

THE CORPORATION OF THE CITY OF WINDSOR
Office Of The City Solicitor – Planning and Building Department

**MISSION STATEMENT:**

"Our City is built on relationships – between citizens and their government, business and public institutions, city and region – all interconnected, mutually supportive, and focused on the brightest future we can create together"

LiveLink Report #: 17613 SB2015	Report Date: March 6, 2015
Author's Name: Don Nantais William Jean	Date to Council: April 7, 2015
Author's Phone: D. Nantais 519-255-6100 ext. 1668 William Jean 519-255-6267 x6444	Classification #:
Author's E-mail: dnantais@city.windsor.on.ca bjean@city.windsor.on.ca	

TO: Mayor and Members of City Council

SUBJECT: 2014 Annual Report - Building Permit Fee Reserve Fund

1. RECOMMENDATION:

That the 2014 Annual Report on Building Permit Fees **BE ACCEPTED**.

2. BACKGROUND:

Attached (Appendix A) is a copy of the 2014 Annual Report on Building Permit Fees to be received for information purposes. This Annual Report is issued pursuant to the requirements of Section 7(4) of the Ontario Building Code Act, as amended. Section 7(4) requires municipalities to report annually as stated below:

"Every 12 months, each principal authority shall prepare a report that contains such information as may be prescribed about any fees authorized under clause (1) (c) and costs of the principal authority to administer and enforce this Act in its area of jurisdiction."

Municipalities are mandated to report annually the amount of building permit fees collected, and all costs related to the administration and enforcement of the Ontario Building Code Act, together with a statement of financial position of any established Building Permit Fee Reserve Fund. Municipalities are not permitted to include costs associated with enforcement of property standards or other by-laws, nor can building permit fees be used to fund the costs of such work.

In July 2005, the City of Windsor established a Cost Stabilization Fund as permitted under the Building Code Act. The purpose of this fund is to record any cumulative operating surpluses to help offset any potential permit revenue declines inherent with the economic cycles of the

building industry. A deficit in the Building Permit Fee Reserve can be addressed by increasing permit fees, reducing expenditures, subsidization from the general tax levy, or a combination of all three.

Costs reported on the statement include both Building Services direct costs as well as Corporate indirect costs. Interest incurred on any balances in the reserve is also itemized.

Section 7 of the Building Code Act does allow the municipality to levy fees to offset the anticipated costs of providing service. There is no provision supporting retroactive recouping of losses. This means that fees cannot be adjusted to recover past revenue shortfalls thereby penalizing future permit applicants.

3. DISCUSSION:

Any surplus in the Building Permit Fee Reserve Fund is limited to use for Building Code enforcement related activities. The Fund may be used to offset costs where revenues in any given year do not cover actual operating costs, or where there are anticipated new costs (i.e., new staff or capital expenditures), which are projected in future years. There is no limit specified in the Building Code Act with respect to the magnitude of the balance in the Fund (either positive or negative).

Approximately 74 percent of the Building Services budget is utilized directly in carrying out the enforcement of the Ontario Building Code. The remainder of the Departmental budget is funded from the tax levy and provides for the enforcement of regulatory by-laws, property standards and the delivery of housing rehabilitation programs inspections, storm and sanitary sewer inspections and liquor license inspections (i.e. public halls, lodging homes).

Building Permit Fee Reserve Deficit Reduction Action Plan

In late 2011 City Council approved the Building Permit Fee Reserve Deficit Reduction Action Plan prepared by Administration. A summary of the Plan Action Items is shown in Table A below. The Plan represented a schedule of phased in cost reductions and revenue enhancements and was completed in 2014. The Building Services' annual submitted Operating Budgets since 2012, including 2015, have included and met all of the goals identified in the Plan.

Including the Action Plan reductions, Building Services has eliminated 21 positions since 2003. Currently there are 36 employees in Building Services.

Table A – Summary of Action Plan Items

#	Action Plan Item	(Reduction)/ Increase to Draw on Reserve	(Reduction)/ Increase to Tax Levy Funded Portion of Budget	Budget Year
(1)	Adjustment to Building Department Costs Apportionment (Property Standards Enforcement)	\$ (341,394)	\$ 341,394	2012
(2)	Eliminate 1 Engineer Plan Examiner position	(69,678)	(17,420)	2012
(3)	Eliminate 1 Building Inspector position	(71,152)	(30,980)	2012
(4)	Revenue from adopted Water Service Inspections	(15,000)		2012
(5)	Eliminate 2 Customer Service Rep. positions	(116,534)	(12,948)	2012
(6)	Eliminate the Supervisor of Compliance/Enforcement		(87,785)	2012
(7)	Additional permit revenue at proposed new minimum permit fee of \$125 instead of former fee of \$75	(70,000)		2012
(8)	Eliminate 5 Building Inspector positions	(353,962)	16,448	2013/14
(9)	Retain levy savings as contingency from items 2, 3, 5, 6 (only if accepted)	(149,132)	149,132	2012
(10)	Adjust Building Dept. Revenue Budget to Reflect Projected Actuals	400,000	-	2012
TOTAL PROPOSED NET COST (REDUCTIONS) / INCREASES		\$ (786,853)	\$ 357,842	

