

## Town of Whitby Staff Report

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## Report Title:Development Review Fee Study Update – Engineering<br/>Review and Inspection Fees

Report to: Committee of the Whole	Submitted by:			
Date of meeting: December 6, 2021	Planning and Development			
Report Number: PW 43-21	Fuwing Wong, Commissioner, Financial Services and Treasurer			
Department(s) Responsible: Public Works (Engineering)	Acknowledged by M. Gaskell, Chief Administrative Officer			
Financial Services	For additional information, contact:			
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	Vsevolod Marouchko, Senior Manager, Development Engineering, ex.4921			

#### 1. Recommendation:

- 1. That the Development Fees Review Study prepared by Watson & Associates Economists Ltd. (Attachment 1) be received for information;
- 2. That the proposed amendments to the Engineering Review and Inspection Fees included in Attachment 2 of Report PW 43-21 be approved;
- 3. That the recommended fees take effect on January 1, 2022;
- 4. That all the Engineering Review and Inspection Fees be indexed by 2.5% on January 1 of each year;

- 5. That the Town Clerk be directed to bring forward a by-law to amend the Fees and Charges By-law to give effect to the recommendations contained in Report PW 43-21; and,
- 6. That Council approve one additional staff resource for each of the following full time positions, including the associated capital and operating costs identified in Tables 2 and 3 of Report PW 43-21:
  - Water Resource Engineer (Development)
  - Program Manager (Development)
  - Development Services Technician 2 (Development)
  - Supervisor of Development Construction
  - Construction Inspector 2
  - Construction Inspector 1

#### 2. Highlights:

- Watson & Associates Economics Ltd. have been engaged to assist staff with the review of costs related to processing development applications and the provision of inspection services by Engineering Services staff.
- Anticipated growth in development, particularly in the Brooklin Expansion Area, will result in additional strains on staff resources to maintain expected levels of service.
- Three (3) additional full time positions, including: Water Resource Engineer; Program Manager; and Development Services Technician 2 are required in 2022 for the Development group of Engineering Services to assist in processing an increasing volume of development applications.
- Three (3) additional full time positions, including: Supervisor of Development Construction; Construction Inspector 2; and Construction Inspector 1, are also required to provide inspection services for construction sites in 2022.
- Additional staff resources as outlined in the Development Related Fee Study will be identified in future staffing forecasts and through the budget approval process as growth dictates.

#### 3. Background:

Engineering Review and Inspection (ERI) Fees are essential to ensure that the cost of growth is funded by development, thereby minimizing the impact on the taxpayer. The level of ERI fees is based on the principle that the fees should

offset the full cost of processing development applications and providing inspection services by Engineering Services staff.

The ERI Fees were last updated in 2014 (Corporate Services Report 50-14) in conjunction with Watson & Associates Economics Ltd. The Town strives to periodically review and update the costing model information to ensure it reflects actual processing efforts and service delivery costs.

### **Legislative Requirements**

ERI Fees are imposed under the authority of the Municipal Act, 2001. Part XII of the Municipal Act provides municipalities with broad powers to impose fees and charges via passage of a by-law, including imposing fees or charges for the following:

- Services or activities provided or done by or on behalf of it;
- Costs payable by it for services or activities provided or done by or on behalf of any other municipality or local board; and,
- Use of its property including property under its control.

Fees may be charged to recover the full cost of providing the service, including direct, indirect and capital costs.

In contrast to cost justification requirements under other legislation, the Municipal Act does not impose explicit requirements for cost justification when establishing fees for municipal services. However, in setting fees and charges for these services, municipalities should have regard for legal precedents and the reasonableness of fees and charges. The statute does not provide for appeal of fees and charges to the Ontario Land Tribunal (OLT), however, fees and charges may be appealed to the courts if municipalities are acting outside of their statutory authority. Furthermore, no public process or mandatory term for fees and charges by-laws is required under the Act. There is, however, a requirement that municipal procedural by-laws provide for transparency with respect to the imposition of fees and charges.

### 4. Discussion:

### **Development Engineering Fees Review Study**

ERI Fees, along with Building Permit and Planning Application Fees, are an essential part of the Development Fees collected by the Town through the Development Application Approval Process (DAAP).

In 2018, Watson & Associates Economics Ltd. were engaged to update the costing model for the Building Permit and Planning Application Fees (Corporate Services Report, CS 47-18). However, the ERI Fees were not examined at that

time and have remained the same since the 2014 DAAP Fee Study (Corporate Services Report, CS 50-14).

Since 2014, the Town has experienced a significant increase in the number and scope of new developments. Moreover, the Brooklin Expansion developments are putting an additional strain on staff resources, including Engineering Services. There is a need at this time to update the ERI Fees to reflect actual processing times and service levels and to determine the relevant staff resources for Engineering Services to be able to process on-going and anticipated development applications.

### Full Costing Methodology/Model

An Activity Based Costing model was utilized in the Development Engineering Fees Review Study to calculate the full cost of engineering review of development applications and conducting construction inspection services by Town staff. This model is used across the province and provides a defensible methodology that includes:

- direct costs operating costs associated with individuals directly participating in the service delivery activities;
- indirect costs operating costs associated with individuals supporting direct service departments (e.g. typical support functions HR, TIS, facility maintenance, finance etc.); and
- capital costs capital asset replacement costs associated with individuals directly participating in the service delivery activities.

