

Township of South Frontenac Staff Report



To: Council

Prepared by: Development Services Department

Date of Meeting: January 25, 2022

Subject: **Update to Building By-law – Follow-up Report**

Summary

This report responds to Council's deferral of amendments to the Township's Building Fees at the January 11, 2022 Council meeting in order to provide more information regarding current building fee revenues, operating costs, and reserve balances, and recommends amendments to By-law No. 2014-26 to ensure fees continue to reflect the cost of delivering services without increasing unnecessarily.

Recommendation

THAT Council endorse an update to Building By-law 2014-26 as amended, to index the Fees set out in Schedule "C" to the *October Total CPI deviation* to a maximum increase of 4% annually, instead of using the 3rd quarter Statistics Canada *Non-Residential Building Construction Cost Index: Ottawa*; and,

THAT Council endorse establishing a limit to the size of the building reserve that is equivalent to annual building services operating costs based on a rolling three (3) year average; and,

THAT upon reaching the reserve limit, building fees as set out in Schedule "C" of the Building By-law No. 2014-26 would be frozen; and,

That Council direct staff to advertise these amendments to By-law 2014-26 for the required 21 days and to schedule the required public meeting for changes to the Building By-law to coincide with the next available Council or Committee of the Whole meeting.

Background

By-law No. 2014-26 as amended, includes language that automatically adjusts the Township's building fees annually on February 1st based on the 3rd quarter Statistics Canada *Non-Residential Building Construction Cost Index: Ottawa*.

In prior years, this index resulted in increases similar to inflation as measured by the Total Consumer Price Index (CPI). This allowed fees to keep up with the cost of delivering building services, which is largely driven by annual wage increases, vehicle maintenance and insurance.

At its regular meeting on January 11, 2022, Council deferred the staff recommendation to replace the current *non-residential cost index* with the October Total CPI and passed a motion to freeze building fees until additional information could be provided regarding the cost of delivering building services and the size and appropriateness of the building reserve.

At the same meeting, Council also approved the staff recommendation to freeze Part 8 fees until at least February 1, 2023, to determine the cost of delivering that new service.

Discussion/Analysis

By-law Amendment – CPI vs. Non-Residential Building Construction Cost Index

Due to the dramatic increase in the cost of construction materials and other inflationary pressures brought on by the COVID-19 pandemic, the *3rd Quarter Non-Residential Building Construction Cost Index: Ottawa* is much higher than in the past at 13.6%.

If applied as per the by-law, this would result in a considerable increase to the Township's building fees beginning February 1, 2022, which would not be correlated with the cost of delivering those services.

For this reason, staff is recommending replacing the current *3rd Quarter Non-residential Building Construction Cost Index: Ottawa*, with the October Total CPI to a maximum of 4.0% annually, to ensure fees remain more closely tied to service delivery costs and to prevent excessive increases in any given year due to periods of irregular inflation.

Attachment 1 to this report shows the current building fees and the fees that *were* to take effect as of February 1, 2022 had Council not passed a motion at the January 11, 2022 meeting to freeze fees temporarily.

Operating Costs and Building Reserve

The 2021 operating forecasted actuals, inclusive of the costs to deliver Part 8 services for South Frontenac, is \$819,769.00. Revenues from this period including South Frontenac's Part 8 revenues total \$1,000,819.00 resulting in an anticipated transfer to the building reserve of \$181,049.

Fees collected on behalf of the other three (3) Townships for delivery of Part 8 services which are in excess of the cost to deliver those services, are set aside in dedicated building reserves for each Township and are not included in these amounts.

After the transfer for 2021 (\$181,049), the Township Building reserve is forecasted to sit at \$1,049,966. This large balance is due in part to several years during which vacancies

resulted in atypically low wages and benefits costs. The last five years’ revenues, expenses and resulting transfers to reserve are shown below.

		2017	2018	2019	2020	2021
		ACTUALS	ACTUALS	ACTUALS	ACTUALS	ACTUALS (Projected)
Building	Revenues	493,740	504,861	596,971	565,314	741,337
	Expenses	341,200	351,435	491,518	565,314	711,705
	Transfer to Reserve	152,541	153,425	105,452	*0	29,632
Part 8	Revenues					259,482
	Expenses					108,065
	Transfer to Reserve					151,417

*It should be noted that in 2020, due to restrictions on construction activity and lower permit volumes due to the pandemic, building revenues did not cover operating costs and the Township had to draw \$20,612 from the reserve to balance the budget.

Establishing a Cap on the Building Reserve

Since Building Services does not have a dedicated long range financial plan based on future needs, and it would be difficult to do so, it is challenging to identify an “appropriate” amount to carry in the reserve.

However, staff is proposing that Council set a reserve maximum amount equivalent to the three (3) year rolling average operating costs for Building Services, which if reached, would result in fees being frozen until such time as the reserve falls below that amount.

For 2022, the rolling three (3) year average is \$589,512 which would result in 2022 fees being frozen until at least February 1, 2023, and based on the size of the reserve, likely for the duration of 2023 as well.

Given the addition of Part 8 services in 2021, the rolling three (3) year average will increase in 2022 and 2023 at which point it should stabilize.

Notice and Timing

The Ontario Building Code (OBC) and Ontario Regulation 332/12 requires that a public meeting be held in advance of adding new fees into the Building By-law and to ensure that a minimum of 21 days public notice of the meeting is provided.

If the recommended changes are endorsed by Council, staff will proceed to schedule and advertise the required public meeting for the next available Council or Committee of the Whole meeting based on the timelines for advertising and other preparations.

Financial Implications

The recommendations of this report will result in Building fees being frozen at their 2021 levels until at least February 1, 2023.

With the proposed by-law amendment, the Township would forego additional revenues of \$100,822 based on the *3rd Quarter Non-Residential Building Construction Cost Index: Ottawa* of 13.6%, or \$32,619 if the October Total CPI of 4.4% was applied for 2022 fees.

Neither of these amounts include Part 8 related fees since Council already made the decision at the January 11, 2022 meeting to freeze Part 8 fees for the duration of 2022.

Despite this foregone revenue, the high volume of Part 8 and regular building activity has meant greater revenues than initially budgeted at the start of 2021, so staff does not anticipate the recommendations of this report to result in less revenues than the cost to deliver services.

Relationship to Strategic Plans

- Not applicable to this report.
- This initiative is supported by the following priorities of the 2019-2022 Strategic Plan.
 - Priority: **2. Promote and support growth than meets the community's needs while maintaining the integrity of our natural environment.**

Attachments

None

Approvals

Submitted by:



Claire Dodds, RPP, MCIP
Director of Development Services

Approved by:



Neil Carbone
Chief Administrative Officer