



STAFF REPORT ACTION REQUIRED

User Fees for Property Tax, Utility and Parking Ticket Accounts

Date:	October 21, 2009
To:	Government Management Committee
From:	Treasurer
Wards:	All Wards
Reference Number:	P:\2009\Internal Services\rev\gm09026rev (AFS# 10500)

SUMMARY

This report seeks Council authority to implement new administrative fees, and to increase certain existing fees for the administration of property tax and utility accounts and parking ticket payments. New fees are proposed for the creation of new property tax accounts, and for ownership updates made to utility accounts. Fee increases are proposed for existing fees for issuing prior year tax receipts, charges added to the tax roll for collection, preparation of tax calculation statements, and for Telephone Interactive Voice Response (IVR) payments and internet payments for parking tickets. The proposed user fees and fee increases are set at levels that reflect full cost recovery for the services provided.

Combined, the new user fees and fee increases will generate an estimated \$1.95 million in additional revenues in 2010.

RECOMMENDATIONS

The Treasurer recommends that:

1. Effective January 1, 2010, an administrative fee be charged for every new property tax account created that is added to the tax roll for taxation purposes, with the fee to be set at \$50.00 per property tax account created;
2. Effective January 1, 2010, an administrative fee be charged to reflect a change in ownership on an existing utility account, with a fee to be set at \$35.00 per ownership change per utility account;

3. Effective January 1, 2010, the existing fee for the issuance of a Prior Year Tax Receipt be increased from the current \$5.00 to \$16.00 per account per tax year;
4. Effective January 1, 2010, the existing fee for adding charges to the tax roll for collection be increased from the current \$35.00 to \$50.00 per charge added;
5. Effective January 1, 2010, the existing fee for the preparation of a Tax Calculation Statement be increased from the current \$35.00 to \$50.00 per statement;
6. Effective January 1, 2010, the existing fee for using the City of Toronto's telephone Interactive Voice Response (IVR) system to make a payment for a parking ticket be increased from the current \$1.50 to \$2.00 per transaction;
7. Effective January 1, 2010, the existing fee for using the City of Toronto's internet site to make a payment for a parking ticket be increased from the current \$1.50 to \$2.00 per transaction;
8. The City of Toronto Municipal Code Chapter 441, Fees and Charges, be amended to give effect to these fee changes, and authority be granted for the introduction of the necessary bills; and
9. The appropriate City Officials be authorized and directed to take the necessary action to give effect thereto.

Financial Impact

It is estimated that the proposed new service fees and fee increases identified in this report will provide additional revenues totalling approximately \$1.9 million in 2010 (if implemented January 1, 2010), as identified in Table 1. Of the total \$1.9 million in revenue generated from the proposed fees, \$875,000 of this amount (from new fees for utility account ownership updates) will be used to reduce the total overall costs of utility billing that are currently charged to Toronto Water and Solid Waste Management through an interdivisional recovery (IDR) from Revenue Services. A further \$550,000 in fee revenue from IVR and internet payments will be used to reduce the IDR charged by Revenue Services to the non-program operating budget for parking ticket operations. The proposed fee levels have been set to fully recover the costs of providing these services. Once approved, the revenues arising from these fees will be incorporated within the proposed 2010 operating budget of the Office of the Treasurer – Revenue Services Division.

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

Table 1:
Estimated revenues from proposed new user fees and fee increases

User Fees	Estimated volume/year	User Fee			Additional Revenue (full year)
		Current	Proposed	Increase	
New User Fees:					
Setting Up a New Tax Account	7,500	-	\$50.00	\$50.00	\$375,000
Ownership Update to Existing Utility Account ¹	25,000	-	\$35.00	\$35.00	\$875,000 ¹
Increases to Existing User Fees					
Prior Year Tax Receipt	10,940	\$5.00	\$16.00	\$11.00	\$120,340
Charges Added to the Tax Roll for Collection	1,285	\$35.00	\$50.00	\$15.00	\$19,275
Preparation of a Tax Calculation Statement	500	\$35.00	\$50.00	\$15.00	\$7,500
Use of Interactive Voice Response (IVR) and Internet payment options for Parking Tickets ²	900,000 (Current Volume)	\$1.50	\$2.00	\$0.50	\$450,000 ²
	50,000 (Proposed Volume Increase)	-	\$2.00	\$2.00	\$100,000 ²
Total Estimated Revenue					\$1,947,115

