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## **2017 OPERATING BUDGET BRIEFING NOTE**

### **Changes to Existing User Fees and New User Fees in the 2017 Preliminary Operating Budget**

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#### **Issue/Background:**

This briefing note details all changes to existing user fees and new user fees that are incorporated in the 2017 Preliminary Operating Budget, and provides a summary of the 2017 incremental revenues that will be generated from these fees.

With the exception of transit fares and certain market based fees charged by City Agencies, City Council must approve new fees and any changes beyond the rate of inflation to existing user fees for services provided to the public by all City Divisions and Agencies. In accordance with the City's User Fee Policy, fees that have been approved by Council for automatic annual inflationary adjustments are effective on January 1 each year. Authority is delegated to the Deputy City Manager and Chief Financial Officer to determine the annual inflation rate for user fees.

The inflationary adjustment applied to each user fee service is based on a blended rate of the inflation factors for each cost component in the basket of goods used to provide a specific service. This method, which was approved with the User Fee Policy, accurately reflects the inflation rate for each service provided. Other fees are adjusted to reflect market prices and/or to recover an incremental amount of the full cost of providing the related user fee service. Table 1 shows the incremental revenues for inflationary and other adjustments being made to base fees, and additional revenues to be generated from new fee included in the 2017 Preliminary Operating Budget. Table 2 shows the incremental revenues from full cost recovery arising from the development application fee review included in the 2017 Preliminary Operating Budget.

In accordance with the City's User Fee Policy and a commitment to transparency and accountability, the City gives notice to the public of its intent to change existing user fees and introduce new fees. The public notice is posted on the City of Toronto website five business days before the Budget Committee public hearings, where constituents are given the opportunity to provide input or depute the proposed changes to fees. This briefing note supplements the public notice for all recommended user fee changes in 2017.

#### **Key Points:**

- Changes recommended to existing user fees as well as new fees included in the 2017 Preliminary Operating Budget are detailed in Appendices A, B, C and D and summarized in Table 1 and Table 2.

- Table 1 summarizes the total incremental revenues of \$40.466 million to be generated from fees in 2017, including development application fee review by City Program and Agency; and
  - Table 2 summarizes the incremental revenues of \$12.480 million from fees related to the development application fee review from all city Programs that are involved in this service. The revenue to be generated results from the full cost recovery review as well as inflationary increases.
- Program-specific changes to user fees have been appended to the 2017 Operating Budget Notes for each respective Program and Agency.
  - Appendix A lists changes to existing user fees and the corresponding percentage change, including development application review fees in the 2017 Preliminary Operating Budget. Rate changes based on inflationary adjustment not related to the development application fee review will generate incremental revenues of \$5.523 million; other adjustments to base fees of \$5.799 million include changes to reflect current market prices and/or to recover full costs of providing the related user fee service. To ensure cost recovery and inflation factors are reflected, development application review fees will generate incremental revenues of \$12.480 million in 2017.
  - Appendix B lists new user fees included in the 2017 Preliminary Operating Budget; these fees will generate incremental revenues of \$16.663 million in 2017.
  - Appendix C summarizes user fees that have been rationalized as part of the 2017 budget process. Fee rationalization is the process of unbundling existing user fees to support the principle of full cost recovery that ensures the fees are aligned to discrete services provided.
    - Transportation Services and City Clerk' Office are rationalizing user fees to better align to services provided.
    - Parks Forestry and Recreation is rationalizing fees for 'Vehicle Crossing on Ferries' to include a fee rate category for medium-sized and very large vehicles and trailers.
  - Appendix D lists discontinued user fees reflected in the 2017 Preliminary Operating Budget. Fees are generally discontinued because a service is no longer provided, or to encourage greater use of a particular service, or to transition to a new fee structure.
    - Parks, Forestry and Recreation, Fire Services, Arena Board – Moss Park, Office of Treasurer, and City Planning have discontinued fees mainly to account for services no longer provided.

Table 1 below summarizes incremental revenues for inflationary and other adjustments (including total revenues generated from development application fee review) and new fees by Program totalling \$40.466 million.

