

---

Tracy Cook  
Deputy City Manager  
Infrastructure & Development Services

Toronto Building  
City Hall, 12<sup>th</sup> Floor East Tower  
100 Queen Street West  
Toronto, ON M5H 2N2

Tel: (416) 397-4446  
Fax: (416) 397-4383  
Will.Johnston@toronto.ca  
www.toronto.ca

---

## 2019 OPERATING BUDGET BRIEFING NOTE

### Toronto Building - Indexation of Indirect Support Costs

---

#### Issue/Background:

- Budget Committee at its meeting on February 6, 2019, requested that the Chief Building Official and Executive Director, Toronto Building, provide a briefing note providing a more detailed explanation of the one-time CPI adjustment to Indirect Support Costs, as referenced on page 10 of the 2019 Budget Notes.

#### Key Points:

- *The Building Code Act, 1992 (BCA)* sets out the legal framework for building and construction regulation in Ontario, including the standards under which Toronto Building delivers a number of its services.
- Revenues collected from Building Permit Fees are determined by the City in accordance with the requirements stipulated by Section 7 of the BCA. The total amount of the fees authorized by Council under the authority of the BCA must not exceed the anticipated reasonable costs (direct and indirect) of the City to administer and enforce the Act in the City of Toronto.
- Direct costs include those associated with the review of applications for permits, and inspection and enforcement activities; indirect costs include such items as support and overhead services.
- The indirect support costs related to Building Code services delivered by Toronto Building represents the share of costs from other City Program areas that can reasonably be attributed as support and overhead services associated with the provision of building permit services and includes areas such as Legal Services, Human Resources, Information & Technology, 311, Facilities, and Financial Planning and Accounting Services.
- Toronto Building's Operating Budget reflects the direct costs of service delivery and the revenue to recover both the direct and indirect costs, thereby resulting in a net revenue budget.
- The net revenue portion of the Toronto Building operating budget has remained relatively constant at approximately \$11.0 million on average each year since 2005, when the Program's full cost model was first implemented and has contributed annually into the City's general revenue stream to cover the cost of indirect support. Table 1 below shows the net operating budget (contribution for indirect support) from 2015 to 2019.

**Table 1: 2015 to 2019 Toronto Building Net Operating Budget (contribution for indirect support)**

(in \$000's)	2015 Approved Budget	2016 Approved Budget	2017 Approved Budget	2018 Approved Budget	2019 Staff Recommended Budget
Gross Expenditures	50,445.3	53,825.4	56,097.6	57,113.7	59,801.1
Revenues	61,199.9	64,579.9	66,791.4	67,807.9	75,695.3
Net <i>(contribution for indirect support)</i>	<b>(10,754.6)</b>	<b>(10,754.5)</b>	<b>(10,693.8)</b>	<b>(10,694.2)</b>	<b>(15,894.2)</b>

- The indirect support costs have not been indexed for inflation nor adjusted to correspond with increased demand for these services. The Toronto Building 2019 Staff Recommended Operating Budget includes a one-time, interim inflationary adjustment of approximately two percent per annum on average from 2005, funded from the Building Code Act Service Improvement Reserve, amounting to a total of \$5.2 million (as shown in Table 1) while the Division undertakes a comprehensive Program Review.
- The Program Review, as recommended in the 2019 Operating Budget, will include a detailed examination of the full cost model focused on reviewing the direct and indirect costs, revenues, and reserve fund components that should be captured and included to meet the BCA requirements for the Annual Report on Fees, and to establish best practices, including recommendations for an appropriate target level of reserve funding as a percentage of total costs.
- Upon completion of the full cost model review, the indirect support costs will be revisited and any required adjustments will be brought forward through the budget process.
- Legal has reviewed the fact that the indirect costs (paid annually into the City's general revenue stream) have not been indexed for inflation nor adjusted to correspond with increased demand, as a result may present an opportunity for Toronto Building to make a one-time adjustment payment as Toronto Building goes through the Program Review.

---

**Prepared by:** Mathew Chrysdale, Director Business Operations, Toronto Building, 416-392-7982, [Mathew.Chrysdale@toronto.ca](mailto:Mathew.Chrysdale@toronto.ca)

**Further information:** Will Johnston, P.Eng., Chief Building Official and Executive Director, Toronto Building, 416-397-4446, [Will.Johnston@toronto.ca](mailto:Will.Johnston@toronto.ca)

**Date:** February 8, 2019