



The Corporation of the Town of Milton

Report To: Council

From: Glen Cowan, Chief Financial Officer / Treasurer

Date: September 12, 2022

Report No: CORS-058-22

Subject: User Fees Comprehensive Update

Recommendation: THAT the changes to user fees, as outlined through staff report CORS-058-22, be received;

THAT the proposed User Fee By-law No. 082-2022 be considered for approval;

THAT the proposed Building User Fee By-law No. 081-2022 be considered for approval.

EXECUTIVE SUMMARY

- User fees and charges account for \$35.2 million, or 21.5%, of the Town's revenue sources within the 2022 approved budget and serve as an important tool to recover costs directly from those benefiting from Town services and mitigate pressure on property taxes.
- Watson and Associates Economists Ltd. were engaged to lead a comprehensive User Fee Study to calculate the full cost in 2022 dollars of providing services to the community, excluding recreation and transit services.
- Outlined in this report are the findings of the study and recommended changes to the Town's user fees.
- Public engagement was undertaken to present draft findings from the study to all interested parties using the Let's Talk Milton platform as well as through a community meeting.
- Staff recommend that all fee changes resulting from the study be effective January 1, 2023 and be indexed for expected 2023 inflationary impacts.

EXECUTIVE SUMMARY

- While recreation fees were outside the scope of the study and are scheduled for a full review in the next term of Council, some amendments to recreation fees are being recommended as further outlined in the discussion section.
- The impact of the proposed changes, included inflationary indexing, are expected to result in additional net revenue of an amount that would approximately offset an otherwise 2% increase in property taxes.
- On tonight's agenda is a statutory public meeting, as required under the *Building Code Act*, related to the changes in the Building permit fees. A short overview will be provided by staff, with Watson & Associates in attendance to respond to any questions.
- As it is anticipated that through the public consultation process any concerns with changes to the fees have already been addressed, the Town's User Fee By-laws are then also included on the agenda for Council approval.

REPORT

Background

User fees and service charges are an important source of revenue for the Town, representing \$35.2 million, or 21.5%, of revenue in the 2022 budget. User fees are an effective method of ensuring that the users of a service assist in cost recovery, thereby mitigating pressure on property tax rates. The Town is proactive in its approach to cost recovery through user fees by annually reviewing all rates and adjusting for inflation, changing legislation and market conditions where possible. Periodically, a comprehensive full costing of services and review of fees is also performed, which includes an activity based costing exercise and benchmarking to other municipalities.

User fees are governed by multiple statutes. For municipal services where no specific statutory authority is provided, such as recreation, licensing, etc., municipalities have the ability to impose fees and charges under Part XII (s. 391) of the *Municipal Act*. The Town's statutory authority for imposing planning application fees is provided under Section 69 of the *Planning Act*. Building permit fees are governed by the *Building Code Act* (s. 7).

The Town's user fees are set out in User Fee By-law No. 066-2021 and Building Fee By-law 063-2018. The last comprehensive review and update of the Town's user fees, excluding recreation fees, was completed in 2016, followed by a subsequent review and update to the Town's Building permit fees in 2018. In 2022, the Town, in association with Watson and Associates Economists Ltd., undertook a comprehensive review of all Town fees, excluding recreation and transit, with funding approved from the User Fee study capital project C2001121.

Discussion

Fee Study Methodology

The Town uses an activity based costing (ABC) model to calculate the cost of providing various services. The ABC model attributes processing effort and associated costs from all participating Town divisions to the appropriate service categories (user fee costing categories). The resource costs attributed to the user fee costing categories include direct operating costs, indirect support costs and capital costs.

As anticipated, staff time is the most significant and integral component in the cost of the majority of the services. In order to validate the reasonableness of the model inputs regarding staff time, significant analysis was performed by the consultants and staff to compare staff capacity as per the model to total available capacity.

Once the total costs were determined for each user fee costing category, the calculated costs were reviewed by each respective department to determine if fees set at full cost recovery were reasonable relative to current fees and municipal comparators, which resulted in recommendations on fee changes.

The results of the work can be found in Watson and Associates report “Town of Milton - 2022 User Fee Study” attached in Appendix A.

Public Engagement

Staff utilized the Let’s Talk Milton platform to provide information about the project to the community and receive feedback on the project results. A community meeting was held on July 20 to provide interested parties with background on the user fee study, explain the approach to costing and solicit feedback on the methodology and potential rate adjustments. A direct invitation was sent out to over 100 developers and landowners including all the active Town developers, BILD, the school boards, the Chamber of Commerce and the Downtown BIA. The study and community meeting was also promoted on social media and the Town’s website. A three-week period was provided following the community meeting for feedback to be submitted to the Town.

Comments were received from the development community related to the fee structure for industrial building permits and conditional permits, in addition to questions seeking clarification on certain Town processes and fees. As a result of the feedback received staff, along with Watson and Associates, further reviewed both the industrial building permits and conditional permits and adjusted the recommendations in both areas to ensure Milton’s fees remain competitive to the surrounding municipalities while still recovering costs to the greatest extent possible. All comments received as well as the Town’s responses are outlined in Appendix B.



