

Presented To:	City Council
Presented:	Tuesday, Jan 27, 2015
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Type:	Managers' Reports

Request for Decision

2015 Miscellaneous User Fees

Recommendation

THAT the City Council approve Option _____, as outlined in the report dated January 21, 2015 From the Chief Financial Officer/Treasurer regarding 2015 Miscellaneous User Fees.

Finance Implications

The deferral of the 2015 Miscellaneous User Fees has resulted in lost revenues of approximately \$78,000.

Option 1:

Approve the 3% increase in Miscellaneous User Fees as outlined in this report effective Feb 1, 2015 for most fees, except, transit which will not increase until March 1, 2015 and other fees that follow the play season.

Option 2:

Defer decision on Miscellaneous Users Fees to the 2015 Budget deliberations. This would result in additional lost revenues of approximately \$ 98,000, for a total decrease in revenues of approximately \$176,000. Option 3:

Freeze Miscellaneous User Fees at the 2014 rates. This would result in a decrease in user fee revenue of approximately \$900,000.

BACKGROUND

User fees are fees charged by municipalities to recover direct costs for services provided to a specific user or group of users, including tourists and non-residents. Alternatively, if a service provides an equal benefit to all citizens, the costs to provide this service may be recovered solely on the municipal tax levy.

User Fees included in the 2014 Approved Budget were estimated to be approximately \$106 million. The following chart provides a breakdown of the User Fees (millions):

Water and Wastewater Rates and User Fees	\$61.5
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Signed By

Report Prepared By

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Division Review

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Recommended by the Department

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Miscellaneous User Fees (By-Law 2014-3)	\$30
Parking Rates (By-Law 2010-1 + amendments)	\$1.8
Building Permit Fees	\$4.0
Pioneer Manor Residence Fees	\$8.0
Other user fees in various other by-laws	\$0.7
Total User Fees (2014 Budget)	\$106 million

The purpose of this report is to seek City Council's direction on the increase in accordance with the Miscellaneous User Fee By-Law. The City of Greater Sudbury has approximately 1,100 user fees in Miscellaneous User Fee By-law # 2014-3 and as noted above, generates approximately \$30 Million in revenue annually. This represents approximately 6% of the total operating budget. This revenue is used to partially offset the cost of providing the applicable services.

Staff are currently reviewing certain other By-Laws noted above containing other User Fees, such as Parking Fees, Parking Fines, Licensing fees and other by-law enforcement fees and updates will be provided during 2015 Budget Deliberations.

Options for City Council Direction:

Staff have prepared three options for City Council's consideration:

Option 1:

Approve the 3% increase in Miscellaneous User Fees as outlined in this report, effective Feb 1, 2015 for most fees, except, transit which will not increase until March 1, 2015 and other fees that follow the play season. This revenue increase is recommended to maintain the existing cost recovery of expenses from user fees and taxation.

Option 2:

Defer decision on Miscellaneous Users Fees to the 2015 Budget deliberations. This would result in additional lost revenues of approximately \$ 98,000, for a total decrease in revenues of approximately \$176,000.

Option 3:

Freeze Miscellaneous User Fees at the 2014 rates. This would result in a decrease in user fee revenue of approximately \$900,000.

City's User Fee Framework

The City's Long Term Financial Plan, Principle # 3 states:

"Ensure Operating Revenues are sustainable and consider community-wide and individual benefits".
 "In general, user charges should be used to fund programs where specific individual benefits are received and where demand/utilization of programs is determined by the individual."
 "Ensure that user fees are increased at the same (or greater) rate as increases in program costs."

During 2014, the Northern Leadership Project prepared a User Fee Framework for the City to adopt which provides operating departments guidance on the setting of appropriate User Fees. The following is a

summary.

Many factors contribute to determining the appropriate rate that is to be charged for each user fee.

