

TO:	CHAIR AND MEMBERS STRATEGIC PRIORITIES AND POLICY COMMITTEE MEETING ON FEBRUARY 4, 2020
FROM:	CHERYL SMITH MANAGING DIRECTOR, NEIGHBOURHOOD, CHILDREN AND FIRE SERVICES AND ANNA LISA BARBON MANAGING DIRECTOR, CORPORATE SERVICES & CITY TREASURER, CHIEF FINANCIAL OFFICER
SUBJECT:	CITY OF LONDON SERVICE REVIEW: REVIEW OF MUNICIPAL USER FEES

RECOMMENDATION

That on the recommendation of the Managing Director, Neighbourhood, Children and Fire Services and the Managing Director, Corporate Services and City Treasurer, Chief Financial Officer, the attached Appendix “A” City of London Service Review: Review of Municipal User Fees **BE RECEIVED** for information.

PREVIOUS REPORTS PERTINENT TO THIS MATTER
--

“RFP 18-04: City of London Service Review – Consulting Services,” Strategic Priorities and Policy Committee, March 26, 2018

“Service Review Initiatives 2018 Update,” Strategic Priorities and Policy Committee, September 17, 2018

“City of London Service Review: Project Update”, Strategic Priorities and Policy Committee, April 8, 2019

LINK TO THE STRATEGIC PLAN

The City of London Service Review links to Council’s Strategic Plan 2019 – 2023 strategic area of focus of Leading in Public Service, specifically:

- Increase efficiency and effectiveness of service delivery; and,
- Maintain London’s finances in a transparent and well-planned manner to balance equity and affordability over the long term

PURPOSE OF REPORT

The purpose of this report is to present findings and recommendations from the review undertaken by KPMG for the City’s user fees. In addition, Civic Administration has provided an update on the actions taken to date and the next steps to be implemented by Civic Administration commencing in 2021.

RESULTS OF REVIEW

Further to the service review project update identified in the April 2019 report, KPMG has undertaken, on behalf of the City, an in-depth review of the City's user fees, with the exception of user fees for water, wastewater, stormwater, transit and police as they are not established under the City Fees and Charges By-Law, and benchmarked them against comparator municipalities within Ontario. The results of KPMG's analysis indicated that the City's percentage of operating costs funded through user fees is generally consistent with its comparator municipalities. However, KPMG identified the following services for a more detailed review: Fire Services, Taxation Services, and Development Services. Detailed information on the findings of KPMG's review can be found in the attached Appendix "A" entitled City of London Service Review: Review of Municipal User Fees.

The results of the additional analysis undertaken for Fire Services and Taxation Services did not provide significant findings or incremental revenues, indicating that user fees for these services are generally consistent with the comparator municipalities. In instances where they differed, KPMG developed recommendations with respect to potential courses of action which can be found in the attached Appendix "A".

It is noted that the review of Development Services user fees has been deferred as the information required by KPMG was not available during the time the review was planned to be undertaken. Specifically, the City was undertaking process mapping of its development services application processes, along with the time required for approvals, and it was anticipated that this project would not be completed to align with the timing for KPMG's review. Civic Administration is anticipating that the Development Services user fees review will be completed by Q3 2020 in time to inform the 2021 Fees and Charges update, and ultimately the 2021 Multi-Year Budget Update.

ACTIONS COMPLETED TO DATE

Civic Administration has reviewed the recommendations that have been developed by KPMG and note the following actions that have been undertaken.

Fire Services

As part of the 2020 update to User Fees (Amendments to Consolidated Fee and Charges By-law – SPPC October 28, 2019), Civic Administration undertook the following changes/updates:

- The Highway and Local Non-resident Vehicle Incidents User Fees were changed to align with the timing of changes to the MTO (Ministry of Transportation) Authorized rate.
- User Fees for Hazmat calls were expanded to include Tech Rescue and Water & Ice Rescue charges under the category of Special Teams.
- Costs of additional personnel call-in coverage, if required, were added to the allowable fees under Special Teams fees.
- Extraordinary Costs which include costs in addition to expenses ordinarily incurred to eliminate an emergency or risk, preserve property or evidence or investigate were added.
- Fire Re-inspection fees for non-compliance were increased from \$75 to \$100 to reflect increased labour costs and be closer in line with other municipalities.
- False alarm fees were changed from being charged on 4th alarm to the same building within a month to the 3rd alarm to the same building within 30 days. Noting the City starts to charge after five false alarms within the same building in a calendar year.

Taxation Services

The detailed review conducted by KPMG confirmed that the fees charged for taxation services were appropriate, in line with other municipalities. Further, their review went on to include a cost of service analysis (identified as Taxation Cost of Service Analysis in the report), which looked at the cost of service delivery for the six (6) main taxation user fees. Given that KPMG concluded that a change in fees were not warranted, no taxation user fees were adjusted for 2020. However, Civic Administration will continue to monitor the costs related to service delivery, and will consider changing fees in future years as part of the annual update process.

With respect to the two items identified for consideration by KPMG:

- Given the City's Operating Budget Contingency Reserve (OBCR), a discreet stabilization reserve for taxation user fee revenue is not required. The potential volatility in user fee revenues across the City is already taken into consideration in establishing the appropriate OBCR balance, which provides a mechanism for the City to manage excesses, and shortfalls in budgeted amounts.
- As part of the multi-year budget, accommodated within the Taxation Service budget target, Civic Administration has included an annual contribution to the Technology Services Reserve Fund in preparation of technology reinvestment in the future.

NEXT STEPS

Based on KPMG's analysis of Fire Services user fees, the report (Appendix A) outlines some potential opportunities for consideration. Civic Administration reviewed these opportunities and will be implementing the following changes to the current user fees for Fire Services:

1. Reduce the Number of False Alarms Not Subject to Fees

- Currently the London Fire Department user fee structure allows for five free false alarms to the same building within a calendar year, before charging the fee of \$700.00 per false alarm call (beginning with the 6th false alarm to the same building).
- Civic Administration will update the user fee structure over the next three years to allow for two free false alarms within a calendar year. This will be phased in as follows:
 - 2020 – allow for five free false alarms (current)
 - 2021 – allow for four free false alarms
 - 2022 – allow for three free false alarms
 - 2023 onwards – allow for two free false alarms

2. Increase the Fee for False Alarms

- Currently the City's fee is \$700.00 per false alarm. Typically five vehicles are dispatched for a monitor alarm (six vehicles if the monitor alarm is a high rise building). The City does not charge per vehicle.
- Civic Administration will increase this user fee over the next three years in alignment with the reduction of the number of false alarms not subject to fees as follows:
 - 2020 - \$700.00 per false alarm (current)
 - 2021 - \$900.00 per false alarm
 - 2022 - \$1,100.00 per false alarm
 - 2023 - \$1,400.00 per false alarm
- The fee of \$1,400 per false alarm aligns with the recommendation made by KPMG to better reflect the typical number of vehicles dispatched in response to a monitor alarm call.

The two changes identified above, will be implemented annually over the next three years as part of Civic Administration's yearly Fees and Charges update (Amendments to

Consolidated Fee and Charges By-law). This process provides an opportunity for the public to provide feedback on any changes to the City's User Fees on an annual basis through a public participation meeting.

As part of the changes identified above, Civic Administration will also report back through the Community and Protective Service Committee with a detailed process and bylaw providing authority to the Fire Chief or designate to review the false alarm charges and, where considered appropriate in the circumstances, waive the fee.

In addition, the London Fire Department will work with Communications to develop a comprehensive communications strategy to inform the public of the change to the user fee structure (number of allowable free false alarms) and to the increase in the fee related to false alarms being implemented over the next three years.

CONCLUSION

The results of KPMG's review indicate that the City's user fees are generally consistent with its comparator municipalities and did not provide significant findings or incremental revenues. Civic Administration has identified next steps to implement changes to the current user fees for Fire Services. Any recommended changes will be incorporated as part of the 2021 Fees and Charges update and ultimately inform the 2021 Multi-Year Budget Update.

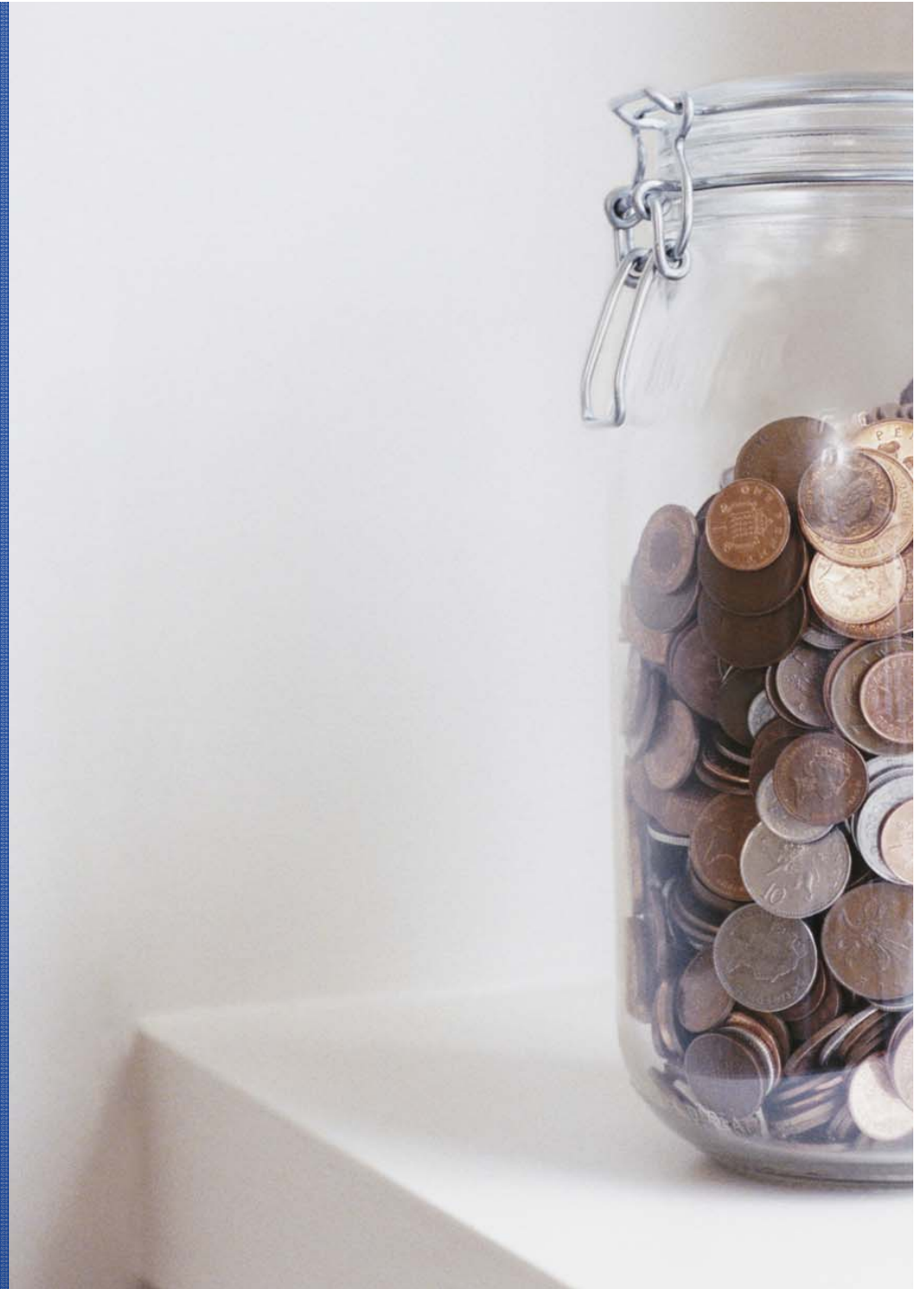
PREPARED BY:	
MARK JOHNSON, RPP BUSINESS PLANNING PROCESS MANAGER FINANCE AND CORPORATE SERVICES	
REVIEWED BY:	REVIEWED BY:
IAN COLLINS, CPA, CMA DIRECTOR, FINANCIAL SERVICES FINANCIAL SERVICES - FINANCE & CORPORATE SERVICES	LORI HAMER FIRE CHIEF LONDON FIRE DEPARTMENT NEIGHBORHOOD, CHILDREN AND FIRE SERVICES
RECOMMENDED BY:	RECOMMENDED BY:
CHERYL SMITH MANAGING DIRECTOR, NEIGHBOURHOOD, CHILDREN AND FIRE SERVICES	ANNA LISA BARBON, CPA, CGA MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER



City of London Service Review

Review of Municipal User Fees

Final Report
January 24, 2020



Executive Summary

At the request of the City of London (the 'City'), KPMG has undertaken a review of the City's user fees, the purpose of which is to identify potential changes to the City's user fee structure that could alleviate pressure on the municipal levy by contributing towards a fair distribution of funding between user fees and taxes. As outlined in further detail in our report, the review included an analysis of the City's historical user fee trends, a comparison of the City's user fee structure to other comparable municipalities and, for selected municipal services, a detailed analysis of factors that could be considered in determining user fees.

This report outlines the results of our review and analysis, which has identified the following key matters:

- Over the last five years, the City's average annual increase in user fee revenues of 4.05% was generally consistent with selected comparator municipalities, which reported an average increase of 3.95% per year.
- For the most part, the portion of operating costs funded through user fees is generally consistent with selected municipal comparators for most municipal services, although the City's user fees for Development Services, Fire Services and Taxation Services appeared lower in comparison to the selected municipal comparators.
- The City provides a higher level of free false alarms than most of the selected comparator municipalities, which would reduce its overall user fee revenues. At the same time, other municipalities have implemented user fees for specific fire services that are currently not charged by the City.
- However, further analysis that was undertaken by KPMG found that the City's user fee structure for Taxation Services – in terms of the type and amount of fees – is generally consistent with other large Ontario municipalities and also reflects the cost of providing the specific services to customers.

Notwithstanding the fact that our review has identified a number of aspects of the City's current user fee structure that are reflective of best practices adopted by other Ontario municipalities, the City could consider the following potential courses of action with respect to its user fees:

- Reducing the number of free false alarms from the current level of five per year to two per year, which could be implemented over a multi-year period in order to allow property owners to adjust to the change;
- Increasing the user fee for false alarms to reflect the number of vehicles actually dispatched by the City, which could be as high as three fire vehicles per call;
- Implementing additional user fees for specialized fire services such as inspection fees for premises with liquor licenses, natural gas leak responses, reviews of risk and safety management plans and family firework sales permits;
- Establishing a stabilization reserve for taxation user fees in order to address fluctuations in revenues resulting from decreases in transaction levels;
- Assessing the extent to which user fees should incorporate the cost of future upgrades to the City's taxation information technology infrastructure.

In evaluating these potential courses of action, consideration should be given to:

- The public policy benefit of the changes to user fees (i.e. a reduction in free false alarms could provide an incentive to property owners to address faults in fire alarm systems, thereby reducing the risk of loss should a fire occur); and
- The issue of affordability so as to ensure that the user fees do not provide a disincentive to use municipal services.