The model was reviewed for any changes and updated for estimated 2022 budgeted costs. The review also included an assessment of staff resource capacity and the sustainability given the anticipated increase in development activity over the next decade.

### **Staffing Capacity**

As reflected in the Development Engineering Fees Review Study, the anticipated development growth exceeds the capacity of current Engineering Services staff resources. Based on the anticipated development volumes in the coming years, and in order to provide a required satisfactory level of services in-house, the model identified an increase in staff complement from the current 16.3 Full Time Equivalents (FTEs) to 34.7 FTEs. However, it is not realistic that the Town will be able to recruit this number of additional staff immediately and instead will increase the staff complement and associated fees over time. In the interim, the Town will utilize outside resources to augment staff resources.

As part of this interim approach for 2022, an additional six (6) full time positions are proposed, which would be funded by a moderate ERI Fees increase. These six (6) additional FTEs in 2022, augmented by engaging required outside resources at an additional cost to developers, will ensure continued service delivery to meet the increase in development applications and construction site volumes. Additional staffing needs will be advanced in accordance with the growth in development and will be included in future fees studies, staffing forecasts and budget approval processes.

In order to ensure that engineering submissions are reviewed and processed in a timely manner and considering the increase in the number of development applications and engineering submissions, such as Subdivisions, Site Plans, Site Alterations, etc., the Report is recommending an immediate need for the following three (3) Engineering Services (Development) positions:

- One (1) Water Resource Engineer position. Currently, Engineering Services does not have a development dedicated Water Resource Engineer that can provide technical reviews and manage external consultants.
- One (1) Program Manager position. This position is required to provide management of peer reviews and coordination with external consultants/agencies.
- One (1) Development Services Technician 2 position. This position is required to provide technical reviews and support/coordination with Town Construction and Building Inspectors.

In order to ensure that inspections of all construction sites are performed at the required level, and considering the increase in the number of construction sites for all types of developments, the Report is also recommending an immediate need for the following three (3) Engineering Services (Construction) positions:

- One (1) Supervisor of Development Construction position. This position is required to provide day-to-day supervision, management and compliance of subdivision and site plan construction activities.
- One (1) Construction Inspector 2 position. This position is required to provide day to day inspections of subdivision construction sites and coordination with external consultants/contractors.
- One (1) Construction Inspector 1 position. This position is required to provide day to day inspections of site plan construction sites and coordination with external consultants/contractors.

Sufficient time for hiring and training is required in order to have these positions in place to meet the increased demand. These positions will be recovered by Engineering Review and Inspection Fees revenue through the increased rates and development volumes.

### **Existing and Recommended Fees**

average volumes

Assuming the six (6) new positions are approved, and based on the updated processing efforts at estimated 2022 costs and forecasted annual development application volumes, the existing fees generate a cost recovery as outlined in Table 1 below.

### Table 1

Annual Expenditure/Revenue (2022 Totals in millions)*	Total			
Direct Costs	\$2.95			
Indirect Costs	1.04			
Capital Costs	0.35			
Total Annual Costs	\$4.34			
Total Revenues at Existing Fees	\$2.38			
Overall Cost Recovery % (with no fee increase)	55%			
*Total revenues and processing efforts are calculated using forecasted				

Based on the full cost analysis, while also considering market competitiveness in comparison to other similar municipalities across the GTA, it is recommended that ERI Fees fully cover 100% of the annual direct, indirect and capital costs to provide these services. The Town is currently positioned in the lower quartile of the municipal comparators for development engineering fees charged as shown in **Figures 4-1 through 4-3 on pages 4-4 to 4-6 of Attachment 1**.

Imposing the recommended full cost recovery fees would move the Town to the municipal average for large subdivision applications, and the upper quartile for small subdivisions and typical site plan applications. The relatively higher positioning for smaller subdivision applications and site plans is generally reflective of the lack of economies of scale witnessed in larger applications and considered in the fee structure recommendations.

The recommendations in this report, related to additional staff to accommodate growth-workload in the Engineering division and increase in fees to fully offset the additional costs does will not impact the property tax funded programs and services in the up-coming 2022 budget. Similar to other studies and master plans, previous DAAP fee studies have been completed and considered by Council with recommendations included in Fees and Charges by-law updates and incorporated into the budget.

#### 5. Financial Considerations:

Subject to Council's approval of the recommendations within this report, Engineering may begin recruitment for the additional staff in December/January.

The 2022 budget will be updated to reflect the additional six (6) new staff identified in Tables 2 and 3. The additional expenses associated with these positions will be offset by increased Engineering Review and Inspection fees as shown below:

Annual Expenditure/ Revenue - Development	Water Resource Engineer	Program Manager	Development Services Technician 2	Total
Recovery from Engineering Review Fees	(\$163,249)	(\$163,249)	(\$111,528)	(\$438,026)
Full Time Salaries and Wages	\$155,249	\$155,249	\$103,528	\$414,026
Other Operating Expenses	\$8,000	\$8,000	\$8,000	\$24,000
Net Request Impact - Growth	\$0	\$0	\$0	\$0

#### Table 2

Table 3
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Annual Expenditure/ Revenue - Construction	Supervisor of Development Construction	Construction Inspector 2 Inspector 1		Supervisor of Development Construction		Total
Recovery from Construction Inspection Fees	(\$163,249)	(\$118,024)	(\$111,438)	(\$392,711)		
Full Time Salaries and Wages	\$155,249	\$103,514	\$96,928	\$355,691		
Other Operating Expenses*	\$8,000	\$14,510	\$14,510	\$37,020		
Net Request Impact - Growth	\$0	\$0	\$0	\$0		

\*Included in other operating expenses for the Construction Inspector 1 and 2 positions are costs associated with rental vehicles.