Some examples of factors to consider include:

1. Determine the full cost to provide the service. The full cost of providing the good or service should be the starting point in developing an appropriate fee and should include direct costs (operating and maintenance), and indirect costs (overhead). All capital costs including depreciation, and debt repayment should also be considered.
2. Determine the demand for the service, and if pricing will significantly affect the demand. User fees can act as a mechanism for allocating scarce resources or managing the timing of demand for a good or service. Implementing price differentials can help to balance the demand for goods or services between peak and off-peak periods.
3. Determine appropriate level of cost recovery from user fees:
 - a. Fully Tax Supported – These are services that are 100% recovered through property taxation with no direct charge to the direct user. These are services that support the community as a whole and cannot easily determine a rate for an individual user. An example of this is Emergency Services such as Fire and Police.
 - b. Partially Tax Supported – These are services that provide a direct benefit to the individual user as well as the community as a whole, therefore the cost is partially recovered through a user fee, and the balance from the municipal tax levy. An example of this is Transit as the use of public transit not only provides a benefit to the user, but the community as a whole in terms of reduced air pollution, traffic, and road deterioration.
 - c. Non Tax Supported – These are services provide a direct benefit to the user only, and therefore should be 100% recovered through user fees. Examples of this are Building Services and Cemetery Services.
4. Review market rates charged by other service providers for the same or similar service, if applicable.

During 2015, City staff will select a sample of services partially recovered by User Fees, and apply the principles of the User Fee Framework. Reports will be presented to Committees during 2015 and 2016.

Misc User Fee By-Law (Option 1)

In accordance with the current Miscellaneous User Fee By-law, the 2015 user fee rates were to be increased by the greater of 3% and the September 2014 Stats Canada Consumer Price Index (C.P.I.) for all items which was 2.0%.

Most fee increases were scheduled to come into effect on January 1, 2015, however Council deferred these increases until February 1st at the earliest. There are fees in the by-law that follow the playing season such as ice rentals and play fields, and reflect increases at the start of their respective seasons as opposed to the calendar year.

In most cases, the 2015 User Fees have been rounded to the closest \$.25, \$.50, \$1.00, \$5.00 or \$10.00, depending on the value of the service provided.

Each department may request changes to the previous years by-law, including administrative changes for clarity and ease of application. The following is an overview of user fees by department including any exceptions to the 3% guideline increase.

Community Development

Community Development has over 700 miscellaneous user fees and variations, which are primarily made up of leisure, fitness, playing fields, ski hills, arenas, cemeteries, community halls and others. These fees

represent approximately \$11 million of the total user fee revenue collected with the major contributor being arena ice rentals.

Exceptions to the 3% increase:

- Day Care: All day care rates have been frozen at 2014 values as the day care will be closing operations mid-year.
- Cemetery Services: Cemetery User Fees have been adjusted to take into account trends and demands from families and the cemetery industry, as well as actual costs to perform services. While most fees have increased by 3%, some have been frozen at 2014 rates.
- Aquatics: Several new fees have been added to the schedule to more accurately reflect usage of aquatic facilities. A new fee for the Fire Fighter swim test was also added.
- Ski Hills: New fees have been added for individual weekend passes for those who use the services on weekends only. A Program rental upgrade rate has been added for children 6 & under who wish to continue to ski after their lesson. Finally a fee for damaged rental equipment has been added to offset the cost of replacement.
- Leisure Services Fees and Charges: Several fees have been added to provide more options to users in terms of the length of class packages. Other added fees include personal training and the Red Cross babysitting course.
- Ticket Charges – Sudbury Community Arena: Ticket handling charges have been frozen to remain comparative with other ticket handling fees in Ontario and Canadian venues to ensure that service charges are not a deterrent from promoters booking the facility and/or people purchasing tickets. A surcharge fee has been added for tickets purchased by phone. All other fees have increased by the standard 3%.
- Anderson Farm: New rates for the use of Anderson Farm have been established for Commercial use, non-profit use, as well as City partners. These rates have changed to better reflect market rates for similar venues and to include the use of the grounds as well as the farm stable.

Growth and Development

Growth and Development has over 200 miscellaneous user fees which accounts for approximately \$9 Million of the total user fee revenue collected. These fees are primarily made up of environmental services, planning, parking, and licensing. The majority of the revenue (\$7.2 million) is generated from environmental user fees such as, tipping fees, and other fees for services provided. It is proposed that the tipping fee be increased to \$73 per tonne, from \$71 per tonne in 2014, which represents full cost recovery.

