

COST RECOVERY OF USER FEE/SERVICE CHARGE BASED SERVICES

RECOMMENDATION

The Deputy City Manager/Commissioner of Finance & Corporate Services and the Director of Budgeting and Financial Planning, in consultation with Director of Legal Services recommend:

- 1) That this report be received for information purposes; and
- 2) That in addition to any statutory reporting requirements variance reporting be included as part of the annual budget process.

Economic Impact

There is no economic impact associated with this report. However, if more detailed reporting is requested on an ongoing basis, additional resources may be required.

Communications Plan

No communications plan is necessary at this time.

Purpose

The purpose of this report is to respond to a Budget Committee request for staff to report on the variances between the full cost of services and the revenues collected where the fee is subject to regulation and the regulations are preventing full cost recovery. Staff were also to report on the resource implications of reporting on this request regularly.

Background - Analysis and Options

On April 23rd, 2007, the Budget Committee recommended the following:

"That beginning with the calendar year 2007 appropriate staff be directed to record the variance between the full cost (both direct and indirect) of each service provided by the City for which a fee subject to regulation is charged and the amount of money collected by way of fee, such variance in each case to be reported in dollars and percentage variance; That reports in respect of this information be provided in September of each calendar year (for the period January 1 to June 30) and in March of subsequent calendar year (for the period July 1 to December 31 of the prior year); and that staff report back on the resource implications of the subject recommendation."

Fees Subject to Regulation

Based on our research and in consultation with the Director of Legal services, it has been determined that all fees for services provided by the City are authorized by some form of legislation. Although these regulations do not mandate specific fees or charges, they do limit the amounts to be charged. The specific wording varies between the pieces of legislation, however, fee and charge limitations typically speak to the cost of administration, enforcement, and acquisition/replacement of capital. These definitions are not specific and typically require legal interpretation. Based on the City's experience with setting Building Standards and Planning fees, the above definition has been interpreted, consistent with other Municipalities, as full cost recovery consisting of all direct and indirect support costs. This would include support costs related to Information Technology, Facility costs, Human Resources, Financial Services, and other departmental costs.

There are currently four Provincial Acts governing user fees and service charges set by the City. For reference purposes the user fee/service charge requirements associated with each piece of legislation are briefly summarized below:

1. The Municipal Act – This Act is the primary or default legislation governing all fees unless covered under another Act. Effective January 1st, 2007, the definition of a fee or charge is entirely new. Under the new legislation fees and charges may not exceed the cost related to administration, enforcement, and to establish, acquire, and replace capital assets. This is a change from the previous Act, which specifically restricted licensing fees to costs directly related to the administration and enforcement of the by-law.
2. Ontario Building Code Act – Effective July 1st, 2005, the Act limited the total amount of fees collected to not exceed the anticipated and reasonable cost to administer and enforce the Act. This legislation is also very open and has been interpreted to allow for full costing, including all direct and indirect costs.
3. Planning Act – This Act requires that planning fees be limited to the anticipated cost to the municipality in respect of the processing of each type of the application. Similar to the above Ontario Building legislation, the Planning Act wording is very open and has been interpreted to allow for full costs, including all direct costs and indirect costs.
4. Telecommunications Act – This Act is similar to the above and also restrict charges and fees to the cost recovery. The fees and charges are based on CRTC decisions, which do not reflect full municipal costing.

Summary of Formal User Fee/Service Charge Studies

As a result of the legislative requirements, staff initiated a number of in-depth studies. Detailed below is a brief synopsis of the user fee/service charge studies in process or performed:

Building Standards – CN Watson was retained to assist staff in the aggregate cost justification for building permit processing. As indicated, Bill 124 requires that municipalities limit total charges for Ontario Building Code related fees to not exceed the cost to administer and enforce the Act. This study was completed and actual results are reported publicly for the calendar year by March 31st of the subsequent year.

Planning / Committee of Adjustment – In conjunction with the costing exercise required for Building Standards, CN Watson's scope of engagement was expanded to assist staff in the determination of total costs for Planning and Committee of Adjustment fees. This study was completed and the outcomes presented to Council. As a result of this study, a subsequent study on individual planning fees by application type is currently in process and a report on those findings is anticipated late 2007.

Licensing – In 2003, the Municipal Act required the total amount of licensing fees to be charged shall not exceed the costs directly related to the administration and enforcement of the by-law. To meet this requirement CN Watson was retained to assist staff in the determination of licensing costs and fees. This study was completed and the resulting 5 year by-law approved.

This section of the municipal act was recently revised and as of January 1st, 2007 and the definition of the charges and fees is entirely new. As a result, there is a need to review the fees and charges currently illustrated in the licensing by-law and report to Council on the impact of full cost recovery.

Recreation – Recreation staff retained the IBI Group to undertake a costing/pricing study and to prepare a user fee policy that would guide the City's annual fee schedule. On January 24, 2006, staff reported to Council on the results of the study and recommended a three year fee schedule with associated policies. Recreation fees were grouped into service categories with targeted

recovery policies for each group. The overall goal is to achieve cost-revenue neutrality at the department level.

Revenue/Full Cost Variance Analysis

It should be noted that approximately 90% of the department user fees and service charges are represented by services provided by Building Standards, Development Planning, Committee of Adjustment, Recreation and Licensing. The fees and charges for these services are based on detailed and extensive studies. With the exception of recreation fees, staff have recommended a process/or fee structures designed to achieve full cost recovery.

Reporting

Council's direction was to identify those areas where regulations, that are beyond Council's control restrict the City's ability to achieve full cost recovery. The reporting of variances, particularly those below full cost recovery would then provide the necessary information with which to approach the Province for further legislative changes.

As noted above, municipalities have interpreted the new Municipal Act, Building Code, and Planning Act as permitting municipalities to achieve full cost recovery. An exception to this is under the Telecommunications Act which is based on CRTC decisions. Consequently reporting of variances will be done annually as part of the budget process. This will be in addition to any statutory reporting requirements.

Relationship to Vaughan Vision 2007

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

Conclusion

A review of the legislation which covers the various services which are provided by the City indicates that full cost recovery is permitted with the exception of services governed by the CRTC. Some of the legislation is relatively new and the approach of full cost recovery is based on a review of the legislation and how the legislation is being applied in other municipalities.

Attachments

None

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Respectfully submitted,

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