All inflationary increases within the Development Engineering and Construction Inspection Divisions will be offset by additional revenues from the recommended fee increases, resulting in no impact to the tax base for the 2022 budget.

The current fees and proposed fee increases, recommended for January 1, 2022, are listed in <u>Attachment 2</u> of this report. A comparison of the Town's current and proposed ERI fees to other municipalities is shown in <u>Figures 4-1 through 4-3 on pages 4-4 to 4-6 of Attachment 1.</u>

In addition, it is recommended that all ERI Fees be indexed by 2.5% on January 1 of each year. Annual indexing allows fees to offset inflationary pressures on the expenditures and avoids large increases when the next study is completed.

### 6. Communication and Public Engagement:

The adoption of the Engineering Review and Inspection Fees does not require a public meeting or other public engagement.

### 7. Input from Departments/Sources:

Staff from Engineering Services, Planning, and Financial Services along with other impacted departments were involved in the review of processes and development of the recommended fees.

#### 8. Strategic Priorities:

The review of fees for service supports the Council Goal to continue the tradition of responsible financial management and respect for taxpayers; and to understand the importance of affordability to a healthy, balanced community.

It also supports the goal to ensure Whitby is clearly seen by all stakeholders to be business and investment-friendly and supportive; and to strive to continuously improve the effectiveness and efficiency of service delivery

#### 9. Attachments:

<u>Attachment 1 – Development Fee Review Study Report by Watson & Associates</u> <u>Economics Ltd.</u>

Attachment 2 – Amendment to Fees and Charges By-Law





## **Development Engineering Fees Review**

Town of Whitby

Watson & Associates Economists Ltd. 905-272-3600 info@watsonecon.ca

November 8, 2021

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Report



# Chapter 1 Introduction

Watson & Associates Economists Ltd. Whitby Engineering Fees Review 2021 Study

## 1. Introduction

## 1.1 Introduction

Municipalities have periodically undertaken studies to update their development fees in order to address changes in development cycles, application characteristics and cost-recovery levels with the intent of continuing to improve fee structures to more accurately reflect processing efforts. The Town of Whitby (Town) has periodically undertaken updates to their development fees to align with full costs of service and industry practices. The Town most recently completed a review of development fees for planning and building services in July 2018. Since that time, the Town continues to experience increased construction activity and development of new infrastructure requiring a review of development engineering services and associated fees.

The Town has retained Watson & Associates Economists Ltd. (Watson) to undertake a comprehensive review of the full cost of development engineering services and fees. The objective of the review is to establish the full cost of service, with emphasis on the level of effort involved in the technical portions of the applications, and to recommend development engineering fees that provide for reasonable full cost recovery of services provided, with regard for industry practice and market competitiveness. The full cost recovery assessment was undertaken through the creation of a development engineering fees model by in the context of the *Municipal Act* legislative authority. The full cost recovery assessment is based on anticipated staff processing efforts across the organization, and the associated direct, indirect and capital costs of service. The anticipated staff processing efforts focused on existing development engineering applications for subdivision and site plan design, review, and inspection, as well as site alteration applications for non-development.

This report summarizes the legislative context, approach, costs of service, and fee recommendations of the development engineering services review.

## 1.2 Process Undertaken

The following table summarizes the development engineering fee review process along with the proposed timeline to achieve completion of this phase of the project.

Process Step	Date
Project Initiation	June 2021
Application Costing Category Identification	June 2021
Processing Efforts Estimates and Capacity Utilization	June - July 2021
Activity Based Costing Model Development	July - August 2021
Preliminary Costing and Findings	September-October 2021
Final Report Findings and Recommendations	November 2021
Present Recommendations and Final Report to Town Council	November/December 2021

### Town of Whitby Development Engineering Fees Review

## **1.3 Legislative Context for Fees Review**

The statutory authority that must be considered is Part XII (s. 391) of the *Municipal Act, 2001*, which governs fees and charges generally (i.e. development engineering fees). The following summarizes the provisions of this statutes as it pertains to development engineering fees.



### 1.3.1 Municipal Act, 2001

Part XII of the *Municipal Act* provides municipalities and local boards with broad powers to impose fees and charges via passage of a by-law. These powers, as presented in s. 391 (1), include imposing fees or charges by a municipality:

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

This section of the Act also allows municipalities to charge for capital costs related to services that benefit existing residents. The eligible services for inclusion under this subsection of the Act have been expanded by the *Municipal Statute Law Amendment Act*. Moreover, the amendments to the Act have also embraced the broader recognition for cost inclusion within municipal fees and charges with recognition under s. 391 (3) that "the costs included in a fee or charge may include costs incurred by the municipality or local board related to administration, enforcement and the establishment, acquisition and replacement of capital assets."

Fees and charges included in this review, permissible under the authority of the *Municipal Act*, would include development services fees related to engineering review that are not specifically provided for under the *Planning Act*.

