
HALDIMAND COUNTY

CS-FI-15-2018 User Fees and Charges Update for 2019

For Consideration by Council in Committee on October 30, 2018



OBJECTIVE:

To provide Council with details of the proposed user fees and service charges for 2019 in preparation of the 2019 Tax Supported Operating Budget.

RECOMMENDATIONS:

1. THAT Report CS-FI-15-2018 User Fees and Charges Update for 2019 be received;
2. AND THAT the proposed User Fees and Services Charges be approved, as outlined in Attachment 2 to Report CS-FI-15-2018, effective January 1, 2019, unless otherwise stated in the User Fees and Charges By-law;
3. AND THAT staff be directed to draft the required amendments to the User Fees and Charges By-law.

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Reviewed by: Mark Merritt, CPA, CA, Treasurer

Respectfully submitted: Karen General, CPA, CGA, General Manager of Corporate Services

Approved: Donald G. Boyle, Chief Administrative Officer

EXECUTIVE SUMMARY:

Staff recommend an annual increase to Tax Supported user fees, based on underlying cost increases in the fall of each year, in order to receive Council approval of the revised fees prior to the expiry of the current schedule, so that the new rates can take effect January 1, 2019 to avoid any unnecessary revenue shortfalls.

Generally, for 2019, the recommended fee increase to be applied to most user fees and charges is 2.25%. This is based on a policy outlining cost recovery methods which was approved in 2013, with any exceptions to the application of this policy summarized in Table 1 and Table 2 contained within this report. Exceptions are primarily due to rounding, bi-annual increases for low dollar fees and economic conditions where annual fee increases have not kept pace with the underlying costs.

Any new services and applicable user fees or new fees for existing services (i.e. not previously recovered through fees) would be reflected by the applicable Division as a new initiative in the 2019 Tax Supported Operating Budget and are not included in this report. Additionally, if there are any proposed changes to the current method of applying user fees, they will be included as part of the budget deliberations or through a separate staff report from the applicable Division.

BACKGROUND:

The legislative authority and ability to establish fees and charges is set in the Municipal Act (the Act) under Part 12 and its related regulations. This section provides the authorization for a municipality to impose fees or charges on persons as follows:

- a) for services or activities provided or done by or on behalf of it;
- b) for costs payable by it for services or activities provided or done by or on behalf of any other municipality or any local board; and
- c) for the use of its property including property under its control.

This report proposes updates to the County's current user fees based on changes to the costs of delivering the underlying services. The intent is to receive Council approval of the fees prior to the expiry of the current schedule, so that the new rates can take effect January 1st, 2019 to avoid unnecessary revenue shortfalls. Although the underlying Fees and Charges By-law does not contain an expiry date, some of the specific schedules do have effective dates for certain fees (i.e. Schedule H for Arena fees has an effective date of September 1, 2018 to April 30, 2019). Other schedules indicate the fee is a "2018 Charge" which could lead to confusion to the public if the fee schedule isn't updated for 2019. Timely annual increases to fees will also ensure the proportionate recovery of costs keeps pace with the anticipated inflationary increase in providing the services.

Council has used consistent principles and cost recovery methods since the establishment of an annual User Fees and Service Charges Update. As outlined in CS-FI-27-2013 RE: 2014 User Fees and Service Charges Update, in order to formalize the way the County determines its user fees, staff developed a policy at that time which describes the key principles involved in administering user fees (Attachment 1). The purpose of this policy is to provide a framework to ensure a consistent approach for establishing user fees across the County. The policy is designed to improve consistency, transparency, efficiency and accountability in establishing and managing user fees. The policy promotes full cost recovery where possible and sets out a schedule for the on-going review of user fees to ensure that they are adjusted to reflect changes in the cost of delivering services, changes in service levels, as well as the continued relevance of policy objectives and actual outcomes. It is anticipated that periodic comprehensive reviews will be undertaken on various underlying services and associated fees to ensure the requirements of the policy are adhered to. Staff will be reviewing these services and prioritizing the timing of the required user rate review schedule.

This report focuses on the proposed changes to the User Fees and Charges By-law and corresponding schedules for the 2019 fiscal year (effective January 1, 2019 unless otherwise noted). Any new services and applicable user fees or new fees for existing services (i.e. not previously recovered through fees) would be reflected by the applicable Division as a new initiative in the 2019 budget and are not included in this report. Additionally, if there are any proposed changes to the current method of applying user fees, they will be included as part of the budget deliberations or through a separate staff report from the applicable Division.