Introduction to the Review

A. The City of London Service Review

Pursuant to the terms of RFP 18-04, the City of London (the 'City') has engaged KPMG to undertake a service review, the overall goals of which included:

- Developing a better understanding of the relevance, effectiveness and efficiency of City programs and services, as well as those offered by selected Agencies, Boards and Commissions;
- Identifying gaps in service that present opportunities for financial and time efficiencies, continuous improvement, and alignment with the City's strategic goals.

The 2018 Service Review project is part of a larger process begun in 2016 in response to direction by City Council to identify \$4 million in annual permanent operating budget reductions by 2019 that were built-in to the approved 2016 - 2019 Multi-Year Budget. As well, the opportunities identified through the 2018 Service Review are intended to create capacity and or mitigate budget pressures anticipated for the next Multi-Year Budget (2020-2023).

During the course of the review, KPMG prepared a list of opportunities for consideration by the City to pursue for further analysis. While a high level analysis of all opportunities was undertaken with respect to potential financial impacts and implementation considerations, the review also involved the prioritization of the identified opportunities based on financial and non-financial considerations, with priority opportunities further refined through the completion of individual detailed reviews. Overall, three opportunities were selected for more detailed analysis, including a review of the City's user fees.

Pursuant to Part XII of the Municipal Act, 2001, S.O. 2001, c.25 (the "Municipal Act"), the City is permitted to "*impose fees or charges on persons,*

(a) for services or activities provided or done by or on behalf of it;

(b) for costs payable by it for services or activities provided or done by or on behalf of any other municipality or any local board; and

(c) for the use of its property including property under its control."

There are a number of factors that are typically considered by any municipality when determining the extent to which a municipal service is funded through user fees as opposed to property taxation. In our experience, services that are typically used by only a specific portion of the community, as opposed to the population as a whole, are more likely to be funded through user fees. Similarly, services such as water and wastewater are often viewed as quasi-business utility, with a common approach being to fund most if not all capital and operating costs through user fees. Additionally, services that are seen as being above and beyond the standard level of service contemplated by the municipality may be funded through user fees (i.e. property taxes fund to a certain standard, with services above this funded through user fees).

Balancing these considerations is the concept that user fees need to be affordable. Given that the majority of services provided by the City are either essential or provide a significant public policy benefit, user fees need to be designed such that they do not constrain access to services by pricing them beyond the affordability of users.

The detailed review is intended to identify potential changes to the City's user fee structure that could alleviate pressure on the municipal levy by contributing towards a fair distribution of funding between user fees and taxes. This report outlines the results of our review.

Introduction to the Review

B. Structure of the Report

This report summarizes the results of our review of the City's user fees and is structured as follows:

- An **Overview of the City's User Fees** which provides an analysis of the City's user fees from a corporate-wide perspective, including major sources of user fee revenues and a comparison of the City's user fees to comparator municipalities.
- An **Analysis of the City's Fire Services User Fees** which provides a more detailed analysis of fees charged for fire services.
- An **Analysis of the City's Taxation User Fees** which provides a more detailed analysis of user fees for taxation services.

C. Restrictions

This report is based on information and documentation that was made available to KPMG at the date of this report. We had access to information up to January 24, 2020 in order to arrive at our observations but, should additional documentation or other information become available which impacts upon the observations reached in our report, we will reserve the right, if we consider it necessary, to amend our report accordingly. This report and the observations and recommendations expressed herein are valid only in the context of the whole report. Selected observations and recommendations should not be examined outside of the context of the report in its entirety.

Our review was limited to, and our recommendations are based on, the procedures conducted. The scope of our engagement was, by design, limited and therefore the observations and recommendations should be in the context of the procedures performed. In this capacity, we are not acting as external auditors and, accordingly, our work does not constitute an audit, examination, attestation, or specified procedures engagement in the nature of that conducted by external auditors on financial statements or other information and does not result in the expression of an opinion.

Pursuant to the terms of our engagement, it is understood and agreed that all decisions in connection with the implementation of advice and opportunities as provided by KPMG during the course of this engagement shall be the responsibility of, and made by, the City of London. Accordingly, KPMG will assume no responsibility for any losses or expenses incurred by any party as a result of the reliance on our report.

This report includes or makes reference to future oriented financial information. Readers are cautioned that since these financial projections are based on assumptions regarding future events, actual results will vary from the information presented even if the hypotheses occur, and the variations may be material.



Restrictions

Comments in this report are not intended, nor should they be interpreted, to be legal advice or opinion.

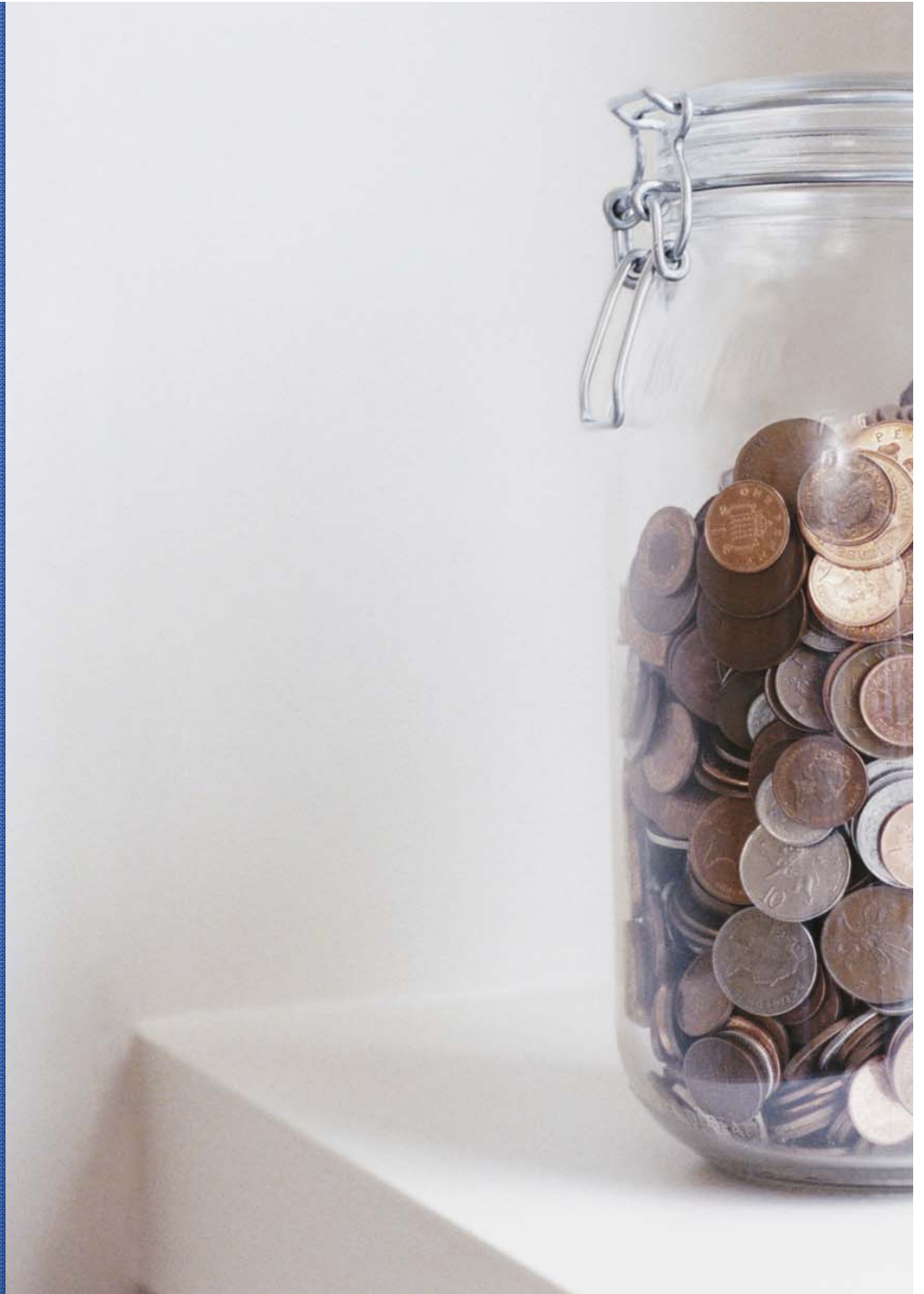
KPMG has no present or contemplated interest in the City of London nor are we an insider or associate of the City of London or its management team. Our fees for this engagement are not contingent upon our findings or any other event. While KPMG does provide auditing and other professional services to the City of London, the service review was conducted by KPMG partners and employees that are not involved in the provision of these services. Accordingly, we believe we are independent of the City of London and are acting objectively.





City of London Service Review

Chapter 1 Overview of the City's User Fees



Overview of the City's User Fees

On an annual basis, the City passes its Fees and Charges By-Law, which establishes user fees on a calendar year basis for the following services:

- Culture services;
- Environmental services;
- Parks, recreation and neighbourhood services;
- Planning and development services;
- Protective services;
- Social and health services;
- Transportation services;
- Corporate, operational and council services;
- Financial management services; and
- Publications.

While the Fees and Charges By-Law covers a number of municipal services, it is not inclusive in that certain user fees, including but not limited to water, wastewater and stormwater fees, are established through separate by-laws. Additionally, other user fees are determined by either agencies, boards or commissions (e.g. library, transit, police) or, in the case of long-term care resident fees, by the Province of Ontario.

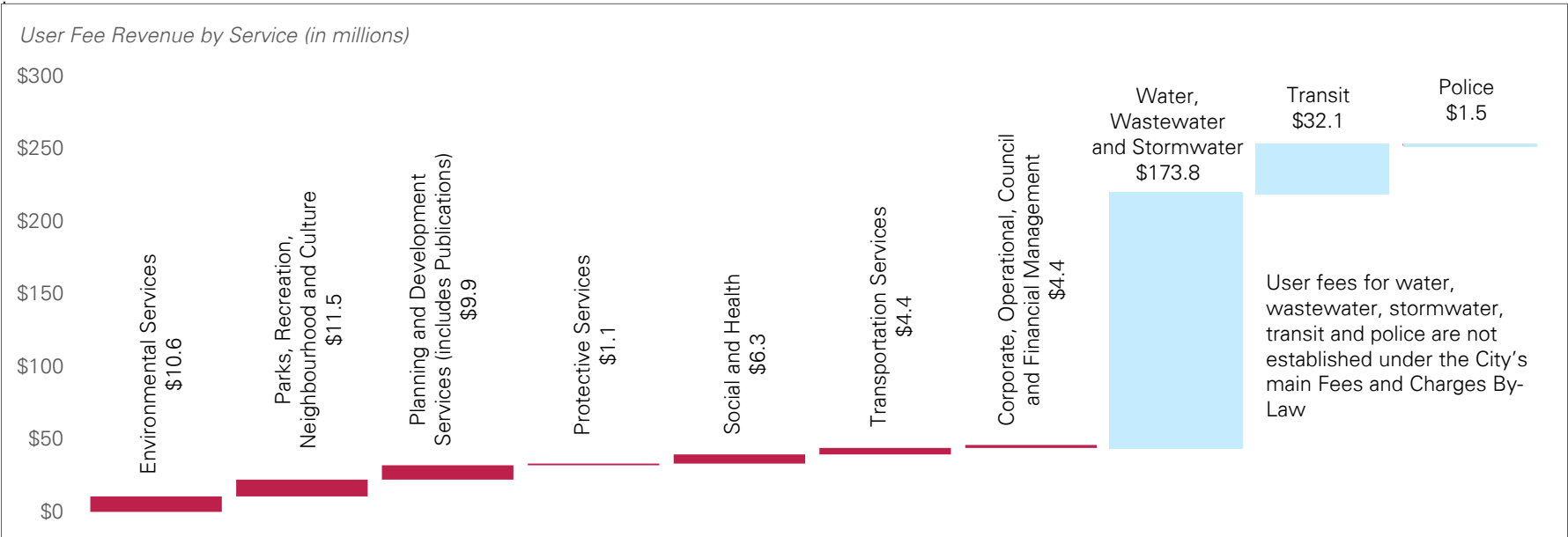
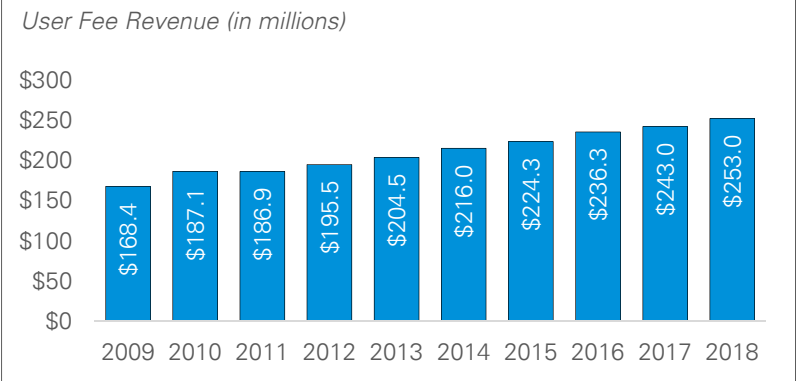
In establishing the City's user fees, we understand that staff will consider changes to the cost of delivering the service (both direct and indirect), user fees established by comparable municipalities (both in terms of the quantum of the fee and the percentage of costs recovered through user fees), capital requirements associated with the service and affordability considerations for the target market of the service. We note that staff undertake regular consultations and communications with user groups affected by user fees, which provides direct insight into customer concerns relating to the affordability of user fees. Where significant changes for user fees are identified, such as the most recent focus on development application fees, staff will undertake more detailed analysis in support of the recommended changes to user fees.

Overview of the City's User Fees

During the 2018 fiscal year, the City generated a total of \$253 million in user fees for municipal services, which includes user fees generated by controlled agencies, boards and commissions such as London Transit and London Police Services but excludes development charges. As noted below, there is a high degree of concentration with respect to the City's user fees, with the four largest categories – water, wastewater, transit and stormwater – accounting for 81% of all user fees.

Over the last ten years, the City's user fee revenues have increased by approximately \$84.6 million, the majority of which is relates to:

- The introduction of stormwater management user fees in 2012; and
- Significant increases in water rates, presumably for capital financing purposes (+\$30.8 million from 2009 to 2018).