Further Future Considerations To Address The Remaining Budgeted Draw On Reserve

Administration recommends that one option to pursue with respect to further reducing the budgeted Reserve Draw amount is an increase in permit fees. This proposal was presented as an option and accepted in the 2015 budget. Select permit fees were increased an average of 25%. As a result, the 2015 budgeted draw on Reserve now sits at a lower amount of \$412,844. The budgeted draw down amount is based on the assumption of permit revenues matching the 2015 revenue forecast of \$2.43 million. Simply put, the budgeted draw on Reserve is the additional amount needed (over and above \$2.43 million) in order to pay the total forecasted costs of Building Code Enforcement in year 2015. In other words, for every permit revenue dollar earned, there is a corresponding reduced need to draw against the Reserve Fund in order to pay for minimal operating costs.

Further reductions to the Building Services staff complement and/or operating expenses will be difficult to continue and could be detrimental as the Department has already endured considerable challenge in getting to the existing reduced budget. Administration believes that the current staff complement is the minimum staffing level with which the Department can effectively operate in the current setting without putting the Corporation at increased risk in terms of Ontario Building Code enforcement. This does not mean that Administration will cease to continually evaluate recognized opportunities for increased efficiencies or cost saving measures as they arise. It is just that other factors can come into play that impact the service being provided. For example, newly revised Ontario Building Code Legislation was put into

effect in January 2014. Numerous changes were made to the prior version which translates into more tasks required now of Building Code Enforcement Staff which in turn requires more staff time.

Additional Points of Information

Building Services has no control over the local economy nor a precise forecast of how the economy will trend. There does exist however, signs of a positive trend and general optimism among the local community. Planning Department projections suggest that by year 2017 economic growth may start to improve more noticeably with much of the development activity being represented by infilling as opposed to perimeter expansion. In the interim (years 2015 to 2017), Building Services expects permit related revenues to be around \$2.43 million.

4. RISK ANALYSIS

There are no legal/risk management impediments to approving the recommendation in this report. Subsection 7(4) of the *Building Code Act* requires the municipality to prepare an annual report respecting fees. Factors affecting and options for remedying the Reserve are noted throughout the report.

5. FINANCIAL MATTERS

The budgeted operating draw on Reserve for 2014 was \$523,404 versus the actual draw on Reserve of \$512,509. The table below shows historical operating draws on the Reserve since 2007.

**History of Building Permit Fee Reserve
Operating Draws
(Since 2006)**

Year	2007	2008	2009	2010	2011	2012	2013	2014
Draw	\$1,360,695	\$2,066,722	\$1,337,010	\$1,682,830	\$633,539	\$427,828	\$964,907	\$512,509

The life to date balance in the Building Permit Fee Reserve now stands at (\$10.2 million) deficit. Council previously approved the establishment of a placeholder reserve (Building Permit Fee Reserve Contra Account) to offset the deficit. The Contra Account currently has a balance of \$9.6 million.

In 2014 Building Services persisted in its ongoing commitment to pursuing and implementing ways to mitigate its draw from Reserve. This included the reduction of expenditures through proactive initiatives such as eliminating positions through attrition where possible, fee reviews, business process reviews and increased efficiencies.

Construction Statistics

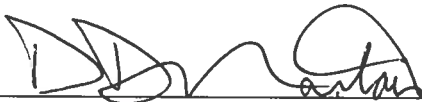
Appendix B (City of Windsor Total Construction Values 2006 – 2014) provides some construction statistics from the past decade recorded by Building Services. During that time period institutional construction represented the largest contributor to permit revenues collected. In contrast, the earlier part of the decade was when we saw much of the revenue coming from residential construction type projects.

5. CONSULTATIONS

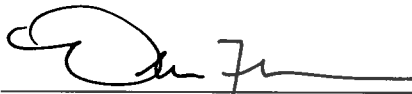
Copies of the Annual Report are made available to the public; i.e. posted on the Corporate website. The City of Windsor will also post the report by letter to the construction industry via the Greater Windsor Home Builders Association, Windsor Construction Association and the Ministry of Municipal Affairs and Housing.