From a timing perspective, this report allows for Council's comprehensive review of fees and charges, independent of the budget deliberations. The expectation is that Council and the public will then better understand the impact of the proposed fees and charges, in relation to the associated costs to provide these services. Maximizing revenues from specific user fees and charges, where such can be identified and justified, helps relieve financial pressure on the overall tax levy. Council has the ability to delay the proposed changes to the Fees and Charges By-law, however this could lead to revenue shortfalls as costs of the underlying services increase. It could also lead to confusion to the public as it has been common practice for several years to update the fees, effective January 1st. The longer the delay in implementing these fees, the more potential for lost revenue, as well as it may impact the ability of user groups to plan activities and develop their required fees.

ANALYSIS:

The purpose of this report is to approve the following, as required to maintain current cost recovery ratios:

- Adjust fees for the economic increase in costs associated with the services being charged;
- Update the results of a re-calculation of the current cost recovery ratio of certain existing user fees;
- Update the User Fee By-law for any changes to fees that have occurred through a separate report to Council, but may not have been updated at the time of that report;
- Update the User Fee By-law and corresponding schedules for any description changes – as long as the scope of the service being provided or the method of application of the applicable fees has not changed;
- Advise of fees where no economic adjustment has been applied and provide rationale.

The proposed changes to the User Fees and Charges Schedules are reflected in their entirety as Attachment 2 to this report.

The chart below identifies exceptions to general inflationary increases, such as housekeeping amendments and fees where economic adjustments have not been made (such fees are shaded in blue on Attachment 2). The related rationale for each exception is noted.

Table 1: Summary of Exceptions

<u>Schedule</u>	<u>User Fee</u>	<u>Rationale</u>
Schedule A - Corporate Services & Schedule J - Heritage & Culture	Photocopies	<u>No economic adjustment applied</u>
		As this fee is small, any increase has a large impact. Given the increases that have occurred over the past few years, and the fact that it is significantly higher than most comparators, this fee is recommended to be kept at the current rate.
Schedule A - Corporate Services	Marriage Licence	<u>No economic adjustment applied</u>
		Staff propose leaving this fee unchanged for 2019 as it is currently higher than many municipal comparators. Staff intend to complete a thorough review in 2019.
Schedule D – Environmental Services	Minimum Tipping Fee – Landfill Site and Transfer Station	Housekeeping: Removal of “Landfill Site” from description to reflect current operations.
Schedule F - Community Development & Partnerships - Parks	Dunnville Farmers Market/Waterfront Pavilion - Public Rental - per use	<u>No economic adjustment applied</u>
		Staff recommend not applying the economic increase to this fee as the facility was not available for use until late in the 2018 season. This will leave more time to evaluate the appropriateness of the fee in relation to rental demand. Housekeeping: Fee now listed as applicable taxes extra, for consistency with other fees on this schedule.
Schedule F - Community Development & Partnerships - Parks	Ball Diamonds - Practices	Housekeeping: Item added for consistency with current booking practices.
Schedule G - Community Development & Partnerships - Facilities	Various Community Events Trailer Rentals Fees	Housekeeping: Revising description to Community Event Trailer.

<u>Schedule</u>	<u>User Fee</u>	<u>Rationale</u>
Schedule H - Community Development & Partnerships - Arenas	Arena Floor Rentals - Day/Evening Rates	Housekeeping: Added descriptor "non sporting events" to fees in order to enhance clarity of when each fee is applicable.
Schedule H - Community Development & Partnerships - Arenas & Schedule I - Community Development & Partnerships - Aquatics	Insurance Premium (where applicable)	Housekeeping: Facility User Insurance Program removed from Arena Programs and added to Arena Ice Rentals, Arena Floor Rentals and Pool Rentals sections for clarity and consistency as to when the fee actually applies.
Schedule H - Community Development & Partnerships - Arenas	All Arena Advertising fees	<u>No economic adjustment applied</u>
		Staff has been receiving feedback that the costs are becoming prohibitive, and each arena has several boards available, so it is being recommended that the economic increase not be applied as a means to encourage utilization.
Schedule I - Community Development & Partnerships - Aquatics	Aquafit	Housekeeping: Fee moved to General Admissions section as it is not a registered program.
Schedule J - Community Development & Partnerships - Programs/Heritage & Culture	Extended Care - morning or afternoon (per week)	Housekeeping: Fee adjusted to accurately reflect 5x the current daily rate.
Schedule J - Community Development & Partnerships - Programs/Heritage & Culture	Extended Care - morning (per day); Extended Care - afternoon (per day)	Housekeeping: Fees combined and description updated to reflect morning or afternoon for consistency with weekly rate.
Schedule K – Cemetery Services	Flat Marker care and maintenance; Upright monument up to 4ft care & maintenance; Upright monument over 4ft care & maintenance	<u>No economic adjustment applied</u>
		These fees are set by the Ministry of Government and Consumer Services and cannot be adjusted.
Schedule L - Emergency Services	Fire Vehicle Emergency Response Fees	<u>No economic adjustment applied</u>
		In order to remain consistent with MTO rates applicable on Provincial Highways.
Schedule N - Permits	Tents on Municipal Property (approved as part of a Special Event)	Housekeeping: This exemption, which was previously approved as a new initiative in the 2012 Tax Supported Operating Budget, was omitted from Schedule N in error and is being added as a housekeeping measure.
Schedule O - By-law Enforcement/Animal Control	Application for Minor Exception; Tree Cutting Permit; Tree Cutting Permit - Exemption permit for Woodlots	Housekeeping: Tree Cutting Permit fees consolidated into one fee, named Application for Minor Exception, for consistency with the Forest Conservation By-law 15-00 to which the fees are applied.
Schedule O - By-law Enforcement/Animal Control	Outstanding Municipal Work Order Letter; Current Zoning of Property Letter	Housekeeping: Staff are proposing the consolidation of these two fees into one, named Current Zoning & Outstanding Municipal Work Order Letter, for consistency with current practices.

