




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

TO:	Chair and Members General Issues Committee
COMMITTEE DATE:	January 15, 2025
SUBJECT/REPORT NO:	2025 Tax Supported User Fees (FCS25001) (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 2025 User Fees contained in Appendix “A” to Report FCS25001, “2025 Tax Supported User Fees”, be approved and implemented; and
- (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 FCS25001.

EXECUTIVE SUMMARY

The recommendations in Report FCS25001, 2025 Tax Supported User Fees, provide staff with the authority to bring forward a new User Fees and Charges for Services By-law and establish new rates for 2025. For the most part, the proposed user fees will be effective upon adoption of Report FCS25001, while some fees may become effective later during 2025 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 FCS25001 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 FCS25001 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 2025 Tax budget process, the fees approved per Appendix “A” to Report FCS25001 will be established via a 2025 user fee by-law.

The budgeted user fees for 2025 are \$136.84 M compared to \$131.89 M in 2024, reflecting an increase of \$4.95 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 2025 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 where 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 8

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: Approval of the user fees is an integral part of the annual budget process. Revenue estimates for the 2025 budget are based on the fees contained within Report FCS25001, which represents approximately \$4.95 M in additional revenues when compared to 2024. This additional revenue provides relief to the property tax levy. Without this additional revenue, there would be an approximate 0.35% 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 FCS25001 by Council. Some fees, however, (e.g., Transit, Recreation rental fees) are effective later in 2025. The annual user fee by-law is then passed by Council at the completion of the budget process.

During the process for approval of the 2024 User Fees, staff was directed to engage an external consultant to conduct a City-wide review of user fees. An update in this matter is provided on page 8 of Report FCS25001.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

As per the *Municipal Act*, a by-law is required once the user fees in Report FCS25001 and other reports are approved.

RELEVANT CONSULTATION

The user fees contained in Appendix “A” to Report FCS25001 were submitted by the departments responsible for administering the fee.

ANALYSIS AND RATIONALE FOR RECOMMENDATION(S)

Appendix “A” to Report FCS25001 provides a listing of the majority of the City’s tax-supported user fees. Due to the timing of Report FCS25001, 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.

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 ratios of the user fee accounts only summarized for the 2025 Preliminary Budget and the 2024 Restated Budget, in comparison to the Gross Expenditures (net of Grants and Subsidies) for respective periods, to provide a comprehensive perspective.

Table 1

Ratio of User Fees to Gross Expenditures (Net of Grants and Subsidies) for Divisions with USER FEES > \$100K							
Department	USER FEES Budget \$'000				User Fee Ratios		
	2024 Restated	2025 Budget	Change in User Fees	% Change	2024	2025	Change
Corporate Services	(3,085.6)	(2,994.3)	▼ (91.3)	⊗ -3.0%	17.0%	15.4%	⬇️ -1.6%
Healthy & Safe Communities	(12,422.0)	(13,257.9)	▲ 835.8	⊙ 6.7%	5.8%	5.8%	▬ 0.0%
Planning & Economic Develop.	(48,253.8)	(50,149.5)	▲ 1,895.7	⊙ 3.9%	51.5%	49.4%	⬇️ -2.1%
Public Works	(67,845.4)	(70,154.8)	▲ 2,309.4	⊙ 3.4%	16.5%	16.2%	⬇️ -0.3%
City Total	(131,606.9)	(136,556.6)	▲ 4,949.7	⊙ 3.8%	17.8%	17.5%	⬇️ -0.4%

The purpose of this analysis is to compare changes in the extent to which City funded expenditures are offset by User Fee Revenues. For this reason, the revenues received from Grants and Subsidies are first netted out against the gross expenditures to determine the City’s gross funding level.

Table 1 compares the percentage ratio of User Fees to the Gross Expenditures (net of Grants and Subsidies) for 2024 and 2025. It is to be noted that even if the user fees for 2025 are higher for some City departments, the percentage increase in the fees may be less than the percentage increase in the expenditure budget for 2025, e.g., for Planning and Economic Development, the ratio of User Fees to Gross Expenditures net of Grants and Subsidies fell from 51.5% in 2024 to 49.4% in 2025, even though the Use Fee revenues have risen by \$1.9 M in 2025.