6. CONCLUSION:

Building Services continues to be fiscally prudent and making progress in addressing the Building Permit Fee Reserve deficit.



Don Nantais
Financial Planning Administrator



William Jean,
Chief Building Official



FOR **Onorio Colucci,**
CFO & City Treasurer, Corporate
Leader Finance and Technology



FOR **Thom Hunt**
Executive Director, Planning and Building
City Planner



Shelby Askin Hager
City Solicitor



Helga Reidel
Chief Administrative Officer

APPENDICES:

- Appendix 'A' - 2014 Annual Report of Building Permit Fee Reserve**
- Appendix 'B' - Windsor Construction Statistics 2006 to 2014**

NOTIFICATION :

Name	Address	Email Address	Telephone	FAX
Greater Windsor Home Builders Association	2880 Temple Drive Windsor, On N8W 5J5		519-948-3247	519-948-4660
Windsor Construction Association	2880 Temple Drive Windsor, On N8W 5J5		519-974-9680	519-974-3854
Ministry of Municipal Affairs and Housing Building and Development Branch	777 Bay Street 2 nd Floor Toronto, ON M5G 2E5		General : 416-585-6666	416-585-7531

APPENDIX A

**CORPORATION OF THE CITY OF WINDSOR
ANNUAL REPORT OF BUILDING PERMIT FEE RESERVE
For the year ending December 31st, 2014**

		<u>2013</u>	<u>2014</u>
BUILDING PERMIT RELATED FEES COLLECTED	(A)	<u>\$2,129,905</u>	<u>\$2,369,385</u>
 <u>DIRECT COSTS</u>			
Permit Services Salary & Benefits		\$1,003,444	\$960,022
Permit Services Other Costs		\$81,481	\$78,776
Inspection Services Salary & Benefits		\$1,239,210	\$1,041,922
Inspection Services Other Costs		\$180,830	\$168,195
Building Admin.		\$167,482	\$164,905
Geomatics		\$92,537	\$100,898
	Total Direct Costs	<u>\$2,764,984</u>	<u>\$2,514,718</u>
 <u>INDIRECT COSTS</u> (Ontario Municipal CAO's Benchmarking Initiative method utilized to allocate program support costs)			
Facility Management		\$72,045	\$77,917
Technology Services		\$175,380	\$196,003
Accounting & Finance		\$31,174	\$30,996
Human Resources		\$48,413	\$58,784
Corporate Services Admin.		\$2,816	\$3,475
	Total Indirect Costs	<u>\$329,828</u>	<u>\$367,176</u>
 TOTAL: DIRECT & INDIRECT COSTS	 (B)	 <u>\$3,094,812</u>	 <u>\$2,881,894</u>
 Calculated Legislated Permits Operating (Deficit)/Surplus	 (A) - (B)	 <u>(\$964,907)</u>	 <u>(\$512,509)</u>
 <u>STATEMENT OF BUILDING PERMIT FEE RESERVES:</u>			
Building Permit Fee Reserve Fund (Deficit)/Surplus Opening Balance January 1st		(\$8,503,108)	(\$9,591,532)
Interest Charges and Finance Fee		(\$123,517)	(\$123,899)
Building Permit Fee (Deficit)/Surplus For The Year		(\$964,907)	(\$512,509)
One Time Funding From Reserve For Approved Budget Reduction		\$0	
Cumulative Building Permit Fee Reserve Fund (Deficit)/Surplus at December 31st		<u>(\$9,591,532)</u>	<u>(\$10,227,940)</u>

APPENDIX B

City of Windsor Total Construction Values (in \$000's) year 2006 to 2014

	2006	2007	2008	2009	2010	2011	2012	2013	2014
RESIDENTIAL	\$100,505	\$68,059	\$36,232	\$39,091	\$56,440	\$57,724	\$81,339	\$97,826	\$109,428
INDUSTRIAL	\$57,404	\$12,791	\$13,476	\$1,927	\$12,743	\$46,509	\$8,320	\$4,375	\$25,932
COMMERCIAL	\$29,916	\$33,995	\$40,182	\$49,974	\$26,018	\$30,244	\$38,099	\$35,392	\$30,509
INSTITUTIONAL	\$149,371	\$116,239	\$25,167	\$145,260	\$143,511	\$46,532	\$196,034	\$50,865	\$45,595
TOTAL	\$337,196	\$231,084	\$115,057	\$235,252	\$283,613	\$181,009	\$323,792	\$188,458	\$211,464

2006-2014 CITY OF WINDSOR CONSTRUCTION FIGURES
(rounded in \$000's)

