

**February 10, 2023**

**User Fee Audit Report 2022**

(Development Services, Recreation, Fire & Emergency Services, and Parks Maintenance & Forestry Divisions)

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**Executive Summary:**

The 2022 Internal Audit work plan included an audit of the City of Brampton (“City”) User Fee Program. The City offers a broad range of services with hundreds of user fees, including recreation, admissions, permits and licenses, transit fares, rents, and fees from selling publications and other products. User fees are the City's second most important revenue source after property taxes. In 2022, approximately \$211.5M, or 28% of the City’s revenue was generated from user fees, while 66% was derived through property tax.

The objective of this engagement was to evaluate the effectiveness of the City's User Fee program, identify strengths and weaknesses, and provide recommendations for improvement. In completing this audit, Internal Audit evaluated the information provided by management, reviewed authoritative publications on user fees, and consulted with a user fee expert.

**Overall Results:**

Our audit work identified the following issues:

1. The City does not have a comprehensive user fee policy framework to govern the intended cost recovery for its various programs and services.
2. In many cases, user fee rates are not based on the costs of providing the services. The City has also not determined the full cost of providing the services.
3. There is a significant risk that City is undercharging for these services.

For greater transparency and prudent financial management, it is important to establish full-service costs including direct and indirect costs such as the costs of operations and maintenance, overhead, and charges for the use of capital assets used to provide the

service, regardless of whether all services are deemed to be fully cost recoverable. Taxpayers would want to know what services they are paying for and to what extent their tax dollars subsidize them.

We identified the following areas of improvement:

1. Lack of a comprehensive user fee framework:

A comprehensive user fee framework or a systematic approach, based on guiding principles including cost recovery, is necessary to ensure consistency in establishing and administering the City's user fees program.

2. Full costs of user fee services not determined:

Determining full service cost will help set the desired cost-recovery levels for each service while balancing City priorities and promoting equity.

Cost recovery should consider direct, indirect, and capital costs. Establishing and allocating corporate overhead costs to divisions that charge user fees will allow divisions to assess the true costs of providing services.

Maintaining sufficient documentation of rationale and cost analysis will help justify fair and reasonable user fee increases and minimize undercharging user fees.

3. Comprehensive user fee study and periodic updates for all programs have not been conducted and reported to City Council:

Periodic reviews of all programs where user fees are charged will help identify services which are undercharged and will provide opportunities to increase user fee revenue to reflect the actual costs of providing services, where appropriate.

We noted that the user fees were not clearly classified based on the City's intended cost recovery goals, policy objectives, or on the basis for setting user fees. Formally categorizing each user fee as full cost recovery, City policy, provincially legislated, or market-based provides clarity and transparency for the basis on which the fees are established, reviewed, approved, and managed.

Annual reporting of comprehensive information on significant user fee programs to the council on a City-wide basis will provide greater transparency on the cost of service and will help Council respond timely to changing economic factors.

4. Some user fees recorded in the general recoveries accounts, making it difficult to track and analyze user fees:

Recording user fee revenue in specific accounts, as opposed to general accounts, is necessary for the analysis of revenue by user fee program.

5. Development Services potentially undercharging user fee by \$2.3M per year:

The City has undercharged user fees from the Development Services based on benchmarking with neighbouring municipalities. If the current application volumes were to continue, this results in about \$2.3M per year in loss of revenue for the City of Brampton. The fees charged do not reflect or recover the cost of providing the services.

6. Significant improvements required by all audited divisions as summarized in the following table:

Summary of Findings

User Fee Best Practice / Program controls	Development Services	Fire & Emergency Services	Parks & Forestry	Recreation
1. City-wide Comprehensive User Fee Framework established			X	
a) Intended cost recovery ratio/ goals are formally established for each fee program	X	X	X	X
b) Individual user fees formally categorized as: (i) full cost recovery, (ii) partial cost recovery, (iii) provincially legislated, or (iv) market-based	X	X	X	X
c) Criteria for subsidies, waivers, and exemptions established for each fee program	X	X	X	✓
d) Standard Operating Procedures (SOP) to administer user fees exist	X	X	X	X
2. Full service costs determined (including direct, indirect, and capital costs) for each program	X	X	X	X
3. A Comprehensive User Fee study for each program area completed and presented to Council in the last five years <sup>*1</sup>	X	X	X	X
4. Annual user fee review completed and presented to Council <sup>*1</sup>	X	X	X	X
a) Annual inflation adjustments performed	✓	✓	✓	✓
b) Rationale and cost-analysis for non-inflationary fee increases documented	✓	X	X	✓
c) Annual analysis of service volumes and revenues consistently performed <sup>*2</sup>	X	X	X	✓
d) Benchmarking of user fees with other jurisdictions performed	✓	✓	X	✓
5. User fee revenues are recorded and tracked in specific accounts	✓	X	X	✓

X The City/Division did not meet the best practice criteria

✓ The City/Division met the best practice criteria

\*1 The City's reporting on user fees is limited to annual staff reports for adding or removing user fees or adjusting for inflation; and a once-every-four-year Financial Master Plan, which discusses user fees at a high level. However, these documents do not present a comprehensive analysis of program costs and cost recovery by program.

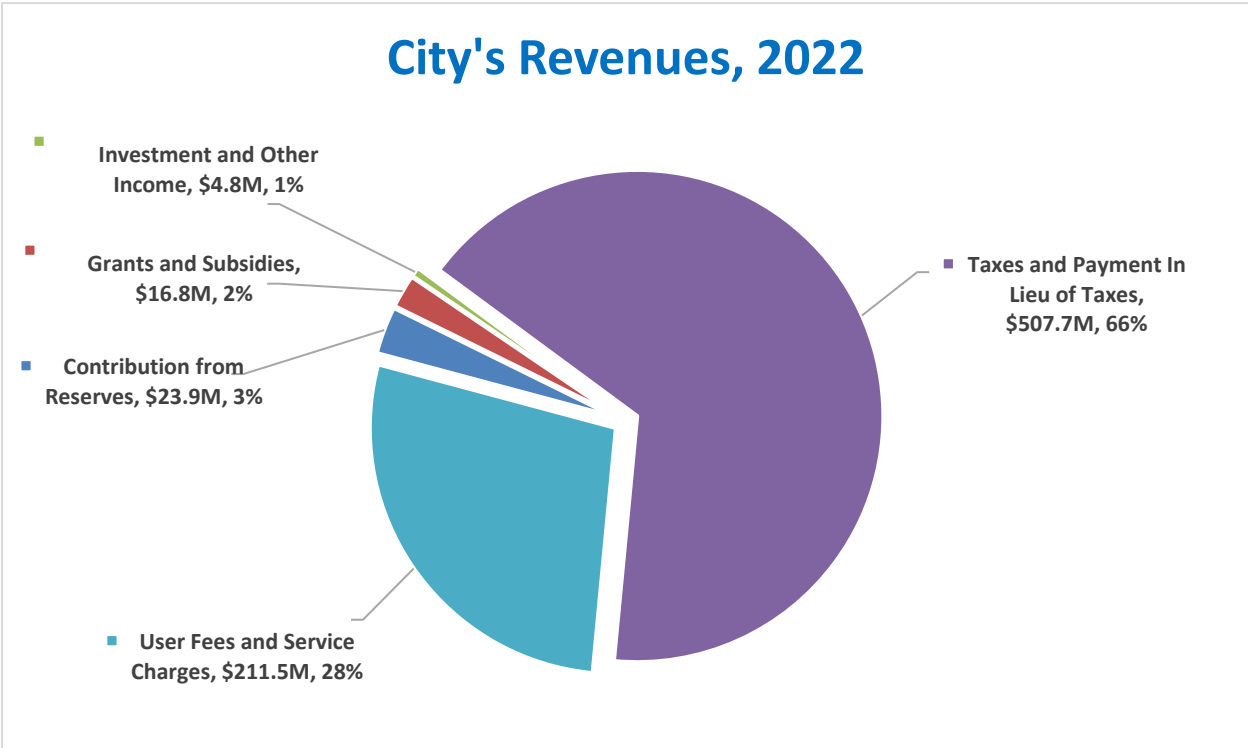
\*2 We found evidence of rudimentary analysis of service volumes and revenues, however, this was not done consistently. In a few cases, we found errors in how service volumes were calculated. In other cases, service volumes were not tracked or analyzed for all user fee categories.

