

Application Fee for Short Stream Utility Permits

Date: April 19, 2017
To: Budget Committee
Executive Committee
From: General Manager, Transportation Services
Wards: All

SUMMARY

City Council, at its special meeting on February 15, 2017, adopted as amended the Transportation Services 2017 Operating Budget. In so doing, City Council directed the General Manager, Transportation Services, to report back to the Budget Committee on the details of the proposed application fee for the Utility Cut Repair Program that was included in the approved budget, following further consultation with the affected utility companies.

Cuts into the City of Toronto's estimated 5,600 kilometres of roads by utility companies has long been a concern. When a utility approaches the City for a permit to undertake a utility cut, there are two paths that its application can take:

- "Short stream" applications - where limited or no conflicts with other planned capital works are identified.
- "Full stream" applications - where detailed engineering review and coordination must take place.

The City issues an average of approximately 50,000 "short stream" permits annually to utility companies.

Inspection and permit fees have never been collected for "short stream" permit applications, despite a fee being charged for the review of "full stream" applications. Staff therefore included in the approved 2017 Operating Budget the introduction of an application fee, in accordance with the City's User Fee Policy, to recover the cost of reviewing and processing these permit applications.

Although the utility companies were advised in 2016 of this possible fee, there was no opportunity to undertake a detailed analysis of the proposed fee and to conduct extensive consultation with the affected utility companies prior to the submission of the 2017 Operating Budget.

In the near future, a companion report will be completed that will outline new methods of permanent restoration that will have lesser impact on residential communities and minimize the need for temporary repairs.

RECOMMENDATIONS

The General Manager, Transportation Services, recommends that:

1. City Council approve the application of the following user fees contained in City of Toronto Municipal Code Chapter 441, Fees and Charges, to all "short stream" utility cut permit applications, subject to the annual inflation rate:
 - a. Construction Permits – Administration, Survey and Inspection Fee in the amount of \$93.87.
 - b. Construction Permits – Permit fee to excavate/dig up/tear up or remove soil of any street/sidewalk/curbing, pavement, etc. in the amount of \$149.45.

FINANCIAL IMPACT

The Permit Application Fee for each Short Stream Utility Permits is proposed to be \$243.32. This is comprised of a permit fee of \$149.45 and an administration, survey and inspection fee of \$93.87. In accordance with the City's User Fee Policy, the application of these fees will achieve full cost recovery of the City's costs for providing these services.

The revenue generated for short stream permits will depend on the volume of permits requested by utility companies for installations in the City's right-of-way. Based on previous volumes, it is estimated that 50,000 annual permits would generate an annual revenue of \$12.0M (assuming a rounded permit fee of \$240). The approved 2017 Operating Budget for Transportation Services included a revenue provision of \$4.8M in 2017 (\$7.2M in 2018) recognizing that the approval of this application fee would occur later in 2017.

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

DECISION HISTORY

City Council at its special meeting on February 15, 2017 adopted, as amended, the 2017 Transportation Services Operating and Capital Budgets.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.EX22.2>

Details of the Transportation Services 2017 Operating Budget submission are included in the Budget Notes.

This short stream permit fee was approved as a provisional item within the approved budget, subject to consultation with the utility companies and a final report to Budget Committee with respect to the introduction of this application fee.

COMMENTS

Background

As part of the preparation of the 2017 Operating Budget, staff examined opportunities to identify new sources of funding or increase revenues in order to meet budget reduction targets. One such source identified was the possible introduction of an administration fee for "short stream" applications by utility cut companies for work within the public right-of-way.

Cuts into the City of Toronto's estimated 5,600 kilometres of roads, by utility companies has long been a concern, given the typical long lead time before the pavement, curbs, sidewalks and sod is restored. Typically a utility company will undertake temporary restoration, and Transportation Services will complete the permanent restoration – committed to doing so within two (2) years after the cut permit has been issued. In recent years, a backlog of these restorations has built up, which Transportation Services has committed to addressing via a consultant assignment to be initiated in 2017.

When a utility approaches the City for a permit, there are two paths that its application can take:

- "Short stream" applications are those where limited or no conflicts with other planned capital works are identified.
- "Full stream" applications where detailed engineering review and coordination must take place.

Permit and Inspection fees are currently collected through the permanent restoration process for utility cuts in the form of an administrative fee that is charged on the backend. This has been a legacy process, which the division is trying to normalize with other processes by collecting the fees upfront during time of submission.

The City is currently assessing the option of allowing utility companies to undertake their own permanent restoration and refining the application process will ensure there is no confusion in the fee collection process.