In contrast to cost justification requirements under other legislation, the *Municipal Act* does not impose explicit requirements for cost justification when establishing fees for municipal services. In setting fees and charges for these services, however, municipalities should have regard for legal precedents and the reasonableness of fees and charges. The statute does not provide for appeal of fees and charges to the Ontario Land Tribunal (OLT); however, fees and charges may be appealed to the courts if municipalities are acting outside their statutory authority. Furthermore, no public process or mandatory term for fees and charges by-laws is required under the Act. There is, however, a requirement that municipal procedural by-laws provide for transparency with respect to the imposition of fees and charges.



## Chapter 2 Activity Based Costing Methodology and Approach

Watson & Associates Economists Ltd. Whitby Engineering Fees Review 2021 Study



## 2. Activity Based Costing Methodology and Approach

## 2.1 Activity Based Costing Methodology

An activity-based costing (ABC) methodology, as it pertains to municipal governments, assigns an organization's resource costs to the services provided to the public through the underlying activities required to deliver the service. One of the service channels provided by municipalities is the development application review process. Conventional municipal accounting structures are typically not well suited to the costing challenges associated with development processing activities; as these accounting structures are business unit focused and thereby inadequate for fully costing services with involvement from multiple Town departments. An ABC approach better identifies the costs associated with the processing activities for specific application types and thus is an ideal method for determining full cost recovery development engineering fees.

As illustrated in Figure 2-1, an ABC methodology attributes processing effort and associated costs from all participating municipal departments to the appropriate application service categories. The resource costs attributed to processing activities and application categories include direct and indirect support costs (including capital). Indirect support function and corporate overhead costs are allocated to direct departments according to operational cost drivers (e.g. information technology costs allocated based on the relative share of departmental personal computers supported). Once support costs have been allocated amongst direct departments, the accumulated costs (i.e. direct, indirect, and capital costs) are then distributed across the various development application fee categories based on the business unit's direct involvement in the application review process activities. The assessment of each business unit's direct involvement in development review process activities is accomplished by tracking the relative shares of staff processing effort across each application category's sequence of process steps.

The results of employing this costing methodology provides municipalities with a better recognition of the costs utilized in delivering development engineering review and

inspection activities, as it acknowledges not only the direct costs of resources deployed but also the indirect support required by those resources to provide services.

An ABC approach to setting user fees preserves the Town's ability to shelter existing taxpayers from service costs directly benefitting applicants, while cost justifying any required fee adjustments. Maintaining this approach embraces "best practices" utilized by other municipalities in Ontario.



Figure 2-1 Illustration of A.B.C. Methodology

The full cost recovery assessment and fee structure recommendations are developed with regard for the statutory authority available to the Town to recover the costs of service. Furthermore, the full costs of services and application characteristics (e.g. cost of municipal infrastructure) are considered to inform the fee structure design. Fee structure and charging characteristics are vital to the implementation of a defensible and sustainable funding source. The fee structure recommendations also take into consideration industry best practices, applicant affordability, and economic competitiveness.

Attachment 1 PW 43-21



## 2.2 Application Category Definition

A critical component of the full cost recovery fees review is the selection of development engineering costing categories. This is an important first step as the process design, effort estimation and subsequent costing are based on these categorization decisions. As the cost justification requirement provisions of the *Municipal Act* are fairly broad, the Town has the ability to define fee categorization for development engineering fees based on service characteristics.

The fee categorization process occurred at the outset of the assignment and was initiated by working sessions with Town staff. These working sessions, attended by senior staff members of the Public Works and Financial Services departments, resulted in the establishment of the fee design parameters. The level of disaggregation identified in these sessions reflects the evolution of the costing methodology to exceed the statutory requirements and the need to better understand the factors influencing processing effort. Beyond consideration of the services provided, i.e. development engineering design review and inspections, considerations were given to different application types and application size.

Table 2-1 summarizes the development engineering costing categories that are included in the costing model. The following explains the rationale for the costing categorization decisions:

- Subdivision design review and inspection fees are imposed based on amount of municipal infrastructure. These applications generally fall into two categories, i.e. large applications with greater than \$3 million in municipal infrastructure, and small with less than \$1 million in municipal infrastructure. The subdivision costing categories have been aligned accordingly.
- Site plan review and inspection, similar to subdivision applications, is based on the amount of municipal infrastructure. In addition, the Town processes application for small site plans with limited new municipal infrastructure, i.e. infill lots. The site plan costing categories considered this distinction in new municipal infrastructure.



• Non-development site alteration permits were identified to reflect those activities required outside of development applications.

# Table 2-1Development EngineeringApplication Types and Costing Categories

Development Engineering Application Type	Costing Categories
Subdivision Design Review and	Subdivision – Large
Inspection Engineering Fees	Subdivision – Small
Site Plan Engineering Review and	Site Plan
Inspection	Site Plan - Infill Lots
Non-Development Site Alteration Permits	Non-Development Site Alteration

## 2.3 Application Processing Effort Allocation

To capture each participating Town staff member's relative level of effort in development engineering activities, process templates were prepared for each of the above referenced costing categories. The templates were generated using the process maps that had been developed in prior fee reviews and updated by Town Public Works staff to reflect processing activities required to be undertaken. The templates outlined the typical process steps for each application category, such as, engineering submission review, development coordination meetings, site alteration permit (development), pre-servicing and subdivision agreement review, site visits and on-site meetings, inspections, sightings and as-built engineering review.