**Background:**

The long-term sustainability of the City’s services and financing of its operations depends on its ability to generate sufficient revenue to meet all its expenses. The City faces significant current and future costs to maintain, upgrade and sustain its infrastructure to continue providing services to the residents of Brampton. These costs put considerable stress on the property tax rates. Some of the potential future costs include:

- Planned transit projects with significant capital investment
- Long-term asset repair and replacement costs
- Slowing of development charges revenue as the supply of land available for development diminishes over time
- Cost of development work may exceed the development charges revenue due to high inflation and service level increases
- High inflation in operating and capital expenses while the property tax rate increases have typically been at or below Consumer Price Index (CPI) levels.

Out of the City’s \$764.6M in revenue in 2022, property tax accounted for \$507.7M, or 66%; user fee and service charges accounted for \$211.5M, or 28%. The following figure provides the breakdown of the City’s 2022 total revenues:



On the expenditure side, the City faces recurring expenses, which are subject to cost inflation. For instance, in 2022, the City spent \$448.0M or 57% on salaries, wages, and benefits, and \$209.0M or 26% on repairs and maintenance, professional and contracted services, grants and subsidies, rent and lease, utilities and fuel, and other City administration.

Therefore, it is critical that the City systematically review and adjust its user fee rates; and identify new sources of user fee revenue to help offset the increased cost of service delivery.

### **User Fee Programs and Revenues**

The City offers a broad range of services with hundreds of user fees, including recreation fees, admission fees, permit and license fees, transit fares, rents, and fees from selling publications and other products. While user fees are the City's second most important revenue source, they do not recover the full costs of services that the City provides to its residents. A significant portion of these costs is funded through property tax revenue, even though many of these services directly benefit specific users. Since there are significant current and anticipated increases in the cost of services, the City would benefit from implementing a comprehensive, up-to-date user fee policy to grow revenues and support the provision of high-quality services.

The fundamental principle of a user fee policy is that user fees should be used to finance those services that provide a direct benefit to specific users and that user fees should be set to recover the full cost of those services from the direct users to the extent that there is no conflict with City policy objectives and other legislative requirements. With some exceptions, the full cost of services should be recovered from direct users and the services that benefit the entire community should be funded through property taxes. Such exceptions include subsidizing some of the services that the City provides through property taxes to ensure these services are available to all residents, regardless of their income levels.

The City has limited revenue raising tools available other than property taxes and user fees. Over the years, the transfers from federal and provincial governments have not kept pace with growth, downloading of services and inflation and are unlikely to be a major revenue source in the future. Provincial advocacy efforts to provide the City with additional revenue tools, such as Land Transfer Tax, 1% Municipal Sales Tax, Vehicle Tax have not gained traction and there is no indication of any additional tools being provided at this time. Therefore, to meet the increasing costs of service delivery, property taxes and user fees remain the only meaningful sources of revenue.

Approximately two-thirds of the City’s expenditure is funded through property taxes, and user fee contributes only 28%.

The share of user fee revenue in the City’s total revenue has generally been stable. By 2022, revenue decrease due to Covid-impact has eased, and the user fee revenue has stabilized to pre-Covid levels.

The following table shows the percentage share of user fee revenue in the City’s total revenue since 2017:

### City's Total Revenue 2017-2022 (\$ Million)

Revenue Source	2017	2018	2019	2020	2021	2022
Contribution from Reserves	\$7.9	-\$0.6	\$6.2	\$66.2	\$36.0	\$23.9
Grants and Subsidies (Note 1)	\$11.4	\$11.5	\$13.5	\$15.1	\$17.7	\$16.8
Investment and Other Income	\$15.0	\$13.4	\$12.2	\$9.9	\$7.4	\$4.8
Taxes and PILs	\$450.6	\$482.2	\$487.3	\$493.6	\$497.4	\$507.7
User Fees and Service Charges	\$157.5	\$184.0	\$192.1	\$117.3	\$167.7	\$211.5
<b>Grand Total</b>	<b>\$642.4</b>	<b>\$690.4</b>	<b>\$711.3</b>	<b>\$702.0</b>	<b>\$726.1</b>	<b>\$764.6</b>

User Fee as % of Total Revenue	<b>25%</b>	<b>27%</b>	<b>27%</b>	<b>17%</b>	<b>23%</b>	<b>28%</b>
Property Taxes as % of Total Revenue	<b>70%</b>	<b>70%</b>	<b>69%</b>	<b>70%</b>	<b>68%</b>	<b>66%</b>

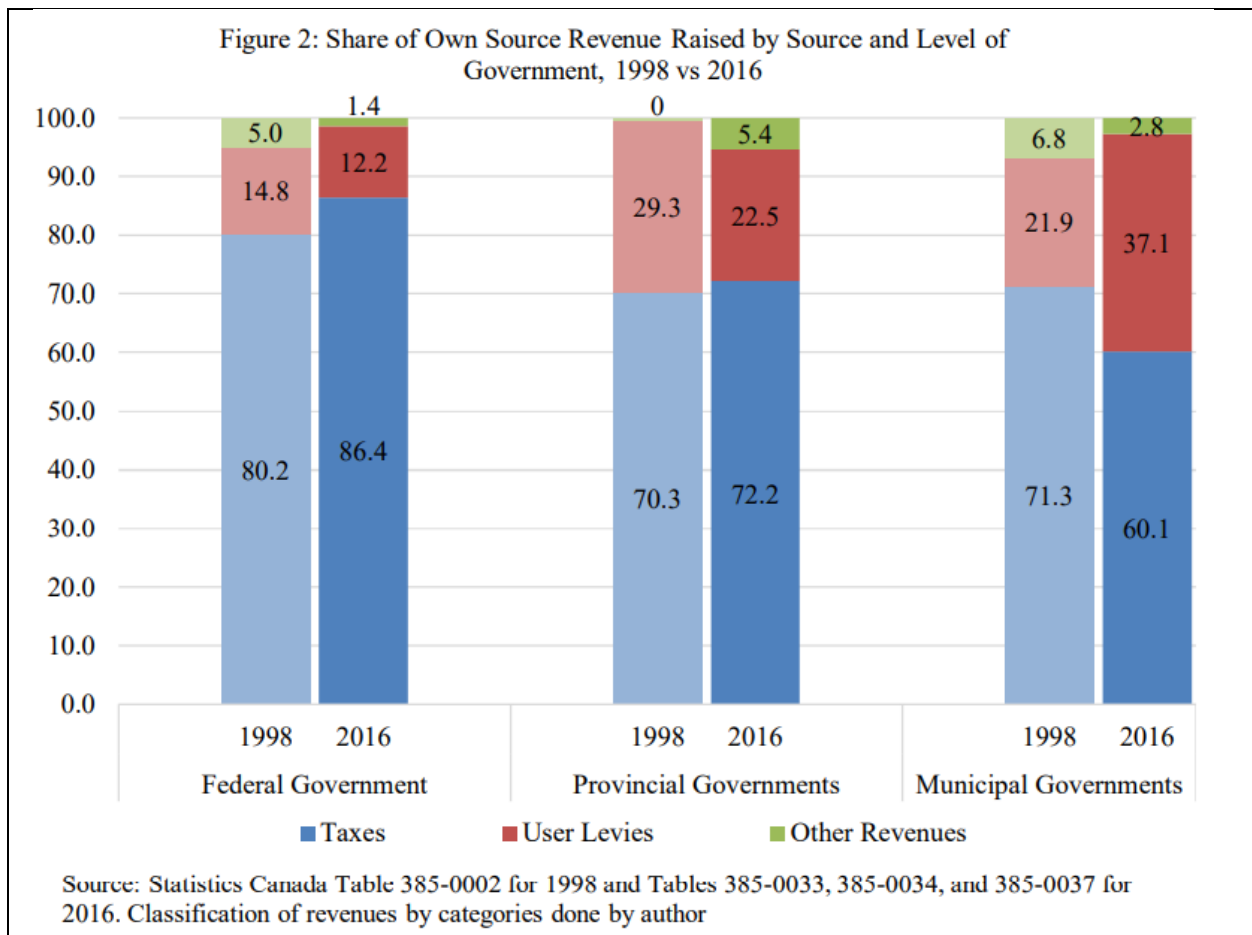
**Note 1:** In 2020 and 2021, the City received \$77 million and \$69 million in grants and subsidies, which included Covid-related transfers of \$62 million and \$51 million, respectively. The Covid-19 related grants & subsidies have been excluded from the above table as they represent one-time grants.

