




CITY OF HAMILTON
CORPORATE SERVICES DEPARTMENT
Financial Planning, Administration and Policy Division

TO:	Chair and Members General Issues Committee
COMMITTEE DATE:	January 17, 2024
SUBJECT/REPORT NO:	2024 Tax Supported User Fees (FCS24003) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Cyrus Patel (905) 546-2424 Ext. 7698
SUBMITTED BY:	Kirk Weaver Acting Director, Financial Planning, Administration and Policy Corporate Services Department
SIGNATURE:	

RECOMMENDATION(S)

- (a) That the 2024 User Fees contained in Appendix “A” to Report FCS24003, “2024 Tax Supported User Fees”, be approved and implemented;
- (b) That the City Solicitor be authorized and directed to prepare all necessary by-laws, for Council approval, for the purposes of establishing the user fees contained in Appendix “A” to Report FCS24003; and
- (c) That the General Manager, Finance and Corporate Services, be authorized and directed to engage an external consultant to conduct a City-wide review of user fees, with primary focus on Recreation and Transit and to facilitate a process for establishing a user fee framework consistent with the City’s organizational goals and priorities centred around community benefit, accessibility, equity and ability to pay.

OUR Vision: To be the best place to raise a child and age successfully.

OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.

OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service, Engaged Empowered Employees.

EXECUTIVE SUMMARY

Report FCS24003, 2024 Tax Supported User Fees, provides staff with the authority to amend the User Fees and Charges for Services Bylaw and establish new rates for 2024. For the most part, the proposed user fees will be effective upon adoption of Report FCS24003, while some fees may become effective later during 2024 based on established program policies, procedures and practices. User fees form an integral part of the annual budget process as they represent a significant source of sustainable revenue for ongoing operations of specific programs and services. User fees are a revenue tool that allow municipalities to distribute the cost of providing services across the users of those services versus a flat tax on all properties.

Appendix “A” to Report FCS24003 identifies most of the City’s tax supported user fees (including proposed new fees), along with brief comments, where relevant. Other user fees not included in Report FCS24003 and established through separate City by-laws, relate to:

- Building Permit Fees;
- Planning and Growth Management Fees; and
- Hamilton Farmers’ Market Fees.

At the end of the budget process, the fees approved per Appendix “A” to Report FCS24003 will be established via a 2024 user fee by-law.

The budgeted user fees for 2024 are \$132.1 M compared to \$123.5 M in 2023, resulting in an increase of \$8.6 M. This additional revenue helps to offset the cost of providing the respective services to residents and businesses and provides relief to the overall property tax levy.

Throughout the 2024 budget process, staff was directed to ensure that, wherever possible, user fees reflect the cost of providing the service. As in past years, program areas have tried to work towards full cost recovery, while taking into consideration inflation, market conditions, affordability and equity challenges through targeted subsidy programs.

There are, however, some exceptions which include:

- Provincially mandated fees – e.g., Tourism-Oriented Directional Signs, Lottery Licence Fees;
- Certain user fees recommended to remain unchanged due to a pending review or market / cost analysis indicating that the current fee is appropriate or where an increase is not warranted;
- Circumstances where it is desirable to round the total fee (including tax) to provide for added customer convenience and more efficient cash handling procedures;

- For services that are experiencing significant inflation and the program areas are concerned about affordability and market competitiveness, a phase-in approach may be adopted to spread the increase over several years.

Alternatives for Consideration – See page 7

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: Approval of the user fees is an integral part of the annual budget process. Revenue estimates for the 2024 budget are based on the fees contained within Report FCS24003, which represents approximately \$8.6 M in additional revenues when compared to 2023. This additional revenue provides relief to the property tax levy. Without this additional revenue, there would be an approximate 0.7% additional increase in the average residential property tax rate.