<u>Schedule</u>	<u>User Fee</u>	<u>Rationale</u>
Schedule P - Planning & Economic Development	Dunnville Market Fees	Housekeeping: As per PED-EDT-09-2018, the Dunnville Farmers Market Association will assume responsibility for the setting and collection of market fees, therefore the related fees are to be removed from Schedule P effective January 1, 2019.
Schedule P - Planning & Economic Development	Economic Development & Tourism Sign Maintenance fees	<u>No economic adjustment applied</u> Staff are finding that the maintenance costs combined with the cost recovery fees for purchasing the signs are becoming prohibitive for local businesses. It is suggested that the fees remain the same, and be re-evaluated based on the outcomes of the current Economic Development & Tourism brand strategy initiative.
Schedule P - Planning & Economic Development	Sidewalk Patio - First Time/Full Application Fee; Sidewalk Patio - Renewal Fee	<u>No economic adjustment applied</u> The Sidewalk Patio Pilot Program and associated fees were approved through PED-EDT-11-2018 as a two year program. As such, no economic increase has been applied to these fees. The fees will be re-evaluated when recommendations are for a permanent program are made in the 2020 season.
Schedule Q - Planning	Amendment to Approved Site Plan - minor; Inactive file - annual maintenance fee; Final review and approval of agreement and drawings - without pre-servicing agreement	Housekeeping: These fees have been removed, as no longer match the methodology used for approvals.
Schedule Q - Planning	Site plan approval and major amendments to approved site plans; Garden Suite; Subdivision Development Assumption Agreement	Housekeeping: A number of Planning fees have had slight description adjustments to reflect current operations. None of the charges themselves have been affected.

Other than the exceptions noted above, all fees have been subject to an annual inflationary adjustment. Based on an analysis of the increase in underlying costs between 2017 and 2018, the percentage increase, effective January 1st, 2019 (unless otherwise noted), is 2.25%. This increase is supported by the average inflation for 2018, based upon the Consumer Price Index, which is projected to be 2.35%. The actual increase reflected on some of these charges may not equate to exactly 2.25% due to rounding. It is the intent to use an average of historical increases in future years to moderate the annual impacts on fee changes year over year.

The following chart summarizes the fees that have remained unchanged from 2018 (due to rounding adjustments or bi-annual increases in previous years) or have increased substantially more than 2.25% (i.e. by 5% or greater) due to bi-annual increases or specific economic circumstances. All fees that fall within these parameters have been shaded in orange on Attachment 2. This chart also details actual increases that vary from the annual inflationary adjustment due to:

- Small fees that are rounded for cash handling purposes (i.e. youth hourly programming): It is not reasonable to adjust these on a yearly basis, due to the rounding that needs to be applied. In these circumstances, such fees are typically adjusted on a bi-annual basis in order to stabilize the increase in charges. As a result, certain years will see no increases while other years will see increases greater than the annual inflationary adjustment.

- Specific economic circumstances have resulted in a required increase substantially more than 2.25%% (i.e. by 5% or greater): In these cases, annual inflationary adjustments have not kept pace with the underlying actual costs to provide these services (e.g. tax sale services require re-calculation of full cost recovery on a periodic basis to ensure the intended recovery percentage is maintained.).

