



STAFF REPORT

THE CORPORATION OF THE TOWN OF COBOURG

Corporate, Finance, and Legislative Standing Committee

Report to: Mayor, Deputy Mayor, and Councillors
From: Adam Giddings, Treasurer/Director of Corporate Services
Standing Committee Date: September 5, 2024
Report Number: (clerks will assign)
Council Meeting Date: September 25, 2024
Subject: **2025 User Fees**

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1. Recommendation:

WHEREAS Council receives the Comprehensive User Fee Study for information purposes.

NOW THEREFORE BE IT RESOLVED THAT Council adopts the 2025 user fees as included in the study and refer to Regular Council for final approval.

2. Executive Summary:

User fees are charged to users for Municipal services to cover part, or all, of the cost of providing these services. A primary principle in setting user fees is that those who benefit from a service should contribute to the cost of that service. In many cases, user fees are set to recover the full cost of providing the applicable service, however when setting fees, consideration is given to:

- Whether the service benefits the community or the individual.
- Capacity of the user to pay.
- Competitive market conditions.
- Demand for services.

Given the limitations on raising revenue, the Town recognizes that a user fee study is a cost-effective way to understand the total cost of services and identify potential fee deficiencies. An activity-based costing (ABC) model to substantiate the full costs of each service area within the scope of review and the full cost assessment (i.e.: direct, indirect, and capital costs) was used to inform recommended rates and fees to increase user fee revenue and decrease the burden on property taxes. That is, in the absence of accurate user fees that don't recover the full cost of the service, the Town is limiting funds that may be available to provide other community-wide benefits.

As part of the Town's user fee study, the following Municipalities were used as comparators:

1. Municipality of Brighton
2. Municipality of Port Hope
3. Municipality of Trent Hills
4. Township of Cramahe
5. Township of Hamilton
6. Municipality of Clarington
7. City of Quinte West
8. City of Peterborough
9. City of Belleville

While the recommendations in the user fee study have been analyzed by staff, ultimately the Town of Cobourg will determine the timing of implementation and phasing of fee recommendations to achieve cost recovery and policy objectives. Further, it is recommended that user fees are indexed annually based on the Town's annual budgeted cost increases. In the future, staff will present a user fee policy to guide how user fees are determined, frequency of review, reference to costs of service, and providing equitable access to services provided.

3. Background

In 2020, the KPMG service delivery review suggested that the Town of Cobourg should review its user fees.

In June 2022, the Town of Cobourg issued a Request for Proposal for a comprehensive user fee study and on August 15, 2022, Council awarded a contract to Waston and Associates for a comprehensive user fee study for a total cost of \$91,288.90.

The following service areas were included within the scope of the review:

- Planning

- Public Works
- Municipal Law Enforcement
- Parks, Recreation, and Facilities
- Fire
- Finance

Venture 13 was not included in the original report, however the proposed update to the rates Venture 13 provides for event and meeting spaces is suggested.

The services within the scope of this review are governed under multiple statutes, specifically, the *Planning Act* governs fees related to the processing of planning applications. The remaining fees for the other service areas are under the authority of the *Municipal Act*. Part XII of the *Municipal Act* provides municipalities and local boards with broad powers to impose fees and charges via passage of a bylaw and is further presented in s.391(1).

4. Discussion:

ABC Costing

The concept of a user fee study is to determine the reasonable cost of each service provided by the Town for which it charges a user fee. The full cost of providing a service may not necessarily become the Town's fee, but it serves as the objective basis as to the maximum amount that may be collected.

To capture each participating Town staff member's relative level of effort in processing activities related to user fees, process estimates were obtained for each of the user fee categories and applied to the average annual user fee volume provided by staff.

Direct costs (salaries, wages, and benefits), indirect costs (overhead), and capital costs (replacement value of assets commonly utilized to provide direct business unit services) have been included. The following summarizes each department, the annual costs, current cost recovery, and the additional revenue and updated cost recovery if the user fees are implemented.