Staffing: N/A

Legal: N/A

HISTORICAL BACKGROUND

Each year, the City sets its user fees as part of the tax supported budget process. For the most part, these user fees will be effective upon adoption of Report FCS24003 by Council. Some fees, however, (e.g., Transit, Recreation rental fees) are effective later in 2024. The annual user fee by-law is then passed by Council at the completion of the budget process.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

As per the *Municipal Act*, a by-law is required once the user fees in Report FCS24003 and other reports are approved.

RELEVANT CONSULTATION

The user fees contained in Appendix “A” to Report FCS24003 were submitted by the departments responsible for administering the fee.

ANALYSIS AND RATIONALE FOR RECOMMENDATION(S)

Appendix “A” to Report FCS24003 provides a listing of the majority of the City’s tax-supported user fees. Due to the timing of Report FCS24003, some user fees go forward with a separate report to their respective committees. User fees within each department are increasing at or around the estimated rate of inflation with some deviation as a result of rounding.

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The user fees collected by the City are booked under the “Fees and General” Revenue Category in the City’s financial system. Table 1 provides a brief overview of the user fee accounts only summarized for the 2024 Preliminary Budget and the 2023 Restated Budget, in comparison to the Gross Expenditures for respective periods, to provide a comprehensive perspective.

Table 1

User Fee Ratios - 2023 Restated and 2024 Preliminary Budget									\$'000
YEAR	2023			2024			CHANGE		
Dept	2023 Exp NET of Grants	2023 User Fees	2023 User Fee Ratio	2024 Exp NET of Grants	2024 User Fees	2024 User Fee Ratio	Change in User Fees	% Change in User Fees	Change in User Fee Ratio
Column	1	2	3	4	5	6	7	8	9
Corporate Services	17,331.7	(2,902.8)	16.75%	18,606.7	(3,084.4)	16.58%	▲ (181.7)	✔ 6.3%	✘ -0.2%
Healthy & Safe Comm	212,078.6	(11,764.5)	5.55%	213,950.1	(12,422.0)	5.81%	▲ (657.6)	✔ 5.6%	✔ 0.3%
Planning & Ec Dev	87,815.1	(42,385.0)	48.27%	93,066.0	(48,322.6)	51.92%	▲ (5,937.6)	✔ 14.0%	✔ 3.7%
Public Works	378,692.5	(66,007.2)	17.43%	413,324.4	(67,845.4)	16.41%	▲ (1,838.2)	✔ 2.8%	✘ -1.0%
RMRCH Healthy & Safe Comm	814.6	(401.9)	49.34%	771.9	(383.4)	49.66%	▼ 18.6	✘ -4.6%	✔ 0.3%
Total City	696,732.5	(123,461.3)	17.72%	739,719.2	(132,057.8)	17.85%	▲ (8,596.5)	✔ 7.0%	✔ 0.1%

The User Fee Ratio indicates the proportion of City expenditures recovered through user fees. It is to be noted that even if the user fees for 2024 are higher for some City departments, the ratio for 2024 may be lower than that for 2023, indicating that the expenditures have risen faster than the user fees.

The Table shows that:

- The total annualized User Fee Revenue in the City’s 2024 Preliminary Budget is expected to increase by \$ 8.6 M, or 7.0% on average, compared to the 2023 revenues;
- Even though User Fee Revenue increases by 7.0% in 2024 compared to 2023, the User Fee Ratio increases by only 0.1% indicating that the expenditures in relation to the User Fees are rising in tandem;
- Challenges exist in the Public Works Department, where the User Fee Revenue has gone up by only 2.8%, below the inflation level resulting in a decline in the User Fee Ratio of 1.0% and in Healthy and Safe Communities, though the User Fees have gone up by 5.6%, slightly higher than the expected inflation level, higher expenditure levels result in an increase of only 0.3% in the User Fee Ratio. This situation reflects the difficulties faced by the City in increasing user fees when taking into consideration issues of affordability and equity issues within the broader community.

Comments by Department

Planning and Economic Development
(Pages 1 to 29 of Appendix “A” to Report FCS24003)

User Fees are based on the following underlying principles. Examples are listed below.