The City’s property tax and user fee levy trend is inconsistent with the following widely accepted principle that:

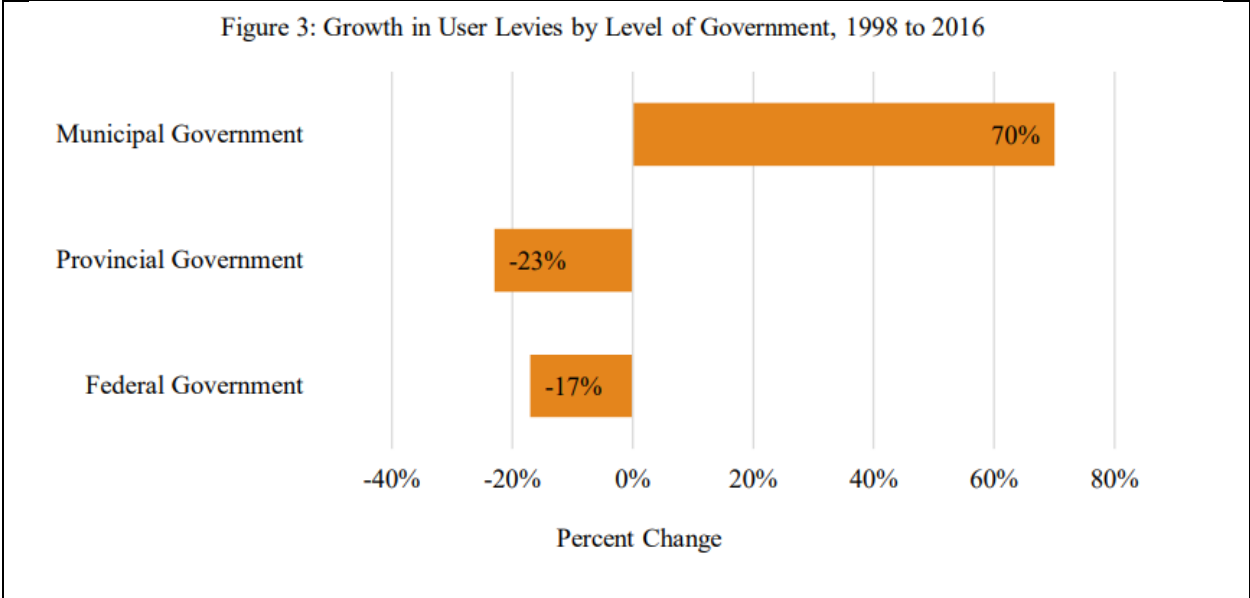
*“... where possible, the direct users, the beneficiaries, of the good or service should pay the price of providing the good or service. By charging users directly, this ensures that the goods or services are consumed by those who value them the most and the government obtains direct feedback as to whether citizens really desire the provision of the good or service at the cost incurred to provide that good or service.”<sup>1</sup>*

<sup>1</sup> Lindsay M. Tedds. 2019. Non-Tax Revenue for Funding Municipal Governments: Potentials, Constraints, and Emerging Opportunities. In L. Phillips et al (Eds.), Funding the Canadian City: Toronto: Canadian Tax Foundation. Bird, Richard M. and Enid Slack (2014) "Local Taxes and Local Expenditures in Developing Countries: Strengthening the Wicksellian Connection," Public Administration and Development, 34 (4): 359-369.

While Canadian municipalities are reducing their reliance on property taxes and increasing their reliance on user levies, the City’s user fee funding share has stayed around 27% to 28% and not shown any meaningful increase over the last five years, and the City continues to place heavy reliance on property taxes to fund its expenditures and a major portion of user-fee eligible services. According to research, from 1998 to 2016, municipal governments increased their user levies as a share of their source revenues by nearly 70%, increasing from 21.9% to 37.1% of revenues<sup>2</sup>. We have reproduced two graphs from the same research report on this issue that illustrates the public finance trends, as shown below:



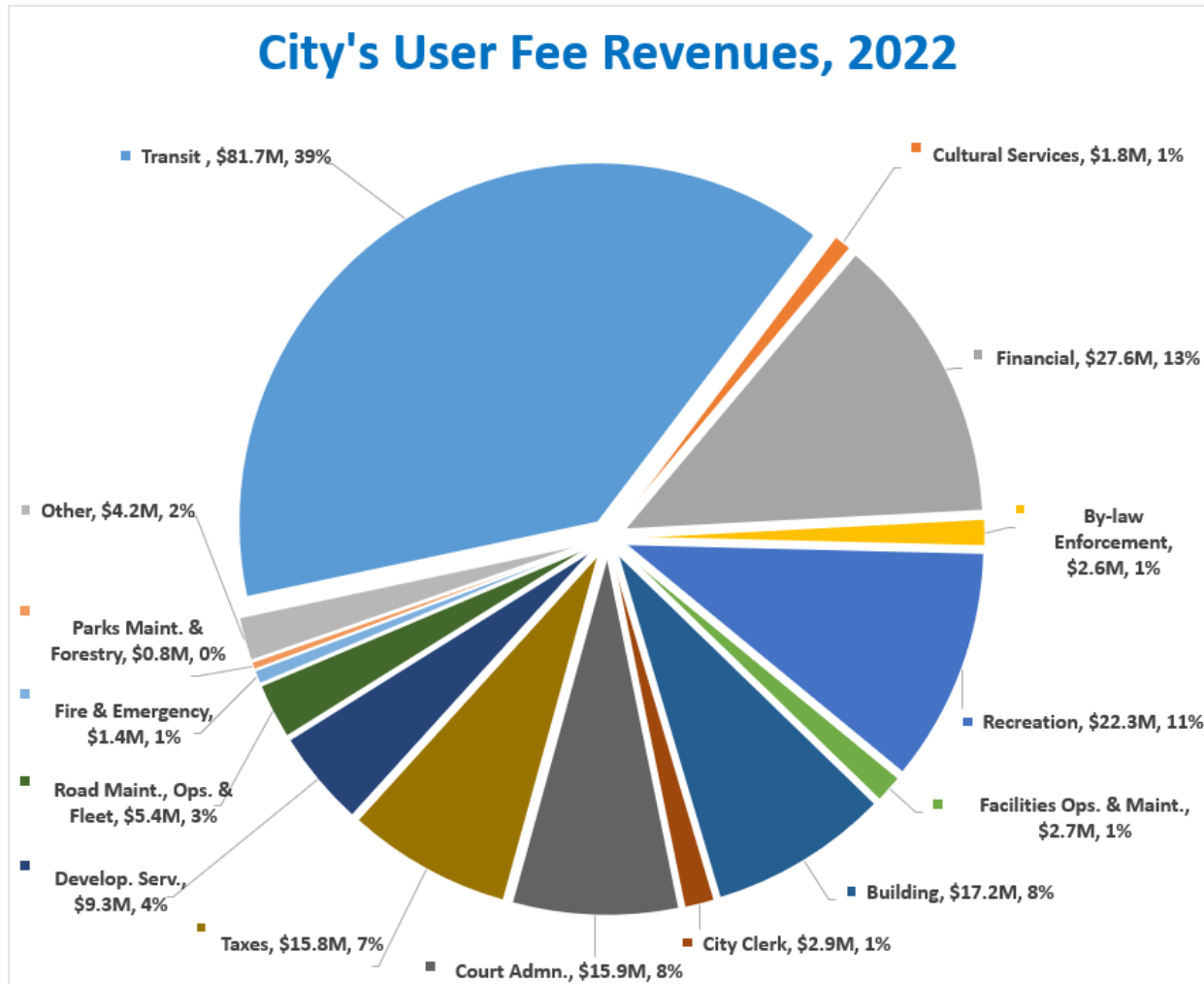
<sup>2</sup> Lindsay M. Tedds. 2020. *Who Pays for Municipal Governments? Pursuing the User Pay Model*. In Elsbeth Heaman (ed.) *Who Pays for Canada? Taxes and Fairness*, McGill University Press. Lindsay Tedds is a specialist in applied economic research and policy analysis, with a particular focus on the design and implementation of fiscal and tax policy.