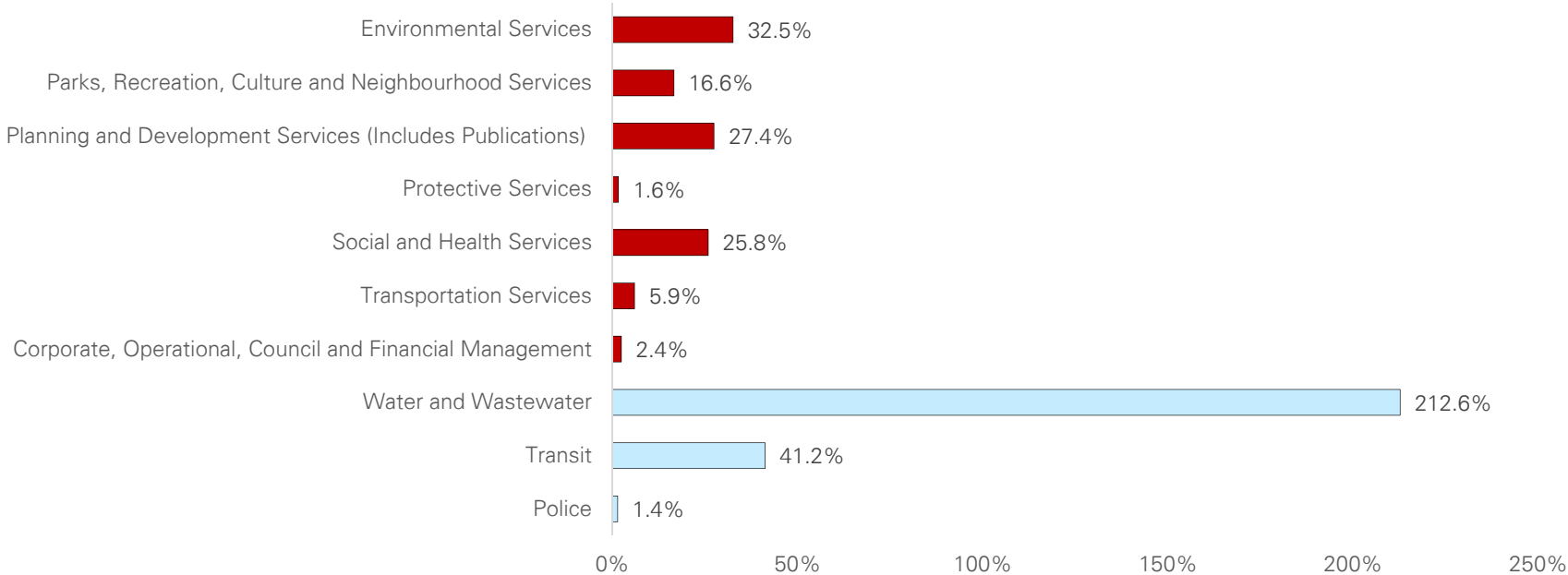


Overview of the City's User Fees

The reliance on user fees to fund operating costs, as opposed to grants and taxation support, will vary by type of service. In the case of services where the service is used by specific customers as opposed to City residents as a whole, for example environmental services (landfill tipping fees); parks, recreation and neighbourhood services; planning and development; social and health services (Dearness Home); and transit, the City recovers a higher percentage of operating costs (excluding amortization) through user fees. Other services which are more applicable to residents of the City as a group, such as corporate services, transportation, protective services (fire, by-law enforcement) and police, tend to have a lower rate of funding through user fees.

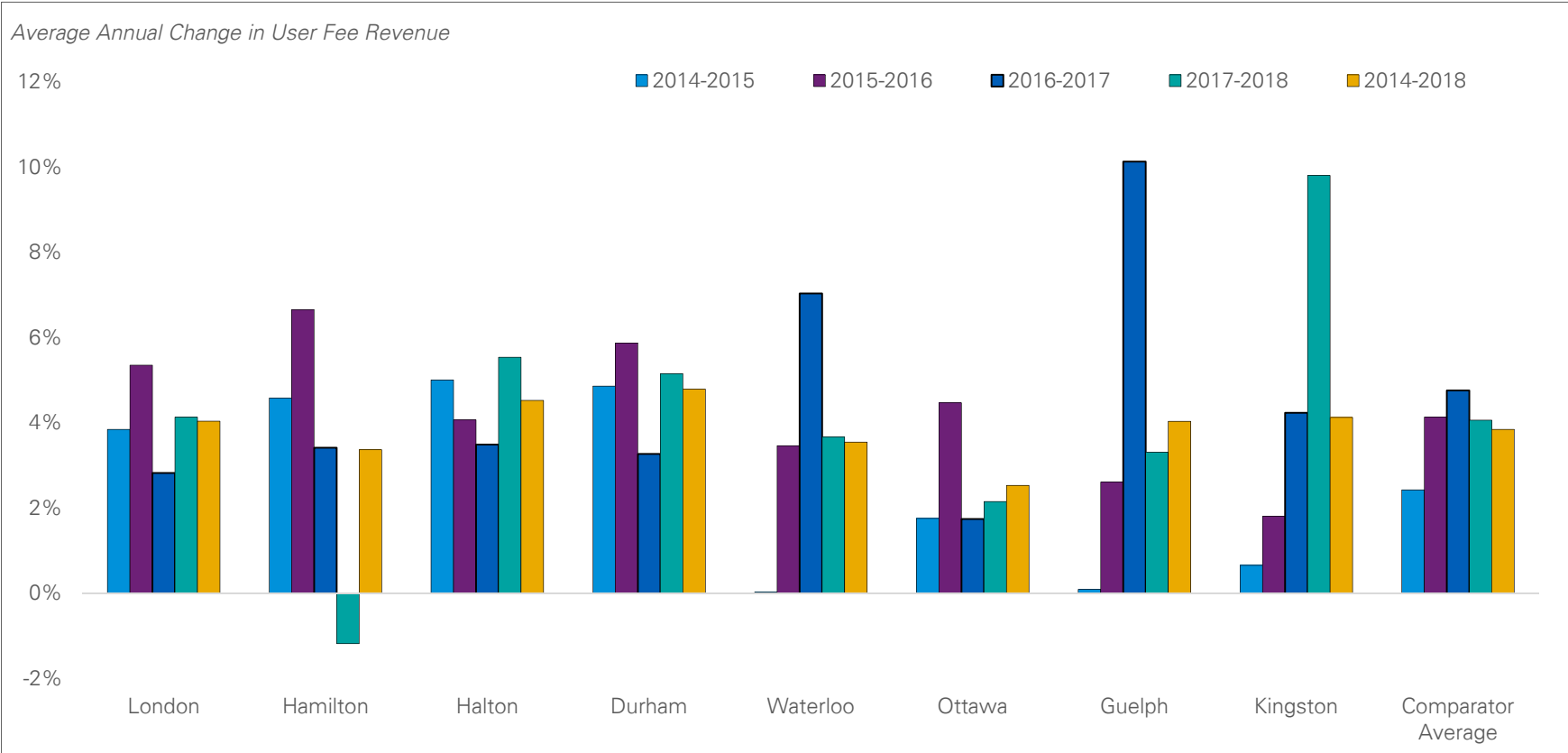
As noted below, the City's user fees for water, wastewater and stormwater services exceed total annual operating costs, with the difference being capital funding generated through user fees. This reflects the City's intention for these services to be fully funded through user fees, with no municipal taxation support, which requires both operating and capital funding requirements to be met through user fees.

User Fees as a Percentage of Operating Costs (Excluding Amortization)



Overview of the City's User Fees

From 2014 to 2018, the City's reported user fee revenues have increased at an average annual rate of 4.05%, which reflects the combination of usage and rate increases. In order to provide perspective on the City's user fee increases, we have summarized below annual rate increases for selected Ontario municipalities. In order to provide a range of comparators, and recognizing the limited number of single tier municipalities with comparable population and household levels as the City, we have included regional municipalities, the rate for which reflects the combination of their upper and lower tier municipalities. Overall, the rate of increase in the City's total user fees since 2014 is slightly higher than the average of the selected comparator municipalities (3.95%).



Overview of the City's User Fees

During the course of the main service review, KPMG undertook an analysis of budgeted user fee revenues for the 2019 fiscal year for a variety of municipal services that are typically funded through a mix of user fees and municipal taxation, although services excluded from the scope of the main review – most notably transit and police services – were not included in the analysis. The results of our analysis are summarized below.

Fees and Charges By-Law Category	Service Grouping	Non-Taxation Revenue as a Percentage of Operating Costs (2019 Budget or 2018 FIR)						Is The City Consistent with the Average?
		London	Hamilton	Windsor	Vaughan	Brampton	Average	
Environmental Services	<ul style="list-style-type: none"> Garbage, Recycling and Composting 	42.6%	27.0%	26.7%	Not delivered exclusively at the lower tier		26.9%	Yes
Parks, Recreation and Neighbourhood Services	<ul style="list-style-type: none"> Neighbourhood and Recreation Services Parks and Urban Forestry 	45.8%	24.3%	29.6%	27.5%	36.7%	29.5%	Yes
Planning and Development Services	<ul style="list-style-type: none"> Building Approvals 	120.1%	90.1%	91.8%	157.8%	125.1%	116.2%	Yes
	<ul style="list-style-type: none"> Development Services 	29.2%	80.1%	18.8%	113.4%	48.2%	65.1%	No
Protective Services	<ul style="list-style-type: none"> Animal Services By-law Enforcement and Property Standards 	51.2%	46.2%	67.8%	67.1%	17.7%	49.7%	Yes
	<ul style="list-style-type: none"> Fire Services 	0.2%	0.5%	2.1%	1.9%	1.2%	1.4%	No
Transportation Services	<ul style="list-style-type: none"> Parking 	210.5%	109.5%	99.8%	n.a.	n.a.	104.6%	Yes
	<ul style="list-style-type: none"> Roadways 	14.1%	14.0%	Comparable financial information is not available			14.0%	Yes
Corporate, Operational and Council Services Financial Management Services	<ul style="list-style-type: none"> Corporate Services Corporate Planning and Administration Council Services Public Support Services Financial Management 	13.9%	23.0%	35.0%	23.0%	12.8%	23.5%	No

- Culture Services has not been included in the analysis due to significant differences in comparator information and the City's existing (high) cost recovery percentage (79%).
- Social and Health Services has not been included in the analysis due to the fact that accommodation rates for the Dearness Home are determined in accordance with the provisions of the Long-Term Care Homes Act, providing the City with no ability to change rates.
- Publications List user fees have not been included in the analysis as these are already included in Development Services.

Overview of the City's User Fees

The analysis provided on the previous page indicates that the City is funding a lower percentage of operating costs through non-taxation revenues for the following services:

- **Fire services.** The City's user fee revenue for fire services amounts to approximately 0.2% of operating costs, compared to a range of 0.5% to 2.1% for the selected comparator municipalities.
- **Development services.** The City currently funds approximately 29% of development services operating costs through user fees, compared to a range of 19% to 113% for the selected comparator municipalities.
- **Corporate, Operational and Council Services and Financial Management Services.** The City's user fee revenue for corporate and financial services amounts to approximately 14% of operating costs, compared to a range of 13% to 35% for the selected comparator municipalities. This category includes a range of financial, clerk and other corporate services. Further analysis indicates that the City's user fees recover 66% of the cost of taxation services compared to an average of 83% for the comparator municipalities.

The scope of work for the user fee review anticipated that services where the City recovered a lower level of operating costs through user fees than the comparator municipalities would be analyzed in additional detail to determine the extent to which additional non-taxation revenues could be generated.

Based on the above analysis, the following services were selected for additional review:

- Fire Services
- Taxation Services

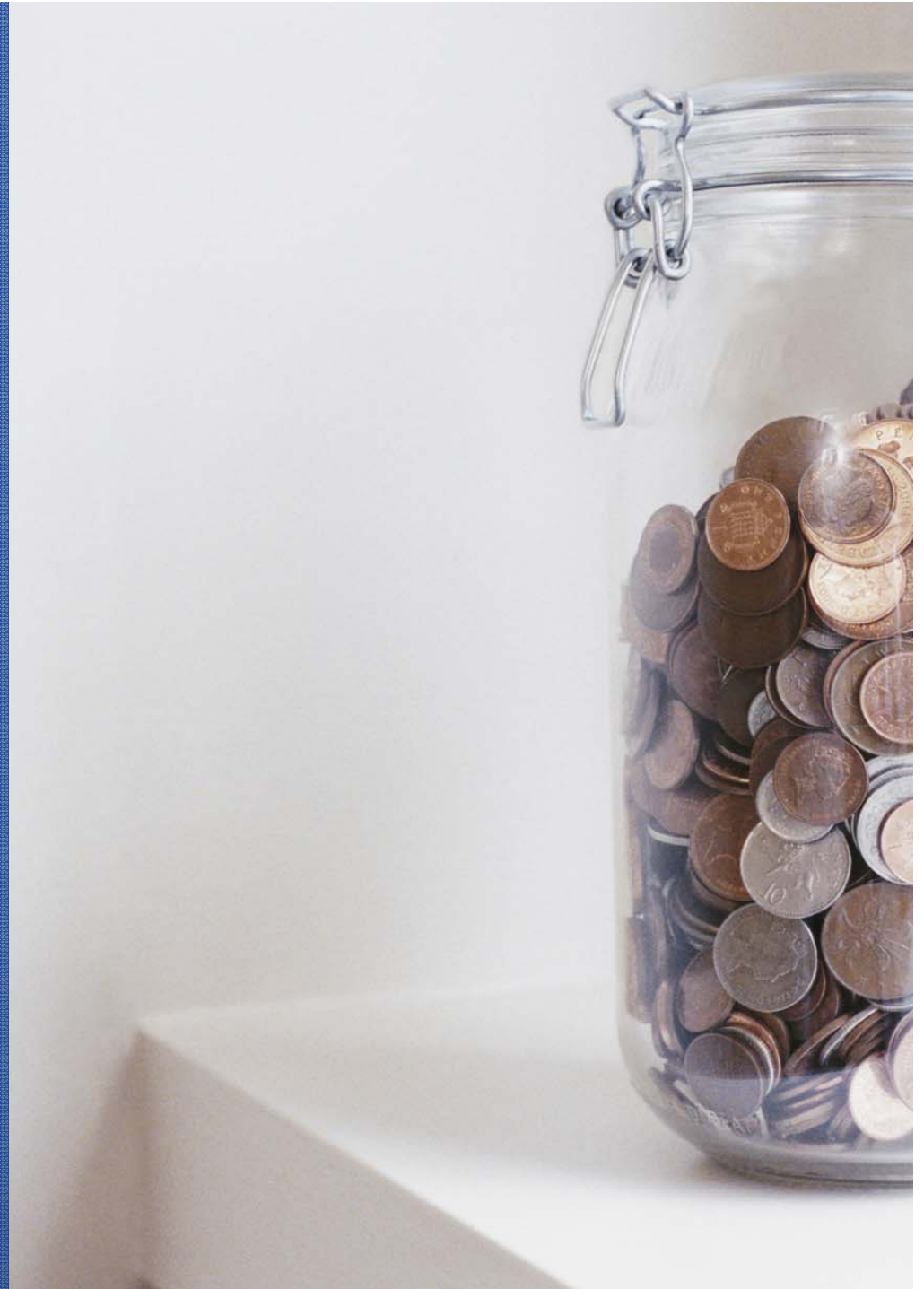
Our analysis includes potential courses of action that could be undertaken by the City in order to align its user fees to reflect best/common municipal practice, as well as to provide a different distribution between taxation and user fees for these services.

For the purposes of the in-depth review, we have deferred an analysis of the City's development services user fees as the City is currently undertaking process mapping of its development services application processes. The process mapping will identify the individual steps involved in the application review and approval process, along with the time required for approvals, which can then be used as the basis of a cost of service analysis in support of future changes to the City's development services user fees. As the process mapping and time analysis is not expected to be completed until early 2020, we have excluded development services user fees from our in-depth analysis.



City of London Service Review

Chapter II Analysis of Fire Service User Fees



Analysis of Fire Service User Fees

A. Overview of Fire Services User Fees

The City's 2019 budget reflects a total of \$138,690 in non-taxation revenues for fire services, representing 0.2% of its total budgeted operating costs of \$62,345,144.