Public Works department involvement in processing planning applications and building permits processes were also considered as part of this undertaking to ensure that the level of service being provided for development engineering was reasonable in light of other resource commitments within the organization.

The effort estimates were provided by Town staff and applied to anticipated annual application volumes. This enabled an assessment of the average annual processing

time per staff position spent on development engineering services. Annual processing effort per staff position was compared with current staff complement. This assessment determined that approximately 16.3 full-time equivalent (FTE) staff positions were fully consumed by these activities annually. This has resulted in operational impacts to service delivery requiring peer review services.

To further develop the Town's capacity to meet service demands, six additional staff positions were incorporated into the capacity assessment, and subsequent costing. The additional staff will not fully mitigate the need for peer review services but will improve the Town's ability to process applications. In total, 22.3 FTE positions have been identified in the costing model to meet anticipated annual development engineering application volumes. This staffing increase of 6 FTEs will be an interim solution and staff resources will be augmented by the requirement to engage outside resources at an additional cost to developers until staffing levels can be increased over a reasonable period. Watson has calculated that 34.7 FTEs would be needed to negate the need for external resources on such applications.

## 2.4 Direct Cost Departments

The Town business units with direct involvement in processing development engineering applications are summarized in Table 2-2. Based on the results of the resource capacity analysis summarized above, the proportionate share of each individual's direct costs is allocated to the respective costing categories. The direct costs included in the ABC costing model have been extracted from the Town's 2020 Budget provided by the Town's Financial Service Department. Moreover, direct salary, wage and benefit costs for the additional Public Works staff positions have been incorporated into the model based on anticipated salary bands. The modeled direct costs include salaries, wages and benefits, materials and supplies, etc that have been indexed to anticipated 2022 cost increases.



# Table 2-2Town Business Units Directly Participating in the<br/>Development Engineering Review Process

Public Works Department

- Development Engineering
- Transportation Engineering
- Stormwater Engineering
- Construction Inspection
- Engineering Administration
- Cap Engineering Design & Studies

## 2.5 Indirect Cost Functions and Cost Drivers

An activity-based costing review includes indirect support costs that allow direct service departments to perform development review functions. The methodology employed within the costing model follows the indirect cost allocation methodology that was employed by the Town in the 2018 Development Fees Review.

The method of allocation employed in this analysis is referred to as a step costing approach. This approach separates support functions and general corporate overhead functions from direct service delivery departments. These indirect support functions are subsequently allocated to direct service delivery departments based on a set of cost drivers germane to the support services provided. Once nested within direct service delivery department budgets, these costs are subsequently allocated to development review costing categories according to staff resource utilization levels.

Cost drivers are a unit of service that best represent the consumption patterns of indirect and corporate services by direct service delivery business units. As such, the relative share of a cost driver (units of service consumed) for a direct department determines the relative share of support/corporate overhead costs attributed to that department. An example of a cost driver commonly used to allocate information technology support costs would be a business unit's share of supported desktops/laptops. Cost drivers are used for allocation purposes acknowledging that these business units do not typically participate directly in the service delivery activities to constituents, but that their efforts facilitate these services being provided.

The step costing approach and indirect support cost drivers used in the Town's model reflects accepted practices within the municipal sector and are comparable with the Ontario Municipal Benchmarking Initiative (OMBI) for reporting requirements.

Table 2-3 summarizes the support and corporate overhead functions included in the development engineering fees calculations and the cost drivers assigned to each function for cost allocation purposes. The indirect support and corporate overhead cost drivers used in the fees model reflects accepted practices within the municipal sector by municipalities of similar characteristics.

# Table 2-3Indirect Support and Corporate Overhead Functionsand Cost Drivers

Indirect Cost Functions	Cost Driver
Indirect Support Functions	
Human Resources	Full time equivalents
Fleet Management	Fleet vehicles
Records Management	Facility square footage
Municipal Offices	Facility square footage
Municipal Information Systems	Personal computers
Indirect Corporate Overhead Functions	
Members of Council	Agenda items
Mayor's Office	Agenda items
Chief Administrative Officer	Gross operating expenditures
Legal Services	Gross operating expenditures
Finance & Admin Services	Gross operating expenditures
Corporate Initiatives	Gross operating expenditures
Treasury & Purchasing	Gross operating expenditures
Clerks Administration	Agenda items

## 2.6 Capital Costs

The inclusion of capital costs within the full cost calculations follows a methodology similar to indirect costs. Market-equivalent rents and/or replacement value of assets commonly utilized to provide direct business unit services have been included to reflect



capital costs of service. The replacement value approach determines that annual asset replacement value over the expected useful life of the respective assets. This reflects the annual depreciation of the asset over its useful life based on current asset replacement values using a sinking fund approach. This annuity is then allocated across all fee categories based on the capacity utilization of direct business units. For market-equivalent rents, the annual rent costs are calculated based on market rate and floor space utilized and then allocated to the various fee categories in a similar manner.

Capital cost assumptions were maintained from the Town's 2018 Development Fees Review. These capital cost items include facility costs for Town business units based on a market-equivalent rental rates, computer workstations, AMANDA and other software licenses and share of electronic plans review. These capital costs estimates were then allocated to the fee categories based on staff resource capacity utilization.



