



Staff Report for Budget Committee of the Whole Meeting

Date of Meeting: September 26, 2023

Report Number: SRCFS.23.041

Department: Corporate and Financial Services

Division: Financial Services

Subject: SRCFS.23.041 – Tariff of Fees Update

Purpose:

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

Recommendations:

- a) That the proposed fees set out in draft By-law 94-23 (Appendix “D”) be adopted; and
- b) That Council approve that the Tariff of Fee By-Law be amended to delegate fee indexing to the Treasurer.

Contact Person:

Jennifer Concepcion, Financial Management Advisor, Extension 2499

Lisa Chen, Manager, Fiscal Planning & Strategy, Extension 6311

Report Approval:

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

Approved by: Darlene Joslin, 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, 2024 or as per the dates set out in the by-law. Staff are also recommending changes to the by-law to streamline the annual Tariff of Fees By-Law update process.

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 to provide the relevant services/programs to a specific user or group of users. In addition, benchmarking with neighboring municipalities aids in ensuring that fees are set at affordable, reasonable and adequate service levels and meeting user expectations with demand for services.

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 is using the York Region forecast which uses the Conference Board of Canada composite bank forecast for CPI. The forecasted outlook has a 2024 CPI projection of 2.4% for Toronto. All fees that have increased by over CPI (2.4%) are shown separately in Appendix "B".

The City recognizes the financial and economic impact of an environment where higher expenses and persistent inflationary pressures have become the "new normal" have had on its residents and community. The Bank of Canada policy of trying to curb the rising inflation in the country have raised interest rates 10 times since last year, and the recent cooling down in the job market is slowing down the growth in the economy. However, our residents and community are still feeling the financial pressures, although supply chains have improved in 2023, demand for goods and services is starting to slow down. Businesses have passed their additional costs of borrowing and minimum wage increases down to its consumers. The subsequent impact on residents has been significant, with more dollars coming out of their pockets and balancing the affordability of increased costs for food, gas and shelter.

Striking a balance between affordability versus cost recovery played a large role throughout the annual review of user fees. Staff considered potential increases for all existing user fees and propose new fees while keeping in mind the pillars of cost recovery, affordability to residents and comparability to other municipalities. The net impact of the changes will assist in increasing the City's overall revenue share collected from user fees, which will help ease the City's economic pressures experienced in the 2024 Operating Budget of increased costs, inflation and minimum wage impacts.

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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**– These fees are generally associated with licenses and permits required by City By-laws.
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 1 New, Amended and Total Fees (Count and Revenue Impact)

Fee Type	# of New Fees	No Change	Amended At CPI or less (2.4%)	Amended Greater than CPI (2.4%)	Total # of Fees	Estimated Revenue Impact	Estimated WWW Revenue Impact
Legislative	0	15	74	5	94	\$45,000	-
Regulatory	2	19	14	5	30	\$38,900	-
Cost Recovery	1	26	155	14	196	\$31,500	\$119,950
Community	23	62	61	757	903	\$1,023,600	-
Total	26	112	304	781	1,223	\$1,139,000	\$119,950

The table above summarizes the results of the annual Tariff of Fees review by fee category. In total, the City expects to charge 1,223 fees in the upcoming year. There will be:

- 26 new charges,
- 112 existing fees unchanged;
- 304 fees to be amended by CPI (2.4%) or less;
- 781 (64% of total fees) amended by more than CPI.

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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.

The Ontario minimum wage will increase by 6.8% as of October 1, 2023. The increase is based on the 2022 inflation and as a result, the minimum wage increases from \$15.50 per hour to \$16.55 per hour. This has the most significant impact on Recreation and Culture and Public Works Operations. Recreation and Culture employs a large number of students to run City programs. As the increase is over \$1 per hour, other positions that are above the current minimum wage, but lower than the new minimum wage will also be affected due to wage parity considerations. The 2024 budgetary impact on minimum wage related adjustments is anticipated at \$1 million for Recreation and Culture programming. Proposed 2024 fee increases takes this and market comparators into consideration.

The collection of all imposed fees are expected to generate additional revenues of approximately \$1,139,000 in the Operating and \$119,950 for the Water & Wastewater fund for 2024. The individual departments have completed a thorough review of fee rates and anticipated demand to arrive at the estimated revenue increases.

Public Works Services Division

A number of fees related to Waste Management, Roads and Water and Wastewater have been increased to reflect municipal comparators or increases in contract pricing resulting from competitive bids. For contracts updated outside of the timing of the annual tariff of fees review, associated fees will be amended at the time that the contracts are finalized. Where services are provided in house, the Tariff of Fees have been adjusted for CPI.

In the Parks Operations and Event Services section, a new fee of \$306 for up to 3 days + HST will be added for rental of accessible portable toilets.

Community Standards Division

The Community Standards Division is reinstating the license for horse riding establishments as there have been recent inquiries on the set up of horse riding establishment in Richmond Hill. In addition, staff are recommending the introduction of two new adjudication fees to improve cost recovery for expenses incurred in generating Hearing transcripts and proving electronic Hearing recordings.

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Recreation and Culture Division

With the vast array of programs and services offered, the Recreation & Culture division fees represent 881 (or 98%) of the total 903 Community fees.

