previously set by Council.

Regional Implications

There are no Regional implications associated with this report.

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Conclusion

In line with the 2015-2018 Budget Guidelines there is a continued emphasis on maximizing the cost recovered on services through user fees. With the approval of four year fee by-laws as part of last year's budget process, there were only minor changes to approved fees for 2014-17 in this year's budget for a total impact of \$43K in 2015. Fees for 2018 were developed with the departments as per 2015-18 Budget Guidelines. Included with the results, are new fees proposed by the Building Standards, Fire and Rescue Services, and Public Works departments. The initial budget impact of the new fees is \$57K in 2015 and continues through the plan with moderate inflationary implications. Illustrated below is a brief summary of the total budget adjustment resulting from this process. Fees related to Water/Wastewater, Recreation and Building Standards – OBC are not included in this report. These figures have been incorporated in the Draft 2015 Budget and 2016-2018 Plan.

	2015	2016	2017	2018
Previously Approved	\$220,008	\$225,405	\$158,355	n/a
Price Adjustments	43,200	42,799	55,601	\$192,020
New Fees	57,187	57,134	58,191	59,142
Total Fee Adjustment	\$320,395	\$325,338	\$272,147	\$251,162

The community has been notified of an opportunity for public input on user fee/service charge adjustments, consistent with the Budget Communication Strategy. The recommendation of Finance, Administration and Audit Committee to adopt the fee changes and change necessary by-laws will be forwarded to a scheduled Council meeting on January 20th, 2015.

Attachments

Attachment 1 – User Fee/Service Charge - Price Variance Budget Summary

Attachment 2 – Proposed User Fees/Service Charges

Report prepared by:

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Ext 8338

(A copy of the attachments referred to in the foregoing have been forwarded to each Member of Council and a copy thereof is also on file in the office of the City Clerk.)