## Chapter 3 Development Engineering Fees

Watson & Associates Economists Ltd. Whitby Engineering Fees Review 2021 Study



## 3. Development Engineering Fees

## 3.1 Annual Costs of Development Engineering

Section 2.3 of this report identified the annual Town public works resources directly attributed to development engineering activities. These 22.3 FTE staff positions are contained within various business units of the Town's Public Works Department and represent approximately 90% of the available staff processing capacity annually at estimated application volume levels.

Table 3-1 summarizes the annual costs of providing development engineering services based on the Town's 2020 Operating Budget, with provision for 2022 additional staffing and cost indexing of 3.5%. Based on anticipated annual application volumes, the full costs of development engineering services annually total \$4.3 million. Direct costs account for \$3.0 million annually or 68% of total costs. These costs are derived from the capacity analysis generated based on the processing estimates for each costing category and includes employment costs (e.g. salary, wages and benefits), as well as other direct costs of service (e.g. materials, supplies, etc.). Indirect costs of support and general overhead based on the step-cost allocations account for \$1.0 million annually or 24% of annual costs. Capital cost relating to the amortization of departmental infrastructure add approximately \$0.3 million or 8% to the total annual costs.

Activities of subdivision design review and inspection represent the largest portion of services, accounting for \$2.4 million annually. Site Plan review and inspection activities account for \$1.9 million in annual costs of service. Non-development site alteration permits total \$27,400 in annual costs.

It should be noted, that equivalent annual costs of service based on the Town's current staff complement (i.e. 16.3 FTEs consumed) totals approximately \$3.2 million annually.



Annual Costs of Development Engineering Services by Costing Category												
		Engineering										
	En Ins Su (les infra	gineering spection - Ibdivision ss than \$1 nillion in astructure)	E Ir S (gre infi	ngineering hspection - bubdivision eater than \$3 million in rastructure)	E Ins <sub>i</sub>	ingineering pection - Site Plan		In-Fill Lots	Non Development Site Alteration		Total - Engineering	
Direct SWB Costs	\$	322,560	\$	1,187,209	\$	1,129,427	\$	199,271	\$	14,792	\$	2,853,259
Direct Non-SWB Costs	\$	11,081	\$	43,400	\$	39,301	\$	6,072	\$	543	\$	100,397
Total Direct Costs	\$	333,641	\$	1,230,609	\$	1,168,728	\$	205,343	\$	15,335	\$	2,953,656
Total Indirect Costs	\$	125,174	\$	484,457	\$	346,679	\$	71,713	\$	8,919	\$	1,036,942
Total Capital Costs	\$	42,011	\$	162,660	\$	111,964	\$	24,745	\$	3,157	\$	344,538
Total Annual Cost	\$	500,826	\$	1,877,726	\$	1,627,371	\$	301,801	\$	27,412	\$	4,335,136

## Table 3-1 Annual Costs of Development Engineering Services by Costing Category

## 3.2 Current Cost Recovery

To measure the effectiveness of the Town's current development engineering fees to recover the annual costs of service, the current fee structure was applied to the underlying annual application volumes. On this basis, the Town's current development engineering fees would produce \$2.4 million in revenue annually. This level of revenue would fully support the direct costs of service at current staff complement levels and provide approximately \$0.2 million annual to funding of indirect costs. In aggregate, this level of revenue represents 74% of the full costs of service.

As noted above, current staff complement does not provide sufficient service capacity to address anticipated development engineering applications. This has resulted in applications funding peer review services. To improve the Town's service capacity six additional FTE positions have been identified for the 2022 Budget and included in the annual costs summarized in Table 3-1. If the Town's current development engineering fees remain unchanged forecast revenues would only recover 55% of annual costs of service, i.e. less than the annual direct costs. Measured by development engineering application type, subdivision design review and inspection would recover approximately 80% of annual costs. Site plan review and inspection and non-development site alteration fees would recover approximately 25% of annual costs.

# Chapter 4 Development Engineering Fee Structure Recommendations



## 4. Development Engineering Fee Structure Recommendations

### 4.1 Development Engineering Fee Structure

The development engineering fee structure recommendations are detailed in Table 4-1. This table summarizes the Town's current fees for subdivision, site plan and nondevelopment site alteration permits and the recommended fees to achieve full cost recovery. The fee recommendations are based on the costing results and annual application volumes identified in Chapter 3. The recommendations also considered the impacts of full cost recovery fees on the applicants and development engineering fees in other Greater Toronto Area (GTA) municipalities.

	Description	Town of Whitby Proposed Fees				
Su	bdivision Design Review, and Inspection Fees	Current Fees	Full Cost Revovery Fees			
1.	Plan of Subdivision Design Review Engineering Fees	1.25% of the cost of works (design r Minimum fee of \$2,150.	1.89% with minimum of \$18,900			
		Based on Estimated Value of Construction Costs:				
		Up to \$200,000	\$5,125 or 5.2%	7.86%		
		\$200,000 to \$500,000	\$10,660 or 4.6%	6.95%		
2.	Inspection Fee	\$500,000 to \$1,000,000	\$23,575 or 3.9%	5.89%		
		\$1,000,000 to \$2,000,000	\$39,975 or 3.3%	4.99%		
		\$2,000,000 to \$3,000,000	\$67,650 or 2.9%	4.38%		
		\$3,000,000 +	\$89,175 or 2.6%	3.93%		
3.	Underground Servicing Approval Fee	15% of the design review fee and inspection fee. Minimum fee of \$2,690.		11% with minimum fee of \$18,400		
'4.	Engineering Design Review Resubmission Fee	Percentage of total Design Review Fee: 4th Resubmission 5th + Resubmission	33.3% 20%	33.3% 20%		
5.	Subdivision Assumption Fee		\$5,125	\$7,745		
6.	Subdivision Delayed Assumption Surcharge	10% of initial Inpsection Fee annuall \$5,125	y. Miniumum of	2% with minimum fee of \$5,125		