A. Fees Provincially Mandated:

- Tourism Fees: Tourism Oriented Directional Signs (TODS) and signs under the LOGO sign
- Lottery License Fees

B. Market Based:

- Animal Services
- Boarding fee and quarantine fee for dangerous or potentially dangerous dogs
- Hamilton Municipal Parking System Fees
- Mail issuance fee
- Urban Renewal fees

C. Cost Recovery:

- Animal Services - microchip fee for low income clinics

D. New Fees Proposed

- Fees for short term rentals (Page 20)
- Garbage Chute Closure Application for Permit (Page 22)

Healthy and Safe Communities
(Pages 30 to 61 of Appendix “A” to Report FCS24003)

Most of the fees for the Healthy and Safe Communities Department are based on last year’s fees plus 4.4% to maintain equilibrium with the expenditure trends and many of the golf-related fees are last year’s fees plus 6.5%.

Most of the fees for Recreational programs are subject to Market considerations.

New recreational fees pertain to:

- New Golf packages (Page 45);
- New programs for Pickleball, Basketball, Warm Water Exercise, Youth Leadership (Page 54-55).

Public Works

(Pages 62 to 80 of Appendix “A” to Report FCS24003)

Many of the services provided by Public Works Department are charged based on full cost recovery. These include:

- Waste removal
- Shrub removal
- Environmental Assessments Reports and Master Plans
- Field Review
- Encroachments Application Fee
- Temporary Road Closure Fee

New user fees for services relate to Removal of Encroachment from the Road Allowance (Page 72). It is to be noted that the User Fee Ratio for Public Works has declined by 1.02% from 17.43% in 2023 to 16.41% in 2024. This is mainly related to loss of revenues in Waste Management Division where the revenue from sale of recyclable materials has fallen owing to market conditions. The decline in the User Fee Ratio by 6.8% for Corporate Asset Management Division is a result of change in business practices whereby revenues previously recorded as user fees are now recorded as internal chargeback recoveries.

Corporate Services

(Pages 81 to 86 of Appendix “A” to Report FCS24003)

Many of the services provided by Corporate Services Department are charged based on full cost recovery. These include:

- Records Search
- Registration of Delinquent Accounts
- Tax Extension Agreements
- Tax Letters
- Issue Tax Certificate
- Marriage Licence Fees

City Manager’s Office

(Page 87 of Appendix “A” to Report FCS24003)

The City Manager’s Office user fees are limited to charges for duplication of employee files.

User Fee Review

User fees represent a significant revenue source for the City. Setting the user fees at an optimal level that balances the community's needs with the cost pressures faced by the City is a challenging task that requires a formal framework that is followed consistently by all City departments. In order to establish such a framework, it is recommended that the City retain an expert consultant to advise the City in such matters with a primary focus on Recreation and Transit as the services that generate the largest share of the City's user fee revenues.

The new framework would include the following key components:

- The calculation of unit costs – for example, the cost to provide an hour of arena ice time;
- Assignment of desired tax subsidization levels for each type of activity (learn to swim versus advanced fitness) or user type (children versus adults) including recommendations on subsidy programs based on ability to pay;
- Calculation of preliminary fees derived from unit costs and desired tax subsidization levels;
- Developing a user fee implementation strategy;
- Adjusting fees for practicality reasons (such as, non-prime rate to attract users during under-utilized times);
- Development of strategies to ensure income levels are not a barrier to accessing services; and
- Reporting of user fee revenues in relation to net City costs to enable a monitoring tool for assessing continued appropriateness of the user fee structure.

ALTERNATIVES FOR CONSIDERATION

Council can direct changes to the 2024 Tax Supported User Fees throughout budget deliberations. Setting user fees requires a balancing act between the need to ensure costs are recovered and being sensitive to community needs and challenges to have access to affordable services. The proposed user fees represent the best balance between competing priorities based on staff assessments.

APPENDICES AND SCHEDULES ATTACHED

Appendix "A" to Report FCS24003 – 2023 Proposed User Fees and Charges

CP/dt