Table 2 Community Fees (Recreation & Culture)

Category	# of New Fees	No Change	Amended At CPI or less (2.4%)	Amended Greater than CPI (2.4%)	Total # of Fees
Adults	-	3	6	136	145
Children & Youth	6	12	24	297	339
Seniors	-	-	2	60	62
Residents	1	6	4	27	38
Non Residents	1	5	6	38	50
Other	15	34	3	195	247
Total	23	60	45	753	881

As per the pricing policy established in 2016, the Division seeks to maintain at minimum the cost recovery level of 86% for direct operating costs associated with facilities, programs and services. Minimum wage increases and cost of living adjustments for staff are having significant impacts on operating costs associated with recreation and culture programs. Benchmarking with neighbouring municipalities confirms that they are experiencing similar challenges, but have addressed them by consecutive annual increases while Richmond Hill froze its fee rates in past years. To bring Richmond Hill fees to comparable levels with neighbouring municipalities and achieve the City's cost recovery target, it is recommended that the majority of Recreation and Culture user fees be increased by 5 to 10% for 2024. Although 5 to 10 % is a considerable increase, this may equate to only a few cents or dollars on many specific fees (See Appendix B).

The Recreation and Culture Division is introducing a total of 23 new fees (Table 3) associated with advertising and sponsorship, a new permit rate for Richmond Green south park, and livestreaming of events in the Richmond Hill Theatre of Performing Arts.

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Convenience Fee Update

The Covid pandemic changed the way the City had to interact with the Community - alternative ways to provide our services and the need for cashless payment method was required to provide residents and other users the ease and convenience of not having to visit City offices in person and risk the transmission of the virus in the community. However, the popularity and the ease of moving towards a cashless electronic payment system has also brought rise of handling and processing costs for credit card payments. For cost recovery purposes, staff had recommended that credit card payments made online for applications, permits or approval of service to reflect the actual convenience fee incurred by the City to be imposed above the total cost of the application or service requested when processed electronically.

As the City continues to undertake and provide more services online for the Community along with credit card payments becoming the norm in payment processing for these electronic services, staff are recommending to reflect the convenience fee within the cost of the application or service requested by restating existing tariff of fees to be inclusive of convenience fees rather than impose it at the point of sale. This streamlines administrative processes.

Proposed Changes to the Tariff of Fees By-Law to Streamline Annual Updates

The City's Tariff of Fees By-Law provides clauses to facilitate the annual update process. Two changes are proposed for Council consideration under section 1.4 which currently reads:

Indexing of Fees & Nominal Fees Increases Payable

Fees imposed pursuant to this By-law shall be adjusted annually, without amendment to this By-law, commencing on the first day of January in the year following the enactment of this By-Law and every subsequent year, up to a maximum rate that is in accordance with the January to June change in the Statistics Canada Consumer Price Index – Toronto an index as approved by the Treasurer. In addition, fees imposed pursuant to this By-Law shall be increased nominally to a maximum of 5% to account for operational cost increases to adjust to the Covid-19 pandemic guidelines. Any increases higher than 5% must be approved by Council.

By-Law Change: Indexing and Maximum Rate Increase

The current by-law allows staff delegated authority to index the fees annually according to the Statistics Canada Consumer Price Index – Toronto. This creates a one year lag and starting this year, staff propose that the fee be indexed to a forward looking index as approved by the Treasurer and that it be subject to any increases to achieve cost recovery guidelines as approved by the City Manager.

During the pandemic, a ceiling of 5% was imposed to keep rates affordable. Staff propose that the by-law language be updated to remove the reference to the pandemic

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while still keeping the maximum increase to no more than 5%. The revised section would read as follows:

Indexing of Fees & Nominal Fees Increases Payable

Fees imposed pursuant to this By-law shall be adjusted annually, without amendment to this By-law, commencing on the first day of January in the year following the enactment of this By-Law and every subsequent year, up to a maximum rate that is in accordance with ~~the January to June change in the Statistics Canada Consumer Price Index—Toronto~~ an index as approved by the Treasurer. In addition, fees imposed pursuant to this By-Law shall be increased nominally to a maximum of 5% to account for operational cost increases. ~~to adjust to the Covid-19 pandemic guidelines.~~ Any increases higher than 5% must be approved by Council.

Relationship to Council's Strategic Priorities 2020-2022:

Presentation of the annual review of the City's Tariff of Fees reflects the overall use and wise management of resources but also touches on other goals within the Strategic Priorities:

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 2024, it is recommended that the fees be adopted as presented in Appendix D (By-law 94-23).

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Attachments:

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

- Appendix A – 2024 New Fees
- Appendix B – 2024 Market Amended Fees
- Appendix C – Recreation & Culture Division
- Appendix D – Draft By-Law 94-23 Consolidated Tariff of Fees By-Law

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Report Approval Details

Document Title:	SRCFS.23.041 Tariff of Fee Update.docx
Attachments:	<ul style="list-style-type: none">- SRCFS.23.041 Appendix A - 2024 Tariff of Fees - NEW FEES.pdf- SRCFS.23.041 Appendix B - 2024 Tariff of Fees - MARKET AMENDED.pdf- SRCFS.23.041 Appendix C - CSD Rec memo.pdf- SRCFS.23.041 Appendix D - By-law 94-23 - 2024 Tariff of Fees Update.pdf
Final Approval Date:	Sep 20, 2023

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

Gigi Li - Sep 19, 2023 - 11:24 AM

Sherry Adams - Sep 19, 2023 - 12:01 PM

Darlene Joslin - Sep 20, 2023 - 10:32 AM