
2018 OPERATING BUDGET BRIEFING NOTE

Changes to Existing User Fees and New User Fees in the 2018 Preliminary Operating Budget

Issue/Background:

This briefing note details all changes to existing user fees and new user fees that are incorporated in the 2018 Preliminary Operating Budget, and provides a summary of the 2018 incremental revenues that will be generated from these fees.

With the exception of transit fares and certain market based fees charged by City Agencies, new fees and any changes beyond the rate of inflation to existing user fees for services provided to the public by all City Programs and Agencies, must be approved by City Council. 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 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 on page 3 shows the incremental revenues to be realized from inflationary and other adjustments being made to base fees, and additional revenues to be generated from new fees included in the 2018 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 2018.

Key Points:

- Changes recommended to existing user fees as well as new fees included in the 2018 Preliminary Operating Budget are detailed in Appendices A, B, C and D and summarized in Table 1.
- Program-specific changes to user fees have been appended to the 2018 Preliminary Operating Budget Notes for each respective Program and Agency.

- Appendix A lists changes to existing user fees and the corresponding percentage change, included in the 2018 Preliminary Operating Budget. Rate changes based on inflationary adjustments will generate incremental revenues of \$4.346 million; other adjustments to base fees of \$0.484 million include changes to reflect current market prices and/or to recover full costs of providing the related user fee service.
- Appendix B lists new user fees included in the 2018 Preliminary Operating Budget; these fees will generate incremental revenues of \$0.907 million in 2018.
- Appendix C summarizes user fees that have been rationalized as part of the 2018 Budget process. Fee rationalization is the process of restructuring existing user fees to support the principle of full cost recovery that ensures the fees are aligned to discrete services provided.
 - Municipal Licensing and Standards is rationalizing its boulevard application and permit fees to align with the Harmonized Sidewalk Café and Marketing By-law.
 - Parks Forestry and Recreation is rationalizing a number of fees to consolidate rate descriptions.
- Appendix D lists discontinued user fees reflected in the 2018 Preliminary Operating Budget. Fees are generally discontinued because a service is no longer provided, or to transition to a new fee structure.
 - Economic Development and Culture's discontinued fees are mainly to account for standardized fee rates.
 - Parks, Forestry and Recreation's discontinued fees are mainly to consolidate fee rate structure and to streamline the number of fees in the database.

Table 1 below summarizes incremental revenues for inflationary and other adjustments and new fees by Program, totalling \$5.738 million.

| TABLE 1 2018 RECOMMENDED USER FEE CHANGE AND NEW REVENUES IN THE 2018 PRELIMINARY OPERATING BUDGET | | | | |
|---|---|------------------------------------|------------------------------------|--|
| Division / Agency | Inflationary Adjustments Base Fees | Other Adjustments Base Fees | New Fees | 2018 Incremental Revenue Total \$ |
| | 2018 Incremental Revenue \$ | 2018 Incremental Revenue \$ | 2018 Incremental Revenue \$ | |
| AOCC - Swansea Town Hall Community Centre | | 6,267 | | 6,267 |
| Arena Boards | | 388,293 | | 388,293 |
| City Planning | 472,175 | | | 472,175 |
| Courts Services | | | 10,500 | 10,500 |
| Economic Development & Culture | | 15,000 | 46,000 | 61,000 |
| Facilities, Real Estate & Energy | 31,022 | | | 31,022 |
| Fire Services | 228,000 | | | 228,000 |
| Municipal Licensing & Standards | 309,448 | | 771,341 | 1,080,789 |
| Parks, Forestry & Recreation | 1,884,374 | | | 1,884,374 |
| Office of the Treasurer | 303,845 | | 79,175 | 383,020 |
| Toronto Building | 15,536 | | | 15,536 |
| Toronto Paramedic Services | 107,500 | | | 107,500 |
| Toronto Public Health | 20,587 | | | 20,587 |
| Toronto Zoo | | 75,000 | | 75,000 |
| Transportation Services | 973,784 | | | 973,784 |
| TOTAL | 4,346,271 | 484,560 | 907,016 | 5,737,847 |

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. Inflationary adjustments to base fees will generate incremental revenue of \$4.346 million in 2018.

City Planning:

- Additional revenue of \$0.472 million will be generated from an inflationary increase of 1.8% applied to most user fees within the Program.

Fire Services:

- Fire Services will generate gross incremental revenue of \$0.228 million from an inflationary adjustment of 2.1% which will be fully offset by a projected reduction in false alarm volumes in 2018, resulting in a net zero change to user fee revenue.

