



Report
Staff Report
 The Corporation of the City of Brampton
 5/8/2024

Date: 2024-04-11

Subject: **Building Code Act- Annual Report for the Fiscal Year 2023**

Contact: Nash Damer, Treasurer, Finance

Report number: Corporate Support Services-2024-342

RECOMMENDATIONS:

1. That the report from Maja Kuzmanov, Senior Manager, Accounting Services/Deputy Treasurer, Corporate Support Services, to the Committee of Council Meeting of May 8, 2024, re: **Building Code Act- Annual Report for the Fiscal Year 2023** be received;

OVERVIEW:

- The *Building Code Act* Annual Report for the Fiscal Year 2023 is prepared in accordance with the requirements of Section 7(4) of the *Act* (Bill 124).
- Staff has prepared similar reports annually since 2006 based on a costing model developed by C.N. Watson and Associates at the request of the City.
- Council approved a Building Rate Stabilization Reserve Fund be established as recommended by the consultant's costing model that would protect the Building Division's ability to maintain the divisional services should an economic downturn occur.
- This report provides information relating to building permit related fees collected, associated direct and indirect costs, administrative costs and the annual Building Rate Stabilization Reserve Fund (Reserve Fund #93) financial activities.
- In 2023, \$2.9 million was transferred from Reserve Fund #93 to operating fund. The amount, representing a deficit of the building permit fees collected compared to related costs, has been calculated according to the C.N. Watson costing model. Additional \$0.7 million was transferred to eligible capital projects. The Reserve Fund has a fund balance of \$41.5 million as at December 31st, 2023.
- The *Building Code Act* Annual Report for 2023 is presented to Committee of Council for information.

BACKGROUND:

The *Building Code Act* Annual Report 2023 provides information relating to:

- Fees collected on building permits issued by the Building Division during 2023,
- Associated direct and indirect costs of the Building Division, and
- Reserve Fund contributions to/from the Building Rate Stabilization Reserve Fund #93 established under the legislative requirement of Bill 124.

Bill 124, the ***Building Code Statute Law Amendment Act, 2002*** was given Royal Assent in June 2002 and substantially amended the ***Building Code Act 1992*** as it relates to imposing fees. The change related to the reporting requirements came into effect on January 1st, 2006 that required municipalities to prepare an annual report and make it available to the public with respect to the fees imposed under the *Act* and associated costs. Further to this, Ontario Regulation 305/03 arising from the *Act* established details on the contents of the annual report stipulating that it must also contain the direct and indirect costs of delivering the services related to administration and enforcement of the *Act*, and the amount of any reserve fund established for the same purposes.

The City retained C.N. Watson and Associates Limited (C. N. Watson) in Spring 2005 to undertake a costing review of its *Building Code Act and Planning Act* mandated user fees. The scope of this assignment consisted of providing the City with a costing model using an Activity Based Costing methodology and a legislative framework for calculating the “full cost” of Development Application Approvals Process.

Staff has prepared this report annually adopting the costing model developed by C.N Watson since 2006:

- Direct and indirect costs represent 76% and 24% of the total operating costs of the Building Division.
- Contribution to the Building Rate Stabilization Reserve Fund occurs when revenues/fees collected during the year on building permits exceeds the Building Division’s total adjusted operating costs according to this model. Otherwise, a contribution from the Reserve Fund would be necessary when the costs exceed revenues.
- The reserve fund contribution covers two components recommended by the consultants and approved by Council as justification for the reserve fund:
 - 1) A stabilization reserve, primarily to protect the Building Division’s ability to maintain service should a downturn in the economy suddenly reduce building permit revenue, and
 - 2) An anticipated resources reserve, corresponding to the gap in actual divisional resources compared to historical volumes.

CURRENT SITUATION:

In 2023, the City collected \$14.7 million in permit related fees (2022 - \$17.2 million) and incurred \$17.7 million (2022 - \$18.5 million) of expenses according to the Watson costing model. This resulted in a net contribution of \$2.9 million (2022 – \$1.3 million contribution from the Reserve Fund) from the Building Rate Stabilization Reserve Fund (Schedule A) to operating fund. The 2023 Current Budget included \$5.2 million contribution from the Reserve Fund, resulting in \$2.3 million variance. This was primarily a result of lower than budgeted labor expenses due to staff vacancies. Additional \$0.7 million was transferred to eligible capital projects.

Schedule A attached also summarizes the following information required by the *Building Code Act*:

- Building Division’s total cost including its direct cost, indirect cost and capital cost.
- Total Building Permit Fees collected.
- Building Rate Stabilization Reserve Fund Activities for the fiscal year 2023 and the Reserve Fund Balance as of December 31st, 2023

Schedule B attached is a continuity schedule showing the build-up of the Reserve Fund balances each year since the Reserve Fund was established.

CORPORATE IMPLICATIONS:

Financial Implications:

Overall, there was \$2.9 million net contribution from the Building Rate Stabilization Reserve Fund to operating fund and \$0.7 million to capital projects.

STRATEGIC FOCUS AREA:

This report fulfils the Council Priority of a Well-Run City through strict adherence to effective financial management policies and supports Brampton’s 2040 Vision by ensuring sustainable financial revenues.

CONCLUSION:

The *Building Code Act* Annual Report for the Fiscal Year 2023 is prepared in accordance with the requirements of Section 7(4) of the *Act* (Bill 124). This report provides information relating to building permit related fees collected, associated direct and indirect costs, administrative costs and the annual Building Rate Stabilization Reserve Fund (Reserve Fund #93) financial activities.

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Attachments:

- Attachment 1 – Schedule A: Building Code Act Annual Reporting – 2023
- Attachment 2 – Schedule B: Building Rate Stabilization Reserve Continuity Statement