TABLE 1 2017 RECOMMENDED USER FEE CHANGE AND NEW - REVENUE SUMMARY					
Division / Agency	Development Application Fee Revenue	Inflationary Adjustments Base Fees	Other Adjustments Base Fees	New Fees	Total 2017 Incremental Revenue \$
	2017 Incremental Revenue \$	2017 Incremental Revenue \$	2017 Incremental Revenue \$	2017 Incremental Revenue \$	
AOCC - Swansea Town Hall Community Centre			23,000		23,000
City Clerk's Office		1,907	1,297		3,204
City Planning	544,477	572,176			1,116,653
Courts Services				10,590	10,590
Economic Development & Culture	398,176		26,000		424,176
Engineering & Construction Services	3,640,248	46,088			3,686,336
Facilities, Real Estate & Energy		26,700			26,700
Fire Services	419,839	11,700		1,014,760	1,446,299
Information & Technology		2,624			2,624
Legal Services	1,877,309	89,680			1,966,989
Municipal Licensing & Standards		147,000	213,000	1,333,000	1,693,000
Parks, Forestry & Recreation	316,107	1,973,300	359,200	473,300	3,121,907
Office of the Treasurer		196,105	450,000		646,105
Toronto Building	1,174,404	1,416,076			2,590,480
Toronto Paramedic Services		5,947	(285,658)	-	(279,711)
Toronto Public Health		20,116	54,000		74,116
Toronto Zoo			576,500		576,500
Transportation Services	294,179	979,597	322,300	7,719,664	9,315,740
Non-Program Revenue - Administrative Penalty System (Other / New)	3,815,421	34,097	4,060,000	6,112,000	14,021,517
<b>TOTAL</b>	<b>12,480,161</b>	<b>5,523,112</b>	<b>5,799,639</b>	<b>16,663,314</b>	<b>40,466,226</b>

## Highlights of Changes to Existing User Fees by City Program and Agency

### Inflationary Adjustments to Base Fees

In accordance with the City's User Fee Policy, fees approved for automatic inflationary increase are adjusted annually to reflect the inflationary costs unique to each service provided.

#### *Parks Forestry & Recreation:*

- Inflationary increase of 2.3% has been applied to user fees within the Program and will generate incremental revenue of \$1.973 million in 2017.

*Toronto Building:*

- Toronto Building inflationary increase to permit fees was initially set at 2.68% to maintain overall full cost recovery in accordance with the Building Code Act. The Program was able to reduce the inflationary impact to 2.24% resulting from efficiency savings of \$0.275 million in 2017.

*Transportation Services:*

- Additional revenue of \$0.979 million will be generated from an inflationary increase of 2.54% applied to most user fees within the program.

**Other Adjustments to Base Fees**

Other fees are adjusted to reflect market prices and/or to recover an incremental amount of the full cost of providing the related user fee service.

*Non-Program (Administrative Penalty System):*

- A one-time fee increase for the provincially regulated late payment and plate denial fees under the current Provincial Offences Act (POA) parking system will generate revenue of \$5.210 million in 2017. These fees will be eliminated upon implementation of the new Administrative Penalty System. The revenue has been pro-rated for 2017 reflecting the transition from the court-based POA parking system in mid-May 2017.
- The revenue of \$5.210 million, however, is offset by the discontinuation of internet-based parking ticket payment including the transaction fee for online payments (\$1.50/transaction) and the interactive voice response phone payments (\$2.00/transaction), resulting in a decrease of \$1.150 million in revenues. The objective is to encourage greater use of the automated payment channels.

*Arena Boards:*

- Arena Boards of management user fees are market-based and not subject to inflationary increases. The Arena Boards post their market-based fees, but have Council delegated authority to adjust fees without returning to city Council for approval, as these fees may need to change throughout the year to respond to market conditions.
- From time to time, each individual arena board examines its user fee levels in relation to fees at other comparable facilities, consults with key user groups, and determine appropriate user fee adjustments to meet inflationary increase in expenses.
- Most fee adjustments start in September of the year, consistent with the hockey season. 7 of 8 Arena Boards of management have user fee increases for the 2017 year, with 3 Arena Boards of Management introducing new user fees. See Appendix A for full list of user fee rate changes.

*City Clerk's Office:*

- City Clerk's Office is rationalizing and adjusting user fee description for 'Rental of Theatre' to 'Rental of Multi-purpose Room' and aligning the fee rate with market to reflect

upgrade in the facility. The hourly rate for use of the multi-purpose room on Monday to Thursday has increased to \$130; and the hourly rate for use of the facility on Friday to Sunday and statutory holiday has increased to \$150.

*Municipal Licensing & Standards:*

- Fee rate adjustments above inflation of \$0.213 million relates to the implementation of the Ground Transportation Review approved by City Council in May 2016. As part of this implementation, vehicle inspection services provided by the City have been eliminated, and the City now accepts Safety Standards Certificate issued by provincially authorized providers. As a result, a number of 'Vehicle for Hire Licensing' user fees have been reduced in 2017 to reflect this reduced service.

*Office of the Treasurer:*

- A fee for Mortgage Administration previously approved in the 2015 Operating Budget will increase from \$5.50 to \$10, generating incremental revenue of \$0.450 million in 2017 for Revenue Services. The fee rate of \$10 is comparable with other municipalities, and will recover the cost for the administration of issuing client notification lists to the mortgage company.

