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2022 OPERATING BUDGET BRIEFING NOTE

Inflationary Changes to Existing User Fees included in the 2022 Staff Recommended Budget

Issue/Background:

In accordance with the City's User Fee Policy, fees that have been approved by Council for automatic annual inflationary adjustments are increased by the applicable rate of inflation effective January 1 each year. Authority for this increase is delegated to the Chief Financial Officer and Treasurer and incremental revenue expected to be generated from these inflationary fee adjustments is incorporated into the staff recommended operating budget.

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.

This briefing note details all inflationary changes to existing user fees that are incorporated in the 2022 Staff Recommended Budget, and provides a summary of the 2022 incremental revenues that will be generated from these fees. The COVID-19 pandemic has had a significant impact on user fee revenues. The decrease in user fee revenues resulting from the impact of COVID-19 are provided in the Budget Notes for each Program and Agency.

In addition to existing user fees that have increased by inflation as of January 1, 2022, additional fee changes for 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. Details on these fee changes are included in the Budget Notes for each Program and Agency for consideration and approval by Council.

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 above inflation 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 2022.

Key Points:

- Changes to existing user fees as a result of inflation and the corresponding percentage change are included in the 2022 Staff Recommended Budget and detailed in Appendix A. Rate changes based on inflationary adjustments are expected to generate incremental revenues of \$5.580 million as summarized in Table 1 below.
- Recommended program-specific changes to user fees beyond inflation, including market-based fee changes, are included in the Budget Notes for each applicable Program and Agency.
- Appendix B lists discontinued user fees reflected in the 2022 Staff Recommended Budget. Fees are generally discontinued because a service is no longer provided, or to transition to a new fee structure.

Division	\$
City Clerk's Office	221
City Planning	620,980
Corporate Real Estate Management	22,062
Engineering and Construction Services	129,511
Fire Services	839,539
Legal Services	680
Municipal Licensing & Standards	408,700
Office of the Controller - Revenue Services	379,474
Parks, Forestry & Recreation	1,907,874
Technology Services	5,679
Transportation Services	1,265,390
TOTAL	5,580,110

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 \$5.580 million in 2022.

City Planning

- Development application fees are being adjusted for an inflationary increase of 2.00% which will generate incremental revenue of \$0.621 million in 2022, to maintain the approved cost recovery model used in City Planning.

Fire Services

- Fire Services fees are being adjusted for an average inflationary increase of 2.18% which will generate incremental revenue of \$0.839 million in 2022 on fees such as, false alarms; fire prevention inspections; and life safety inspections.

Municipal Licensing and Standards

- Municipal Licensing and Standards user fees are subject to an inflationary adjustment which is based on a blended rate of specific inflationary factors. Business licensing fees, re-inspection fees and some permitting fees are subject to an automatic annual inflation adjustment of 2% effective on January 1, 2022. This will generate incremental revenue of \$0.408 million in 2022.

Office of the Controller

- The 2022 Staff Recommended Budget for Office of the Controller includes an inflationary adjustment of 2.18% to most fees within Revenue Services Division that will generate incremental revenue of \$0.379 million.

Parks Forestry & Recreation

- The 2022 Staff Recommended Budget for Parks Forestry and Recreation includes an average inflationary adjustment of 2.18% to fees within Community Recreation, Parks and Urban Forestry Services, which will generate incremental revenue of \$1.908 million.

Transportation Services

- Transportation Services will generate incremental revenue of \$1.265 million in 2022 from an inflationary increase of 2.63% on fees such as right-of-way, application, and permit fees for various activities, as well as a 2% inflationary increase on development application review processing (DARP) fees. In addition, in 2022 Transportation Services is introducing new fees for the installation and decommission of monitoring wells which will generate approximately \$0.033 million.

Notice of Change to Existing and New User Fees

Notice of intention to change user fees and add new fees as part of the 2022 budget process was posted on the City of Toronto website. The Budget Committee will hear deputations on January 24, and 25, 2022 from stakeholders groups and the general public.

Attachments:

Appendix A – 2022 Recommended Inflationary User Fee Rate Changes

Appendix B – 2022 Recommended Discontinued User Fees

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