Based on our analysis of 2018 Financial Information Return (FIR) data, for the largest fire services in Ontario, we note that the City has the 5th highest fire expenditures in Ontario but the 19th highest user fee revenues.

However, there are varying degrees of cost recoveries for the comparator municipalities selected for the purposes of our review and based on this analysis, we note that over the last five years:

- The City has consistently reported the lowest amount of fire user fees in its FIR, notwithstanding the fact that its average annual operating expenses are the fourth highest of the comparator municipalities; and
- The City's recovery percentage for fire service operating costs (user fees as a percentage of operating costs) has increased in recent years but continues to remain among the lowest of the comparator municipalities.

Fire Service	Average Annual Operating Costs ¹	Reported Fire User Fees (FIR Reported) ²					User Fees as a Percentage of Operating Costs					
		2014	2015	2016	2017	2018	2014	2015	2016	2017	2018	Average
London	\$58,895	\$121	\$153	\$255	\$245	\$228	0.21%	0.27%	0.45%	0.39%	0.38%	0.34%
Ottawa	\$160,056	\$881	\$789	\$1,030	\$753	\$577	0.47%	0.49%	0.58%	0.49%	0.34%	0.48%
Hamilton	\$88,848	\$411	\$275	\$298	\$321	\$348	0.49%	0.32%	0.34%	0.36%	0.36%	0.37%
Brampton	\$65,395	\$323	\$386	\$658	\$978	\$1,056	0.55%	0.64%	1.08%	1.35%	1.41%	1.01%
Vaughan	\$49,274	\$861	\$935	\$992	\$1,121	\$1,205	2.04%	1.96%	2.04%	2.09%	2.22%	2.07%
Windsor ³	\$48,838	\$257	\$288	\$349	\$496	n.a.	0.59%	0.56%	0.67%	1.04%	n.a.	0.71%
Kitchener	\$34,720	\$1,153	\$1,294	\$1,388	\$1,491	\$1,458	3.57%	3.84%	4.02%	4.13%	3.94%	3.90%
Guelph	\$25,749	\$278	\$310	\$328	\$283	\$416	1.21%	1.25%	1.29%	1.03%	1.49%	1.25%
Kingston	\$24,815	\$303	\$322	\$340	\$312	\$478	1.30%	1.36%	1.31%	1.27%	1.80%	1.41%

¹ Represents the average annual operating costs for fire services from 2014 to 2018, excluding amortization expense and corporate allocations, in thousands.

² In thousands.

³ The 2018 FIR reported negative user fee revenue and as such, we have excluded this year from our analysis.



Analysis of Fire Service User Fees

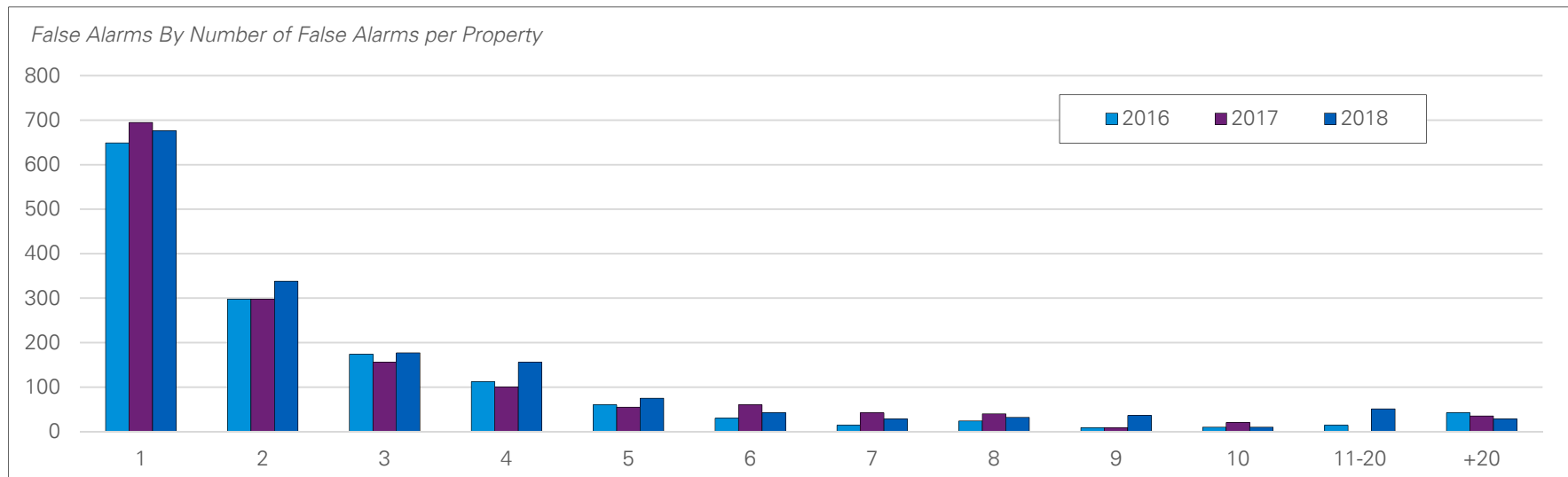
Based on our discussions with representatives of fire services in London, Vaughan, Brampton and Greater Sudbury, we understand that the majority of fire service user fees are generated from calls for assistance for motor vehicle collisions and false alarm charges, with other sources of revenues representing relatively small percentages of total user fees. With respect to these services, the City’s current user fee structure is as follows:

- The City does not charge a false alarm fee for either (i) the first two false alarms in the same building in a 30-day period; or (ii) the first five false alarms in the same building in a calendar year, with a fee of \$700 charged for subsequent false alarm call; and
- The City charges an hourly rate to respond to motor vehicle collisions, based on the hourly vehicle rate established by the Ministry of Transportation (the “MTO Rate”). We note that the City’s user fee by-law allows the City to charge the current MTO Rate, which is adjusted on an annual basis.

Our analysis of each of these user fees follows.

B. False Alarm Fees

During the period 2016 to 2018, the City’s Fire Services received a total of 4,610 false alarms, the majority of which were received from properties reporting one or two false alarms per year, of which 722 would be subject to false alarm fees under the City’s current user fee structure. Included in this amount are 367 false alarms that originated from post-secondary institutions (University of Western Ontario, Fanshawe College) and hospitals (London Health Sciences Centre, St. Joseph’s Health Care London), which current do not attract false alarm fees from the City due to the nature of the facility and factors leading to the false alarms.



Analysis of Fire Service User Fees

As part of our review, we have undertaken a comparative analysis of false alarm fee structures for selected Ontario municipalities, the purpose of which is to identify strategies used by these municipalities to generate fire service user fees. The comparative analysis includes those municipalities identified earlier in our report, as well as additional municipalities that have reported a higher level of fire service user fees to provide added perspective. Based on our review, we note that the City appears to allow a higher level of free false alarms than the majority of the selected comparator municipalities, which typically provide one to two free false alarms per calendar year as compared to up to five free fire alarms per year allowed by the City. We note, however, that Hamilton's fee structure for false alarms is consistent with the City's current structure (i.e. five free fire alarms), while five municipalities do not charge for false alarms.

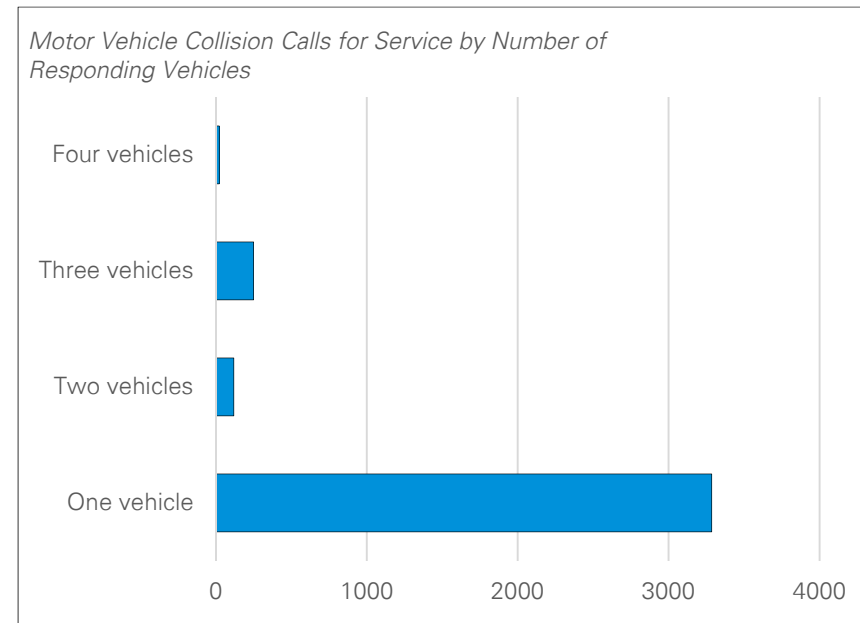
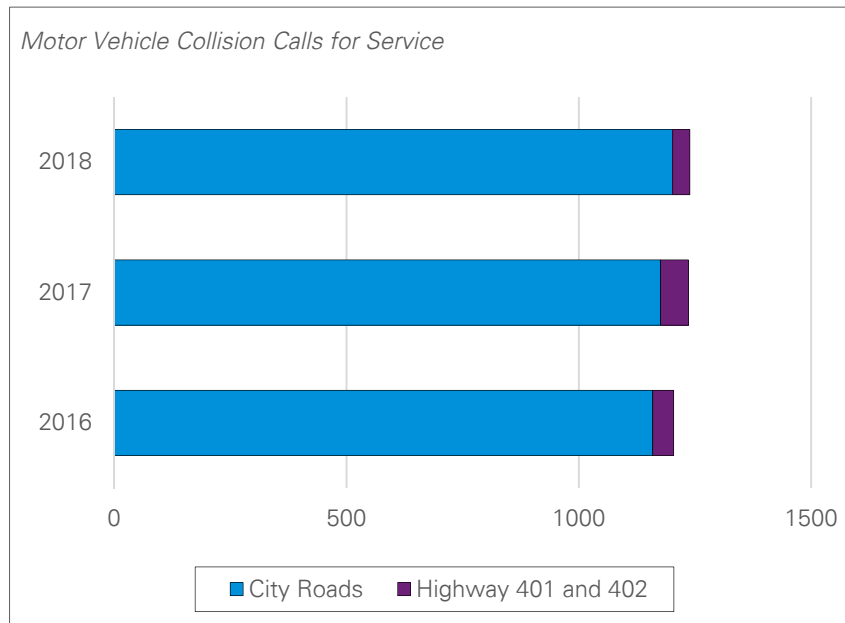
	Number of Free False Alarms	Term	False Alarm Fee (First Occurrence)	False Alarm Fee (Subsequent Occurrence)
London	5	Calendar year	\$700.00	\$700.00
Comparator Group 1 – Comparable Sized Municipalities				
Ottawa	No charge for false alarms			
Hamilton	5	Calendar year	\$511.55	\$511.55
Brampton	1	Trailing 12-month period	\$566.00	\$566.00
Vaughan	2	Calendar year	\$532.00	\$532.00
Windsor	1	Calendar year	\$1,350.00	\$1,350.00
Comparator Group 2 – Municipalities with Relatively High Levels of Fire Service User Fee Revenue				
Kitchener	No charge for false alarms			
Guelph	None		\$477.00	\$477.00
Kingston	1	Calendar year	\$250.00	\$500.00
Richmond Hill	2	Calendar year	\$477.00	\$477.00
Caledon	1	Calendar year	\$1,415.00	\$1,415.00
Sarnia	2	Calendar year	\$457.50	\$457.50
Greater Sudbury	None		\$477.00	\$954.00
Cambridge	2	Month	\$1,000.00	\$1,000.00

⁴ Our analysis has identified municipalities that do not appear to charge for false alarms, including Peterborough, Barrie and Markham.

Analysis of Fire Service User Fees

C. Motor Vehicle Collision Fees

During the period 2016 to 2018, the City's Fire Services received a total of 3,679 calls for service relating to motor vehicle collisions, the majority of which (3,537) occurred within the City's road network as opposed to Highways 401 and 402. For motor vehicle collisions occurring within the City's road network, Fire Services responded with one vehicle to 93% of the calls for service (the remaining 7% involved a three vehicle response), while the majority of motor vehicle calls for service occurring on Highways 401 and 402 (84%) involved a two vehicle response (the remaining 16% involved a four vehicle response).



The City's current user fee by-law allows the City to invoice the driver responsible for the motor vehicle collision based on hourly rates established by the Ministry of Transportation ("MTO"), which we understand is currently set at \$477.00 per hour per vehicle. Consistent with a number of municipalities, the City does not invoice the responsible driver for motor vehicle collisions occurring on City roads if they are a resident of London. Regardless of residency, the City will charge user fees for collisions on Highways 401 and 402, which is consistent with the approach adopted by a number of other municipalities.

Analysis of Fire Service User Fees

As noted below, the MTO hourly rate appears to be the typical basis for invoicing for fire service responses to motor vehicle collisions, although we note that certain municipalities will invoice one rate for up to three vehicles as opposed to invoicing on a per vehicle basis. In addition to the MTO rate, other municipalities will also invoice for consumables and an administration fee, which is consistent with the approach adopted by the City.

Fire Service	Motor Vehicle Collision Fee	Basis	Additional Charges Listed in Fee By-Law
London	\$477.00	Per vehicle	<ul style="list-style-type: none"> By-law allows the City to recover the full cost of extraordinary costs to eliminate an emergency or risk, preserve property or evidence or to investigate, including but not limited to renting equipment, hiring contractors, hiring professional services, using consumable materials, replacing damaged materials or purchasing materials, fixing of damaged equipment or vehicles as a result of response.
Hamilton	\$511.55	Per vehicle	<ul style="list-style-type: none"> By-law allows the City to recover the full cost of extraordinary costs to eliminate an emergency or risk, preserve property or evidence or to investigate, including but not limited to renting equipment, hiring contractors, hiring professional services, using consumable materials, replacing damaged equipment or purchasing materials.
Brampton	\$477.00	Per vehicle	<ul style="list-style-type: none"> By-law allows the City to charge for consumables, damages or contamination to equipment in the event of a hazardous materials response. By-law also allows the City to recover the cost of renting special equipment or using consumable materials to board or barricade a property.
Vaughan	\$1,120.00	First three vehicles	<ul style="list-style-type: none"> By-law allows the City to recover the cost of materials or supplies consumed, or equipment/apparatus damages sustained or other expenses incurred at an incident. The by-law also allows the City to recover miscellaneous expenses not included elsewhere in the by-law and where the service is not exempt from user fees.
Windsor	\$465.42	Per vehicle	<ul style="list-style-type: none"> By-law allows for additional fees for staffing time and a 10% administrative charge.
Kitchener	\$477.00	Per vehicle	<ul style="list-style-type: none"> Consumable materials are identified in the by-law as being in addition to the hourly apparatus fee.
Guelph	\$477.00	Per vehicle	<ul style="list-style-type: none"> The by-law indicates that overtime and other expenses are in addition to the vehicle response rate.