*Parks Forestry & Recreation:*

- Incremental revenues of \$0.359 million will be generated in 2017 for other adjustments to base fees.
  - User fee rate for the Camp Extended Care program will increase by an additional \$1.00 per hour above the 2.3% inflationary adjustment, resulting in a fee rate of \$4.00 per hour in 2017.
  - The silver Birch Boathouse operates 14 weeks per year and has storage capacity for up to 140 paddleboards, canoes and kayaks. The current annual storage fee of \$106.61 will increase by 38% in addition to the 2.3% inflationary adjustment, bringing the annual fee to \$150 in 2017.
  - Introductory and instructional subscriber program will increase by 10% beyond the inflationary adjustment of 2.3%. This increase will bring this fee more in line with similar programs offered by Parks Forestry and Recreation.
  - Parks Forestry and Recreation completed a review of its sport field's classifications and changed the classifications of some fields based on maintenance frequency and amenities. Where there are increased fees as a result of the re-classification from 'A' to 'Premier' category, the increase will be phased in over 3 years for existing seasonal permit holders. 2017 will be year 2 of the 3-year phase-in for this fee.

*Toronto Paramedic Services:*

- Toronto Paramedic Services has decreased some of its user fee rates for emergency first-aid and CPR training services to reflect the competitive price in the market.

*Toronto Public Health:*

- Toronto Public Health completed a detailed review of user fees for the Food Handler Certification Training, with the objective of assessing the full cost of providing the service. As a result of the review, five service fees are recommended for increase and will generate incremental revenue of \$0.054 million in 2017.

*Transportation Services:*

- Currently the Program charges a fee to developers for the maintenance of traffic control signals that are required to accommodate the traffic generated by the development. The fee is \$30,000 to reflect the expected maintenance costs for the first five years of operations. The proposed increase above the rate of inflation for the maintenance fee is \$20,000 and is intended to more accurately reflect the actual maintenance costs incurred. The new fee of \$50,000 is consistent with fees charged by other municipalities in the GTA for this purpose and will generate \$0.120 million in 2017.
- The rationalization of street event fees for Transportation Services is proposed to recover the staff costs associated with administering the events, including staff time required to monitor events on site to ensure compliance with permit conditions and to maintain public safety. The resulting fee increases are above the rate of inflation and in accordance with the City's User Fee Policy for cost recovery. This will generate \$0.202 million in 2017. The street event fees will be rationalized into thirteen user fees designed to reflect the wide range of activities that fall within street events, including the application and permit fee components, and recover more of the costs incurred in providing these services.

**Development Application Fee Review – Adjustment for Full Cost Recovery**

Revenues generated from Development Application Fee Review are summarized by Program in Table 2. In total, incremental revenues of \$12.480 million will recover the full operating costs in 2017.

<b>TABLE 2 2017 DEVELOPMENT APPLICATION FEE REVIEW - REVENUE SUMMARY</b>			
<b>Division / Agency</b>	<b>Full Cost Recovery Adjustments</b>	<b>Inflationary Adjustments</b>	<b>2017 Incremental Revenue Total \$</b>
	<b>2017 Incremental Revenue \$</b>	<b>2017 Incremental Revenue \$</b>	
City Planning	532,236	12,241	544,477
Economic Development & Culture	389,224	8,952	398,176
Engineering & Construction Services	3,558,405	81,843	3,640,248
Fire Services	410,400	9,439	419,839
Legal Services	1,835,102	42,207	1,877,309
Parks, Forestry & Recreation	309,000	7,107	316,107
Toronto Building	1,148,000	26,404	1,174,404
Transportation Services	287,565	6,614	294,179
Non-Program Revenue	3,729,639	85,782	3,815,421
<b>TOTAL</b>	<b>12,199,571</b>	<b>280,590</b>	<b>12,480,161</b>

- In accordance with the City's User Fee Policy, a four year comprehensive review of City development application fees was conducted. The review re-evaluated the assumptions upon which the user fee is based and considered the degree to which the User Fee Policy is complied with.
- The Planning application fee changes recommended following completion of this review, reflect cost recovery for development review services based on the number of business units and staff effort involved (direct costs), indirect and capital costs across multiple City Programs, as well as process changes that have taken place since the cost recovery model was developed in 2006.
- This change will ensure that the full costs of providing development application review services are recovered from those directly benefiting from the service and no longer subsidized by the City's tax and rate base.
- The Development Application Fee Review was approved by City Council during its meeting of December 13 and 14, 2016.

### **Highlights of New User Fees by City Program and Agency**

#### *Non-Program:*

- A new set of fees for the implementation of the Administrative Payment System effective May 15, 2017 will generate revenue of \$6.112 million and is included in the 2017 Preliminary Operating Budget for Non-Program.
- Revenue Services will continue to process payments, mail notices, and oversee the collection of outstanding penalties, including the plate-denial process. The details of new fees are reflected in the 2017 Budget Notes Appendix 7b for the Office of the Treasurer

#### *Courts Services:*

- The 2017 Preliminary Operating Budget for Courts Services include new user fees and revenue of \$0.010 million. The new fees are for photocopying of LAB case files and decision document and for photocopying of materials presented at TLT hearings, including reports, recording of tribunal hearings, and transcripts.