Table 2: Fees with Annual Increases Greater than 5% or Unchanged from Previous Year

<u>Schedule</u>	<u>User Fee</u>	<u>2019 Proposed Fee</u>	<u>2019 Increase</u>	<u>Last Increased</u>
Schedule A - Corporate Services	Legal Fee Recovery - Process B - Notification; Statutory Declaration; Legal Fee Recovery - Process E - Issue and Registration of Tax Deed	\$400.00 - \$510.00	10.63% - 15.94%	2018
Schedule D – Environmental Services	Minimum Tipping Fee –Transfer Station	\$17.00	6.25%	2017
Schedule D – Environmental Services	Wood Chips (per load)	\$5.00	0.00%	2018
Schedule F - Community Development & Partnerships - Parks	Ball Diamonds - Youth- Minor Field (per hr)	\$4.50	0.00%	2018
Schedule I - Community Development & Partnerships - Aquatics	Non-Resident Daily Admission (per person) - Caledonia Pool	\$5.00	0.00%	2018
Schedule J - Community Development & Partnerships - Programs	Extended Care - morning or afternoon (per day)	\$5.00	0.00%	2018
Schedule J - Community Development & Partnerships - Heritage & Culture	Educational Programs - Student (half day)	\$3.75	7.14%	2012
Schedule J - Community Development & Partnerships - Heritage & Culture	Research Fees - Members (per day)	\$3.50	7.69%	2017
Schedule K – Cemetery – Additional Services	Setting Markers (per 6.45 square cm of surface area)	\$0.80	14.29%	2017
Schedule O - By-law Enforcement – Animal Control	Dog Licence Fee – Spayed/Neutered/Microchip/Tattooed – On or before January 1st of applicable year	\$20.00	5.26%	2015
Schedule O – By-law Enforcement – Animal Control	Dog Tag - Replacement	\$5.00	25.00%	2017

<u>Schedule</u>	<u>User Fee</u>	<u>2019 Proposed Fee</u>	<u>2019 Increase</u>	<u>Last Increased</u>
Schedule O – By-law Enforcement – Animal Control	Impound Offence Fee - After hours pick up fee	\$16.00	0.00%	2018
Schedule P - Mapping Fees	Various Mapping Fees	\$1.75 - \$3.00	9.09% - 16.67%	2017

Note: The fees in the above table with a 0% increase will be reviewed for 2020 to ensure appropriate increases are applied.

Comprehensive User Fee Reviews

Key comprehensive user fee reviews currently taking place include:

Cemetery Review

Staff have been undertaking a comprehensive cemetery review which, to date, has included a full site inspection to identify all available lots and a review of current business practices. Once complete, a comprehensive fee review will be undertaken and brought forward for Council approval, for those fees which are not regulated by the Ministry of Government and Consumer Services. In the interim, annual inflationary increases have been included for 2019.

A separate report is presented for review at the October 30th Council in Committee meeting that deals with the policing related user fees.

The User Fee By-law for Council's approval will reflect all the recommended changes included in Attachment 2.

FINANCIAL/LEGAL IMPLICATIONS:

User fees and charges represent a major revenue source outside of general property taxes. As specifically identified services have traditionally been recovered in whole or part from user fees, these relative recovery rates must be re-evaluated on an annual basis to determine the impact on the tax levy. This review ensures the appropriate balance and support to the community while maintaining prudent fiscal management. Any reduction in the current relative recovery rates will have a negative impact on the tax levy.

In aggregate, the user fees outlined in the current user fees and charges by-law generate approximately \$3.9 million in annual revenue (excluding the building permit fees as these are legislated to be on a cost recovery/revenue neutral basis). This represents approximately 3.7% of the total annual Tax Supported Operating Revenues of approximately \$107 million.

Based on the recommendations contained in this report, it is anticipated that additional revenues of approximately \$88,000 will be generated in 2019 to offset increases in associated costs and/or additional levy impacts. The operational impacts of the increased user fee revenues, in relation to the underlying services, will be reflected in the 2019 Draft Tax Supported Operating Budget.

STAKEHOLDER IMPACTS:

The proposed fee increases impact the net operating budgets of the applicable divisions as these fees are intended to recover in whole, or in part, the associated costs of the services provided. All affected Divisions were contacted to review the proposed user fees in the preparation of this report.

REPORT IMPACTS:

Agreement: No

By-law: Yes

Budget Amendment: No

Policy: No

ATTACHMENTS:

1. User Fees and Service Charges – Framework “Policy”
2. Proposed User Fee Schedules “A” to “R”