



## **Staff Report for Budget Committee of the Whole Meeting**

**Date of Meeting:** November 10, 2020

**Report Number:** SRCFS.20.022

**Department:** Corporate and Financial Services

**Division:** Financial Services

**Subject:** SRCFS.20.022 – Tariff of Fees Update

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### **Purpose:**

To update the Tariff of Fees By-law for the proposed new and amended fees.

### **Recommendation(s):**

- 1) That the proposed fees set out in draft By-law No. 105-20 (Appendix “D”) be adopted.
- 2) That the proposed fees be subject to subsequent nominal increases, at the City’s discretion, to account for minimum wage and other operational cost increases.
- 3) That the proposed fees be subject to an additional 2.5% convenience fee, for online payments where applicable.

### **Contact Person:**

Andrew Li, Financial Management Advisor, Extension 3646

### **Report Approval:**

**Submitted by:** Sherry Adams, Commissioner of Corporate and Financial Services

**Approved by:** Mary-Anne Dempster, City Manager

All reports are electronically reviewed and/or approved by the Division Director, Treasurer (as required), City Solicitor (as required), Commissioner and City Manager. Details of the reports approval are attached.

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### Background:

As part of the City's annual budgeting process, staff completed a review of all its existing user fees for potential increases and considered the introduction of new fees, where applicable and appropriate. All new and amended fees are presented to Council through the Tariff of Fees By-law. Once approved by Council, the Tariff of Fees become effective for services rendered beginning on January 1, 2021 or as per the dates set out in the by-law.

The City's objective through the annual fees review process is to ensure services continue to provide value to the community while remaining fiscally responsible. User fees are often set at rates to allow for the recovery of costs expended to provide the relevant services/programs. In addition, benchmarking with other neighbouring municipalities helps to ensure that fees are set at affordable, reasonable and justifiable levels.

In 2013, Council approved the annual indexing of related fees to a maximum of the Consumer Price Index (CPI) with any exceptions highlighted to Council. The City typically utilizes the CPI projections from the Province of Ontario's annual Economic Outlook forecast. However, given the current status surrounding the Covid-19 pandemic, which is ongoing and expected to continue into the new year, the original 2021 CPI forecast of 1.9% from the Province's outlook is considered outdated. Instead, the City will refer to RBC Economics Provincial Outlook (dated September 2020) as its guideline for setting fees. The RBC Economics outlook has a 2021 CPI projection of 1.1% for Ontario. All fees that have increased by over CPI (1.1%) are shown separately in Appendix "B".

The City recognizes the financial & economic impact that the Covid-19 pandemic has had on its residents and community. Some businesses have had to temporarily shut down operations, while others have had to close down all together. The subsequent impact on residents has also been significant. The unemployment rate for Ontario has trended in double digits over the summer months, currently at 9.5% in September, and almost double the pre-pandemic unemployment rates in January (5.3%) & February (5.6%).

While the City has implemented measures in the current year to reduce the burden, continued assistance is likely needed in 2021 as the community recovers. As a result, a greater emphasis has been placed on ensuring affordability and minimizing user fee increases where possible. From the 2021 Tariff of Fees review, a significant number of fees (74%) have remained unchanged from their 2020 rates, compared to last year's Tariff of Fees review where only 17% of fees remained flat. All recommended fee increases are proposed while keeping in mind the pillars of cost recovery, affordability to residents and comparability to other municipalities.

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At the June 23<sup>th</sup> Budget Committee of the Whole meeting, Council had directed staff to present a 2021 Draft Operating Budget increase of 0.5% or less. To achieve this budget target, staff are reviewing expenses to find efficiencies and savings, as well as identifying additional revenue opportunities. The significant number of proposed fees that remain flat poses budgetary constraints as the costs to provide the programs/services naturally increase in the upcoming year.

As of October 1, 2020, the minimum wage for Ontario has increased by \$0.25, as per the table below. Due to the City's efforts to minimize its fee increases, the full minimum wage impact was not factored in as part of the Tariff of Fees update. This may create financial pressures to the City next year, especially within the Recreation & Culture division, where the majority of minimum wage part-time staff are employed. Therefore, staff is recommending that Council allow the City to nominally increase fees, subsequent to the approval of the Tariff of Fees By-Law, to account for minimum wage and other operational cost increases.