Analysis of Fire Service User Fees

Fire Service	Motor Vehicle Collision Fee	Basis	Additional Charges Listed in Fee By-Law
Kingston	\$410.00	Per vehicle	<ul style="list-style-type: none"> By-law allows for the cost recovery of incidentals, optional equipment and consumables.
Richmond Hill	\$477.00	Per vehicle	<ul style="list-style-type: none"> By-law allows for additional fees to be levied for the total replacement cost of any contaminated or damaged equipment or materials used in the response.
Caledon	\$1,415.00	First three vehicles	<ul style="list-style-type: none"> By-law allows for the recovery of the full cost of damaged equipment and consumables used plus an administration fee of 15%.
Sarnia	\$457.50	Per vehicle	<ul style="list-style-type: none"> By-law allows for additional fees relating to personnel costs and any additional costs.
Greater Sudbury	\$477.00	Per vehicle	<ul style="list-style-type: none"> By-law allows for fees for additional costs and also includes a specific charge for foam usage.
Cambridge	\$450.00	Per vehicle	<ul style="list-style-type: none"> None identified.

The majority, but not all, of fee by-laws for the above-noted municipalities indicate that motor vehicle collision fees are only charged to non-residents, which is consistent with the approach adopted by the City. Accordingly, while precedence does exist for the City to charge residents in these circumstances, we do not suggest this as a potential course of action given that the City's current approach is consistent with the majority of the comparator municipalities. Please note that municipalities do not appear to adopt different rates for motor vehicle collisions based on residency, with only one rate established for motor vehicle collisions. Rather, residency determines whether the motor vehicle collision fee will apply with respect to accidents occurring on municipal roads.

In addition, while some municipalities have adopted a motor vehicle collision fee that reflects an hourly rate for up to three vehicles, we do not suggest that the City change its current approach of charging the MTO rate per vehicle dispatched. This reflects the fact that 89.3% of motor vehicle collision calls for service involve the dispatch of only one vehicle.

The majority of fire services included in our analysis have adopted the MTO rate as the basis for determining the hourly cost of fire service response. Given that this appears to be best/common practice for Ontario fire services, we have not completed a cost of service analysis for the City's Fire Services.

Observations and Conclusions

Based on the results of our review, we note that a number of aspects of the City's user fee with respect to fire services are reflective of best practices adopted by other large municipalities in Ontario:

- The City utilizes the MTO Rate as the basis for motor vehicle collision responses, with the by-law providing for use of the most recent rate, avoiding the need to revise the by-law;
- The City does not charge residents for motor vehicle collisions, which represents the most common practice among the municipalities reviewed in our analysis;
- The City's rate for false alarm response (\$700.00) is in the mid-range of the fee charged by the selected comparator municipalities;
- The City's user fees for special team responses (hazardous materials, technical rescue, ice and water rescue) and fire inspections are generally consistent with a number of Ontario municipalities; and
- The City has introduced charges for materials and supplies consumed in the course of providing a response in addition to the charge for the fire vehicles.

Notwithstanding the City's general consistency with best practices, our analysis indicates that there is a significant difference with respect to the number of free false alarms, with the City's annual allowable number of free false alarms (five) being higher than the number of free fire alarms typically allowed by other municipalities (one to two). In addition, our analysis has identified other differences between the City's user fees for fire services and other municipalities with respect to fees for specific services.

A overview of potential courses of action that could be considered by the City is provided on the following pages.

Potential Opportunities for Consideration

Based on the results of our analysis, we suggest that the City consider the following potential courses of action with respect to Fire Service user fees.

A. Reduce the Number of False Alarms Not Subject to Fees to Two Per Calendar Year

As noted previously in our report, the user fee structure for a number of municipalities provides for either one or two free false alarms, as opposed to the five free false alarms currently provided by the City per year and two free fire alarms within a 30-day period. To the extent that the City reduces the number of free false alarms, the estimated incremental revenue (based on the average annual false alarm volumes for 2016 to 2018) could be in the range of \$19,800 to \$315,500, as follows:

	Current State Five Free False Alarms	Option 1 Four Free False Alarms	Option 2 Three Free False Alarms	Option 3 Two Free False Alarms	Option 4 One Free False Alarm
Total number of false alarms (2016 to 2018)	4,610	4,610	4,610	4,610	4,610
Exempt properties (post-secondary institutions and hospitals)	(367)	(367)	(367)	(367)	(367)
Number of non-exempt fire alarms	4,243	4,243	4,243	4,243	4,243
Number of free false alarms based on threshold	4,099	4,014	3,849	3,520	2,747
Number of false alarms subject to fees	144	229	394	723	1,496
False alarm fee	\$700.00	\$700.00	\$700.00	\$700.00	\$700.00
Total potential revenue (2016 to 2018)	\$100,800	\$160,300	\$275,800	\$506,100	\$1,047,200
	÷ 3 years	÷ 3 years	÷ 3 years	÷ 3 years	÷ 3 years
Average annual potential revenue	\$33,600	\$53,400	\$91,900	\$168,700	\$349,100
Potential incremental annual revenue		\$19,800	\$58,300	\$135,100	\$315,500

To the extent that the City wishes to consider a reduction in the number of free false alarms, we suggest that consideration be given to establishing the number of free false alarms to two per calendar year. In addition, the City may also wish to consider:

- Phasing in the reduction in the number of free false alarms over a two year period, thereby allowing property owners to make changes necessary to reduce the number of false alarms; and
- Providing authority to the Fire Chief and their designate to review false alarm charges and, where considered appropriate in the circumstances, waive the fee.

Potential Opportunities for Consideration

B. Increasing the Fee for False Alarms

We understand that the City's current fee of \$700.00 per false alarm does not fluctuate based on the number of fire vehicles dispatched, which we understand could be as high as three vehicles. Accordingly, the current false alarm charge does not reflect the MTO rate for fire vehicles when more than one vehicle is dispatched, as follows:

- Where two vehicles are dispatched, the MTO rate would result in a fee of \$954.00 (difference of \$254.00 per hour); and
- Where three vehicles are dispatched, the MTO rate would result in a fee of \$1,431.00 (difference of \$731.00 per hour).

We understand that the MTO rate is intended to reflect the cost of operating a fire vehicle and as such, can be considered to be representative of the City's cost for responding to false alarms. Accordingly, we suggest that the City consider increasing the false alarm fee to reflect the typical number of vehicles dispatched in response to a fire call for service.

C. Consider Other Potential User Fee Changes

Based on our review of the City and comparator municipalities, we note that there is considerable variability with respect to user fees for fire services outside of false alarms and motor vehicle collision responses. Specifically, we note that other fire services have implemented fees for the following services that are currently not charged by the City:

- Inspection fees for premises with liquor licenses issued by the Alcohol and Gaming Commission;
- Response fee for natural gas leaks, to the extent that this is not already addressed by the special team incident response fee;
- Fees for the review of risk and safety management plans for facilities storing propane; and
- Fees for family fireworks sales permits.

A summary of comparable fees charged by other fire services for the services listed above is provided on the following page.

Potential Opportunities for Consideration

	London	Hamilton	Windsor	Vaughan	Brampton
AGCO inspection fees	n.a.	\$81.81 (patio) \$177.43 (indoor)	n.a.	\$242.00	\$210.00
Natural gas response	\$700.00 per hour for special team response	\$511.55 per hour	\$465.42 per hour		\$546.00 per hour
Review of risk and fire safety plans - Level 1 facility (<5,000 gallons)	n.a.	\$288.01	n.a.	\$305.00 (new) \$608.00 (existing)	\$300 (existing) \$600 (new or change of ownership)
Review of risk and fire safety plans - Level 2 facility (>5,000 gallons)	n.a.	\$2,131.33 (expanded) \$2,880.13 (new) \$1,440.13 (renewal)	n.a.	\$2,735.00 (existing) \$3,039.00 (new or modified)	\$1,500 (existing) \$3,000 (new or change of ownership)
Family firework sales permits	n.a.	\$204.91 (store) \$409.65 (trailer)	n.a.	\$183.00 (initial) \$141.00 (re-inspection)	\$100.00 (fireworks retailer course)
Inspections	\$171.00 for the first 10,000 square feet \$84.00 for every 10,000 square feet thereafter	\$68.23 to \$1,637.35	\$150.00 per hour	\$78.00 to \$242.00	Base inspection fees are \$210.00, with additional charges for occupants, square footage and number of floors depending on the nature of the property

The use of separate user fees is consistent with specific risks associated with different types of properties and activities and as such, we suggest that the City consider the implementation of additional fees in line with those adopted by other municipalities.

In addition to these new fee categories, the City may also wish to consider revising its fees for fire inspections. Currently, the City's rate for inspections (\$171.00 for the first 10,000 square feet of building area and \$84.00 for every 10,000 square feet thereafter) appears to be inconsistent with certain other municipalities which will establish different fees for different types of facilities (commercial properties, residential properties, etc.). This approach may provide a better matching of the cost of undertaking a fire inspection to the size and complexity of the property under inspection.



City of London Service Review

Chapter III Analysis of Taxation User Fees



Analysis of Taxation User Fees

A. Overview of Taxation User Fees

The City's 2019 budget reflects a total of \$1,433,519 in revenues for taxation services, representing 67.6% of the budgeted taxation operating costs of \$2,119,133. The City's user fee by-law includes a number of fees relating to taxation services, a sample of which is provided below.

	London	Hamilton	Brampton	Kitchener	Windsor	Kingston	Guelph	Vaughan	Comparator Average
Tax certificates	\$57.00	\$61.30	\$65.00	\$60.00	\$75.00	\$73.15	\$60.00 to \$75.00	\$90.00	\$65.74
Ownership change fee	\$37.00	\$14.55	\$35.00	\$40.00	\$75.00	–	\$35.00	\$32.00	\$33.26
New account fee	\$67.00	\$18.05	\$35.00	–	\$75.00	\$31.95	\$50.00	\$55.00	\$35.00
Past due notification	\$8.00	\$3.00	\$7.00	–	–	–	\$10.00	–	\$3.33
Duplicate tax bill printing	\$26.00	\$11.75	\$15.00	\$25.00	\$10.00	\$15.65	\$25.00	\$23.00	\$17.07
NSF returned cheque fee	\$45.00	\$34.25	\$35.00	\$35.00	\$50.00	\$38.10	\$40.00	\$45.00	\$38.73

As noted in the analysis, the City's user fees appear to be generally consistent with other similar sized municipalities. We note, however, that the City's fee for tax certificates is the lowest of the selected municipalities and is approximately \$8.00 lower than the average of the comparator municipalities, while its fee for duplicate tax billing is the highest of the comparator group.

B. Process Mapping and Cost of Service Analysis

In addition to assessing the City's taxation user fees based on a comparison to other similar sized municipalities, we have also undertaken a high level analysis of the various steps that are required to be completed in connection with the services listed above (see Appendix A). The purpose of this analysis is to provide an indication as to the level of resources required to maintain the City's taxation system. Accompanying the process mapping is an analysis of the associated cost of providing this service (see Appendix B).

Analysis of Taxation User Fees

We have included as Appendix A a graphical depiction of the individual worksteps that compromise the following taxation-related processes:

- Interim tax billing
- Final tax billing
- Supplementary tax billing
- Payment processing (cheques and cash)
- Payment processing (online, telephone and mortgage companies)
- Pre-authorized payments (account set-up, billing, payment)
- Arrears notices
- Tax certificates
- Tax account changes

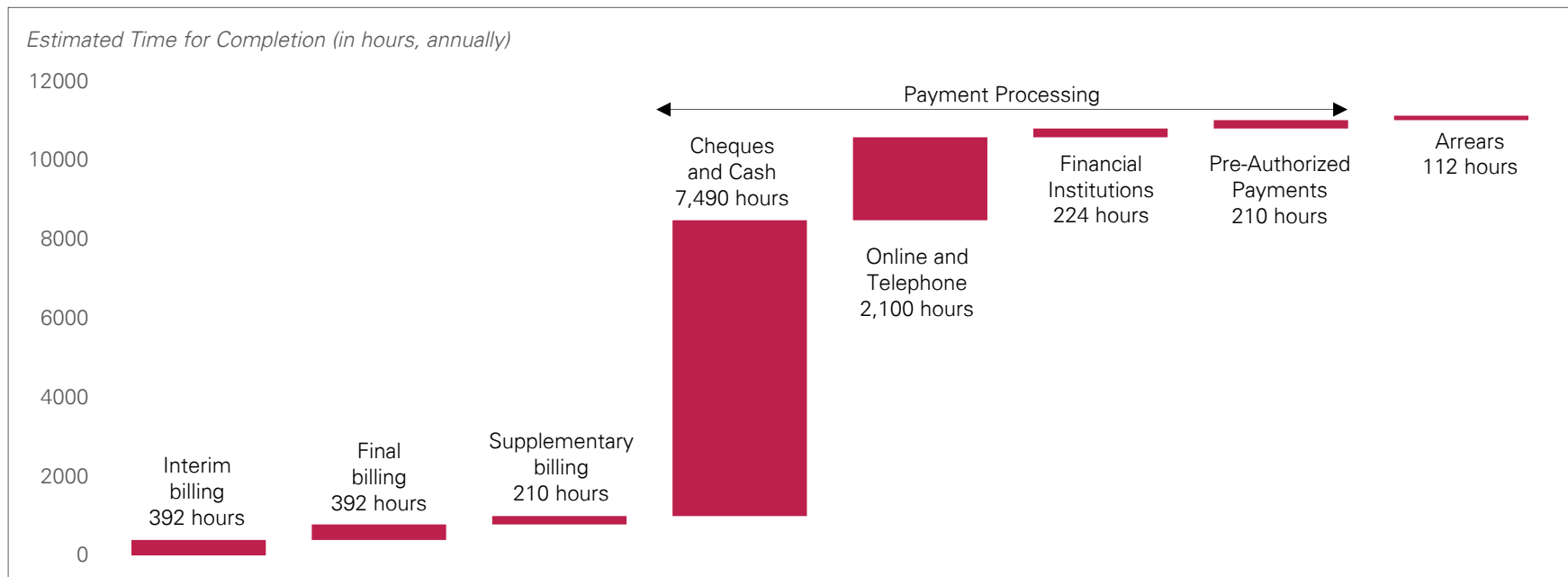
While not depicted on the workflow diagrams, a number of aspects of the City's taxation processes involve two steps:

- An initial processing of taxation data within a test mode of its tax systems, which is intended to ensure that the data is processed accurately and provides the City with the opportunity to resolve any errors or processing issues; and
- A final processing of taxation data and transactions within a "live" mode of its tax systems.

As such, certain work processes depicted on the following pages are actually performed twice – once in test mode and once in live mode.

A review of the process workflows with City staff indicate that as many as 11,130 hours or 1,590 person days are required to complete the recurring tax transaction processes (please see graphic on next page). This equates to approximately 6.4 full-time equivalent staff involved solely in recurring tax transaction processing.