Notes:

1. Fee revenue from utility account updates will be used to reduce the interdivisional recovery (IDR) charged to Toronto Water and Solid Waste Management for utility billing services from Revenue Services.
2. Fee revenue from IVR and internet payments will be used to reduce the IDR charged to the non-program operating budget for Revenue Services parking ticket operations.

DECISION HISTORY

Council has previously adopted reports and enacted by-laws to establish user fees for the administration of property tax and utility accounts and parking ticket payments. For existing fees that are the subject of fee increases in this report, the links to Council's original approval of the fees are provided below:

- Fees for Prior Year Tax Receipts
<http://www.toronto.ca/legdocs/1998/agendas/council/cc/cc980416/cs3rpt/cl031.htm>
- Fees for Charges Added to the Tax Roll for Collection
<http://www.toronto.ca/legdocs/2004/agendas/council/cc041130/adm9rpt/cl013.pdf>
- Fees for Preparation of a Tax Calculation Statement
<http://www.toronto.ca/legdocs/2006/agendas/council/cc060627/adm4rpt/cl007.pdf>

- Fees for Use of Interactive Voice Response (IVR) and Internet payment options for Parking Tickets
<http://www.toronto.ca/legdocs/2005/agendas/council/cc051205/pof10rpt/c1017.pdf>

ISSUE BACKGROUND

Municipal user fees are a charge to the user for a specific municipal service, activity or product, or for the use of municipal property. Section 259 of *the City of Toronto Act, 2006*, provides the authority to implement municipal user fees and charges and requires that user fees be approved by Council and enacted by by-law.

In establishing user fees for municipal services, activities or products, the municipality is recognizing a need to recover operating costs associated with the provision of non-mandatory services. Utilizing a cost recovery approach to establish the fee amount ensures that the fees charged bear a relationship to the cost of providing the service. By passing the cost of specific services to the consumer, only those individuals or groups that utilize the service or incur the fee pay for the cost of providing it, rather than taxpayers in general.

In September 2007, in adopting recommendations contained within the staff report (September 27, 2007) from the Treasurer entitled, “New User Fees and Fee Increase for Administration of Property Tax and Water Accounts” (GM 8.6), Council also considered a supplementary staff report for information (October 22, 2007) from the Treasurer entitled “Full Cost Pricing for New User Fees and Fee Increases for Administration of Property Tax and Water Accounts”. The supplementary staff report reflected the Government Management Committee’s position that proposed fees should be based on the full recovery of the costs of providing the services. The full text of both reports and the related Council Decision Document can be obtained at:

<http://www.toronto.ca/legdocs/mmis/2007/gm/bgrd/backgroundfile-7318.pdf>
<http://www.toronto.ca/legdocs/mmis/2007/cc/bgrd/gm8.6a.pdf>
<http://www.toronto.ca/legdocs/mmis/2007/gm/reports/2007-10-12-gm08-cr.pdf>

COMMENTS

This report recommends that new administrative fees be implemented, and certain existing fees be increased, for services related to the administration of property tax and utility accounts and parking ticket payments, effective January 1, 2010. Revenue Services Division is proposing these new fees and fee increases as a means to recover the full costs associated with the provision of non-mandatory services, therein passing the costs of such services to those specific users that request and utilize such services.