Exceptions to the 3% increase:

- Parking: Parking rates in the miscellaneous user fee by-law include fees for attended and automated lots only, as these lots require the user to pay on exit and therefore do not require enforcement. (approx.\$500,000) The rates for automated lots however have only been adjusted to the nearest \$0.25 to provide ease for users. Finally, the key card fee has increased to reflect the cost of the transponders for the new automated system.
- Rates for monthly parking, pay & display machines, and meter parking (approximately \$ 1.8M) are included in the Traffic and Parking by-law, which will be reviewed later in 2015. A separate report will be prepared for City Council's review during 2015 Budget Deliberations.
- Environmental Services: The annual operating fee for waste management services for high density residential buildings has increased from \$40 to \$55 to reflect year two of the five year phase in to move towards full cost recovery as approved in the 2014 budget. Also, bag tag fees have been added to the miscellaneous user by-law schedule as this service is currently offered to the public. The Fee for Big Blue bins has been frozen at the 2014 rate of \$20 to ensure they are accessible to all citizens and to promote diversion.

Infrastructure Services

Infrastructure Services has over 50 user fees which accounts for approximately \$9 Million of the total user fee revenue collected. These fees are made up of transit services and public works with the majority of the revenue coming from transit fares (approximately \$8.3 million).

Transit User Fees (Conventional and Handi Transit)

The following are a few examples of the proposed increase in Transit User Fees:

- Cash Fares are proposed to be increased as follows:
 - o Adult or Student from \$2.90 to \$3.00
 - o Child or Older Adult from \$2.15 to \$2.20
- Monthly Passes
 - o Adult from \$80 to \$82
 - o Student from \$74 to \$76
 - o Older Adult from \$48 to \$49

It is important to note that in 2013, Greater Sudbury's recovery of transit costs through user fees was approximately 40%. In 2013, According to the Canadian Urban Transit Association (CUTA), Greater Sudbury's cost recovery ratio ranked 7th lowest out of a sample of 10 comparison municipalities of similar geography and population size (of which include all Transit properties from Northern Ontario). Examples included in the sample were: London (57%); North Bay (53%); Barrie (40%).

The transit user fees are proposed to increase on March 1, 2015. Approximately one month is required for public notice and advertising of the increased rates.

Exceptions to the 3% increase:

- Transit: The user fee for Charter Bus service was increased to represent a full cost recovery to operate the charter bus (operating and capital). Previous council approved the phased in increase of five or ten bus ride cards for adults/ students and children over 2 years, with 2015 being the final year of this phase in. These increases apply to both the conventional and specialized (Handi-Transit) systems.

Emergency Services

Emergency Services has over 50 miscellaneous user fees which accounts for approximately \$300,000 of the total user fee revenue collected. These fees are made up of emergency management services, the Lionel E. Lalonde Centre rentals, and fire services with the majority of the revenue coming from the Lionel E. Lalonde Centre.

Exceptions to the 3% increase:

- Lionel E. Lalonde Centre: Several fees have been frozen at last year's rates to remain competitive in the facility rental market, and to stay within the Ministry's of Natural Resources current per diem schedule for travel reimbursements.
- Fire Fees: The fees and charges for fire safety message sign have been frozen at 2014 rates based on contractual obligations, and false alarm rates have been increased by \$30 to be in line with the vehicle response rates due to similar response patterns.

Administrative Services

Administrative Services has over 40 miscellaneous user fees which accounts for approximately \$200,000 of the total user fee revenue collected. These fees are made up of administrative services, marriage act, and legal fees, with the majority of the revenue coming from legal services.

Exceptions to the 3% increase:

- Marriage Act: Marriage License fees have been frozen at the 2014 rates to remain comparable with other Municipalities.

Financial Services

Financial Services has over 30 miscellaneous user fees which accounts for approximately \$500,000 of the total user fee revenue collected. The majority of this revenue comes from taxation.

Exceptions to the 3% increase:

- Financial Services: Fees for tax arrears notices have been frozen at 2014 rates and will only be increased when the cumulative 3% results in a substantial increase (i.e. \$5.00), however these rates have been extended to include tax payment error / overpayments and recover administrative costs in dealing with similar tax arrears payment notices.

Conclusion:

Staff are seeking City Council's direction regarding inflationary increase the use fee rates included in the Miscellaneous User Fees By-Law. This by-law generates approximately \$30 million in revenues which partially offset the costs to deliver the services. If City Council approves Option 1, a by-law has been prepared and can be approved at this same meeting.

In addition, during 2015, city staff will review a sample of the City's user fees, and apply the principles in the User Fee Framework. Further, during 2015, the Growth and Development will be preparing reports regarding the Parking, and Compliance/ Enforcement User Fees which are contained in other By-Laws.