 Table 4-1

 Comparison of Current and Full Cost Recover Development Engineering Fees



## Table 4-1 (cont'd)Comparison of Current and Full Cost Recover Development Engineering Fees

	Description	Town of Whit	by Proposed Fee	5
Su	bdivision Design Review, and Inspection Fees	Current Fees	Full Cost Revovery Fees	
7.	Site Plan Engineering Fee (development site area greater than 3,000 sq.mt., i.e. Tier 3)	Based on Estimated Value of Construction Costs: Up to \$200,000 \$200,000 to \$500,000 \$500,000 to \$1,000,000 \$1,000,000 to \$2,000,000 \$2,000,000 to \$3,000,000 \$3,000,000 +	\$5,125 or 5.2% \$10,660 or 4.6% \$23,575 or 3.9% \$39,975 or 3.3% \$67,650 or 2.9% \$89,175 or 2.6%	12.38% 10.95% 9.28% 7.86% 6.90% 6.19%
8.	Site Plan Engineering Fee (development site area less than 1,000 sq.mt., i.e. Tier 1)		\$1,075	\$2,559
9.	Site Plan Engineering Fee (development site area between 1,000 sq.mt. and 3,000 sq.mt., Tier 2)		\$3,200	\$7,618
10.	Site Plan Engineering Fee (Residential Infill Lots)		\$1,075	\$4,607
11.	Site Plan Engineering Resubmission Surcharge Fee	Per Submission beyond 3rd Submission: Tier 1 Tier 2 Tier 3	\$1,075 \$3,200 33% of SP Fee (4th) + 20% of SP (<4)	\$3,800 \$11,200 33% of SP Fee (4th) + 20% of SP (<4)
12.	Site Alterations (Non Development)		\$ 1,090	\$ 5,482

## 4.2 Development Engineering Fee Impacts

To understand the impacts of the recommended full cost recovery development engineering fees, an impact analysis for anticipated development types has been prepared. In discussions with Town staff two development types have been considered for subdivision design review and inspection applications, and one for a typical site plan review and inspection. The characteristics of these development applications include:

• <u>Subdivision Design Review and Inspection</u> – total value of municipal infrastructure of \$6 million (i.e. \$4.6 million Town infrastructure and \$1.4 million

Region infrastructure); and \$1 million (i.e. \$0.8 million Town infrastructure and \$0.2 million Region infrastructure)

• <u>Site Plan Review and Inspection</u> – total value of applicable works of \$0.33 million.

As summarized in Figures 4-1 through 4-3, the tables illustrate the Town's current development engineering fees charges for each development type, as well as the full cost recovery fee recommendations. In addition to providing the fee impacts for applicants within the Town of Whitby, the tables also provide a fee comparison for selected GTA municipalities to show the Town's relative position.

The following figures show that the Town is currently positioned in the lower quartile of the municipal comparators for development engineering fees charged. Imposing the recommended full cost recovery fees would move the Town to the municipal average for large subdivision applications, and the upper quartile for small subdivisions and typical site plan applications. The relatively higher positioning for smaller subdivision applications and site plans is generally reflective of the lack of economies of scale witnessed in larger applications and considered in the fee structure recommendations.



Figure 4-1





Figure 4-2





Figure 4-3



# Chapter 5 Development Engineering Fee Review Conclusions



# 5. Development Engineering Fee Review Conclusions

Summarized in this technical report is the legislative context for the development engineering fees review, the methodology undertaken, activity-based costing results and the associated full cost recovery fee structure recommendations. The intent of the fee review is to provide the Town with full cost recovery alternatives for Council consideration to appropriately recover the service costs from benefiting parties.

Chapter 3 of this report provides a forecast of annual development engineering costs of service, inclusive of 2022 anticipated staff resources for process activities. This chapter also indicates that without increases in the current development engineering fees revenues would not sustain direct costs of service and only recovery approximately 55% of full costs. To sustain 2022 staffing levels and improve the Town's level of service to reduce peer review costs to applicants, full cost recovery fee recommendations are provided in Chapter 4 of this report, and more specifically in Table 4-1. Once again, this approach is an interim solution for the town until FTEs can be gradually increased to a level where external resources are no longer necessary. This chapter further illustrates that the proposed full cost recovery fees would be comparable to surveyed GTA municipalities, particularly for large subdivision design review and inspection applications.

## **Fees and Charges Amendments**

Amend the Fees and Charges By-law 7220-17 to include the following fee changes highlighted to Schedule C: Public Works Department Fees effective January 1, 2022.

