

Memorandum

Date: Tuesday, March 19, 2019

To: Members of Council

From: Angie Mitchell, Manager, Building Services/Chief Building Official, Community Services

Subject: Building Permit Fees Annual Financial Report 2018

In accordance with Section 7(4) of the Building Code Act (Act), the municipality is required to report, on an annual basis, how the revenue collected for building permits has been used to cover the direct and indirect costs of administering and enforcing the Building Code Act and the Ontario Building Code.

The annual report must identify the total amount of building permit fees collected, the direct and indirect cost of delivering services related to the administration and enforcement of the Act, and the balance in the Building Permit Stabilization Reserve, at the end of a twelve (12) month period, ending no earlier than three months before the release of the report. The report must be broken down into at least the following categories:

- **Direct Costs** are the costs required to operate the Building Services Division in the delivery of administration and enforcement of the Building Code Act, including the review of applications for permits, and inspection of buildings.
- **Indirect Costs** are the costs required to support the operations of the Building Services Division. These costs include building permit-related support from other municipal divisions and departments, such as staff support provided to the Division through Information Technology, Human Resources, and Finance. These costs also account for overhead charges to the Division, such as expenses associated with the use of Town facilities, software licensing, and hardware.
- The **Building Permit Stabilization Reserve Fund** is established for any purpose relating to the administration and/or enforcement of the Building Code Act. The report must include the amount of the dedicated fund at the end of the twelve (12) month period.

The Building Permit Fees Annual Financial Report 2018 (attached as Schedule A to this memo) outlines the fees and costs that are directly and indirectly attributable to the costs and associated fees permitted in accordance with the Building Code Act.

In addition, the Annual Report includes information regarding the Building Services Division's 2018 expenditures and revenues, including a contribution of \$1,910,969.95 to the Building Permit

Stabilization Reserve Fund, established under the authority of the Building Code Act, to balance the annual operation of the Division.

The Building Code Act requires that the principal authority provide notice of the preparation of the Building Permit Fees Annual Financial Report 2018 to every person and organization that has requested to be notified. As of the date of this memo the Town has not received any requests for this report.

The following is a breakdown of the fees collected and operating costs for 2018:

- The Building Services Division collected \$4,705,438.04 in Building Permit fees during 2018;
- Total direct and indirect expenses for the Division during 2018 were \$2,794,468.09;
- The operating surplus for the Division, contributed to the Building Permit Stabilization Reserve Fund is \$1,910,969.95;
- The unaudited balance of the Building Permit Stabilization Reserve Fund as of December 31, 2018 is \$4,419,274.62 (after the contribution of \$1,910,969.95 to offset the operating surplus, and \$294,615.67 dedicated to capital project funding commitments);
- As part of the 2015 fees review, Council approved a reserve budget target of 2 years of revenue vs expense budget to provide the Building Services Division funding to operate for 2 years with no new building permits submitted;
- The current ratio based on the reserve balance divided by 2018 actuals is 1.58 years which is below the targeted balance in the reserve. This is the third year that the reserve is below target;
- Staff will continue to monitor building permit activity and the reserve fund balance, and as fees should be reviewed on a regular basis, an independent fees review will be conducted in 2019.

Financial Implications

Building permit fees were established to fully recover the Town's cost of providing building permit services, including an allocation of administrative overhead/indirect costs. Any surplus revenue from building permit fees is transferred to a reserve fund, to be drawn upon in years of declining building activity.

Other than the Town's recovery, from the Building Services Division, for indirect costs such as human resources, finance/accounting, information technology, and facility space, there is no impact to Town's property tax revenues related to building permit activity.

Excluding the transfer to the Building Permit Stabilization Reserve Fund, the Building Division ended 2018 with an unaudited operating budget surplus of \$1,910,969.95 (2018 Revenues of \$4,705,438.04 - Expenditures of \$2,794,468.09). The 2018 operating budget surplus was primarily due to higher than anticipated building permit activity for industrial developments. The 2018 operating budget surplus, in

the amount of \$1,910,969.95 was transferred to the Building Permit Stabilization Reserve Fund, account # 08-00-910-35007-000-25000 in December 2018.

Following this transfer, the Building Permit Stabilization Reserve Fund balance is \$4,419,274.62. As part of the 2015 fees review council approved a reserve budget target of 2 years of revenue vs expense budget (e.g. sufficient reserves to cover 2 years of operating costs for the Building Services Division, including the costs associated with performing all duties required to process building permits and conduct all mandatory inspections). The ratio after the transfer from the reserve is 1.58 years, which is below the reserve balance target of 2 years. Staff will continue to monitor building permit activity and the reserve fund balance. In addition, as fees should be reviewed on a regular basis, an independent fees review will be conducted in 2019.

Attachments

Schedule A – Building Permit Fees Annual Financial Report 2018

**TOWN OF CALEDON
BUILDING PERMIT FEES
ANNUAL FINANCIAL REPORT - 2018**

YEAR-TO-DATE RESULTS AS OF DECEMBER 31, 2018 (Unaudited)

	<u>2018 ACTUALS</u>	
REVENUE		
FEES	\$4,705,438.04	
Total Revenue		<u>\$4,705,438.04</u>
EXPENSES		
DIRECT	\$1,787,317.09	
INDIRECT	\$1,007,151.00	
CONTRIBUTION TO RESERVE	\$1,910,969.95	
Total Expenses		<u>\$4,705,438.04</u>
NET REVENUES		<u>\$ 0.00</u>

BUILDING STABILIZATION RESERVE FUND BALANCE AS OF DECEMBER 31, 2018

OPENING BALANCE (JANUARY 1, 2018)	\$2,775,375.85
CAPITAL PROJECT FUNDING COMMITMENTS	\$ (294,615.67)
INTEREST	\$ 27,544.49
2018 CONTRIBUTION TO RESERVE	\$1,910,969.95
CLOSING BALANCE (DECEMBER 31, 2018)	<u>\$4,419,274.62</u>