Analysis of Taxation User Fees



The time estimates noted above relate solely to tax transaction processing and do not include other functions undertaken by tax personnel, including but not limited to:

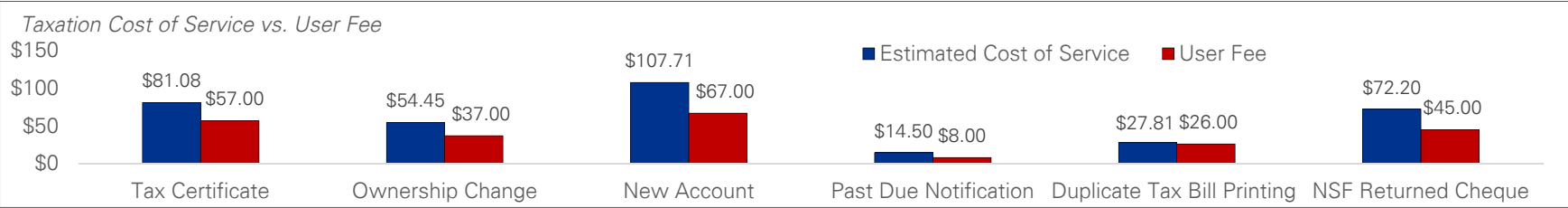
- Taxation policy;
- Customer support and inquiries;
- Tax certificates, tax account changes and other one-time, non-recurring transaction processing;
- Work performed for other municipal departments;
- Property registrations and tax sales; and
- Administrative duties.

In addition, resources from other functional areas within the City (e.g. information technology) as well as the City's external service provider (Watt) are not included in the analysis presented above.

Observations and Conclusions

Based on the results of our analysis, we make the following comments and observations:

- Given the comparability of the City’s user fees for taxation services to other similar sized municipalities and the extent of work processes and associated resources required to maintain the City’s taxation system, we do not believe that a significant change to the City’s current taxation user fees is warranted at this time.
- By their nature, the taxation services for which the City charges user fees are non-recurring and are prone to significant fluctuations on a year-over-year basis depending on economic conditions and other factors. While the level of user fees will change depending on factors such as the level of new construction, property ownership changes and late taxation payments, operating costs associated with taxation processes are predominantly fixed in nature, increasing the risk of deficits associated with taxation services in years where revenues fall below budgeted levels.
- The recurring tax processing transactions identified in Appendix A are generally required to be performed in support of the non-recurring services such as tax certificates in that they maintain the balance of taxation owing. As such, while the actual time required to complete a tax certificate may be 90 minutes, the cost of providing the tax certificate reflects:
 - The cost of all City personnel involved in the processing of recurring taxation transactions;
 - Direct non-personnel costs, including expenses relating to printing, envelopes and postage;
 - Indirect support costs, such as information technology support (particularly with respect to data transfers undertaken as part of the tax transaction processing), occupancy costs and corporate support for City personnel involved in recurring transactions; and
 - Capital costs associated with technology used in the City’s processing of tax technology.
- Included as Appendix B is a cost of service analysis that identifies the estimated cost of providing the different taxation services covered under the City’s Fees and User Charges By-Law. As summarized below, the cost of service analysis indicates that the cost of providing the City’s taxation services is higher than the current user fee, with the City’s user fees recovering 55% to 93% of the estimated cost of providing taxation services.



- As outlined in the process maps for taxation services (Appendix A), the City’s taxation processes rely heavily on information technology systems. Accordingly, the consideration of user fees for taxation services should extend beyond operating costs to include future reinvestment for information technology infrastructure and applications to support continued operations.



Potential Opportunities for Consideration

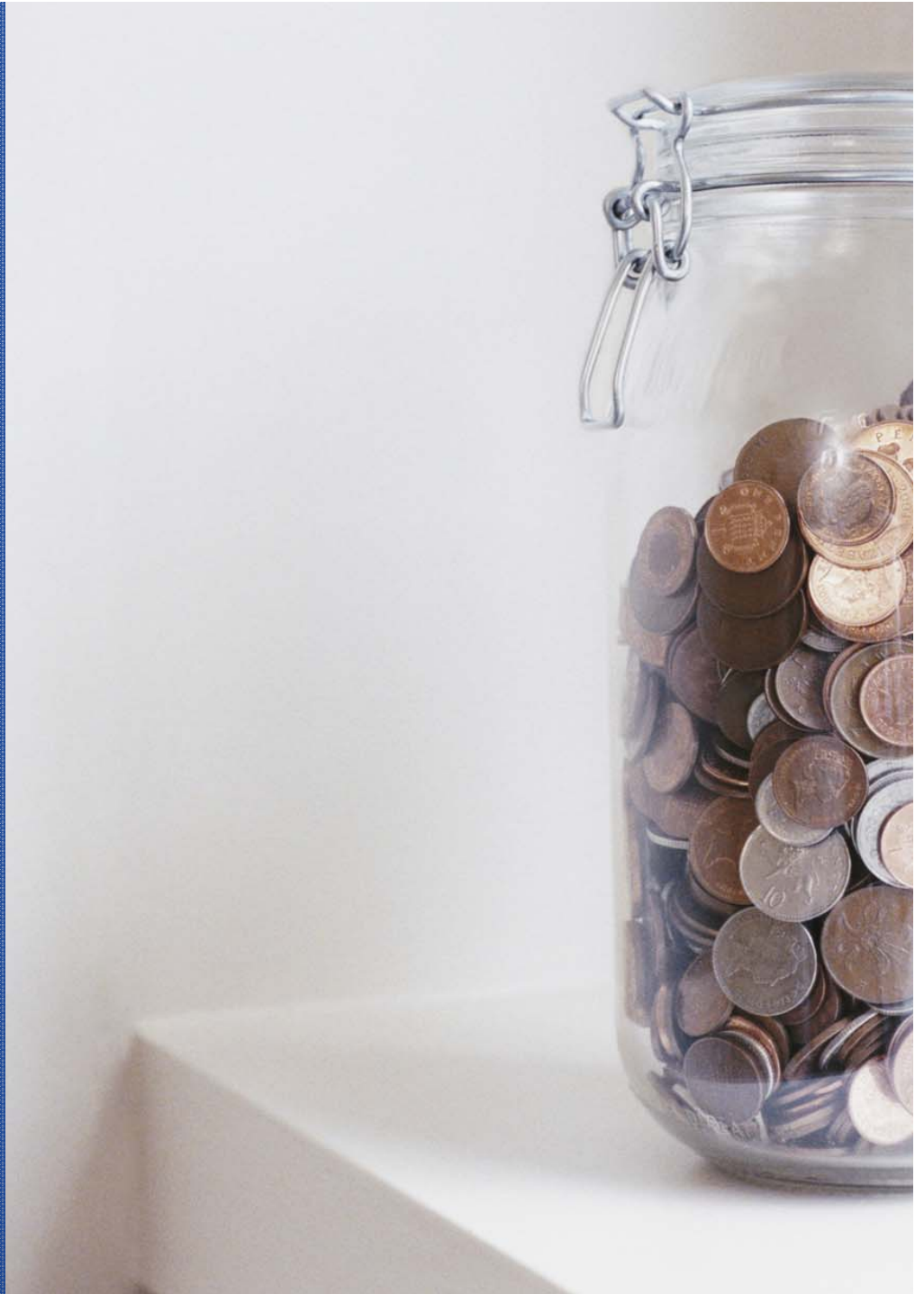
In addition to the observations and conclusions provided in this chapter, the City may wish to consider the following courses of action:

- Establishing a stabilization reserve for taxation revenues that would allow for a smoothing of budgeted levy support requirements. During years when the City's taxation user fees exceed the budgeted amount, the excess would be contributed to the reserve with the expectation that shortfalls in future years would be funded from the reserve. As part of the establishment of the reserve, the City could also consider setting a limit on the maximum reserve balance, with excess amounts treated as general revenue.
- Assessing the extent to which user fees should incorporate the cost of future upgrades to the City's taxation information technology infrastructure. We understand that the City is currently undergoing asset management planning intended to assess the anticipated capital reinvestment requirements over the short to medium term future. To the extent that the City's asset management planning identifies a significant reinvestment requirement relating to taxation, the City may wish to consider assessing whether future rate increases are required in order to fund a portion of the required capital costs.



City of London Service Review

Appendix A Taxation Process Workflows

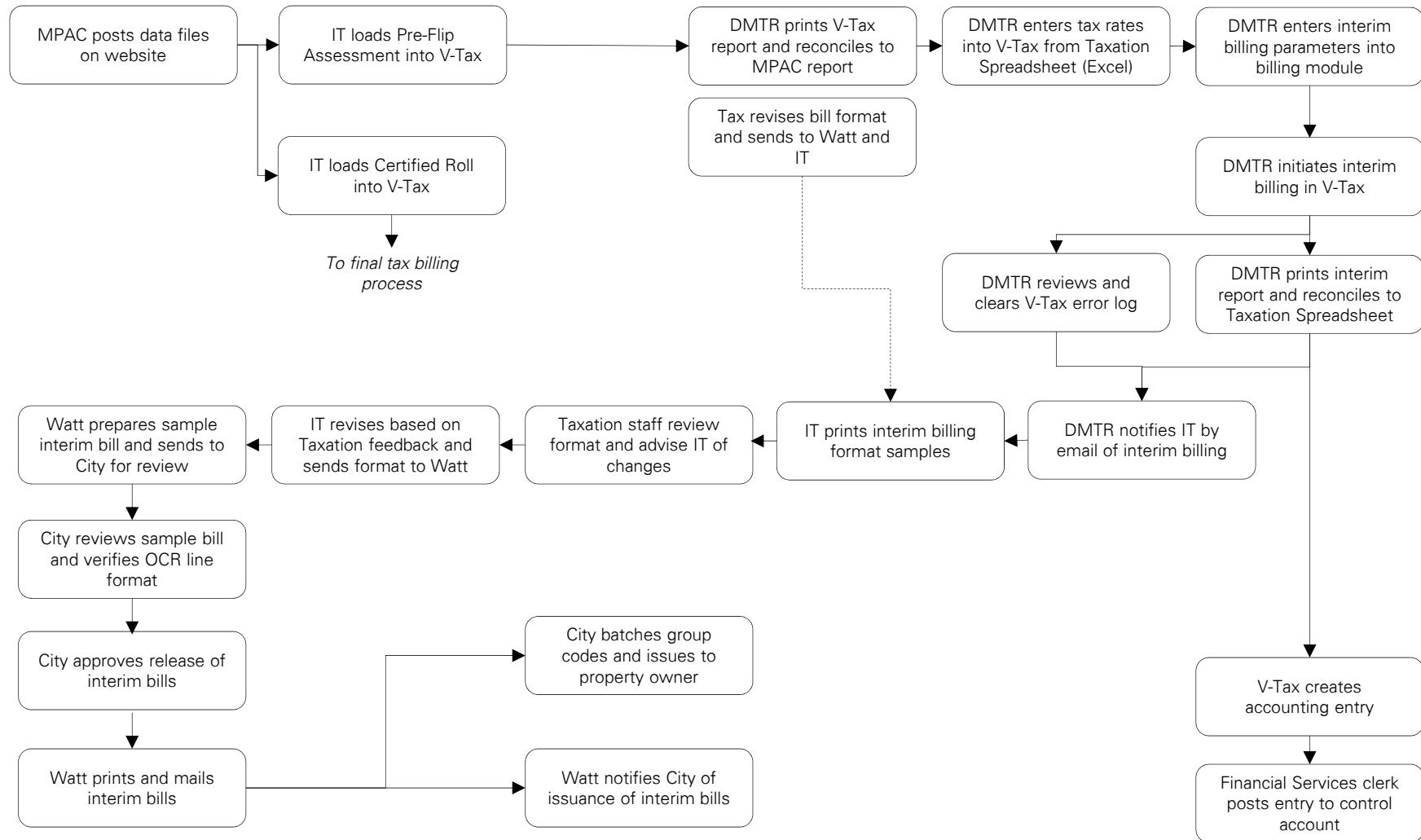


Introduction

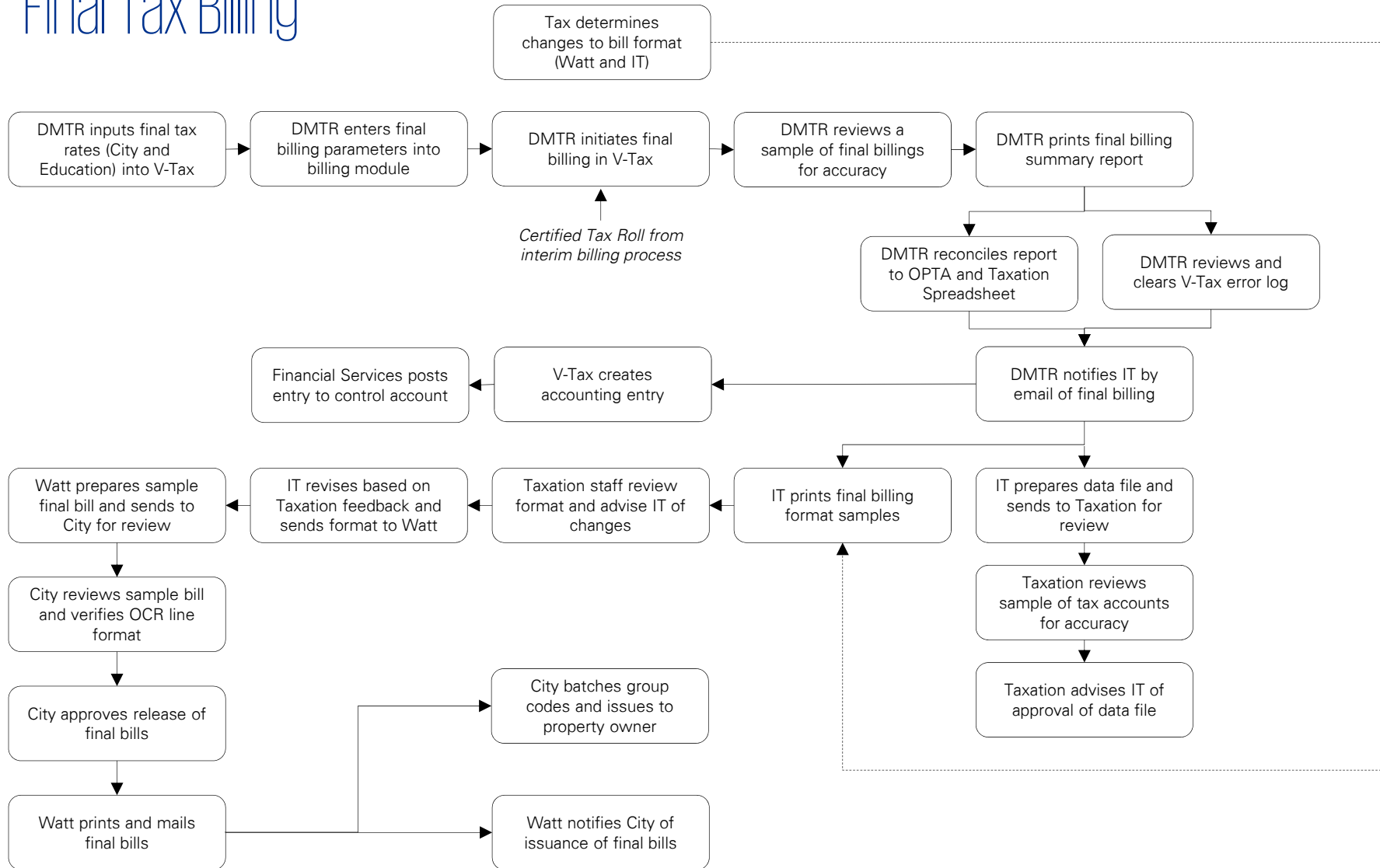
For the purposes of the taxation process workflows, the following abbreviations have been used:

- Division Manager – Taxation and Revenue DMTR
- Manager – Taxation and Accounting Services MTAS
- Manager – Customer Service and Assessment MCSA
- Customer Service Representative CSR

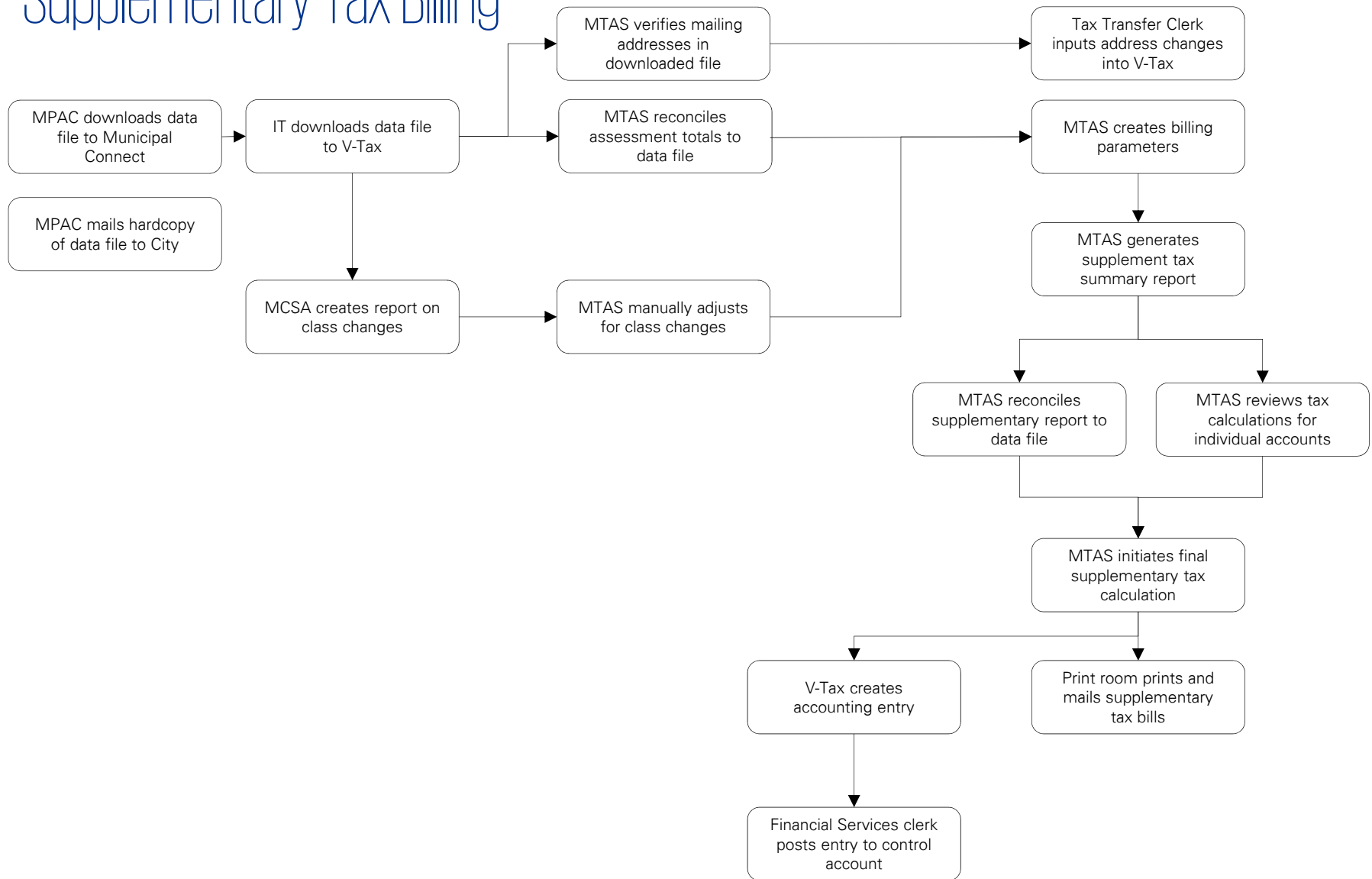
Interim Tax Billing



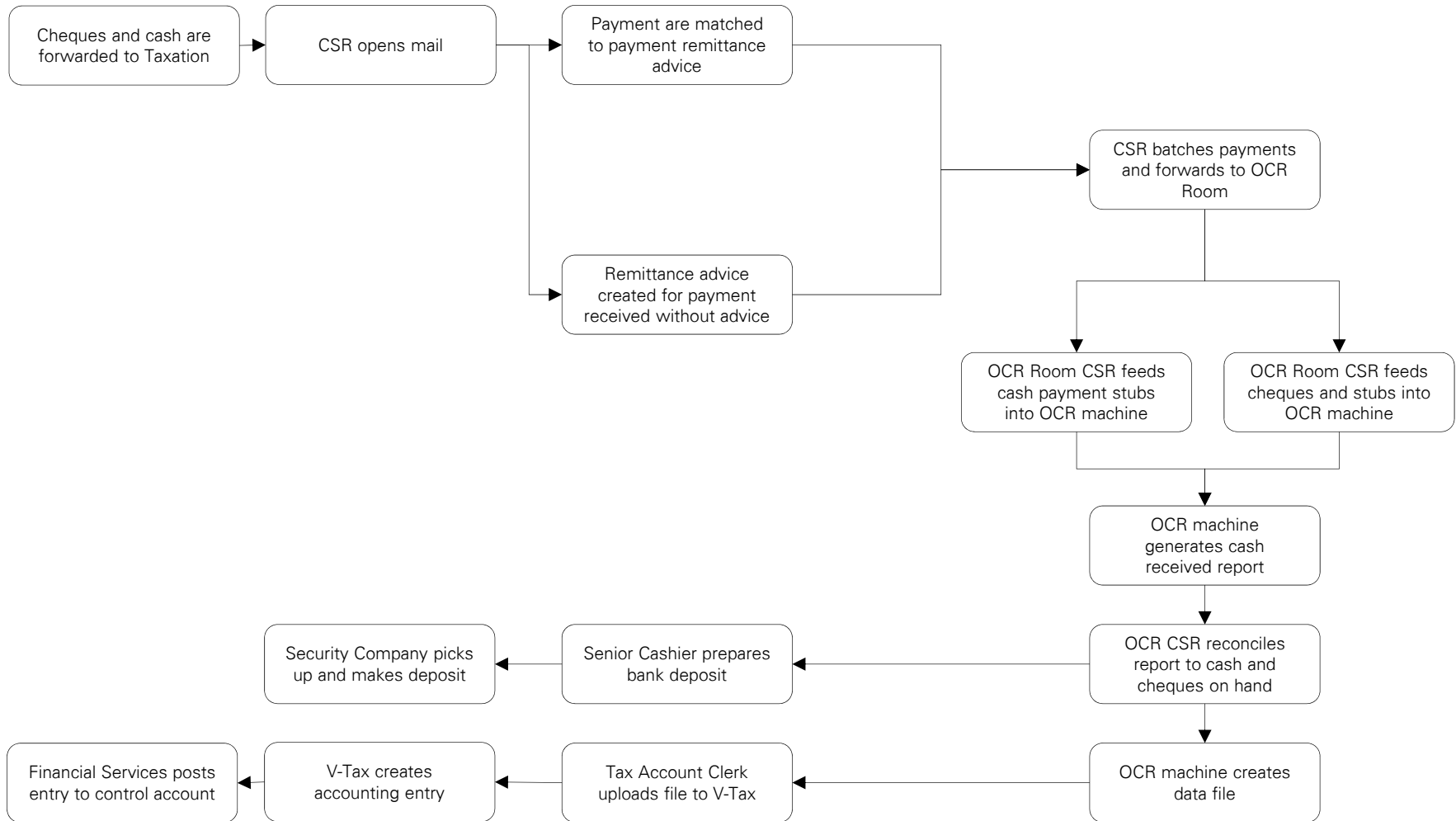
Final Tax Billing



Supplementary Tax Billing

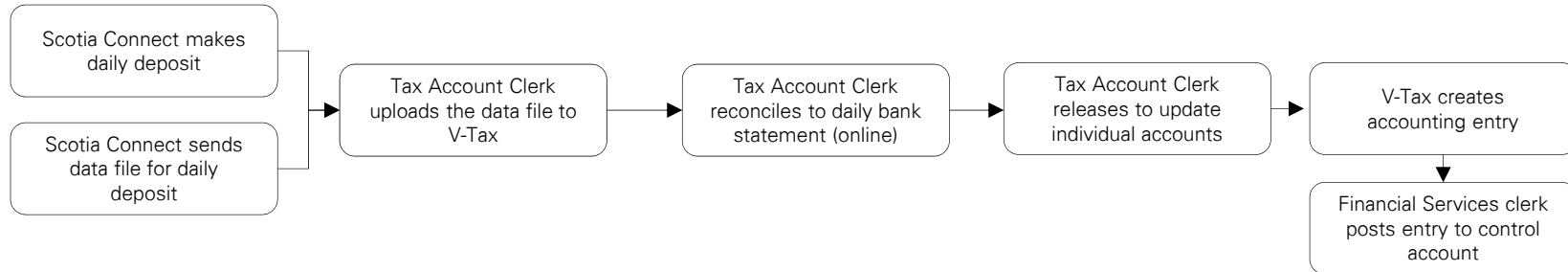


Payment Processing (Cheques and Cash)

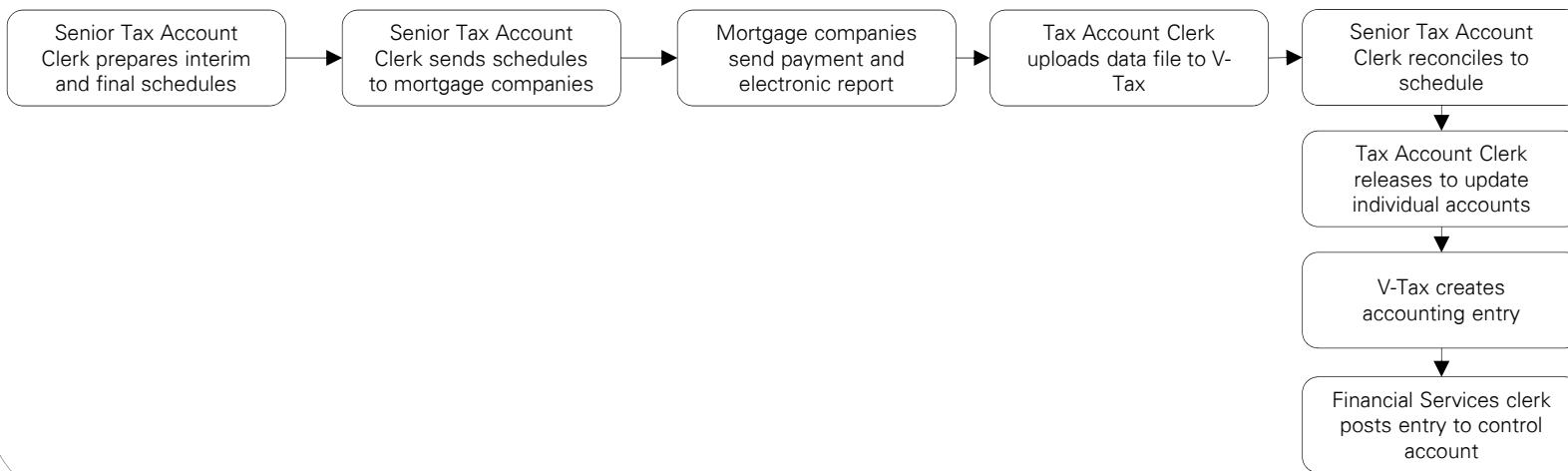


Payment Processing (Online, Telephone and Mortgage Companies)