#### *Parks Forestry & Recreation:*

- Urban Forestry is recommending new user fees for 'Enforcement and Compliance for Dangerous Trees on Private Property' to support enforcement of Chapter 632 and the cost associated with homeowners failing to comply with an order, which would result in the City having to perform the work at the homeowners expense.
- The current rate structure for 'Vehicles Crossing on Ferry' has only a two fee category which is based on weight; a fee for small vehicle, and a fee for large vehicle. A new fee will have a three fee category and will be based on the length of the vehicle. The

inflationary adjustment to the fee rate will align fees to other comparable service providers.

- Community Recreation has created new user fees to support a tennis pilot where public tennis courts will be reserved for a fee to increase the availability of City-delivered tennis programming across the City in public tennis courts.

*Municipal Licensing & Standards:*

- Municipal Licensing & Standards enhanced service priority for the *Regulatory Regime for Rental Apartment Building (MRAB)* will bring focused improvements to existing enforcement activities and regulations that will help strengthen enforcement of city by-laws; enhance tenant engagement and promote preventative maintenance.
- The 2017 Preliminary Operating Budget includes \$1.333 million in new revenue based on an annual registration fee of \$8 per unit, as well as other anticipated enforcement revenues. As a result, 60% of the program costs will be recovered, with the remaining 40% of costs supported through property taxes based on the overall City benefit provided by the program.

*Toronto Fire Service:*

- The introduction of the Fire Code Re-inspection Fees will add \$1.015 million in user fee revenue to the 2017 Operating Budget, with an additional \$1.015 million in 2018, based on approximately 23,000 annual re-inspections to ensure a fire safety hazard has been addressed.
- Commencing July 2017, Toronto Fire Service will be introducing a fee for service related to the re-inspections of properties to confirm the status of previously noted fire safety hazards such as violations of the FPPA / Ontario Fire Code that were not rectified within the appropriate time period to address the fire-safety concern.
- The introduction of the Fire Code Re-inspection fees will end the current practice whereby Toronto Fire Service absorbs all costs associated with re-inspections, which are required when Fire Code violations are identified. Toronto Fire Service will continue to provide the first Fire Code inspection at no cost, while property owners who are not in compliance with the Ontario Fire Code will be required to pay a fee for re-inspection.
- The introduction of the re-inspection fees will place Toronto Fire Service in line with other municipalities

*Transportation Services:*

- Transportation Services is proposing a new fee to recover the costs incurred in response to vehicle collisions on the road network. The costs are to be recovered from insurance companies. These are typically major collisions on expressways and arterial roads which often result in significant spills and debris on the road. The fee will vary depending on the severity of the incident and will generate \$0.517 million in 2017.
- The 2017 Operating Budget for Transportation Services includes \$4.800 million revenue from provision of a fixed fee to recover the costs of processing applications for each utility cut permit issued. The Program will be holding stakeholder consultations and will submit



a separate staff report to Council regarding this fee in spring 2017. Incremental revenue of \$7.200 million is anticipated in 2018 as a result of approving this fee in 2017.

- The 2017 Operating Budget includes revenue of \$2.0 million for lane-occupancy-type rental fees applied to commercial filming activity. Film and television productions have a significant benefit to the city's economy. However, the closure of roads to facilitate these events can also have a negative impact on the travelling public, delivery vehicles, emergency vehicles, transit, cyclists, etc. The Program will be holding stakeholder consultations and will submit a separate staff report to Council regarding this fee in spring 2017. Incremental revenue of \$1.443 million is anticipated in 2018 as a result of approving this fee in 2017.
- Transportation Services 2017 Operating Budget also includes \$0.402 million revenue for lane-occupancy-type rental fees applied to commercial street events. These fees would only apply to commercial events which generate revenue for the organizers through the charging of fees to the participants of the events or to the spectators at these events. The Program will be holding a stakeholder consultations and will submit a separate staff report to Council regarding this fee in spring 2017.

## **Notice of Change to Existing and New User Fees**

Notice of intention to change these user fees and add new fees as part of the 2017 budget process was posted on the City of Toronto website. The Budget Committee will hear deputations on January 5, 9 and 10, 2017 from stakeholders groups and the general public.

### **Attachments:**

Appendix A – 2017 Recommended User Fee Rate Changes

Appendix B – 2017 Recommended New User Fees

Appendix C – 2017 Recommended Rationalized Fees

Appendix D – 2017 Recommended Discontinued Fees

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