As the share of user fee in City’s total revenue has not increased meaningfully, there is a need for the City to examine its user fees to determine whether the City is undercharging and to what extent the City subsidizes these services.

Following figure provides the breakdown of the City’s 2022 user fee revenue by division:





In 2022, the City divisions collected \$211.5M in user fee revenue from various services. The Transit service revenue accounted for \$81.7M, or 39% of the City's overall user fee revenue, followed by Finance (\$27.6M or 13%), Recreation (\$22.3M or 11%), Buildings (\$17.2M or 8%), Court Administration (\$15.9M or 7%), and Development Services (\$9.3M or 4%).

The following lists the key divisions that collectively generate close to 90% of the user fees and a brief description of the fees collected:

- Transit services (\$81.7M, 39%): This \$81.7M represents transit fare collection.
- Finance (\$27.6M, 13%): Includes \$23.7M in stormwater charges and \$2.8M in interest and penalties on taxes. The stormwater charge represents the fees collected from all property owners under the City's Stormwater Charge By-Law, once collected, will be allocated expressly to the costs related to

operating, administering, maintaining, and improving the City's stormwater drainage system. It is calculated based on the estimated stormwater runoff produced from a property. The stormwater charge has been collected through Region of Peel water bills after the By-Law became effective on June 1, 2020.

- Building (\$17.2M, 8%): Includes user fees and service charges regarding licenses, building permits, and zoning.
- Court Administration (\$15.9M, 7%): Although labeled as user fees, the amount represents fine payments, received by Court Services, resulting from charges laid by police services and enforcement agencies in the City.
- Development Services (\$9.3M, 4%): Includes \$4.4M from planning and development agreements, and \$4.2M from site plan agreements.
- Recreation (\$22.3M, 11%): Includes fees for various programs and services offered by the Recreation division. These include fitness and sports programs, memberships, and rentals.
- Road Maintenance, Operations & Fleet (\$5.4M, 3%): The user fee revenue under this category relates to payments received for services such as utility cuts permits and utility cuts restoration.
- Facilities Operations & Maintenance (\$2.7M, 1%): Includes various lease rentals, room and equipment rentals, and library rentals.
- City Clerk (\$2.9M, 1%): Includes user fees and service charges for business licenses, civil marriage licenses, lottery licenses, death registrations, and the committee of adjustment fees, etc.
- Enforcement & By-law Services (\$2.6M, 1%): The amount represents payments received by the City resulting from enforcement of property standards, City by-laws, and licensing by-laws. Licensing by-law revenue include fees collected from business licensing applications and renewals. The By-law Enforcement revenue include fines from public property offences, such as snow removal, excessive loud music, and parking infractions, etc.
- Fire and Emergency Services (\$1.4M, 1%): Includes user fees for services such as hazardous materials response, reports and searches, permits, applications and reviews, fire inspection, and false fire alarms, etc.
- Parks & Forestry (\$0.8M, 0%): The user fees collected by Parks & Forestry division include park equipment rentals and various cemetery fees.

## City's User Fee Process

Authority to impose user fee is provided by provincial statutes, including the *Municipal Act, 2001*, the *Development Charge Act, 1997*, and the *Building Code Act, 1992*.

Section 391 (1) within the Part XII, Fees and Charges of the *Municipal Act* provides general authority for establishing user fees and allows the City to impose fees for:

- (a) services or activities provided or done by or on behalf of the City;
- (b) costs payable by the City for services or activities provided or done by or on behalf of any other municipality or any local board; and
- (c) use of the City property including property under the City's control.

The main goals of the City's user fee program include maintaining a delicate balance of cost recovery, affordability, and property tax reduction when pricing programs and services. The current process at the City involves a once-every-four-year Financial Master Plan, which includes a User Fee section, and an annual update to user fees as part of the budget process. Finance Client Services facilitates a corporate-wide user fee update, which is undertaken annually by operating departments.

According to the yearly staff report on the user fee, all operational areas aim to review user fees periodically and recommend amendments to the User Fee By-law as required. The report further stated that in reviewing user fees, staff attempt to consider several factors, including:

- the cost to provide a service;
- current demand and market conditions;
- comparison and benchmarking of user fees with other services available in and around Brampton;
- consistency of fees for similar services within the department; and
- responsiveness of fee structures and options with user needs and preferences.

The City's User Fee By-Law (380-2003) stipulates types and the magnitude of user fees.

According to City staff, general objectives such as affordability, service accessibility, and ease of administration are considered when updating user fees; and efforts are

being made to compress, categorize, and streamline the inventory of user fees associated with programs and services to make user fees more transparent, consistent, and easier to understand for the resident.

The user fee report submitted in December/November 2021 as part of the 2022 budget deliberation, resulted in the following changes to user fees in 2022. The City raised user fees from 2% to 2.5% for different categories while Brampton's Municipal Price Index (MPI) was 4.4% and the general Consumer Price Index (CPI) was 3.4% for 2021. The 2% to 2.5% user fee raise fell short of both the MPI and the CPI guidance issued in the City's 2022-2024 Budget Guidelines.

- Recreation - 2.5% increase in most of its user fees
- Performing Arts - 2.5% increase in user fees for facility rentals and staffing
- Parks - Mostly unchanged from the 2021 level, except for a 2.5% increase in user fees for Cemetery Services.
- Cemetery Care and Maintenance Fund Account Contributions - Increased effective January 1, 2022, as per the Directive from The Bereavement Authority of Ontario (BAO). These changes are reflected in Cemetery By-law 83-2016 in section 5.20. A Care and Maintenance Fund is a trust fund that helps ensure the long-term upkeep of a cemetery. The BAO regulates the contribution amounts.
- Corporate Support Services fees - Unchanged from the 2021 level with some exceptions within Finance and Strategic Communication, Culture, and Events categories.
- Brampton Fire & Emergency Services - 2% increase in most of its user fees
- Legislative Services - Unchanged with some exceptions within City Clerk's Office, Legal Services, and Animal Services categories.
- Public Works and Engineering - Unchanged, except for a 2.5% increase in facility rentals and services within Facility Operations and Maintenance
- Economic Development - Unchanged from the 2021 level, except for the removal of fees no longer in use

### **Audit Scope and Objectives**

The period covered by this audit is January 1, 2020, to December 31, 2022. This audit commenced October 2022 and was substantially complete in January 2023.

The audit reviewed the user-fee-related activities within the following divisions:

- Development Services
- Recreation
- Fire & Emergency Services, and
- Parks & Forestry

### Out-of-scope

All other divisions, except for the above four, were excluded from the audit scope either because of audit resource constraints or because they were audited recently or will be reviewed in future. The following are the reasons for excluding some of the divisions from the current audit:

- Transit Services: Internal Audit staff reviewed the transit revenue as part of the overall transit operations audit in 2019-2020 and may propose a Transit Revenue audit in the future.
- Finance (including stormwater charges): Before 2020, the costs of operating and maintaining the stormwater infrastructure were funded through the general property tax revenue. Starting June 1, 2020, the City implemented a new user-fee-based funding model where the stormwater charges are based on the volume of stormwater runoff from a property. The Stormwater Charges are now collected as part of the Region of Peel's water billing operations. As this new program has been implemented only recently, we have excluded it from this review.
- Building Services: We have excluded these user fees as they would require a different audit approach and may be included in the future audit work plan.
- Road Maintenance, Operations, and Fleets: Approximately 63% (\$3.4M out of \$5.4M) included recoveries for traffic signals and traffic street lighting services provided on behalf of Region of Peel; and the remaining 36% were general recoveries (e.g., utility cut permits and other services). We have excluded these user fees as they would require a different audit approach and may be included in the future audit work plan.
- All other divisions with a small number of user fees were deemed immaterial individually or would have required additional audit resources to review these fees.