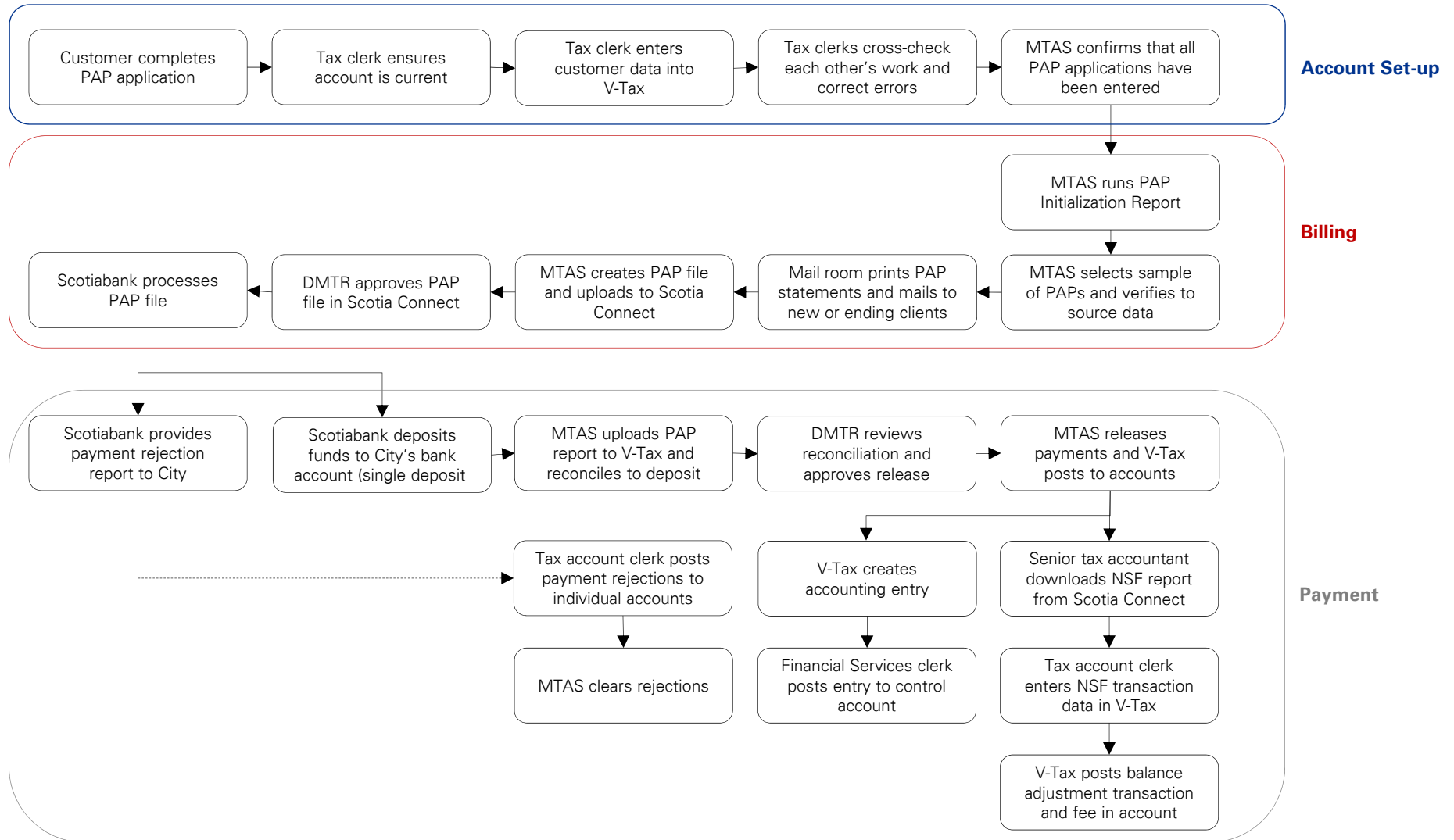
Online and Telephone Banking



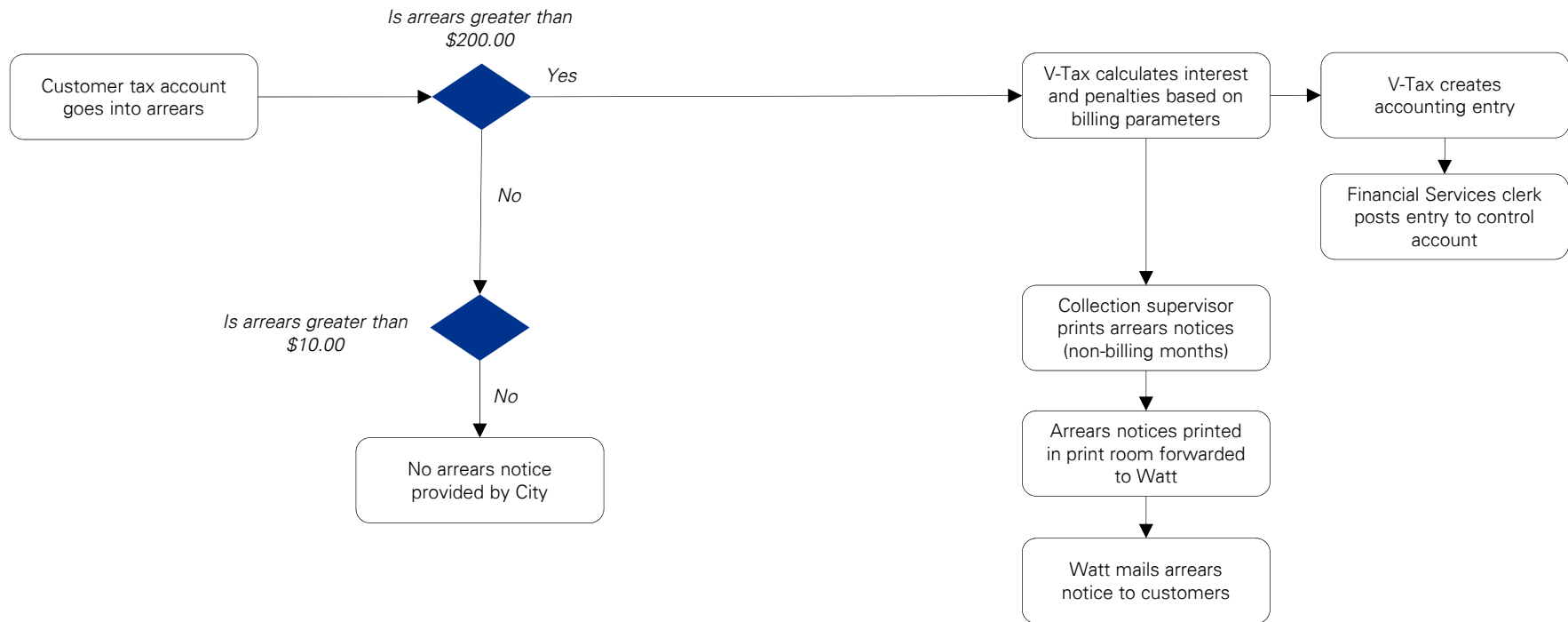
Mortgage Companies



Pre-Authorized Payments (Account Set-up, Billing, Payment)

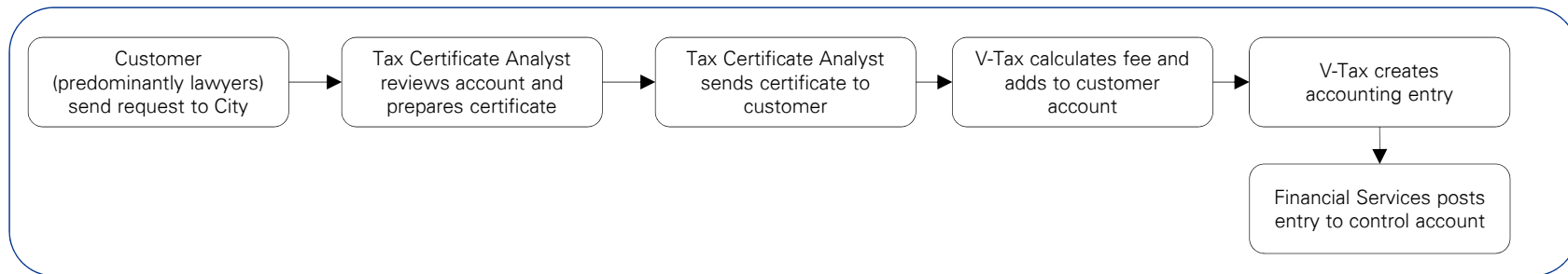


Arrears Notices

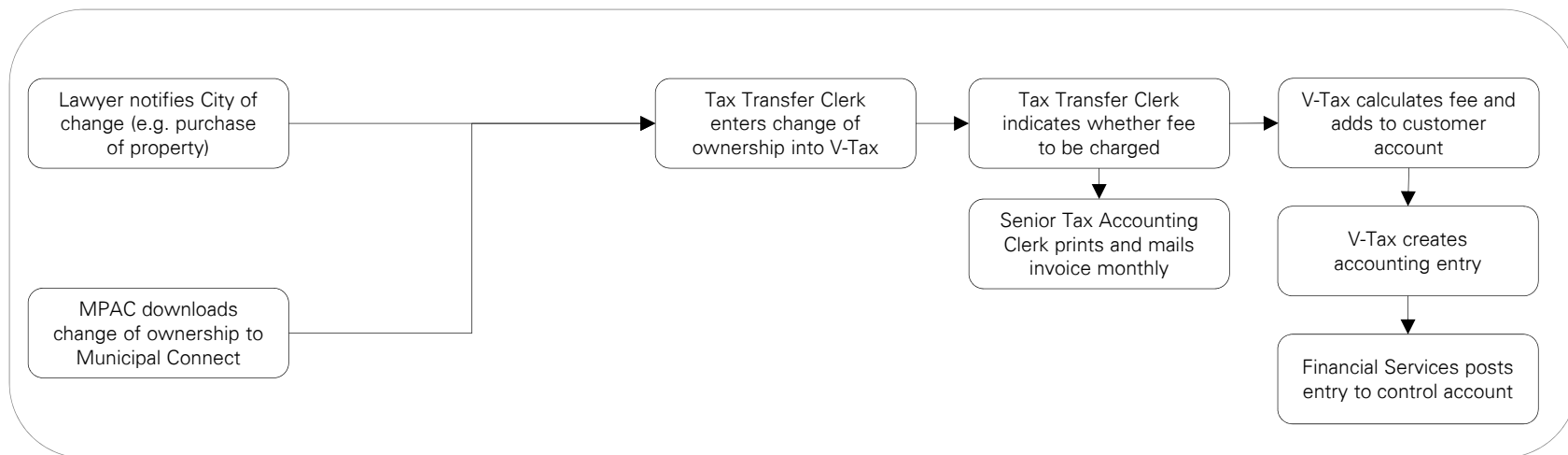


Tax Certificates and Tax Account Changes

Tax Certificate



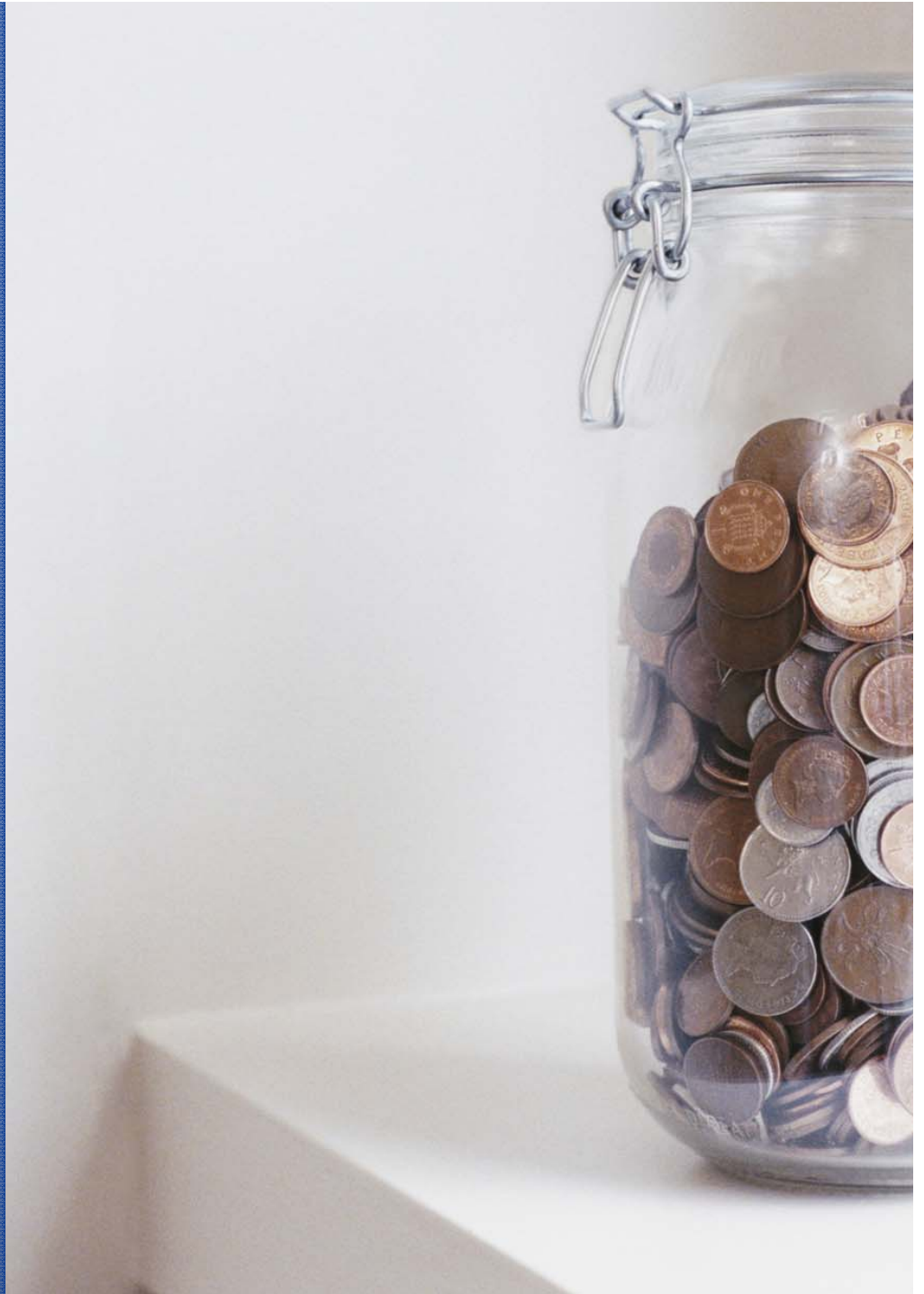
Tax Account Change





City of London Service Review

Appendix B Taxation Cost of Service Analysis



CITY OF LONDON

Cost of Service Analysis Taxation User Fees

	Reference	Tax Certificate	Ownership Change	New Account	Past Due Notification	Duplicate Tax Bill Printing	NSF Returned Cheque	Average
Estimated direct time required for completion (in minutes)	(note 1)	90	60	120	15	30	80	
Estimated hourly rate (labour plus benefits)	(note 2)	\$ 45.05	45.05	45.05	45.05	45.05	45.05	
Total direct labour cost		\$ 67.57	45.05	90.09	11.26	22.52	60.06	49.43
Total direct non-labour costs (postage, printing)	(note 3)	\$ 1.00	1.00	1.00	1.00	1.00	1.00	1.00
Total estimated direct cost		\$ 68.57	46.05	91.09	12.26	23.52	61.06	50.43
Estimated corporate allocation (4.55%)	(note 4)	\$ 3.12	2.09	4.14	0.56	1.07	2.78	2.29
Estimated capital allocation	(note 5)	\$ 9.39	6.31	12.48	1.68	3.22	8.36	6.91
Total estimated cost of service		\$ 81.08	54.45	107.71	14.50	27.81	72.20	59.63
Current user fee		\$ 57.00	37.00	67.00	8.00	26.00	45.00	40.00
Current user fee as a percentage of total estimated cost of service		70%	68%	62%	55%	93%	62%	67%

Notes:

(1) Based on the process maps and consultation with City personnel. Represents the estimated average time required in minutes to complete the delivery of the service which includes:

- Tax certificates - Review of tax certificate request, review of tax account balance, issuance of tax certificate, posting of revenue to accounting system
- Ownership change - Review of tax ownership change documentation, updating of V-Tax, printing and mailing of invoice, posting of revenue to accounting system
- New account - Download of data file to V-Tax, verification of mailing address, review of tax calculation, posting of revenue to accounting system, print and mailing of tax bill
- Past due notification - Printing of arrears notice, posting of entry for interest and penalty
- Duplicate tax bill printing - Receipt of duplicate bill request, printing and mailing of duplicate bill, posting of revenue to accounting system
- NSF returned cheque - Download of NSF report from Scotia Connect, NSF transaction entered into V-Tax, posting of NSF entry to control account

(2) Based on the average hourly wage cost for taxation personnel and a provision of 25% for employee benefits.

(3) Estimated to be \$1.00 per transaction for the cost of printing, envelope and postage.

(4) Corporate allocation costs have been estimated as follows:

2019 Budget	Financial Services	Payroll	Human Resources	Facilities	Information Technology	Total Corporate Expenses
Total budgeted operating expenses by service (in thousands)	\$ 2,129	1,299	6,324	23,559	18,469	51,780
Total City budgeted operating expenses (in thousands)	\$ 1,138,459	1,138,459	1,138,459	1,138,459	1,138,459	1,138,459
Corporate allocation	0.19%	0.11%	0.56%	2.07%	1.62%	4.55%

(5) During the 2018 fiscal year, the City reported amortization expense for corporate support services equal to 13.1% of reported operating costs. Given that amortization expense is indicative of the annual requirement associated with capital expenditures, we have estimated the capital requirement associated with the delivery of the City's taxation services to be 13.1% of the operating costs of delivering the services (direct and corporate allocation).



kpmg.ca



© 2018 KPMG LLP, a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. All rights reserved. The KPMG name and logo are registered trademarks or trademarks of KPMG International.

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.