Recommended Changes to Fees

Fee recommendations resulting from the study are in 2022 dollars. It is recommended that the fee adjustments be implemented on January 1, 2023 and, as a result, many of the fees have also been indexed using the Municipal Price index (MPI) calculated for the Town of Milton expenditures. This index is the most relevant index to use since it is calculated based on the specific mix of goods and services purchased by the Town in order to provide its services. The 2023 MPI for expenditures was calculated at 5.90% (see Appendix B of CORS-060-22).

It should be noted that program fees, facility rental fees and advertising fees have been indexed at a lower amount of 3.00%. Although this will translate into pressure on the tax levy, staff recommend this approach as it considers the expected increases for peer municipalities. A comprehensive review of the recreation fees is scheduled for the next term of Council where these fees will be reviewed against the cost of service, targeted cost recoveries and market comparators with any fee adjustments recommended in this area being brought forward to Council for approval.

The following sections identify notable proposed changes to the user fees that differ from an inflationary increase. In some cases, various fees were rounded to the nearest nickel, quarter, dollar, etc. to facilitate cash handling.

Recreation Programs

Staff are recommending a new 30-Day Active Living Pass for Adult and Youth, as well as eliminating Friday Fun Club and Funtastic Fridays, due to low enrollment. Fees for the After School Club have been increased on a pro-rata basis to account for a program extension of an additional 30 minutes.

Various fees are recommended to remain fixed due primarily to market factors. They include Track Cycling Memberships, Personal Training, Aquatic Leadership Programs, Seniors' Activity Centre Memberships, Active Living - Student Summer Pass, Older Adult drop in single visit passes and miscellaneous fees such as Replacement Cards at the Walking Track, Late pickup, Holiday Coupon Books and Wristband Replacements. Older Adult General Interest Group D and E remained fixed to align with similar fees.

Facilities and Parks

A new fee for onsite last minute rentals is recommended to be added in order to recover the cost staff time required to accommodate last minute requests. Minimum booking requirements have been changed for various halls which will allow for improved staff scheduling and cost recovery. A standard ticket surcharge of \$4 is recommended to

simplify the existing fee structure that applied different surcharges based on face value or type of ticket. Finally, an increase to the piano rental fee is proposed to fully recover the cost of tuning and is proposed to be phased in over two years.

Various fees are recommended to remain fixed due primarily to market factors. They include rentals of the Holcim Gallery, video recording, projectors, along with Art Exhibition Administration charges.

Advertising

FirstOntario Arts Centre Brochure advertising fees have been discontinued as these opportunities are no longer being offered in the traditional print format. Advertisement design services are being discontinued along with the associated fees.

To encourage advertisement, staff are recommending publication advertising fees remain fixed. These include Community Services Guide, Milton Seniors' Activity Centre Guide Advertising and FirstOntario Arts Centre Milton Season Program Advertising fees.

Licensing and Enforcement

Several of the licensing fees have been adjusted based on findings from the user fee study to reflect full cost recovery. A consolidation of the animal control fees is being recommended to simplify the licensing process for residents. A new fee has been added for marriage ceremonies. New fees have also been included in the Bylaw for the Administrative Penalty System and Short Term rental in accordance with staff reports CORS-044-21 and CORS-053-22 respectively. It is expected that the recommended fee changes will result in additional revenue of approximately \$10,000 in this area.

MEV Innovation Centre

Fees associated with MEV Innovation Centre were left largely unchanged with the exception of a slight increase in the office rental fee from \$35.80 per square foot to \$36.80 per square foot to reflect current market rates, resulting in anticipated increased annual revenues of approximately \$13,000.

Corporate Services

Increases are being recommended in purchasing bid and tender fees as well as certain taxation fees including administration fees for adding charges to the tax roll, ownership changes and tax transfer of funds to bring the fees closer to full cost recovery. The recommended increases are expected to generate an additional \$117,500 annually.

Fire Services

Increases to file search fees, fireworks permits, smoke alarms, lock box and false alarms to bring the fees up to the full cost of providing the service. New fees are being recommended related to training ground rentals, fire route applications, code compliance reviews, occupant load calculations, boarding and securing properties and EVT services which have been set at full cost recovery. Changes to the fees are expected to result in a nominal increase in revenues within this area.

Engineering

A number of engineering fees are recommended to increase to reflect full cost recovery including the banner program, entrance permits, inspection fees, and additional engineering and landscape submissions. An increase to the encroachment agreement fee to bring it to full cost recovery is proposed to be phased in over three years. An increase to the site alteration permit is proposed to bring the fee closer to full cost recovery while also remaining in line with surrounding municipalities. New fees have been added for Road Closures for Special Events, Site Alteration extensions and the Consolidated Linear Infrastructure Environmental Compliance Approval program (see also staff report DS-105-22). Changes to the fees are expected to generate approximately \$100,000 in additional revenue annually.

Planning

Certain costing categories were found to be recovering more than the cost of service including annual processing fee for planning applications, application for communications towers, part lot control exemption, site plan agreements and vacant land condo/subdivision review - request for extension to draft approval. Fees have been reduced for these costing categories.