Municipal Licensing & Standards:

- The 2018 Preliminary Operating Budget for Municipal Licensing & Standards includes increased revenues of \$0.309 million to be generated from a 1.9% inflationary adjustment to applicable license and permit fees effective January 1, 2018 for Animal Care, Control & Sheltering, Business Licensing & Permitting and Property Standards, Inspection & Compliance

Office of the Treasurer:

- The 2018 Preliminary Operating Budget for Office of the Treasurer includes an inflationary adjustment of 2% to most fees within the Program that will generate additional revenue of \$0.304 million.

Parks Forestry and Recreation:

- The 2018 Preliminary Operating Budget for Parks Forestry and Recreation includes an inflationary adjustment of 2.1% applied to most user fees within the Program that will generate incremental revenue of \$1.884 million net after adjusting for the Welcome Policy Program fee waivers.
- An inflationary increase of 2.1% or \$0.191 million has been applied to the Welcome Policy Program to recognize the additional subsidy required for user fee increases eligible to be waived.

Transportation Services:

- Transportation Services will generate additional revenue of \$0.974 million net from an inflationary increase of 2.7% applied primarily to fees for Permits, Applications, and Road and Sidewalk Management.

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. Other adjustments to base fees will generate incremental revenue of \$0.484 million in 2018.

Arena Boards:

- Arena Boards of Management's 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. Fees that are changing include ice time rental, adult hockey school, and rental of meeting rooms.
- Most fee adjustments start in September of the year, consistent with the hockey season. All 8 Arena Boards of Management have user fee increases for the 2018 year.

Economic Development:

- General admission rate at some museum sites such as the Gibson House and Mackenzie House will be increased for 2018, generating additional revenues of \$0.015 million in Economic Development and Culture's 2018 Preliminary Operating Budget. These fees are market-based and the general admission rates have been below market prices when compared to other venues within the City. The rate adjustments for 2018 will bring these fees in line with market rates.

Toronto Zoo:

- The 2018 Preliminary Operating Budget for Toronto Zoo includes \$0.075 million in additional revenue from a proposed \$1 increase to the Zoomobile Program. This is consistent with its regular user fee review cycle and is supported by research and public consultation, showing that this will not negatively affect the public use of the Zoomobile.

Highlights of New User Fees by City Program and Agency

Courts Services:

- The 2018 Preliminary Operating Budget for Courts Services includes two new user fees and revenue of \$0.011 million to cover costs associated with public requests for photocopies/screen prints of materials related to charges filed, following new Provincial guidelines to allow for information from the Provincial computer application on tickets filed to be shared with the public.

Economic Development and Culture:

- Economic Development and Culture is introducing new general admission fees of \$4.42 for children; \$6.19 for youth and senior; and \$7.08 for adult for the Market Gallery that will generate additional revenue of \$0.046 million in 2018. This is consistent with general admission fees being charged at other museum sites, and will assist in expanding future marketing and programming activities.

Municipal Licensing & Standards:

- New user fees are also proposed for the new and enhanced service priorities for Short-Term Rentals Regulations. Total expenditures of \$0.773 million will be offset by user fee revenues of \$0.771 million in 2018.
 - *Short-Term Rentals Regulations* are being proposed that would allow people to rent their own homes for short periods and to advertise these rentals online via companies such as

Airbnb. Under the proposed regulations, all short-term companies would need to be licensed with the City and all short-term operators would be required to register with the City. In accordance with the City's User Fee Policy, the Program will assign fees to the short-term rental company license and short-term rental operator registration services to recover the costs of administering the license and registry and enforcing the associated requirements. Three (3) new fees for application, registration, and nightly charge will result in total revenue of \$0.771 million in 2018 to offset associated expenditures and will fund eight (8) new positions to enforce and deliver the new short-term rentals program.

Office of the Treasurer:

- The 2018 Preliminary Operating Budget for Office of the Treasurer include new user fees and revenue of \$0.079 million:
 - *A \$25 fee will be charged for re-enrolment in the tax account pre-authorized payment program.*
 - *A fee of \$30 to individual property owners and condo management boards for notification of outstanding utility charges.*

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 2018 budget process was posted on the City of Toronto website. The Budget Committee will hear deputations on January 8, 9 and 10, 2018 from stakeholders groups and the general public.

Attachments:

Appendix A – 2018 Preliminary User Fee Rate Changes
Appendix B – 2018 Preliminary New User Fees
Appendix C – 2018 Preliminary Rationalized Fees
Appendix D – 2018 Preliminary Discontinued Fees

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Date: December 11, 2017