Department	Current Annual Revenue	Total Annual Costs	Current Cost Recovery	Additional Revenue	Updated Cost Recovery
Planning	\$216,732	\$367,864	59%	\$113,378	90%
Public Works	\$338,563	\$470,765	72%	\$132,202	100%
Municipal Law Enforcement	\$264,105	\$317,205	83%	\$17,936	89%
Parks, Recreation, and Facilities	\$3,459,080	\$11,350,770	30%	N/A	N/A

The full cost assessment was not undertaken for Finance and Fire Services fees, however municipal competitor fees were utilized to inform the proposed.

Planning

The total costs of providing planning applications are \$367,864 and the Town recovers \$216,732 related to planning application fees which recovers 59% of the current costs. With the recommended planning application fees, the cost recover rate increases from 59% to 90%. Fees have been increased to achieve full cost recovery, except for compliance letters, heritage permits, and the other categories.

A few changes to the user fees are:

- A new fee for subdivision/condominium application resubmissions after two submissions.

Public Works

The current revenue related to public works user fees is \$338,563 and annual costs are \$470,765, resulting in a cost recovery of 72%. Based on the updated user fees, the additional revenue of \$132,202 would increase the cost recovery rate to 100%.

Municipal Law Enforcement, Clerks, Licensing, and Signs

The total annual direct, indirect, and capital costs related to the department are \$317,200. Using the current fees and the average annual volumes annual revenues is \$264,105, which leads to 83% of annual costs being recovered.

As a result of the recommended user fees and underlying activity levels, it is anticipated that the Town revenues would increase from \$264,105 to \$282,041, which would increase the annual costs being recovered from 83% to 89%.

The user fee recommendations include:

- Introduction of higher annual short-term rental application fees.
- Increased fees for application and annual license fees for non-primary residences.

Parks, Recreation, and Facilities

Parks, recreation, and facilities include the Cobourg Community Centre, special events, parks, marina, concert hall, and trailer park. As the services generally related to the provision of programs and operation of facilities, an augmented process for determining the full cost of service has been followed in comparison to the other service areas.

The current fees related to parks, recreation, and facilities would recover 30% of the total costs across each program area. The breakdown is as follows:

Service Area	Current Cost Recovery
Concert Hall	28%
Special Events	15%
Parks, Recreation, and Facilities	7%
Marina-Trailer Park	100%
Cobourg Community Centre	32%
Total	30%

As noted:

1. Parks, Recreation, and Facilities: The annual user fees for parks is recovering only 7% of the annual costs of service as these amenities are largely provided as a public benefit, nor does the Town have the ability to charge the fees for the use of parks in most cases.

The lower level of cost recovery for parks also aligns with the feedback received in the public consultation process as parks were generally viewed as an area that should be highly subsidized through taxes.

2. Marina-Trailer Park: The Town's established intention is to recover 100% of the costs of operating the marina and trailer park from user fees and currently those fees are fully recovering the annual costs.
3. Cobourg Community Centre: The CCC represents the greatest share of the annual costs of service, however the fees (programming and ice rentals) would currently recover 32% of the annual costs. The level of cost recovery indicates that the range of services provided through the CCC have a public and provide benefit.

Specific fee recommendations for parks, recreation, and facility fees have not been made through the study, however the fee schedule was reviewed.

Finance

The fee recommendations are based on the surveyed municipal comparisons. The non-payment of accounts receivable and current taxes fees remain unchanged and is legislated by the Municipal Act to have a penalty rate of 1.25%.

The main updates are:

- Tax certificate fee to increase from \$35 to \$50.

- Tax sale costs to increase from \$350 to \$500.

Listed below are the additional fees added to Finance:

1. Administration fee for accounts receivable transfer to tax
2. Administration fee accounts receivable transfer to collection agency
3. Purchase bid documents
4. Tax ownership change
5. Tax transfer of funds
6. Tax statements/receipts/duplicate or reprint billings
7. Mortgage company processing fee per roll number
8. Overdue tax notice
9. Application review fee for older adult tax deferral program
10. Registration of deferral fee for older adult tax deferral program

Fire

Fire fee recommendations are based on the comparator municipalities included in the study. The main updates are:

- And increase to fire safety plan development and fire watch from \$50/person/hour to \$81/person/hour.
- Update to charge the MTO rates for false alarms (after 3).
- Update to charge the MTO rates for response to unapproved open-air burning.

Venture 13

While not specifically included in the scope of the reviewed, staff have proposed updates to Venture 13.

