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# HALDIMAND COUNTY

## Report FIN-18-2019 User Fees and Charges Update for 2020

For Consideration by Council in Committee on October 29, 2019

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### OBJECTIVE:

To provide Council with details of the proposed user fees and service charges for 2020 in preparation of the 2020 Tax Supported Operating Budget.

### RECOMMENDATIONS:

1. THAT Report FIN-18-2019 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 FIN-18-2019, effective January 1, 2020, unless otherwise stated in the Users Fees and Charges By-law;
3. AND THAT the draft User Fees and Charges By-law be presented for enactment.

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**Reviewed by:** Charmaine Corlis, Treasurer

**Respectfully submitted:** Mark Merritt, CPA, CA, General Manager of Financial & Data Services

**Approved:** Craig Manley, MCIP, RPP, Chief Administrative Officer

### EXECUTIVE SUMMARY:

Haldimand County has a Council approved User Fee policy that governs the setting, review, and maintenance of fees and charges. Based on the User Fee policy, staff recommend an annual increase to Tax Supported user fees; the increase is based on the analysis of underlying cost increases. New rates will take effect January 1, 2020, to avoid any unnecessary revenue shortfalls Council approval of the revised fees prior to the expiry of the current schedule is required.

Generally, for 2020, the recommended fee increase to be applied to most user fees and charges is 2.50%. This is based on the policy which outlines cost recovery methods, with any exceptions to the application of this policy summarized in Table 1 and Table 2 attached to 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 2020 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 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, 2020 to avoid unnecessary revenue shortfalls. Although the 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 May 1, 2019 to April 30, 2020). Other schedules indicate the fee is a "2019 Charge" which could lead to confusion to the public if the fee schedule isn't updated for 2020. 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. In order to formalize the way the County determines its user fees, staff developed a policy 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 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 2020 fiscal year (effective January 1, 2020 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 2020 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 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 4 to this report.

Table 1 (Attachment 2) 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 4). The related rationale for each exception is noted.

Other than the exceptions noted in Table 1, all fees have been subject to an annual inflationary adjustment. Based on an analysis of the increase in underlying costs between 2018 and 2019, the percentage increase, effective January 1st, 2020 (unless otherwise noted), is 2.50%. This increase supports the added pressures that the County is facing, in terms of decreasing Provincial funding levels while the actual costs to deliver services typically increase year-over-year. By taking a conservative approach, some of the additional pressure will be mitigated. Additionally, the inflationary increase ties into the target base operating budget increases for the term of Council, presented with the 2019 Budget Guidelines at 2.50%. The actual increase reflected on some of these charges may not equate to exactly 2.50% 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.

Table 2 (Attachment 3) summarizes the fees that have remained unchanged from 2019 (due to rounding adjustments or bi-annual increases in previous years) or have increased substantially more than 2.50% (i.e. by greater than 5%) due to bi-annual increases or specific economic circumstances. All fees that fall within these parameters have been shaded in orange on Attachment 4. 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 2.50% (i.e. by greater than 5%): 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 recalculation of full cost recovery on a periodic basis to ensure the intended recovery percentage is maintained).

## **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 2020.

Policing related user fees are within the control of the Police Services Board and Council, and were reviewed and updated through Report CS-PSB-02-2018 User Fees and Charges for Policing Related Activities, presented at the October 24, 2018 Police Services Board meeting. Given the recent update, and potential changes to the Police Services Act which may impact the types and amount of user fees that can be established locally, these fees should remain status quo for 2020. If changes are made to the Act, affecting user fees, this would be addressed at a later date, if required.

The User Fee By-law for Council's approval will reflect all the recommended changes included in Attachment 4.

## **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 \$3.97 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 \$109 million.

Consumer inflation is often measured through the Consumer Price Index (CPI), which represents the purchasing patterns of an average consumer. CPI, however, does not adequately represent the municipal purchasing patterns. For example, the 2.5% inflationary increase recommended in this report is derived based on an analysis including the 5 year average of underlying cost increases and the average residential tax increase, where the 5 year CPI average is only 1.67%. By basing the inflationary adjustment on the cost increases to the mix of goods and services purchased by Haldimand County, cost recovery levels can be better maintained. Based on the recommendations contained in this report, it is anticipated that additional revenues of approximately \$99,000 will be generated in 2020 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 2020 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. Table 1 – Summary of Exceptions
3. Table 2 – Fees with Annual Increases Greater than 5% or Unchanged from Previous Year
4. Draft User Fee By-law with Proposed User Fee Schedules “A” to “R”