

Report to Planning & Environment Committee

To: CHAIR AND MEMBERS
PLANNING & ENVIRONMENT COMMITTEE
From: SCOTT MATHERS, MPA, P. ENG.,
DEPUTY CITY MANAGER, PLANNING AND ECONOMIC
DEVELOPMENT
Subject: ANNUAL REPORT ON BUILDING PERMIT FEES
Date: JUNE 11, 2024

Recommendation

That, on the recommendation of the Deputy City Manager, Planning and Economic Development, the attached report on building permit fees collected and costs of administration and enforcement of the Building Code Act and Regulation for the year 2023, **BE RECEIVED** for information purposes.

Previous Reports Related to this Matter

May 1, 2023 – Planning & Environment Committee

Background

The Building Code Act (“Act”) and the regulations made thereunder (Ontario’s Building Code) require that a report be prepared annually on building permit fees collected, and the costs incurred in the administration and enforcement of the Building Code Act and Regulation. Specifically, Division C, Section 1.9.1.1., of the Regulation states:

- (1) The report referred to in subsection 7(4) of the Act shall contain the following information in respect of fees authorized under clause 7(1)(c) of the Act:
 - (a) total fees collected in the 12-month period ending no earlier than three months before the release of the report,
 - (b) the direct and indirect costs of delivering services related to the administration and enforcement of the Act in the area of jurisdiction of the principal authority in the 12-month period referred to in Clause (a),
 - (c) a breakdown of the costs described in Clause (b) into at least the following categories:
 - (i) direct costs of administration and enforcement of the Act, including the review of applications for permits and inspection of buildings, and
 - (ii) indirect costs of administration and enforcement of the Act, including support and overhead costs, and
 - (d) if a reserve fund has been established for any purpose relating to the administration or enforcement of the Act, the amount of the fund at the end of the 12-month period referred to in Clause (a).
- (2) The principal authority shall give notice of the preparation of a report under subsection 7(4) of the Act to every person and organization that has requested that the principal authority provide the person or organization with such notice and has provided an address for the notice.

Revenues Collected

Building permit fees collected during 2023 totalled \$6,332,112. However, consistent with revenue recognition principles governed by generally accepted accounting principles (GAAP), Building fee revenue recognized by the City of London for 2023 equated to \$7,392,923 on an accrual basis.

As shown below, subject to completion of the 2023 year-end financial statement audit, the net revenue of building permit fees for 2023 was:

Deferred Revenue from 2022 - permits issued in 2023	\$1,748,336
2023 Building Permit Fees	\$6,332,112
Deferred Revenues to 2024 - permits not issued in 2023 but will be issued in 2024	(\$687,525)

2023 NET REVENUE	\$7,392,923
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Deferred Revenue is revenue collected in a given year, at the time of building permit application, and reallocated towards the subsequent year whereupon permit issuance and building inspections are anticipated.

Costs Incurred

The total costs, both direct and indirect, incurred during 2023 were \$7,745,832, as shown in the Table below (subject to completion of the 2023 year-end financial statement audit).

	Costs (\$)	Positions
<u>DIRECT COSTS</u>		
630101 - Administration	\$0	2
630102 - Digital Initiatives	\$93,368	2
630103 - Director	\$237,650	1
630201 - Permit Review	\$1,604,913	16
630202 - Client Services	\$418,895	11
630301 - Inspection	\$1,472,391	14
630302 - Publ. Prop. Compliance	\$28,439	4
630402 - Code Compliance	\$672,211	7
630701 - Zoning Review	\$187,601	9
630901 - Plumb. Insp.	\$1,050,920	8
Operating Expenses & User Fees	\$663,823	
TOTAL DIRECT COSTS	\$6,430,209	74
<u>INDIRECT COSTS</u>		
Corporate Management and Support	\$981,664	
Risk Management	\$144,958	
Office Space	\$189,000	
TOTAL INDIRECT COSTS	\$1,315,623	
TOTAL COSTS	\$7,745,832	

Net Financial Position

At 2023 year-end, the net revenue was \$7,392,923. By deducting the total direct and indirect costs of \$7,745,832 for administration and enforcement of the Building Code Act and the Building Code Regulation, this results in a \$352,909 withdrawal from the Building Permit Stabilization Reserve Fund.

Total Net Revenue	\$7,392,923
Total Cost of Enforcement	\$7,745,832

YEAR END CONTRIBUTION (withdrawal if negative)	<u>\$-352,909</u>
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Building Permit Stabilization Reserve Fund (BPSRF)

During the building permit fee review in 2019, consultations occurred with industry and the BPSRF target was increased to 100% of the annual operating costs. As agreed upon with industry, this target is to be reached in a gradual manner over the span of a few years.

The BPSRF closing balance for 2022 was \$3,297,988, equal to 39% of the 2022 operating costs, whereas the closing balance for 2023 was \$3,002,084, excluding annual interest, equal to 38.8% of the 2023 operating costs.

Building Permit Fees

On March 01, 2024, in accordance with Building By-law provisions, the previous building permit fee rates were indexed by 3.3% (Consumer Price Index change).

With provincial legislation changes and targets being introduced, there was a need to grow the building departments staffing levels to accommodate the increased need to construct additional units within City of London.

In 2023, the City of London, in conjunction with consultant Watson & Associates Economists Ltd. Initiated a comprehensive review of Building Permit Fees. With a focus on sustainability and efficiency, the firm is developing an activity-based costing model to evaluate both direct and indirect costs associated with service. Through this venture we aim to provide recommendations for enhancing cost recovery while maintaining the departments financial stability in delivery permit review and inspection services. A notice of public meeting was released on May 16, 2024 and the findings will be presented to planning & environment committee for consideration on June 11, 2024.

Conclusion

In accordance with the legislation, building permit revenues are to be used for the cost of administration and enforcement of the Building Code Act and Building Code Regulation. Given the context of the ongoing permit fee review, the balance of \$3,002,084 in the Building Permit Stabilization Reserve Fund equates to 38.8% of annual operating costs, this underscores the importance of a thorough assessment. As Watson & Associates Economists Ltd. complete the fee structure analysis, this financial snapshot serves as a vital reference point. It signifies the importance of ensuring fee adjustments, if recommended, align with maintaining adequate reserves for future operational needs.

Prepared by:

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**cc: Kyle Murray, Director, Financial Planning & Business Support
Nathan Asare-Bediako, Financial Business Administrator**