Development Fee Update

General Committee November 17, 2008

Agenda

Background

- Fee Model Methodology
- Operating Budgets and Reserve Balances
 - Building
 - Planning & Urban Design

Next Steps

Background

- Current Fee Model framework has been used since 2005
- Town has authority to collect development fees through the Building Act, Municipal Act and the Planning Act
- Fees based on anticipated direct and indirect costs to the municipality for development applications and related services
- Markham Fee Model based on a rolling 5 year average volume of development activity (e.g. for 2009, used 5 year average from 2003 to 2007)

Background (continued)

- Reserve Balance approach transfer to reserves in higher volume years/draw from reserves in lower volume years so that service levels can be maintained
- Fee rates have been updated annually since 2005
- Fees collected in any one year may be more or less than total required to cover expenditures since projected activity may be different from 5-year average activity
- Over the long-term this should balance back to a zero impact

Methodology

(Actual # of applications equal to 5-yr Average)



Methodology (Actual # of applications *lower* than 5-yr Average)

Draw From Reserves		(5,000) (f) = e -	а
Actual Revenues Collected	\$	5,000 (e) = c	x d
Actual # of Applications		25 (d)	
Fee per Application	\$	200 (c) = a	/ b
5-Yr Average # of Applications	5	50 (b)	
Total Expenditures	\$	10,000 (a)	

Methodology

(Actual # of applications *higher* than 5-yr Average)

Transfer to Reserves	\$	5,000 (f) = e - a
Actual Revenues Collected	\$	<u>15,000</u> (e) = c x
Actual # of Applications		75 (d)
Fee per Application	\$	200 (c) = a / k
5-Yr Average # of Applications	5	50 (b)
Total Expenditures	\$	10,000 (a)

Building

Projected Operating Budget and Reserve Balances (\$ in 000s)

				2008 Year-							
	2006	2007	2008	End	2009		2010	2011	2012	2013	2014
	Actuals	Actuals	Budget	Projection	Budget		Forecast	Forecast	Forecast	Forecast	Forecas
Revenues	6,390	7,977	7,051	6,754	6,917		6,002	7,810	8,046	8,046	8,046
Total Expenditure	6,799	6,623	7,552	7,294	7,771		7,653	7,653	7,653	7,653	7,653
Less Identified Expense Reductions	-	-	-	-	289		289	289	-	-	-
Total Expenditures net of reductions	6,799	6,623	7,552	7,294	7,482		7,364	7,364	7,653	7,653	7,653
Transfer to/(from) Reserves	(409)	1,353	(501)	(540)	(565)		(1,363)	446	393	393	393
Building Reserve Reginning Balance	2 627	2 218	3 571	3 571	3 032	1	2 /66	1 104	1 550	1 0/2	2 335
Transfer to/(from) Reserves	(409)	1,353	(501)	(540)	(565)		(1,363)	446	393	393	2,335
Building Reserve Ending Balance	2,218	3,571	3,070	3,032	2,466		1,104	1,550	1,942	2,335	2,727

Assumptions

- Revised fee increase to 8.4% compared to the 4% increase presented to GC on October 20,2008
- 4 currently deferred positions for 2009-2011 are included in the proposed fee increase. However, the deferral
 of expenses will result in a lower draw from reserves
- Revenues have been adjusted to reflect volume forecasts but rates are constant from 2009 to 2014
- Expenses are constant from 2009 to 2014
- All available servicing allocation to 2012 has been included in the analysis
- Relieve of all allocation constraints by January 2013
- Draws on reserve forecast for 2008-2010, but reserve balance not depleted

Building

5-year average volume activity and impact on fees and reserves (Example)

	2009	2009	2013
	Model	Option	Model
Expenditures (a)	\$100.00	\$80.00	\$112.00
5-year Average Volume of Activity (b)	5	5	2
Fee per Application (c)= a/b	\$20.00	\$16.00	\$56.00
Actual Volume of Activity (d)	2	2	5
Revenues (e) = d*c	\$40.00	\$32.00	\$280.00
Transfer to/(from) Reserves (f) = e-a	-\$60.00	-\$48.00	\$168.00

Planning & Urban Design Operating Budget and Reserve Balances (\$ in 000s)

				2008 Year-						
	2006	2007	2008	End	2009	2010	2011	2012	2013	2014
	Actuals	Actuals	Budget	Projection	Budget	Forecast	Forecast	Forecast	Forecast	Forecast
Revenues	4,922	5,176	5,278	3,494	3,877	4,641	5,648	5,948	5,948	5,948
Total Expenditure	4,755	4,698	5,137	4,832	5,527	5,527	5,527	5,527	5,527	5,527
Less Identified Expense Reductions	-	-	-	-	254	254	254	-	-	-
Total Expenditures net of reductions	4,755	4,698	5,137	4,832	5,273	5,273	5,273	5,527	5,527	5,527
Transfer to/(from) Reserves	167	478	141	(1,338)	(1,396)	(632)	375	421	421	421
					((
Planning Reserve Beginning Balance	-	167	645	645	(693)	(2,089)	(2,721)	(2,346)	(1,925)	(1,505)
Transfer to/(from) Reserves	167	478	141	(1,338)	(1,396)	(632)	375	421	421	421
Planning Reserve Ending Balance	167	645	786	(693)	(2,089)	(2,721)	(2,346)	(1,925)	(1,505)	(1,084)