Fees for the remaining costing categories were found to be generally not recovering the full cost of service. These include fees for Official Plan Amendments, Zoning By-law Amendments, site plan, minor variances, consents and tertiary reviews. Fees have been increased in these areas. Further, the fee structure of the Local and Regional Plan Amendments has been adjusted to a flat fee rather than a declining block structure. The minor variance fee has been split into three types: Type 1 - pools/decks, Type 2 - new homes, additions > 75 meters, Type 3 - commercial/industrial). A proposed increase to the Type 2 fee will be phased in over three years.

While the recommended changes to the fees are modelled to generate an additional \$1.8 million annually based on historical volume of activity, budgeted increases may differ due to assumptions on future volume of activity.

Building

Analysis undertaken as part of the user fee study recommended an increase to the permit fees for single/semi-detached dwellings, townhouses, duplexes and back-to-backs as well as for Medium Density Multi's and Stacked Towns (6 storeys or less) over a three-year period while ensuring the proposed fee does not exceed the maximum fee in the surveyed municipalities. New fees are being recommended for Racking and Shoring in order to recover costs of this work. The conditional building permit fee is recommended to decrease as a percentage of the complete building permit and be subject to a minimum and maximum fee to better align with municipal comparators. Adjustments have been made to the fees for industrial and commercial permits to better align Milton's fee structure with that of surrounding municipalities.

The Town maintains a *Building Code Act* Reserve Fund for service stabilization. The recommended fee increases have been arrived at with consideration of the forecasted reserve fund balance relative to the Town's target balance.

Development

Increased fees as a percent of construction value are being recommended for the Engineering and Inspection fees for the construction values in the ranges of \$500,000 to \$1,499,999 and greater than \$5,000,000 to recover the full cost of engineering and inspection reviews on subdivisions.

Winter control, streetlight and traffic light fees have been adjusted to reflect full cost recovery based on average historical expenditures.

Finally, additional security requirements have been added to the By-law for stormpond clearing in the amount of \$120,000 and Piling and Shoring equivalent to \$50 per square meter. These security requirements are already included in existing developer agreements and are now being added to the User Fee By-law for consistency.

Transit

The Transit Fee Table has been updated to reflect Metrolinx fare policy changes to the GO Transit Fare Integration Program. Effective March 14, 2022, Metrolinx subsidizes 100% of Milton Transit fares when trips are connecting with GO Transit at the Milton GO Station and/or the RR25/401 Park-and-Ride location.

Staff have reviewed transit fares, concessions and categories to assess competitive market balance between available services, pricing and ridership recovery. Given the current context with COVID-19 and continued recovery efforts, staff are recommending to



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hold transit fares static in 2023. A Transit Fare Strategy will be included in the scope of work in the forecasted Transit Service Review and Master Plan Update, scheduled for commencement in 2023. The Strategy will outline fare structure and policy recommendations to relative to ongoing GTHA Fare Integration efforts.

Milton Transit remains one of the most affordable transit systems in the GTHA. Continued fare media discounts on tickets and passes provide further affordable options for frequent travelers, while increasing opportunities to instill loyalty for those who travel less frequently. The Subsidized Passes for Low Income Transit (SPLIT) program, subsidized by Halton Region, continues to be an integral channel in providing affordable tickets and monthly passes to eligible residents at or below the Low Income Cut-Off (LICO), as well as refugee status and other social programming. All Adult, Youth and Senior tickets and monthly passes are discounted at 50% regular cost, with the remaining 50% subsidized by Halton Region. Staff continue to support the SPLIT program as it fulfills a growing need to minimize affordability barriers associated with the cost of transit services.

Town Wide

The payment issuance fee has been increased to bring it closer to full cost recovery. Agreement preparation fees have been consolidated on this schedule from various other user fee schedules into two specific fees for each of standard and non-standard agreements.

Financial Impact

The revised fees will be incorporated into the 2023 budget. The recommended changes to fees from the user fee study are estimated to generate additional revenues within the operating budget of approximately \$500,000, reflecting the impact of recommended adjustments to the fees combined with forward looking estimates in activity levels.

When combined with the inflationary increases made to the fees for 2023, it is expected that additional user fee revenues will be generated that will mitigate an approximate 2% increase in property taxes for 2023.

Respectfully submitted,

Glen Cowan
Chief Financial Officer / Treasurer

For questions, please contact: Jennifer Kloet, CPA, CA

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Attachments

Appendix A - Watson & Associates Economists 2022 User Fees Review Study
Appendix B - Public Feedback Received and Town Responses
Appendix C - Draft User Fee By-law 082-22
Appendix D - Draft Building User Fee By-law 081-22

Approved by CAO
Andrew M. Siltala
Chief Administrative Officer

Recognition of Traditional Lands

The Town of Milton resides on the Treaty Lands and Territory of the Mississaugas of the Credit First Nation. We also recognize the traditional territory of the Huron-Wendat and Haudenosaunee people. The Town of Milton shares this land and the responsibility for the water, food and resources. We stand as allies with the First Nations as stewards of these lands.