**Table 1 – Ontario Minimum Wage Increases**

Minimum wage rate	Rates from January 1, 2018 to September 30, 2020	Rates from October 1, 2020 to September 30, 2021
General minimum wage	\$14.00 / hour	\$14.25 / hour
Student minimum wage	\$13.15 / hour	\$13.40 / hour

In the continued fight against Covid-19, which has necessitated a greater need for physical distancing, the City will aim to provide more online payment options for its residents. Recently, online payment for building permit applications went live with many other services expected to follow in the New Year. The City incurs credit card transaction fees, payable to service providers, for the convenience of offering online payment. In order to recover these service costs, it is also recommended that a 2.5% convenience fee be applicable to online payments, where applicable.

## **Financial/Staffing/Other Implications:**

The City's fees are classified into 4 categories:

1. Legislative Fees – These fees are enacted by a government body and are required by law. Such fees may be communicated through various Acts (eg. Municipal Act, Planning Act) and are consistent across municipalities.
2. Regulatory Fees/Fines – These fees are imposed through a regulatory body or City bylaws and are meant to ensure adherence to rules and policies (eg. parking fines/permits, sign permits, dog licensing).

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3. **Cost Recovery Fees** – These fees are charged to fully recoup the cost of the services provided. Examples include Inspection Fees and Engineering Review Fees.
4. **Community Fees** – These fees are charged for non-mandatory or discretionary programs/services. The majority of the City's fees are classified as community fees (e.g. Recreation and Culture related fees).

**Table 2 – New, Amended and Total Fees**

Fee Type	# of New Fees	No Change	Amended < CPI (1.1%)	Amended > CPI (1.1%)	Total # of Fees
Legislative	3	18	68	3	<b>92</b>
Regulatory	1	8	31	1	<b>41</b>
Cost Recovery	-	88	116	2	<b>206</b>
Community	9	887	15	108	<b>1,019</b>
<b>Total</b>	<b>13</b>	<b>1,001</b>	<b>230</b>	<b>114</b>	<b>1,358</b>

The table above summarizes the results of the annual Tariff of Fees review by fee category. In total, the City expects to charge 1,358 fees in the upcoming year. There will be 13 new charges, 230 fees to be amended by CPI (1.1%) or less, 114 to be amended by over CPI and 1,001 existing fees will be unchanged. For 2021, only 8% of total fees will have been increased by more than CPI as compared to 60% in prior year's review. For reference, Appendix "A" includes a summary of all new fees and Appendix "B" highlights all the fees that were amended by more than CPI.

**Table 3 – Estimated Revenue Impact of Tariff of Fees Update**

Fee Type	Estimated Revenue Impact	Estimated WWW Revenue Impact
Legislative	\$29,400	-
Regulatory	157,000	6,800
Cost Recovery	19,800	-
Community	38,400	-
<b>Total</b>	<b>\$244,600</b>	<b>\$6,800</b>

The collection of all imposed fees are expected to generate additional revenues of approximately \$244,600 in Operating and \$6,800 for the Water & Wastewater fund for 2021. The individual departments have completed a thorough review of fee rates and

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anticipated demand to arrive at the estimated revenue increases. In some cases, an increase may place a fee as non-competitive with market rates or surrounding municipalities and thus have a negative impact on demand/volume. Other legislative or regulatory fees may be restricted to only nominal annual increases by their governing bodies.

Staff Report (SRCS.20.13 - Lake Wilcox Park Pay Parking) was presented and received at the May 27<sup>th</sup> Council Meeting. Included in the report was an amendment to the existing Tariff of Fees by-law to include parking fees at Lake Wilcox Park applicable to all vehicles that are not registered to individuals living in Richmond Hill. These fees are classified as regulatory fees and are estimated to generate additional revenues of \$150,000 during the 6 months of operation from April to September 2021.

