
HALDIMAND COUNTY

Report FIN-15-2022 User Fees and Charges Update for 2023

For Consideration by Council in Committee on December 6, 2022



OBJECTIVE:

To provide details of the proposed user fees and service charges for 2023 in preparation of the 2023 Tax Supported Operating Budget.

RECOMMENDATIONS:

1. THAT Report FIN-15-2022 User Fees and Charges Update for 2023 be received;
2. AND THAT the proposed User Fees and Service Charges be approved, as outlined in Attachment 4 to Report FIN-15-2022, effective January 1, 2023, unless otherwise stated in the User Fees and Charges By-law;
3. AND THAT the User Fees and Charges By-law be presented for enactment.

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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, 2023, to avoid any unnecessary revenue shortfalls, as such Council approval of the revised fees prior to the expiry of the current schedule is required.

Generally, for 2023, the recommended fee increase to be applied to most user fees and charges is 3.00%. 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.

The operational impacts of the increased user fee revenues, in relation to the underlying services, will be reflected in the 2023 Draft Tax Supported Operating Budget.

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 1, 2023 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, 2023 to April 30, 2024). Other schedules indicate the fee is a "2023 Charge" which could lead to confusion to the public if the fee schedule isn't updated for January 1, 2023. 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 2023 fiscal year (effective January 1, 2023 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 2023 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.

Additionally, as Council is aware, there has been an increase in the number of complaints from taxpayers indicating they did not receive their tax bill in the mail. Although the County has limited control over Canada Post and the accuracy of their delivery methods, the cost of a bill reprint in these situations has drawn the ire of many residents. As such, it is recommended that Council delegate the authority to the Treasurer to provide an annual, one-time, waiver of the applicable bill reprint in cases where the taxpayer indicates the original bill was not received. The current by-law delegates the authority to the Treasurer to write-off small balances under \$10 which the current fee would fall under. As these complaints are not significant (i.e. less than 50 per year), the loss revenue is anticipated to be minimal.

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 2020 and 2021, the percentage increase, effective January 1st, 2023 (unless otherwise noted), is 3.00%. This increase supports the typically increasing costs to deliver services, year-over-year, while being mindful of the current economic climate and the impact it is having on users. Additionally, the inflationary increase supports the target base operating budget increases for the term of Council that will be presented with the 2023 Budget Guidelines. The actual increase reflected on some of these charges may not equate to exactly 3.00% 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 2023 (due to rounding adjustments or bi-annual increases in previous years) or have increased substantially more than 3.00% (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. Student Educational Programs): 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 3.00% (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).

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 \$4.77 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 \$129 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 3.0% 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 2.45%, however the 2022 average inflationary increase over 2021 is 7.0%. The recommended 3% was selected due to the economic pressures that users are currently facing and changes within the economic environment over the past six months. The operational impacts of the increased user fee revenues, in relation to the underlying services, will be reflected in the 2023 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”