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TO:	CHAIR AND MEMBERS PLANNING AND ENVIRONMENT COMMITTEE
FROM:	G. KOTSIFAS, P. ENG. DIRECTOR OF BUILDING CONTROL AND CHIEF BUILDING OFFICIAL
SUBJECT:	ANNUAL REPORT ON BUILDING PERMIT FEES MEETING ON MARCH 26, 2012

RECOMMENDATION

That, on the recommendation of the Director of Building Controls, the attached report on building permit fees collected and costs of administration and enforcement of the *Building Code Act* and regulations for the year 2011, **BE RECEIVED** for information purposes, it being noted that staff will report to the Planning and Environment Committee in the spring of 2012 regarding building permit fees and any adjustments that may be warranted.

PREVIOUS REPORTS PERTINENT TO THIS MATTER
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Planning Report dated March 7, 2011.

BACKGROUND

The *Building Code 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 regulations. Specifically, Division C, Section 1.9.1.1 of the regulations state:

- (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 break-down 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.

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Revenues Collected

Building permit fees collected during 2011 totalled \$4,676,954. Additionally, \$666,234 was deferred to the 2011 Building Division budget from 2010 as unearned revenue (revenue associated with permits that were applied for but not examined, issued or inspected by year end). The resulting total building permit revenue for 2011 was \$5,343,188 of which \$689,319 was deferred to the 2012 budget as unearned revenue.

As shown below, the net revenue of building permit fees for 2011 was \$4,653,869.

Deferred Revenue from 2010	666,234
2011 Building Permit Fees	4,676,954
Deferred Revenues to 2012 (permits not issued in 2011)	<u>(689,319)</u>
2011 NET REVENUE	4,653,869

Costs Incurred

The total costs, both direct and indirect incurred during 2011 were \$4,713,417, as shown in the table below (these cost are not audited costs). It should be noted that significant cost savings were realized in 2011 primarily through vacancy management and organizational change.

	Costs (\$)	Person Years
<u>DIRECT COSTS</u>		
Administration	246,669	2
Permit Issuance	1,149,113	14
Inspection	1,386,256	18
Operational Support	468,193	10
Zoning Review and Property Standards	279,853	4
Operating Expenses (supplies, equipment, etc.)	216,856	
TOTAL DIRECT COSTS	<u>3,746,940</u>	48
<u>INDIRECT COSTS</u>		
Corporate Management and Support	549,186	
Risk Management	91,661	
Life Safety and Grading Review	127,629	
Office Space	198,000	
TOTAL INDIRECT COSTS	<u>966,477</u>	
TOTAL COSTS	<u>4,713,417</u>	

Net Financial Position

At 2011 year end, the net revenue was \$4,653,869. Deducting the total direct and indirect costs of \$4,713,417 for administration and enforcement, results in \$59,548 to be withdrawn from the Building Permit Stabilization Reserve Fund.

Total Net Revenue	4,653,869
Total Cost of Enforcement	<u>4,713,417</u>
YEAR END CONTRIBUTION (withdrawal if negative)	-59,548

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Building Permit Stabilization Reserve Fund (BPSRF)

The issue of what constitutes an adequate reserve fund was discussed with the building industry as represented by the London Home Builders' Association in 2006. Agreement was reached that the reserve fund should be approximately 40% of the year's costs for the administration and enforcement of the *Building Code Act* and the *Building Code*. It was also agreed that when the reserve fund falls below 30% of the annual cost, a review would be undertaken with a view to increasing permit fees. Likewise, when the reserve fund exceeds 50% of the annual cost, a review would be undertaken with a view to decreasing permit fees.

The BPSRF 2011 opening balance was \$1,370,888. Considering a possible withdrawal of \$59,548, the balance of this fund would be \$1,311,340 which equates to 28% of annual operating costs.


Reserve Fund Opening Balance	1,370,888
Possible Year End Contribution (withdrawal if negative)	<u>(59,548)</u>
ESTIMATED 2010 RESERVE FUND CLOSING BALANCE	1,311,340

Staff consulted with the Finance Division and it was determined that a prudent financial strategy would be to mitigate the draw from the BPSRF in 2011 from corporate surplus in the amount of \$59,548.

Reserve Fund Opening Balance	1,370,888
Revised Year End Contribution (withdrawal if negative)	<u>0</u>
REVISED 2011 RESERVE FUND CLOSING BALANCE	1,370,888

The revised closing balance in the reserve fund equates to 29% of the annual operating cost which is below the 30% threshold.

As this is the third consecutive year that a draw from the reserve had to be mitigated through corporate surplus funding (\$394,302 in 2009, \$523,393 in 2010, and \$59,548 in 2011), staff propose a review be completed of the fee structure in relation to volumes and effort, as well as a comparison of our fees in relation to other similar jurisdictions, and report back this year.

PREPARED AND RECOMMENDED BY:

G. KOTSIFAS, P. ENG. DIRECTOR OF BUILDING CONTROL AND CHIEF BUILDING OFFICIAL