

TO:	CHAIR AND MEMBERS PLANNING AND ENVIRONMENT COMMITTEE MEETING ON MARCH 9, 2020
FROM:	GEORGE KOTSIFAS, P. ENG. MANAGING DIRECTOR, DEVELOPMENT & COMPLIANCE SERVICES & CHIEF BUILDING OFFICIAL
SUBJECT:	ANNUAL REPORT ON BUILDING PERMIT FEES

RECOMMENDATION

That, on the recommendation of the Managing Director, Development & Compliance Services & Chief Building Official, the attached report on building permit fees collected and costs of administration and enforcement of the *Building Code Act* and regulations for the year 2019, **BE RECEIVED** for information purposes.

PREVIOUS REPORTS PERTINENT TO THIS MATTER

April 15, 2019 – 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 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 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 2019 totalled \$7,611,467. However, consistent with revenue recognition principles governed by generally accepted accounting principles (GAAP), Building fee revenue recognized by the City of London for 2019 equated to \$6,774,067 on an accrual basis.

As shown below, subject to completion of the 2019 year-end financial statement audit, the net revenue of building permit fees for 2019 was;

Deferred Revenue from 2018 [permits issued in 2019]	1,461,395
2019 Building Permit Fees	7,611,467
Deferred Revenues to 2020 [permits not issued in 2019]	<u>(2,298,795)</u>
2019 NET REVENUE	6,774,067

Costs Incurred

The total costs, both direct and indirect, incurred during 2019 were \$6,404,017, as shown in the table below (subject to completion of the 2019 year-end financial statement audit).

	Costs (\$)	Positions
<u>DIRECT COSTS</u>		
Administration	354,892	2
Permit Issuance	1,632,285	14
Inspection	1,855,284	22
Zoning Review and Code Compliance	362,803	4
Operational Support	526,112	11
Operating Expenses (supplies, equipment, etc.)	353,558	
TOTAL DIRECT COSTS	5,084,934	53
<u>INDIRECT COSTS</u>		
Corporate Management and Support	985,487	
Risk Management	135,596	
Office Space	198,000	
TOTAL INDIRECT COSTS	1,319,083	
TOTAL COSTS	6,404,017	

Net Financial Position

At 2019 year end, the net revenue was \$6,774,067. By deducting the total direct and indirect costs of \$6,404,017 for administration and enforcement of the *Building Code Act* and the *Building Code*, would result in a \$370,050 deposit to the Building Permit Stabilization Reserve Fund.

Total Net Revenue	6,774,067
Total Cost of Enforcement	<u>-6,404,017</u>
YEAR END CONTRIBUTION (withdrawal if negative)	370,050

Building Permit Stabilization Reserve Fund (BPSRF)

In 2006, the BPSRF target was set at 40% of the annual operating costs following discussions with the London Home Builders' Association (a key industry stakeholder). Additionally, a lower and upper limit of 30% and 50% respectively was also set at that time.

During the building permit fee review in 2019, further consultations occurred with industry stakeholders and the BPSRF target was increased to 100% of the annual operating costs.

The BPSRF 2019 balance is \$1,610,165. Considering a deposit of \$370,050 the revised closing balance would be \$1,980,215 in the reserve which equates to 30.9% of the annual operating cost.

Building Permit Fees

In 2019, a review was completed of the building permit fee structure in relation to volumes and effort, as well as a comparison of London fees in relation to other similar jurisdictions. Consequently, a new fee structure was adopted by Council which includes an annual indexing component. Considering that building permit fees were recently increased in August 2019, a further increase is not recommended.

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*. The balance in the BPSRF equates to 30.9% of annual operating costs.

PREPARED AND RECOMMENDED BY:
GEORGE KOTSIFAS, P. ENG. MANAGING DIRECTOR, DEVELOPMENT & COMPLIANCE SERVICES & CHIEF BUILDING OFFICIAL

cc: Kyle Murray, Director, Financial Planning & Business Support
Laurie Green, Financial Business Administrator