Table 1 shows that:

- The total annualized User Fee Revenue in the City’s 2024 Preliminary Budget is expected to increase by \$ 4.95 M, or 3.8% on average, compared to the 2024 revenues;

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- The expenditures net of grants and subsidies have increased at a faster rate than the user fees which have increased by 3.8% which is caused by one or more of the following factors:
 - User fees may be capped by Provincial guidelines, City policy, market conditions, or extent of user demand;
 - Policy changes may result in certain services not being provided to the same extent as in past year;
 - City facilities may be undergoing major repairs and not available for public use; or
 - There may a change in public demand for a given service offered.
- Challenges exist in the Planning and Economic Development and Public Works Departments, where the User Fee Revenue increase percentage has not kept up with the percentage expenditure increase in the gross expenditures net of grants and subsidies.
- Not all City expenditures are expected to generate revenues, hence, depending on where and how City program efforts are focussed, increased expenditures may not generate corresponding revenues.

Comments by Department

Planning and Economic Development
(Pages 1 to 31 of Appendix “A” to Report FCS25001)

Though the user fees for the Planning and Economic Development Department have risen by \$1.9 M or 3.9%, the gross expenditures net of grants has increased at a much higher rate. This is a result of the fact that not all operational activities are directly linked to provision of services that lead to user fee revenues.

User Fees for this Department 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

Healthy and Safe Communities

(Pages 32 to 63 of Appendix “A” to Report FCS25001)

The User Fees for Healthy and Safe Communities have risen by \$836 K, mostly as a result of increases in Recreation, which rose by \$1.2 M. However, this is offset by User Fee revenue reduction of \$351 K in Hamilton Fire Department as a result of restructuring of the service delivery model for Fire Prevention in Rental Housing where the services for the public are maintained while reducing both expenditures and the corresponding user fees that would have been triggered.

Most of the fees for Recreational programs are subject to Market considerations and user fee revenues have risen by 11.2% compared to 2024.

Public Works

(Pages 64 to 82 of Appendix “A” to Report FCS25001)

The User Fees for Public Works have risen by \$2.3 M, mostly as a result of increases in Transit \$2.6 M and Environmental Services \$675 K. However, this is offset by reduction in User Fees for Waste Management \$(1.3 M). The other divisions in Public Works show minor increases.

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

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User Fee increases for Environmental Services generally reflect the Corporate Guidelines. Some new fees were added in the Cemetery section for items such as inscriptions on benches, frames for porcelain pictures, concrete pads, pet containers and urns, QR codes and keepsake urns and for after hour service fees. The Cemeteries program has also included a compassionate waiver of fees for burials where there are no family members and no funds set aside for burial.

Waste Management user fees in 2025 have dropped by 16.5% compared to 2024 as a result of the transition of the blue box program. The City will no longer receive provincial subsidy for recycling or revenues from the sale of commodities.

Corporate Services
(Pages 83 to 90 of Appendix “A” to Report FCS25001)

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

The main source of User Fee revenues in Corporate Services is the City Clerk’s Office where the User Fee revenues in 2025 show a projected decline of \$100 K, primarily as a result of lower volume of marriage licences.

For Revenue Services, the user fees are not increasing in pace with the expenditures on account of decrease in volume of transactions and increasing non-recoverable cost such as postage.

City Manager’s Office
(Page 91 of Appendix “A” to Report FCS25001)

The City Manager’s Office user fees are limited to charges for duplication of employee files. The user fees budget for 2025 is \$34.5 K.

User Fees Discontinued and Added

A list of User Fees discontinued in 2025 is provided in Appendix “B” to Report FCS25001. A summary of reason for the removal is also included.

A list of New User Fees being proposed to be added in 2025 is provided in Appendix “C” to Report FCS25001.

User Fee Review

The User Fee Report for 2024, FCS24003, contained the following recommendation:

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.

The lead for this initiative was taken by Healthy and Safe Communities Department.

Report HSC24049 - User Fee Framework – Project Overview was presented to the General Issues Committee on December 4, 2024. The report sought the approval of the project approach and timelines for the User Fee Framework project and approval for funding for the consultant and activities required for the User Fee Framework project.

ALTERNATIVES FOR CONSIDERATION

Council can direct changes to the 2025 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 FCS25001 – 2025 Proposed User Fees and Charges

Appendix “B” to Report FCS25001 – User Fees Discontinued in 2025

Appendix “C” to Report FCS25001 – New User Fees in 2025

CP/dt