The objectives of this audit were to assess:

- Whether the City has a user fee policy and framework to ensure consistency in establishing and administering the City's user fees program, and to provide guidance on the cost recovery ratio for various fees,
- Whether policies and procedures are in place to determine effective fee rates and fee structures and to what extent such policies and procedures are complied with, and
- Whether policies and procedures are in place to identify, review, and approve exceptions to full cost recovery and for waiving fees and to what extent such policies and procedures are complied with.

## Findings:

### 1. The City does not have a comprehensive user fee framework

#### *What did we find?*

The City has not established a comprehensive user fee framework to ensure consistency in setting and administering the City's user fee programs including cost recovery. In the absence of a cohesive user fee policy and accompanying procedures, user fees have been established and managed without a clear set of common principles.

The lack of a comprehensive user fee framework is at the root of this and many of the audit observations in this audit report.

#### *Why do we need a comprehensive framework?*

A comprehensive user fee framework helps to allocate resources in a rational way and provides the City with a more efficient user fee program to enable it to recover the cost of services that provide direct benefits to specific users, and thus redirecting property tax revenues to fund services that provide a benefit to the public.

#### *What elements should we have in the user fee framework?*

A comprehensive user fee framework should include the following guiding principles. The Policy should:

- a) specify when to charge user fees

- b) require that the full costs be determined as the starting point for setting the user fee, regardless of whether the full cost will be recovered
- c) outline that the calculation of full service costs should include the direct costs, the indirect costs, and the capital cost for the replacement of assets utilized to provide the service or activity
- d) have conditions and criteria for awarding subsidies
- e) outline criteria for providing waivers or exemptions from the user fee
- f) require automatic annual inflationary adjustments, periodic comprehensive user fee reviews, revenue allocation, public consultation, and approval process.

*How does this impact the City?*

Lacking comprehensive user fee framework for the City leads to several consequences, such as:

- The City may not be able to accurately assess the true costs of providing services, which could lead to undercharging for services. As a result, the City may fund services via property taxes, when user fees are more appropriate, and may not have enough revenue to adequately fund important services such as public safety, infrastructure maintenance, and community development.
- The City may rely heavily on property taxes to fund its operations, which can be burdensome for residents, particularly those with low or fixed incomes. It can also lead to an uneven distribution of costs, with some residents and businesses paying more than their fair share.
- It can lead to lack of transparency and accountability, as it can be difficult for residents to understand how and why they are being charged for certain services.
- Lastly, without a comprehensive user fee framework, it can be difficult for the City to manage the balance between property taxes and user fees and plan for the future.

Many of our audit observations included in this audit report resulted from the lack of a comprehensive user fee framework.

Best Practices and Guidelines on User Fees

While there is no single authoritative source or a standard on user fees, the Government Finance Officers Association (GFOA) has established widely accepted best practices and guidelines for setting and administering user fees. GFOA represents 20,000 public finance officials throughout the United States and Canada who are deeply involved in planning, financing, and implementing thousands of governmental operations in each of their jurisdictions.

According to GFOA, a comprehensive user fee framework or a policy should:

- Require that staff consider affordability, pricing history, inflation, service delivery alternatives, and available efficiencies when pricing goods and services.
- State whether the jurisdiction intends to recover the full cost of providing goods and services.
- Set forth under what circumstances the jurisdiction might set a charge or fee at more or less than 100 percent of full cost. If the full cost of a good or service is not recovered, then an explanation of the jurisdiction's rationale for this deviation should be provided.
- Outline the considerations that might influence jurisdiction's pricing decisions. Such policy concerns might include the need to regulate demand, the desire to subsidize a certain product, competition with private businesses, economic development, elasticity of demand for the service, and visibility of the service to the community.
- State the specifics of how the fees and charges will be levied and collected should be a consideration when developing policy.



**Recommendation:**

1. City Council requests the Chief Administrative Officer to ensure that staff implement a comprehensive user fee framework that requires a consistent approach for establishing user fees across City Programs and Local Boards, and such policy shall:
  - a) be designed to improve consistency, transparency, efficiency, and accountability in establishing and managing user fees,
  - b) promote recovery of the full cost of services for which user fees are charged, to the extent that there is no conflict with the City's policy objectives and priorities, and
  - c) require ongoing review of user fees to ensure that they are adjusted to reflect changes in the cost of delivering services, changes in service levels, as well as the continued relevance of policy objectives and actual outcomes.

**2. The City program areas have not consistently determined the full costs of user fee services before setting user fees.**

*What did we find?*

We noted that:

- a) For most services and programs, the basis for setting user fees is not clear. Staff have not consistently documented the rationale or the cost analysis for fees charged for various programs. Maintaining sufficient documentation of rationale and cost analysis will help justify fair and reasonable user fee increases and minimize undercharging user fees.
- b) The four program areas we reviewed generally have not considered indirect costs or capital costs when setting user fees.<sup>3</sup>
- c) City currently does not take a coordinated approach to determine and allocate corporate overhead costs to divisions for assessing full service cost and setting user fees. Allocating corporate overhead is necessary to

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<sup>3</sup> Fire, Parks, Recreation did not consider indirect costs nor capital costs. Recreation user fees using a combination of direct cost and market cost to set the user fees. Development Services refers to indirect costs but have not determined the indirect costs. The City did consider capital costs when assessing the storm water charges. One approach to integrating capital costs into user fees is to consider financing charges or the borrowing costs as chargeable costs when setting user fee rates,

ensure that costs incurred by divisions providing supporting functions are accounted for when setting user fees<sup>4</sup>.

- d) Finally, we found that some user fee programs only considered direct cost from its own program areas even though other divisions may have also contributed to providing the services.

Consequently, we were not able to ascertain that user fee rates are set to recover the full costs of providing direct benefit services and, in so doing, maximize user fee revenues.

#### *Why is it important to establish full service cost?*

It is important for the City to establish full service cost that includes direct and indirect costs such as the costs of operations and maintenance, overhead, and charges for the use of capital assets used to provide the service, regardless of whether all services are deemed to be fully cost recoverable.

We recognize that full cost recovery may not be possible in every case, however, without determining the full service costs first, the City may not be able to accurately set user fee rates or determine the extent of the property tax subsidy. This can lead to financial shortfalls and a reliance on other revenue sources to make up the difference. Additionally, without accurate accounting of the cost of services, the City may be overcharging or undercharging certain groups of users, which could be perceived as unfair.

Determining full cost of service is the first step to setting user fees and the desired cost-recovery levels for each user fee program. Only when the City has determined the full service cost, it can balance the City priorities and promote equity.

#### Best Practices and Guidelines on full cost determination

According to GFOA, full cost of providing a service should be calculated before setting the charge or fee. Full cost should incorporate direct and indirect costs (including operations and maintenance), overhead, and charges for the use of capital facilities. Examples of overhead costs include payroll processing, accounting services, computer usage, and other central administrative services.

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<sup>4</sup> Where user fees have taken into consideration of overhead costs, the application of overhead costs were isolated and not coordinated with user fee programs. For instance, all indirect costs add up together should be 100% of the support function.

The GFOA further recommends that activity-based costing (ABC) principles should be used to calculate full cost of service. ABC assigns costs to the activities required to deliver a service and can be more accurate than traditional costing methods. This should also include the cost of administering and collecting the user fees. We anticipate that the divisions will have some challenges in implementing activity-based costing principles to determine the full service costs, however, that is the most reliable way to determine full service costs.

For direct costs, program areas have the best knowledge of the input and output of their respective user fee programs. For indirect costs, we do not require City staff to allocate indirect costs to each user fee program area through accounting journal entries. Finance can develop financial modelling with the user fee program areas to analyze indirect costs that should be considered for full-service costing. As well, Finance can provide guidance on capital costs to be considered for full-service costing. Doing so will ensure that the City takes a coordinated approach in factoring in indirect costs and capital costs.