Based on Council’s 2007 approval of administrative fees for property tax and utility accounts, a “full cost recovery” approach was utilized to establish the new user fees and the fee increases identified in this report. In pricing user fees using a full cost recovery approach, consideration is given to the direct and indirect staff and resource costs of providing these services, including:

direct costs – includes salaries, wages and benefits, materials and supplies consumed, utilities, equipment, purchase of goods and/or services (e.g., telephone, printing, mailing), etc.;

indirect costs – costs of resources that indirectly support service delivery, including internal program support costs (e.g., divisional and office administration, facilities management), and external program support costs (e.g., information technology support, legal and other interdepartmental charges), and corporate support costs (e.g., human resources, payroll, facilities maintenance and depreciation), etc.

The total of all of these components represents the full cost. Other factors, however, may influence the pricing of fees, including:

- Fees charged for similar services in other municipalities or other service providers;
- Cost of fee in relation to service provided;
- Potential for negative public reaction to fees or fee increase;
- A recognition that higher fees may result in decreased volume/demand for service, and lower than anticipated revenues.

The recommended new administrative fees and fee increases are described below, together with a summary of the activities involved in providing the service, estimated volumes and pricing and any other considerations that affect the proposed fee levels.

New User Fees

1. New Property Tax Account (new account set up fee)

Effective January 1, 2010, an administrative fee is proposed to be charged for each new property tax account created that is added to the tax roll for taxation purposes. The proposed fee is \$50.00, and will be charged at the time a new property tax account is set up for the first time (one-time only charge). The new fee will apply where a new property has been created, and a tax account added to the tax rolls, as a result of a new development or redevelopment, i.e., new condominium, or new parcels arising from a land severance.

Revenue Services currently administers over 660,000 property tax accounts. Each year, approximately 7,500 new accounts are created. For each new account created, there is an incremental increase in costs associated with administering the new account. These costs include staff time and resources required to create new accounts within Revenue Services' tax billing system; identifying and manually entering links to predecessor roll numbers and/or utility accounts; verifying and entering ownership and mailing information; undertaking mailings where required to obtain information; apportioning unpaid taxes where they exist to new parcels, including associated mailings, hearings and preparation of Council reports, etc. Revenues from new account set up fees will help to directly recover the incremental costs of new accounts added to the tax roll.

A fee of \$50 for each new account created, based on an estimated volume of 7,500 new tax accounts per year, will generate approximately \$375,000 annually in revenue. The proposed \$50.00 fee for a new property tax account is lower or comparable to similar fees charged in other municipalities (see Table 2). Ottawa charges \$62.00, Markham \$60.00 and Ajax \$50.00.

2. Ownership Updates on Utility Accounts

Effective January 1, 2010, an administrative fee is proposed to be charged to reflect a change in ownership on an existing utility account, with a fee to be set at \$35.00 per ownership change per utility account. The fee will be applied at the time the utility account is updated to reflect the new owner. The fee will impact property owners/utility customers where a property has changed hands, and is similar to ownership update or account activation fees charged by other utility providers, such as cable, telephone and electricity. Revenue generated from user fees for ownership updates will be used to reduce the total overall costs of utility billing that are currently charged to Toronto Water and Solid Waste Management for utility billing services through an interdivisional recovery (IDR) from Revenue Services.

The process of updating ownership on utility accounts involves receiving requests for such updates from the property owner, verifying the accuracy of information provided, finalizing the application and printing and mailing automated statements to new owners. Currently, this service is performed with no charge to utility account, with the direct costs being absorbed within existing operating costs. A fee of \$35 for ownership updates for existing utility accounts would generate approximately \$875,000 annually in revenue using an estimated volume of 25,000 ownership updates a year. Currently, the City of Ottawa charges \$62.00 and Peel Region charges \$40.00 for a similar service (Table 2).

Increases to Existing Fees

3. Prior Year Tax Receipts:

Prior Year Tax Receipts are requested by property owners when an official receipt is required for property taxes paid in a year, usually for the purposes of income tax filings with Canada Revenue Agency. Such requests can be made for more than one tax account and for multiple years. Current year tax receipts are provided at no charge, while a fee of \$5.00 is presently charged for issuing Prior Year Tax Receipts per assessment roll number for each year of request.