Proposed Short Stream Permit Fee

The proposed fee is \$243.32 per permit which is based on the current authority in Toronto Municipal Code Chapter 441, Fees and Charges, to charge a fee to "excavate/dig up/tear up or remove soil of any street/sidewalk/curbing pavement etc." at a cost of \$149.45 (no HST) plus an "Administration, Survey & Inspection Fee" at a cost

of \$93.87 (including HST). For comparison purposes, the \$243.32 fee is what a resident is currently required to pay for a permit to repave their driveway in the City of Toronto. It was determined this was a reasonable fee applied to the utility companies although it might not be reflective of the detailed and complex work the utility companies often undertake which could increase the actual staff time and costs associated with this work.

The fee is proposed to recover the cost of staff time and effort to review the application and conduct an inspection after the work is complete. Approximately 30% of all permits issued do not result in the need for permanent restoration of the roadway or boulevard, however, there is still staff time allocated to these permits to account for the inspections that are conducted once the work is complete to ensure that the roadway and boulevard is left in a safe and acceptable condition.

Based on an estimated average of 50,000 permits annually, the recommended \$243.32 fee will generate a revenue of approximately \$12.2M. However, these permit numbers fluctuate from year to year as it is dependent on the volume of utility work requested by each utility company.

Current Fees Charged for Utility Work

During consultation with affected utility companies, there were some concerns expressed that the costs associated with the proposed fees were already recovered by existing permit fees. There are currently fees charged for "full stream" applications, which are required for more extensive and complex utility work within the public right-of-way, that are collected by Engineering and Construction Services for the engineering review and inspection services of this work. These fees are consistent with the city's User Fee Policy and are reviewed on a regular basis. Each full stream application fee is \$1,135.00, and the City reviews approximately 1,200 to 1,500 of these applications annually. As noted above, the proposed fee which is the subject of this report would be charged to only short stream applications for which a fee is not currently charged.

In addition, there are fees charged to each utility company for the City to conduct the permanent restoration of the work completed by the utility companies. In addition to the cost of materials for the permanent restoration, fees are charged in the amount of 29.5% for the external utilities and 22.5% for internal clients. A breakdown of these percentages, which is applied to the final cost of the permanent restoration following completion of the work, is provided below:

- 13.5% engineering fee – includes portions of field review, prior to final restoration, engineering/tendering work, contract inspection
- 9.0% RACS (Road Allowance Control System) fee – includes a portion of the cost to operate, support and maintain the system for the electronic generation, tracking and issuance of permits.
- 7.0% administration fee – includes processing of payments and invoicing and is charged to external clients only.

The fees recommended in this report are for the recovery of staff time, in accordance with the User Fee Policy, for the processing and inspection associated with short stream

permit applications which are not captured by any of the existing fees required for full stream applications submitted by utility companies.

Consultation with affected Utility Companies

In 2016 City staff advised the Toronto Public Utility Coordinating Committee (TPUCC) of this proposed fee and the rationale for its inclusion in the budget. However, details were not available at that time and therefore consultation with the affected utility companies about a detailed fee structure was not possible. Consequently, a proposed detailed fee structure was not included in the approved 2017 Operating Budget.

Following City Council approval of the budget, a formal notice (dated March 10, 2017) was issued to all utility companies about the proposed application fee for short stream permit applications. The proposed fee (\$243.32) was included in the notice and the utility companies were invited to submit feedback. Staff subsequently met with the utility companies that requested a meeting to discuss the fees and the implications.

Generally the utilities advised that the consultation timing was too short and requested a longer lead time prior to the implementation of these fees (which would be in effect following City Council approval of this staff report in July 2017). Many utilities have indicated that their budgets are already set for their fiscal year and, not having budgeted for this new fee, are requesting an implementation date in the fourth quarter of 2017 or in 2018. Many of these utilities follow a regimented budget process, some for multiple years and have advised that an additional fee may take away some of their ability to deliver their infrastructure plans or other programs currently in place. While it is recognized that the proposed fee imposes budget pressures on these utility companies, Council approval of the 2017 Operating Budget including this provisional revenue, requires staff to implement this fee as soon as possible.

Another general theme is that the utilities are requesting quicker permanent rehabilitation of their utility cuts so they are financially able to close their projects out in a timely manner. While this is not directly related to the new fee, the City is currently working on clearing up the utility cut rehabilitation backlog. A strategy to address this backlog, including the possibility of allowing utility companies undertake their own permanent rehabilitation, will be developed by the end of 2017. The utilities were very receptive of this initiative and believe this will minimize their costs in the long run.

Other issues raised mainly surrounded how the fees will be paid and whether it will be possible to bundle some permit applications. Staff are committed to working with the utility companies to sort through these issues prior to the implementation date. Staff will also work with the utility companies to ensure that any other fees that they are currently paying (e.g. one utility company identified property taxes they are currently paying for their infrastructure within the right-of-way) are reflected or accounted for in their fees.

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SIGNATURE

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