**Recommendation(s):**

2. City Council requests the Chief Administrative Officer to ensure that staff determine the full service costs for user fee programs as the starting point for setting user fees, and that in doing so, staff consider using the Activity Based Costing principles to calculate full service cost.
3. City Council requests the Chief Administrative Officer to ensure that staff document the rationale when user fees are not set based on the full service cost.

**3. Comprehensive user fee study and periodic updates for all programs have not been conducted and reported to City Council.**

*What did we find?*

We found that most user fee programs have not had a comprehensive user fee study in the last five years and have not consistently performed periodic user fee updates. The Finance Client Services currently facilitates the corporate-wide updates of user fees as part of the annual budget review undertaken by operating departments. However, these updates are a limited form of review of the user fee

programs, primarily focused on inflation adjustments to user fees. We reviewed the 2021 User Fee report and noted that the adjustments were in the range of 2% to 2.5% for inflation, and the report did not provide any information on program costs, subsidies, and recovery ratios.

We noted that the user fees were not clearly classified based on the City's intended cost recovery goals, policy objectives, or on the basis for setting user fees. As a best practice, each user fee category should be clearly identified as having a full cost or partial cost recovery objective, or whether such fees are provincially legislated, or market based. Formally categorizing each user fee as full cost recovery, city policy, provincially legislated, or market-based provides clarity and transparency for the basis on which the fees are established, reviewed, approved, and managed.

*Why do we need a comprehensive user fee study for each program?*

A comprehensive user fee study by program would typically examine all user fees currently in place to determine the extent to which they are fair and collect the full cost of providing the service. The goal of such review would be to:

- Identify all existing user fees
- Determine current basis of the fee price
- Determine those fees that should be fully cost-recovered, and the extent to which the full cost is recovered
- Determine those fees that should be exempt from full cost recovery
- Identify additional opportunities for collecting user fees
- Assess whether user fee services are delivered economically and efficiently.

*Why do we need a periodic review?*

According to GFOA, the periodic review and update of user fees should consider the impact of inflation, other cost increases, adequacy of cost recovery, use of services, and the competitiveness of current rates. Periodic reviews and updates help smooth charges and fees over several years rather than having uneven impacts. Periodic review of the service demand and competition is also recommended to ensure that the appropriate quality and price point of the service continues to meet actual demand. The review should be performed in conjunction with a look at alternatives for cost reduction. Further, individual user fees should be

benchmarked with those charged by comparable or neighboring jurisdictions to guide rates setting and to differentiate service levels and pricing options. The periodic review should utilize long-term forecasting to anticipate future costs in providing the service.

*How does this impact the City?*

Without the comprehensive user fee study and subsequent periodic updates, user fees may be outdated and no longer align with the cost of providing the services. Therefore, the City may be undercharging user fees and shifting the cost burden to property taxpayers.

Finally, for consistency, City staff should report the results of comprehensive user fee study and subsequent periodic reviews of user fees to the City Council to keep Councillors informed of changes in user fee program delivery and full service costs. We recommend that each program area conduct a comprehensive user fee study once every five years and provide City council with annual user fee updates to address program changes in addition to inflation adjustments.

**Recommendation(s):**

4. City Council requests the Chief Administrative Officer to ensure that staff conduct and presents to City Council a comprehensive user fee study once every four years, and such study should:
  - a) identify all existing user fees,
  - b) determine current basis of the fee price,
  - c) determine those fees that should be fully cost-recovered, and the extent to which the full cost is recovered,
  - d) determine those fees that should be exempt from full cost recovery,
  - e) identify additional opportunities for collecting user fees, and
  - f) assess whether user fee services are delivered economically and efficiently.
5. City Council requests the Chief Administrative Officer to ensure that staff conduct and presents to City Council an annual update on user fee, and such updates should include the impact of inflation, other cost increases,

adequacy of cost recovery, use of services, and the competitiveness of current rates, and identify additional opportunities to collect new user fees.

#### **4. Staff recorded some user fees in the general recoveries accounts**

*What did we find?*

Although most of the user fees have been recorded in specific revenue accounts, approximately \$7.1M or 3% of the total revenues were recorded as general recoveries.

The General Recoveries G/L account currently collects a variety of fees and charges in one pot. Below are some examples of the fees recorded in the General Recoveries G/L account:

- Animal Services (Vet Fee)
- Auction Recovery
- Cemetery memorial benches & trees
- Course Registration
- Ground maintenance,
- Facility rental revenue
- Mail delivery fee,
- Manulife repayment
- Sign retrieve fee
- Ticket fee
- Parking Revenue
- Smoke alarm

*Why should we record user fees in specific accounts?*

Recording user fee revenue in specific accounts, as opposed to general accounts, facilitates analysis of revenue by user fee program. This helps ensuring that fees collected are sufficient to recover the cost of providing the goods or services.

When user fees are recorded in general accounts, it is more difficult to track revenues from different user fee streams or to facilitate comprehensive and periodic fee reviews.

**Recommendation:**

6. City Council requests the Chief Administrative Officer to ensure that staff record user fees in specific fee accounts and, where possible, identify the revenue sources and distribute the revenues from the general accounts to specific user fee accounts, to facilitate comprehensive and periodic fee analysis.

**Summary of Findings by Division:**

The following table summarizes the audit observations in each of the four divisions:

**Summary of Findings**

User Fee Best Practice / Program controls	Development Services	Fire & Emergency Services	Parks & Forestry	Recreation
1. City-wide Comprehensive User Fee Framework established			X	
a) Intended cost recovery ratio/ goals are formally established for each fee program	X	X	X	X
b) Individual user fees formally categorized as: (i) full cost recovery, (ii) partial cost recovery, (iii) provincially legislated, or (iv) market-based	X	X	X	X
c) Criteria for subsidies, waivers, and exemptions established for each fee program	X	X	X	✓
d) Standard Operating Procedures (SOP) to administer user fees exist	X	X	X	X
2. Full service costs determined (including direct, indirect, and capital costs) for each program	X	X	X	X
3. A Comprehensive User Fee study for each program area completed and presented to Council in the last five years* <sup>1</sup>	X	X	X	X
4. Annual user fee review completed and presented to Council* <sup>1</sup>	X	X	X	X
a) Annual inflation adjustments performed	✓	✓	✓	✓
b) Rationale and cost-analysis for non-inflationary fee increases documented	✓	X	X	✓
c) Annual analysis of service volumes and revenues consistently performed* <sup>2</sup>	X	X	X	✓
d) Benchmarking of user fees with other jurisdictions performed	✓	✓	X	✓
5. User fee revenues are recorded and tracked in specific accounts	✓	X	X	✓

X The City/Division did not meet the best practice criteria      ✓ The City/Division met the best practice criteria

\*<sup>1</sup> The City's reporting on user fees is limited to annual staff reports for adding or removing user fees or adjusting for inflation; and a once-every-four-year Financial Master Plan, which discusses user fees at a high level. However, these documents do not present a comprehensive analysis of program costs and cost recovery by program.

\*<sup>2</sup> We found evidence of rudimentary analysis of service volumes and revenues, however, this was not done consistently. In a few cases, we found errors in how service volumes were calculated. In other cases, service volumes were not tracked or analyzed for all user fee categories.

Overall, we found that most user fees were set without first determining the full cost of service, and there was no comprehensive user fee study done in the last five years for the programs we reviewed. We found no supporting documentation on how user fees were set initially. Staff reported that many user fees were set

historically and have been carried forward with only inflation adjustments, and occasional addition or removal of fees. As a result, many of these user fees may be outdated.

The City's reporting on user fees is limited to annual staff reports for adding or removing user fees or adjusting for inflation; and a once-every-four-year Financial Master Plan, which discusses user fees at a high level. However, these documents do not present a comprehensive analysis of program costs, subsidies, and cost recovery by program.

We found evidence of basic analysis of service volumes and revenues; however, this was not done consistently. In a few cases, we found errors in how service volumes were calculated. In other cases, service volumes were not tracked or analyzed for all user fee categories, which made any meaningful comparisons difficult.

Tracking service volumes is important for user fee administration because it allows program area to accurately assess the demand for different services and determine appropriate user fees. By monitoring usage patterns and trends, staff can ensure that user fees are fair and equitable, and that they are set at a level that will cover the cost of providing the service while also generating enough revenue to support other important public priorities. Additionally, tracking service volumes can help identify areas where more resources are needed to meet demand, and can help identify opportunities for efficiency improvements that can reduce costs and improve service delivery.