## Recreation and Culture Division

**Table 4 – Community Fees (Recreation & Culture)**

Category	# of New Fees	No Change	Amended < 1.1%	Amended > 1.1%	Total # of Fees
Adults	-	166	-	6	172
Children & Youth	7	294	1	22	324
Seniors	-	91	-	-	91
Residents	-	39	-	-	39
Non-Residents	-	16	-	36	52
Others	2	275	1	41	319
<b>Total</b>	<b>9</b>	<b>881</b>	<b>2</b>	<b>105</b>	<b>997</b>

A further breakdown of the Community fees is provided above. The Recreation & Culture division fees represent 997 (or 98%) of the total 1,019 Community fees. These fees have been set so as to not discourage participation while taking into consideration the Recreation & Culture User Fee Pricing Policy principles of maintaining existing levels of services, demand considerations, competitive pricing, City/Department priorities, administration considerations, phasing process for implementing new fees and participant related pricing factors.

As noted in the table above, the majority of the Recreation & Culture fees remain unchanged. Staff mainly focused on fee increases for non-resident and other commercial fee categories. These amended changes were a result of benchmarking with neighbouring municipalities (e.g. Markham, Vaughan) for Indoor and Outdoor sports facilities. Meanwhile, rate increases at the Richmond Hill Centre for the Performing Arts were established based on market comparisons to non-local non-profit organizations, and other commercial/private organizations.

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For 2021, the City is introducing a total of 13 new fees (Appendix “A”) to its Tariff of Fees by-law. The majority of the new fees (9) reside in the Recreation & Culture division, where there has been greater demand for virtual programs/classes due to the Covid-19 pandemic and the need for social distancing. As a result, new virtual programming classes have been added to summer camps and to the Richmond Hill Centre for the Performing Arts theatre program.

The ongoing Covid-19 situation has presented a lot of challenges to this year’s annual tariff of fees review. The decisions to keep fees flat or increase them affects community affordability. Although pricing is a factor, many residents may choose to not participate in programs simply due to the risk of physical exposure to others. Reduced class sizes and participation rates have a significant impact on the City’s ability to operate at a fiscally responsible level. The cost of running each facility varies, along with the programs and services offered at each location. The City will perform a facility by facility analysis to assess the financial impact of opening each of its facilities. In consideration of whether it is feasible to open for the full year or partial year, full participation or reduced participation as well as which programs to offer. The results of the facility analysis will be part of the 2021 Operating Budget discussion which are currently underway.

### **Relationship to the Strategic Plan:**

The annual review of the City’s Tariff of Fees demonstrates responsible municipal management as it enhances the decision-making process surrounding the delivery of the City’s services and programs. In addition, it demonstrates wise management of resources by ensuring that the fees levied are affordable, allow for cost recovery and remain competitive with neighbouring municipalities while delivering quality programs & services to the community.

### **Conclusion:**

In order to ensure that the City levies reasonable and justifiable charges for its various services and programs, while mitigating cost pressures in 2021, it is recommended that the fees be adopted as presented in Appendix D (By-Law 105-20).

### **Attachments:**

The following attached documents may include scanned images of appendixes, maps and photographs. If you require an alternative format please call the contact person listed in this document.

- Appendix A – New Fees
- Appendix B – Market Amended Fees
- Appendix C – Recreation & Culture Division
- Appendix D – Draft By-law 105-20 Consolidated Tariff of Fees By-Law

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### Report Approval Details

Document Title:	SRCFS.20.022 Tariff of Fees Update.docx
Attachments:	<ul style="list-style-type: none"><li>- SRCFS.20.022 Appendix A - 2021 Tariff of Fees - New fees.PDF</li><li>- SRCFS.20.022 Appendix B - 2021 Tariff of Fees - Market Amended.PDF</li><li>- SRCFS.20.022 Appendix C - 2021 TFB memo - Rec (modified).pdf</li><li>- SRCFS.20.022 Appendix D - 2021 Tariff of Fees - Bylaw.PDF</li></ul>
Final Approval Date:	Oct 29, 2020

This report and all of its attachments were approved and signed as outlined below:

**David Dexter - Oct 28, 2020 - 11:59 AM**

**Sherry Adams - Oct 28, 2020 - 2:17 PM**

**MaryAnne Dempster - Oct 29, 2020 - 11:58 AM**