Requests for receipts are made by phone, mail, e-mail, and fax or in person at Revenue Services' customer service counters. Once the request is made and payment of the fee is received, the request is assigned to a clerk for processing, tracking documents, preparing and verifying a statement of receipt against the City's tax records, preparing a cash receipt, placing a note on the account, preparing a covering letter, obtaining approval and mailing the tax receipt along with cash receipt and the covering letter.

The current \$5.00 fee for prior year tax receipts has been in place since prior to amalgamation, and has not been updated since 1998. Based on a review of the actual costs involved in producing prior year tax receipts, and in order to fully recover the costs involved, a fee increase is proposed from \$5.00 to \$16.00 for each prior year tax receipt per assessment roll number and per tax year of request. The fee increase, based on an estimated volume of 10,900 receipts issued per year, is expected to raise additional revenue of \$120,300. For a similar service, the City of Ottawa charges \$31.00 per receipt, while Markham and Hamilton charge \$20.00 and \$22.00 respectively (Table 2).

4. Charges Added to the Tax Roll:

Various City divisions provide services to property, whether requested by the owner or not, resulting in fees or charges. These can include charges for grass or weed cutting, debris removal, etc. In other cases, fines or penalties are levied against a property owner for municipal infractions, e.g., charges for false fire alarms. Normally, these fees or charges are billed and collected by the City division responsible for doing the work, or for levying the charge. In a small percentage of cases, where fees remain unpaid by the owner of a property, and despite collection efforts undertaken by the originating division, these charges may be added to the tax roll for collection purposes at the request of the division.

The addition of such charges to the tax roll requires staff time to enter and track these amounts on the tax system, in addition to the costs of processing any payments received, and any programming required to the City's tax billing system to account for and report on these charges. Given the costs involved, City Council in December 2004 authorized a \$35.00 fee, effective January 1, 2005, for each municipal charge added to the tax roll for collection purposes. In reviewing actual costs and staff time spent in these activities, and in order to fully recover the costs involved in providing this service, it is proposed that the fee for this service be increased from \$35.00 to \$50.00 for each charge added. The proposed fee increase is expected to raise additional revenue of \$19,300 annually, based on an estimated volume of 1,285 charges per year. The City of Brampton has a similar charge of \$50.00 for amounts added to the tax roll, while the City of Windsor charges \$45.00 (Table 2).

5. Tax Calculation Statements

In June 2006, Council approved the implementation of a user fee to produce a Tax Calculation Statement. The fee was set at \$35.00 per assessment roll number per taxation year. Tax Calculation Statements were developed as a service to property owners to help explain the calculation of taxes for owners of commercial, industrial and multi-residential properties. The large majority of requests for Tax Calculation Statements are being made by property tax agents seeking to challenge the City's calculation of taxes, either through the Assessment Review Board (ARB) or directly to the City of Toronto. As the costs of obtaining tax calculation statements were generally passed on by the tax agents to the property owners, the fee was reflective of the City's direct costs to produce the statements.

Since the fee was introduced in 2006, tax calculation statements have continued to be requested, while their preparation has become more complex, and more labour-intensive to produce. Often, requests may require tax calculations for multiple years and for multiple properties, e.g. 50-80 properties per request, which require significant amounts of staff time to prepare the individual statements. The process requires staff to manually prepare the tax calculation statements by analyzing the accounts, confirming figures, liaising with other unit staff within Revenue Services and consulting with representatives from the Municipal Property Assessment Corporation. The implementation of graduated tax rates for commercial properties and recent legislative changes to phase in property tax assessment increases makes the process more labour and time intensive.

As this remains a non-mandatory service that is provided to only those customers who request it, and to fully recover the actual costs of the staff time and resources expended to produce the tax calculation statements, it is recommended that the fee for this service be increased from \$35.00 to \$50.00 per assessment roll number per year. The increase in the fee is expected to raise additional revenue of approximately \$7,500, based on an estimated volume of 500 requests per year. Toronto is one of very few municipalities that offers this service to taxpayers. The \$50.00 fee reflects the fact that each statement is manually produced and verified, and therefore labour-intensive to produce. While the City of Mississauga provides a system-generated statement that provides a high level summary of property taxes for \$20.00 per account, no other municipalities currently offer a similar service (see Table 2).