**5. Development Services is potentially losing \$2.3M in user fee revenue:**

Development Services is a division under the Planning, Building & Growth Management Department. Development Services is responsible for processing development applications including Official Plan amendments, zoning amendments, draft plans of subdivision, draft plans of condominium, site plan approvals, minor variance applications and consents to sever in accordance with the requirements of the Planning Act.

Development Services charge user fees for processing various development applications. The City of Brampton development services user fees include two components: base rate and additional per unit rate. We compared the development services base rates with other cities and found that the City of Brampton charges significantly lower user fees for the same services.



We utilized base rate for comparison due to the high degree of variability in how comparator municipalities charge for units. Some, like Brampton, use a sliding ‘per unit’ scale, others utilize a charge based on gross floor or a combination of the two, making the comparison exercise challenging.

The following table compares the user fees charged by City of Brampton and other neighbouring jurisdiction for processing development applications:

### Multi-jurisdiction Comparison of Development Services Base User Fees

Application Type	Toronto	Mississauga	Markham	Hamilton	Average Fee Charged (excluding Brampton)* <sup>1</sup>	Brampton 2021 Base Fee	How much is Brampton undercharging? * <sup>2</sup>	Average Volume (2020-2022)	Potential Impact of undercharging (Per Year) * <sup>3</sup>
Official Plan Amendment	\$119,104	\$26,250	\$55,877	\$73,145	\$68,594	\$10,651	-84%	8	-\$375,251
Zoning By-law Amendment	\$45,258	\$34,381	\$42,687	\$31,067	\$38,348	\$16,483	-57%	15	-\$182,850
Subdivision Application	\$62,358	\$9,310	\$43,704	\$51,590	\$41,741	\$11,194	-73%	19	-\$432,187
Condominium	\$15,803	\$17,830	\$47,838	\$18,905	\$25,094	\$7,927	-68%	40	-\$469,763
Site-plan Approval	\$23,090	\$10,793	\$13,322	\$25,350	\$18,139	\$6,622	-63%	202	-\$1,479,517
Pre-construction Application	\$700	\$3,778	\$775	\$10,270	\$3,881	\$604	-84%	183	-\$505,372
<b>Total</b>									<b>-\$3,444,941</b>

The fee structure has two parts (1) Base fee, and (2) Additional Per unit fee. The above analysis only considers the Base Fee for comparison.

\*<sup>1</sup> Average of fee charged by other jurisdictions excluding Brampton (includes Toronto, Mississauga, Markham, and Hamilton)

\*<sup>2</sup> Compared to the average fee charged by other jurisdictions

\*<sup>3</sup> Calculated as a difference of fee charged by Brampton and the average fee charged by other jurisdictions based on average volume of applications between 2020 and 2022

Our analysis shows that City is foregoing \$3.4M in potential revenue based on the average application volumes when we compare the City’s current development services user fee rates to what other jurisdictions charge on average.

We considered three scenarios to understand the revenue impact of increasing the 2022 development services fee by 25%, 75%, and 100%. The following table summarizes the scenarios and their revenue impact:

## Potential Increase in Development Services Base User Fee Revenue

Application Type	Brampton 2021 Base Fee	Average Volume (2020-2022)	After 25% Fee Increase	Additional Revenue	After 75% Fee Increase	Additional Revenue	After 100% Fee Increase	Additional Revenue
Official Plan Amendment	\$10,651	8	\$13,314	\$20,414	\$18,639	\$61,243	\$21,302	\$81,658
Zoning By-law Amendment	\$16,483	15	\$20,604	\$60,438	\$28,845	\$181,313	\$32,966	\$241,751
Subdivision Application	\$11,194	19	\$13,993	\$54,104	\$19,590	\$162,313	\$22,388	\$216,417
Condominium	\$7,927	40	\$9,909	\$79,270	\$13,872	\$237,810	\$15,854	\$317,080
Site-plan Approval	\$6,622	202	\$8,278	\$334,963	\$11,589	\$1,004,889	\$13,244	\$1,339,851
Pre-construction Application	\$604	183	\$755	\$27,583	\$1,057	\$82,748	\$1,208	\$110,331
<b>Total</b>				<b>\$576,772</b>		<b>\$1,730,316</b>		<b>\$2,307,088</b>

The fee structure has two parts (1) Base fee, and (2) Additional Per unit fee. The above analysis only considers the Base Fee for comparison.

\*<sup>1</sup> Average of fee charged by other jurisdictions excluding Brampton (includes Toronto, Mississauga, Markham, and Hamilton)

As the above analysis show, the City can generate an additional \$2.3M in user fee revenue if the user fee rates are increased by 100% from 2022 levels.

Finally, even with an 100% increase, the user fee rates would still be below what other municipalities charge on average and not recover the full cost of service.

### Cost of Service and Tax Subsidy

In 2021, Development Services division engaged a third-party consultant to benchmark and review options for user fee structure. The consultant provided analysis of direct costs for development applications which considered activity-based costing principle to estimate direct costs incurred by various divisions that contributed to the processing of the development applications. The consultant used an estimated 37% for overhead costs or indirect costs in their calculations. This estimated 37% overhead was based on another study done in 2005. There are no recent studies to validate the overhead costs.

According to staff, the development applications require inputs from City divisions, such as Finance, Building Design and Construction, Capital Works, Environment & Development Engineering, Road Maintenance Operations & Fleet, Building, City Planning and Design, and Transportation Planning. It is important that these direct costs are considered when setting the development services user fees.

We did not validate either the 37% overhead assumption or the direct costs from other divisions as part of this audit. Therefore, we provide no assurance on the accuracy of the overhead or indirect cost amounts included in the consultant's analysis. For our analysis, we relied on the information provided by staff. However, we have benchmarked the City's user fees with other municipalities, and benchmarking results are consistent with the consultant's cost-recovery analysis, both indicating that the City is undercharging for these services. A future comprehensive fee study would help ascertain the cost recovery ratio for development user fees services.

According to the consultant's and Development Services calculations, the 2022 user fees do not recover the direct costs incurred by various divisions on development applications.

The table below compares the development services user fee to the cost of providing services, per application:

- *Column F* compares the development services user fee rates (after a 100% fee increase) with the **direct costs**.
- *Column G* compares the development services user fee rates (after a 100% fee increase) with the **total costs** (i.e., direct and indirect costs).

The following table shows that the City will subsidize the development services cost even if the user fees are increased by 100% fee.

A large tax subsidy imposes undue financial burden on a common taxpayer who is not directly benefiting from these services. As the table below shows that after a 100% increase in user fees, the City will still recover only 16% to 65% of the total service costs for different development services user fee categories and rest will be subsidized by property taxes.

**Property Tax Subsidy** (per application)

Application Type	2022 Direct Cost* <sup>1</sup>	Overhead* <sup>2</sup>	2022 Total Cost	2022 Base Fee	2022 Base Fee after 100% increase	Property Tax Subsidy on Direct Cost		Property Tax Subsidy on Total Cost	
	A	B	C = A+B	D	E	F = E-A		G = E-C	
Official Plan Amendment	\$51,292	\$18,978	\$70,271	\$10,651	\$21,302	-\$29,990	-58%	-\$48,969	-70%
Zoning By-law Amendment	\$47,136	\$17,440	\$64,576	\$16,483	\$32,966	-\$14,170	-30%	-\$31,610	-49%
Subdivision	\$65,872	\$24,372	\$90,244	\$11,194	\$22,388	-\$43,484	-66%	-\$67,856	-75%
Condominium	\$35,025	\$12,959	\$47,985	\$7,927	\$15,854	-\$19,171	-55%	-\$32,131	-67%
Site Plan (Basic/Full)	\$31,935	\$11,816	\$43,751	\$6,622	\$13,244	-\$18,691	-59%	-\$30,507	-70%
Pre-consultaion	\$11,351* <sup>3</sup>	\$4,200	\$15,551	\$604	\$2,000	-\$9,351	-82%	-\$13,551	-87%

The fee structure has two parts (1) Base fee, and (2) Additional Per unit fee. The above analysis only considers the Base Fee for comparison.

