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Delegation Authority for Fees and Charges Staff Report to Council

Report Number: 2021-67

Department(s): Financial Services

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Meeting Date: October 4, 2021

Recommendations

1. That the report entitled Delegation Authority for Fees and Charges dated October 4, 2021 be received; and,
2. That Council delegate authority to staff to execute increases to the Fees and Charges By-law; and,
3. That the delegated authority be limited to annual fees and charges increases that do not exceed the rate of inflation and are in compliance with the Town's Service Pricing Policy; and,
4. That the relevant by-laws be amended to reflect these changes, and,
5. That Staff be authorized and directed to do all things necessary to give effect to this direction.

Executive Summary

On an annual basis, fees and charges are reviewed and increased or decreased based on a number of factors set out in the Service Pricing Policy. An example is 6-year financial plans (water, wastewater and stormwater), and by setting annual budget targets.

Since there are a number of Council touchpoints already in place related to fees and charges, it is recommended that staff be given delegated authority to increase or decrease specific fees and charges, with the ability of Council to review any new charges or any changes that exceed the rate of inflation. This would be an efficiency measure.

Purpose

The purpose of this report is to facilitate the budget cycle by giving limited delegated authority to the Treasurer to authorize requests for increases or decreases in fees and charges that are not more than the rate of inflation and are compliant with the Service Pricing Policy.

Background

Section 391 (1) of the Municipal Act, 2001, authorizes a municipality to impose fees and adjustments for the charges. Section 23.1 of the Act allows Council to enact a By-law to delegate its authorities under the Act to staff. In 2007, Council adopted the Town's first Delegation By-law. Since that time, various additional matters have been added to the Delegation By-law to increase efficiency and administrative effectiveness. Some municipalities have delegated authority for annual increases to their user fees through the application of a standard related to inflation. This appears to be best practice.

Historically, Newmarket has increased its fees and charges annually using a standard simulating the rate of inflation. The exception has been increases in the rate-supported budgets, which were previously projected through multi-year plans. This approach is generally accepted.

Currently staff have delegated authority for fees and charges as follows:

- In 2018, the 2019 increases for Recreation & Culture and Licensing Fees and Charges (major revenues) were delegated to staff. This assisted staff during a potential "lame duck" period prior to the election. The same procedure is being recommended in this report. See [Report 2018-22, Delegated Authority for Fees/Charges](#).
- Authority has been previously delegated to the Treasurer and the Director, Recreation & Culture, to set recreation charges for new services that may arise during the year. This recognizes the fact that it is not always possible to anticipate all initiatives and opportunities that may arise during the year. These charges must be compliant with the cost recovery targets set by the Service Pricing Policy. See [Joint Recreation & Culture/Financial Services Report 2010-01](#).

Discussion

Classification of Fees and Charges

For purposes of this analysis, there are three categories of fees and charges, also referred to as “user fees”:

1. Ancillary Revenue – it is recommended that authority be delegated

These are the fees and charges in the tax-supported budget that mitigate some of the tax impact of costs to a lesser degree than the major ones. These revenues cover disbursements as well as staff time for specific services in Public Works, Financial Services, Procurement, Information Technology, Planning, Legal Services, Engineering and Legislative Services general fees. They represent less than 10% of the user fees in the tax-supported budget.

It can be a challenge to apply the Service Pricing Policy to some of these fees; however: it is safe to assume compliance when the fees are limited to the increase in inflation. Generally they are not significant to the overall tax-supported budget.

2. Rate Revenue – delegated authority is not being requested at this time

These are the fees and charges that cover almost 100% of the costs in the rate-supported budgets of water, wastewater, stormwater, and building permits.

Council has approved multi-year financial plans for the rate groups. The water and wastewater plans, approved in 2021, projected the annual increase for the years 2022 to 2026 (3.8% for two years with 3.5% thereafter). The stormwater plan, approved in 2020, projected the annual increases for the years 2021 to 2030 (10% for two years, and then gradually decreasing to 5%).

Although it does have a target range for its reserve fund, a multi-year financial plan has not been created for Building permits.

The rates are set to recover 100% of the associated costs, and so are compliant with the Service Pricing Policy. However, as the increases would be above the rate of inflation for the foreseeable future, delegated authority is not being requested in this area.