6. Parking Ticket Payments (Internet and IVR)

The City issues approximately 3.0 million parking tickets each year, and collects fines on approximately 82 per cent of all tickets issued, representing annual revenues of approximately \$80 million. Customers may pay tickets using various options, including mailed-in payments, in-person at First Appearance Facilities, by telephone through the City's interactive voice response (IVR) system and through the internet.

In December 2005, Council approved the implementation of a service fee of \$1.50 per payment through the City's internet-based Parking Ticket Payment module, and increased the service fee for Interactive Voice Response (IVR) telephone payments for parking tickets from \$1.00 to \$1.50. The availability of the telephone and on-line payment options have become increasingly popular with customers, given the convenience of being able to make a credit card payment on a 24-hour basis from any location. Currently, approximately 900,000 parking ticket payments are made annually via the internet or the IVR system. It is projected that the volume of these types of payments will increase in 2010 by another 50,000 payments annually.

The per-transaction costs of providing these services are fully recovered by the fees charged. In order to counter inflationary impacts, and to keep pace with the fees being charged for similar on-line or telephone-based services, it is recommended that the per-transaction fee for internet and IVR payments be increased from \$1.50 to \$2.00 per ticket payment.

It is estimated that the fee increase will generate additional revenues of approximately \$450,000 per year, while a projected increase in the volume of internet and IVR payments of 50,000 will produce further revenues of \$100,000 based on the \$2.00 fee level, for a total combined revenue increase of \$550,000 in 2010. The increased revenues from fees will provide a reduction in Revenue Services recovery from the non-program budget for parking ticket revenues.

Municipalities such as Mississauga, Brampton and Markham charge \$2.50 for the use of IVR for parking ticket payments. The City of Markham charges \$2.50 for internet payments for parking tickets (Table 2).

Comparison of Proposed Fees to Other Municipalities

Table 2 provides a comparison of Toronto's proposed fees for 2010 with 2009 fee levels for similar services provided by other Ontario municipalities.

Table 2: Comparison of 2009 User Fees in Other Municipalities

Municipalities and Other Organizations	New Property Tax Account	Ownership Updates for Utility Accounts	Prior Tax Receipts	Charges Added to the Tax Roll	Tax Calculation Statement	IVR Payments for Parking Tickets	Internet Payments for Parking Tickets
Toronto (2010 proposed)	\$50.00	\$35.00	\$16.00	\$50.00	\$50.00	\$2.00	\$2.00
Ottawa	\$62.00	\$62.00	\$31.00	\$31.00	-	-	\$1.50
Mississauga	\$25.00	-	\$20.00	-	\$20.00	\$2.50	\$1.50
Brampton	\$30.00	-	\$14.00	\$50.00	-	\$2.50	-
Peel Region	-	\$40.00	-	-	-	-	-
Richmond Hill	\$30.00	\$35.00	\$15.00	no fee	-	-	\$1.50
Markham	\$60.00	-	\$15.50	\$31.00	-	\$2.50	\$2.50
York Region	-	\$30.00 (Power Stream Util.)	-	-	-	-	-
Hamilton	\$15.00	\$30.00 (Horizon Utility)	\$22.00	\$28.00	-	-	\$1.50
Ajax	\$50.00	-	\$10.00	\$25.00	-	-	-
London	\$57.00	-	\$17.50	10% of bill	-	-	-
Windsor	\$50.00	-	\$15.00	\$45.00	-	-	\$1.50
Kitchener	no fee	no fee	\$20.00	no fee	-	no fee	\$1.50
Kingston	no fee	\$15.00 + GST	no fee	\$100.00	-	no fee	no fee
Waterloo	\$60.00	\$30.00	\$17.00	no fee	-	no fee	\$1.70

Notes: Where "No Fee" is indicated, the service is currently provided for no charge. Where "-" appears for a given service, it means that the service is not provided.

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