\*<sup>1</sup> Includes direct costs incurred by various divisions that contributed in processing development applications (based on the consultant's study)

\*<sup>2</sup> Assumed to be 37% of the direct costs (based on a 2005 study commissioned by Development Services Division)

\*<sup>3</sup> Average of the estimated direct costs of pre-consultation for development and site plan applications.

Development Services faces potential loss of revenue due to recent provincial legislative changes:

- According to staff, Brampton is experiencing significant growth in both the volume and complexity of development applications that the City receives for approvals.
- New Planning Act legislation in 2022, specifically Bill 109 - More Homes for Everyone Act, 2022 requires mandated reimbursement of fees to applicants of development applications, should municipalities not meet the timelines prescribed in the Planning Act.
- Beginning in January 2023, all residential developments of 10 units or less will be exempt from the site plan application review process, resulting in additional revenue loss.
- While the City faces potential loss of revenue due to new legislative changes, the application fees charged by Brampton have been significantly lower than other comparable municipalities and represent a higher subsidization from the City's tax base to provide these services.
- Lower application fee rates that have been charged historically combined with potential loss of revenue that may result from legislative changes creates significant financial risks for the City.

Therefore, it is important that City considers raising the current development services user fees sufficiently, to improve cost recovery, reduce financial burden on the tax base, and mitigate potential revenue loss resulting from enacting Bill 109 and Bill 23.

Our analysis above shows that City can generate an additional \$2.3M, while still staying competitive with other jurisdictions and below full cost recovery, with a 100% increase of the base development services user fees from 2022 levels. The above \$2.3M additional revenue is estimated assuming only the base fee increase.

In addition to the base rate increase, the City may also benefit from additional "per unit" rate increases, which should provide further revenue to help cover ongoing service cost. A comprehensive fee study should help determine the revenue impact of 'per unit' rate increases.

**Recommendation:**

7. City Council requests the Commissioner of the Planning, Building and Growth Management Department to evaluate the feasibility of raising the development services user fees so that the rates charged by the City are comparable with neighboring municipalities to improve the cost recovery ratio and reduce the burden on Brampton property taxpayers.

**Other Comments and Observations**

The following are additional comments and observations in support of the above findings.

**Recreation Division**

In 2022, Recreation Division collected \$22.3M in user fees from its various programs and services. Based on our review, we made the following observations:

- User fees pricing policy is built on a foundation of the traditional pricing model with annual reviews for inflation. Recent annual reviews have applied benchmarking and differential pricing (e.g., based on age, residency, and group status, etc.).
- New program fees also consider direct cost in addition to comparative and differential pricing strategies, including benchmarking with other jurisdictions. Fees that are largely driven by direct costs (e.g., staff wages, retail goods, material fees) are updated based on cost. The user fees pricing does not include indirect costs and capital costs.
- User fees are adjusted annually for inflation by 2.5% typically and considers benchmarking with other jurisdictions.
- Recreation fees are structured to align with Council views of providing lower cost and no cost access to youth and senior residents and groups and establish higher fees for non-resident and commercial use.
- Recreation has a fee subsidy program called the ActiveAssist program. ActiveAssist is designed to help low-income families and individuals in Brampton participate in Recreation programs.
- Given the City's objective of providing access to recreation service at an affordable price, Recreation does not pursue full cost recovery strategy.

Recreation typically achieves a 50-55% direct cost recovery. Prior to COVID, Recreation's cost recovery was 52%. Currently, Recreation's cost recovery is trending at 46% (2022 July YTD).

- Registered programs target a minimum 100% cost recovery of direct program labour costs. Registered programs are a series that take place over the course of several weeks. Participants register for a course and attend each class on the scheduled date and time to complete the course.
- There are no formal SOPs in place to administer user fees.

### Fire and Emergency Services Division

In 2022, false alarm and motor vehicle accidents account for 90% of the user fee revenues collected by Fire & Emergency Services, with false alarm accounted for 77% and motor vehicle accidents accounted for 13% of the total user fee revenue. Other Fire & Emergency Services fee categories have significant service volumes. We noted that the Brampton's user fee rates for most services are broadly comparable to other jurisdictions.

In 2020, the division increased the user fees for selected categories based on benchmarking with other jurisdictions. For instance, the City raised its false alarm user fee from \$566 to \$970 in 2020. However, the increases did not consider cost of service in determining the new rates. In 2022, the City further adjusted the false alarm fee for inflation to \$1010. Given that 77% of user fee revenue is driven by false alarm, it is important that the Fire & Emergency Service determine the cost of service and consider the costs when setting user fee rates in the future. Since approximately 95% of the division's expenditure is salaries and wages, it is relatively easier to calculate direct costs for various services, specifically false alarms, by tracking the time spent.

We noted there are no formal Standard Operating Procedures in place to administer user fees. User fees are adjusted annually for inflation by 2% typically and considers benchmarking with other jurisdictions. The current user fees do not recover full cost of service. We acknowledge that in terms of Fire & Emergency Services, staff need to strike a balance between taxes and user fees, as those that do not pay for the fire services are hard to exclude from the benefits of a safe and secure community and fire safety. However, staff should work towards setting up an appropriate cost recovery ratio through benchmarking with other municipalities, working with Finance and City Council.

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## Parks and Forestry Division

In 2022, approximately 19% of the division's revenue was related to Cemetery services that are defined and determined under Bereavement Authority of Ontario. The user fee rates for these services are set by the provincial authority.

Approximately 81% of the user fee revenue relates to various parks and forestry services. These services include park equipment and facility rental fees. Generally, the user fee rates for parks and forestry services are comparable to other jurisdictions. The Division also has more fee categories and variations than other jurisdictions.

In 2022, approximately 82% or \$670K of the total user fee revenue was recorded under general recoveries. General recoveries also included \$200K recorded under the cost centre for parks capital construction. According to staff, the \$200K is not related to parks capital construction but deals with revenues from special events and use of fields. As discussed in the preceding section of this report on 'General Recoveries', the user fee revenue should be recorded in specific accounts, as opposed to general accounts, for proper analysis of different user fee streams. This confirms our previous discussion that some user fees have been recorded in general accounts rather than in specific accounts.

### Other observations:

- There is no analysis or reports generated by parks team to identify the parks user fees revenue by item.
- Staff have not determined the full-service cost (direct and indirect costs) before setting user fees. Staff have not established desired cost recovery ratio or performed analysis to ascertain the actual cost recovery levels for the services provided. According to staff, most of the fees have been set historically and carried forward with only inflation adjustments. It is not clear how the user fees were set initially.
- There are no Standard Operating Procedures for administering user fees.

### **Conclusion:**

The objective of this engagement is to evaluate the effectiveness of the City's User Fee program, identify strengths and weaknesses, and provide recommendations for improvement. Our review found that the City has not set a comprehensive user fee

policy framework to govern the intended cost recovery for its various programs and services. The City has also not established the full cost of service before determining user fees for its programs and there is a significant risk that City is undercharging for these services.

The report identifies the opportunities for potentially increasing user fee revenue by a minimum of \$2.3M per year. Implementing the seven recommendations in this report will help timely implement fair and reasonable user fee increases that meet the City’s policy objectives and reflect the changing economic factors; and will help establish a comprehensive user fee framework resulting in consistent City-wide application of user fee policy based on cost recovery principles and comprehensive fee review.

<b>Report Distribution List</b>	
Marlon Kallideen	Chief Administrative Officer
Steve Ganesh	Commissioner, Planning, Building & Growth Management
Anand Patel	Director, Recreation
Edward Fagan	Director, Parks Maintenance & Forestry
Bill Boyes	Fire Chief, Fire & Emergency Services
Kim Kane	Deputy Fire Chief, Fire & Emergency Services
Oliver Gob	Division Chief, Admin Services, Fire & Emergency Services
Nash Damer	Treasurer, Corporate Support Services
Allan Parsons	Director, Director, Development Services, Planning, Building & Growth Management
Carolyn Crozier	Strategic Leader, Policy Planning, Planning, Building & Growth Management
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