The Town of Cobourg provides event and meeting spaces for the business community. These three bookable spaces each have interactive audio-visual capabilities and include:

- Lecture hall – accommodates an audience of approximately 75 people with writing surfaces.
- NSSL Limited Seminar Rooms – accommodates an audience of 36 people with tables and chairs.
- Walsh Financial Solutions Boardroom – accommodates eight people in a boardroom set up.

Over the past year (August 2023 to July 2024), there have been 18 revenue earning bookings after 5pm and two revenue earning bookings on the weekend. The current rates are structured as being the same regardless of time of day or

weekday. However, the Town of Cobourg, does at times take on overtime costs to cover these bookings. A flexible work arrangement for Venture13 team members does reduce some of these overtime costs; however, any weekend bookings would incur overtime costs. A method to counter the additional labour costs is to modify the rate schedule and earn higher revenues during non-regular business hours. The V13 Innovation and Entrepreneurship Centre team plans on adjusting after-hours and weekend rates for booking the facility, as follows:

- Weeknight Bookings (Monday-Thursday) = Current Rates + 25%
- Weekend Bookings (Friday (after 5pm), Saturday and Sunday) = Current Rates + 100%

Below is a chart of current and proposed rates.

	Current Rates		Proposed Rates		Proposed Rates	
	Business Hours		Weekdays After 5pm (+25%)		Weekends (+100%)	
	4hrs	8hrs	4hrs	8hrs	4hrs	8hrs
Walsh Financial Solutions Boardroom	\$50	\$50	\$62.50	\$62.50	N/A	N/A
NSSL Limited Small Seminar Room	\$60	\$100	\$75	\$150	\$120	\$200
NSSL Limited Large Seminar Room	\$120	\$200	\$150	\$250	\$240	\$400
Lecture Hall	\$175	\$325	\$219	\$406	\$350	\$650

Based on the proposed rates, the estimated annual increase to Venture 13 revenue would be approximately \$17,000.

Costs of Study

As noted, the costs of the user fee study approved by Council in August 2022 was \$91,289. The actual costs are \$82,975.

Some of the municipalities surveyed above have a user fee policy to guide how user fees are determined. The Town of Cobourg would benefit from a policy which will be developed by staff and presented to Council at a later date. As mentioned in the report, the user fees will be indexed annually based on the Town's annual budgeted cost increases. As labour effort and costs associated with the provision of services fluctuate over time, a significant element in the development of any fee schedule is that it has the flexibility to remain current. Therefore, a policy will be developed to include an inflationary factor in the fee schedule to allow the Town of Cobourg Council, by resolution, to annually increase or decrease the fees.

5. Financial Impact and Budget

There is no impact on the 2024 budget. If the user fees are revised, then the 2025 budget will be updated to reflect the additional revenue expected. The potential additional revenue would have an impact of an approximate reduction of 0.93% on the 2025 budget.

6. Relationship to Council's Strategic Plan Priorities 2023 to 2027 and beyond:

☒ Thriving Community

Accurate and updated user fees ensures the Town of Cobourg is capable of providing services to support a health community.

☐ Service Excellence

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☒ Sustainability

Accurate user fees improves the Town's financial plan, updating revenues to accurately offset the costs of services being providing, and consequently ensuring long-term financial sustainability.

7. Public Engagement:

The public was engaged in the user fee review process through the Town's public engagement website. The public was provided background on the scope of the project, the study process, the full cost of service assessment being undertaken, and the current framework for funding municipal sources that exist in the Town and Ontario municipalities. Where new user fees are being imposed or significant changes to current user fees are recommended, specific user groups are consulted with to understand potential impacts on utilization.

The information was provided so that the public would have an understanding of the purpose of the study process and a sufficient understanding to provide meaningful feedback through the on-line community survey. The questions asked were aimed at identifying the level of agreement/disagreement with how services are funded, whether certain individuals or user groups should be treated differently from a fee perspective, etc.

A few highlights:

- There was strong agreement that user fees should be used for some services as opposed to funding all services through municipal taxes.
- 86% feel that user fees should be in place for some of the services provided by the Town.

8. Attachments:

Town of Cobourg Comprehensive User Fee Study Report