3. Major Revenue – it is recommended that authority be delegated

These are the fees and charges that recover significant costs in the tax-supported budget and have a significant impact on residents, but excludes property taxes. It is often necessary to obtain early approval in the budget cycle –so that the fees and charges can be communicated to the public prior to coming into effect. This affects mainly Licensing, Recreation & Culture. Those fees and charges represent over 90% of the Town’s tax-supported user fees.

These revenues have clearly identified costs associated with them and can be reviewed from a Service Pricing Policy perspective.

Options for Approval

a) Delegation of authority to staff

It is recommended that delegated authority be given to staff to approve increases or decreases to fees and charges. Individual departments would submit their requests to the Treasurer, who would confirm that increases or decreases:

- a. Do not exceed the rate of inflation
- b. Cost recoveries are reviewed with considerations to the Service Pricing Policy
- c. There has been consultation with the Senior Leadership Team (SLT)

Where these conditions are met, appropriate notice as required by the Municipal Act would be given to the public prior to the effective date of the increases.

Where either of the first two conditions are not met, the requested increase would be presented to Council for approval, with the rationale for making an exception.

Staff will continue to issue an annual report on fees and charges providing an overview.

b) Status quo – no change

The process would continue as is. The challenges with this approach are:

- Budget uncertainty – budget requests for the upcoming year are based on revenue expectations based on increases in fees and charges. This is a consideration in setting the budget target. It is a challenge to formulating a draft budget when changes to fees and charges have not been finalized.
- Municipal elections – the timing of the election makes setting increases problematic. The options for Council approval are either early – before budgets are created – or late in the next year – delaying implementation and revenue gains. It was for this reason that authority was delegated in 2018 to increase Licensing, Recreation and Culture fees and charges.

c) Across the board increases

Some municipalities increase all of their fees and charges automatically each year by the rate of inflation. This is not recommended as it may not be appropriate to increase some fees due to market, Service Pricing Policy or other considerations. It can lead to a situation where some fees are higher than they should be to subsidize some that are lower than they should be.

Defining the Rate of Inflation

By policy and practice, the annual increase in the Consumer Price Index for Toronto (“CPI”) has been used as the measure for inflation. However, there is a discrepancy on the timing – what month to use.

The budget, in the target report, uses the latest CPI available as its basis for determining the impact of inflation on the budget. This is usually the March CPI, which on average is a reasonable projection for the year.

The annual economic increase for salaries and wages is based upon the October CPI, which is not released until the 3rd week in November.

For practical reasons, timing and being the basis for costs in the budget, the Toronto CPI for March should be used for the rate of inflation (1.8% for March 2021).

Exception for Smaller Fees and Charges

The Town has some low dollar fees that for practical reasons are best subject to increases every few years and not annually. Examples of this are some program and admission charges in Recreation. Annual increases would be small and could be perceived negatively. In addition, as many of these are paid in cash, processing change becomes an issue.

It is proposed that for these items the increase would be limited not by the annual rate of inflation, but by the accumulated inflation since the last rate adjustment. For example, a \$5 charge would not be increased to \$5.09 for 2022, but perhaps could be increased to \$5.25 in 2024, reflecting total inflation over the 2022-2024 time period.

Compliance with the Service Pricing Policy

In reviewing our cost recoveries, generally we are either at or below the targets set by the Service Pricing Policy. There are no significant instances of cost recoveries above the targeted amounts. Consequently, inflationary increases in revenues will be compliant with the Policy, as the expenses will also be experiencing inflationary increases.

The notable exception would be rate revenue increases. They are a 100% recovery of their associated costs, which are increasing at a rate above that of inflation. Staff would continue to present all rate revenue increases to Council for approval.

Exceptions require Council approval

There will be opportunities or circumstances that suggest an increase above the rate of inflation. In these situations, Council approval would be required prior to their effective date. At a minimum, this will apply to water, wastewater and stormwater rates for the next few years.

Staff would continue to provide advance notification to the public of any and all user fees increases implemented by delegated authority.

Conclusion

These procedures can be implemented for the approval of fees and charges for 2022.

Business Plan and Strategic Plan Linkages

The adoption of Fees and Charges Delegated Authority is in alignment with Council's strategic pillar of long-term financial sustainability.

Consultation

The Operational Leadership Team (OLT) and the Senior Leadership Team (SLT) have contributed to these recommendations.

Human Resource Considerations

None.

Budget Impact

Having certainty of fees and charges revenues in advance of budget preparation will facilitate efficient development of the 2022 operating budgets.

Attachments

None.

Approval

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Contact

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