Assumptions

- Revised fee increase to 7% compared to the 4% increase presented to GC on October 20,2008 (additional \$290K added to development fees to fund the 10% non-growth requirement for planning studies)
- 3 currently deferred positions for 2009-2011 are included in the proposed fee increase. However, the deferral
 of expenses will result in a lower draw from reserves
- Revenues have been adjusted to reflect volume forecasts but rates are constant from 2009 to 2014
- Expenses are constant from 2009 to 2014
- All available service allocation to 2012 has been included in the analysis
- Relieve of all allocation constraints by January 2013

Engineering

Operating Budget and Reserve Balances

(\$ in 000s)

	2006	2007	2008	2008 Year- End	2009	2010	2011	2012	2013	2014
	Actuals	Actuals	Budget	Projection	Budget	Forecast	Forecast	Forecast	Forecast	Forecast
Revenues	4,324	5,897	3,974	3,378	2,911	3,900	5,349	5,649	5,649	5,649
Total Expenditure	4,236	5,102	5,468	5,231	5,544	5,444	5,344	5,244	5,244	5,244
Less Identified Expense Reductions	-	-	-	-	500	500	297	297	297	297
Total Expenditures net of reductions	4,236	5,102	5,468	5,231	5,044	4,944	5,047	4,947	4,947	4,947
Transfer to/(from) Reserves	88	795	(1,494)	(1,853)	(2,134)	(1,044)	302	702	702	702
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Eng. Reserve Beginning Balance	-	88	883	883	(971)	(3,105)	(4,149)	(3,847)	(3,145)	(2,442)
Transfer to/(from) Reserves	88	795	(1,494)	(1,853)	(2,134)	(1,044)	302	702	702	702
Engineering Reserve Ending Balance	88	883	(611)	(971)	(3,105)	(4,149)	(3,847)	(3,145)	(2,442)	(1,740)

Assumptions

- Fee increase remains at 4% as presented to GC on October 20,2008
- Expenditure reductions from 2009-2014. These expenditure reductions are not reflective in the proposed fee increase, however the reductions will result in a lower draw from reserves
- Revenues have been adjusted to reflect volume forecasts but rates are constant from 2009 to 2014
- Expenses are constant from 2009 to 2014
- All available service allocation to 2012 has been included in the analysis
- Relieve of all allocation constraints by January 2013

Consolidated Engineering and Planning Operating Budget and Reserve Balances

				2008 Year-		1					
	2006	2007	2008	End	2009		2010	2011	2012	2013	2014
	Actuals	Actuals	Budget	Projection	Budget		Forecast	Forecast	Forecast	Forecast	Forecast
Planning & Engineering Reserve											
Beginning Balance	-	255	1,528	1,528	(1,664)		(5,194)	(6,870)	(6,193)	(5,070)	(3,947)
Planning Transfer to Reserves	167	478	141	(1,338)	(1,396)		(632)	375	421	421	421
Engineering Transfer to Reserves	88	795	(1,494)	(1,853)	(2,134)		(1,044)	302	702	702	702
Planning & Engineering Reserve											
Ending Balance	255	1,528	175	(1,664)	(5,194)		(6,870)	(6,193)	(5,070)	(3,947)	(2,824)

- Reserve balance currently positive
- Draws from reserves are forecasted for 2008-2010, followed by a return to positive contribution to reserves in 2011 and beyond
- Reserve balance forecast to be negative, but trending to return to positive balance after relief from servicing constraints

Next Steps

- Public Meeting scheduled for November 18 to consider 2009 Fee By-law
- Notice indicated target of 4 % increase
- In addition, it is recommended that 4 deferred positions in Building (representing \$ 289K or an additional 4.4%) now be included in 2009 Fee, to bring Building Fee increase to 8.4 %
- Arising from Nov 4 General Committee, and follow up discussion at CCC, it is recommended that 10 % non-growth share of Planning Studies be included in Planning Fee (representing \$290K or additional 3% increase to a total increase of 7%)
- These adjustments will assist in addressing revenue forecasts/ reserve balances
- DSC revenues and expenses, and Fee By-laws, will continue to be monitored on an ongoing basis
- Impacts of servicing allocation and possible future need for adjustments due to economic downturn to be monitored