Schedule "C" – Public Works Department Fees

Fee Title	Current Fee (Excluding Taxes)	Proposed Fee (Excluding Taxes)	HST Applicable	Current Fee (Including Taxes)	Proposed Fee (Including Taxes)	Fee Basis
29. Site Alteration Permits Application Fee						
Small Site Alteration < 500 m <sup>3</sup>	\$545.00	\$2,741.00	Yes	\$615.85	\$3,097.33	Each
Large Site Alteration ≥ 500 m <sup>3</sup>	\$1,090	\$5,482.00	Yes	\$1,231.70	\$6,194.66	Each

## **Engineering Design Review and Inspection Fees**

### General

- Applicants, at the time of executing any relevant Subdivision Agreement, Site Plan Agreement or other Development Agreement, or when otherwise required by the Town, shall pay to the Town the relevant fees as set out herein. HST shall be applied to all fees as set out herein.
- All Engineering Review and Inspection Fees will be indexed by 2.5% on January 1 of each year.

### **Subdivision Design Review and Inspection Fees**

- The Engineering Design Review Fee to be paid by the Subdivider shall be 1.89% (current 1.25%) of the estimated cost of installation of public services for the Town of Whitby and other regulatory requirements administered by the Town of Whitby, with a minimum fee of \$18,900.00 (current \$2,150).
- The Engineering Inspection Fee to be paid by the Subdivider shall be based upon the following table relating to the estimated cost of public services to be installed for the Town of Whitby, the Region of Durham and other regulatory requirements administered by the Town of Whitby.

Estimated Cost of Services	Current Engineering Inspection Fee	Proposed Engineering Inspection Fee
Up to \$200,000.00	\$5,125.00 or 5.2% of the total estimated cost of services, whichever is greater	7.86% of the total estimated cost of services
\$200,000.01 to \$500,000.00	\$10,660.00 or 4.6% of the total services, whichever is greater	6.95% of the total estimated cost of services
\$500,000.01 to \$1,000,000.00	\$23,575.00 or 3.9% of the total services, whichever is greater	5.89% of the total estimated cost of services
\$1,000,000.01 to \$2,000,000.00	\$39,975.00 or 3.3% of the total services, whichever is greater	4.99% of the total estimated cost of services
\$2,000,000.01 to \$3,000,000.00	\$67,650.00 or 2.9% of the total services, whichever is greater	4.38% of the total estimated cost of services
\$3,000,000.01 and over	\$89,175.00 or 2.6% of the total services, whichever is greater	3.93% of the total estimated cost of services

• Schedule "A" – Subdivision Review Design and Inspection Fees

 A fee for 'Underground Servicing Approval Only' equal to 11% (current 15%) of the total Engineering Design Review Fee plus 11% (current 15%) of the total Engineering Inspection Fee shall be paid by the Subdivider for underground servicing approval only of the Engineering Design in advance of the Full Engineering Design Approval. The minimum combined fee shall be \$18,400.00 (current \$2,690).

### Subdivision Design Review Fee Surcharge

- The Subdivider shall pay an additional surcharge of 33.3% of the total Engineering Design Review Fee for a Fourth Engineering Submission review.
- The Subdivider shall pay an additional surcharge of 20.0% of the total Engineering Design Review Fee for each Engineering Submission review after the fourth submission.
- The above noted surcharges shall be discounted by 50% should less than half of the total number of plans require revisions.

#### **Delayed Assumption Surcharge**

 One year after placement of top asphalt, a final deficiency list will be issued by the Town. One year (12 months) from the issuance of this final deficiency report, and each anniversary date thereafter, the penalty fee of 2% (current 10%) (min. \$5,125.00) of the initial Engineering Inspection Fee will apply until the Subdivider/Developer has addressed all Subdivider/Agreement requirements.

#### **Subdivision Assumption Fee**

 This fee is applied to all new subdivisions at the time of assumption. The established fee of \$7,745.00 (current \$5,125) is intended to recover staff time and costs for completing the required tasks associated with assuming a subdivision, such as: updating GIS (record drawing) information, preparation of by-laws and document registration.

#### **Site Plan Engineering Fees**

- Tier 1: Development Site Area:  $\leq$  1,000 m<sup>2</sup>, fix fee of \$2,559.00 (current \$1,075).
- Tier 2: Development Site Area: 1,001 to 3,000 m<sup>2</sup>, fix fee of \$7,618.00 (current \$3,200).

Estimated Cost of Civil Works	Current Site Plan Engineering Fee	Proposed Site Plan Engineering Fee
Up to \$200,000.00	\$5,125.00 or 5.2% of the total estimated cost of services, whichever is greater	12.38% of the total estimated cost of services
\$200,000.01 to \$500,000.00	\$10,660.00 or 4.6% of the total estimated services, whichever is greater	10.95% of the total estimated cost of services
\$500,000.01 to \$1,000,000.00	\$23,575.00 or 3.9% of the total estimated services, whichever is greater	9.28% of the total estimated cost of services
\$1,000,000.01 to \$2,000,000.00	\$39,975.00 or 3.3% of the total estimated services, whichever is greater	7.86% of the total estimated cost of services
\$2,000,000.01 to \$3,000,000.00	\$67,650.00 or 2.9% of the total estimated services, whichever is greater	6.90% of the total estimated cost of services

• Tier 3: Development Site Area: > 3,001 m<sup>2</sup>, sliding scale based on construction value of civil works as per the following table:

Estimated Cost of Civil	Current Site Plan Engineering	Proposed Site Plan Engineering
Works	Fee	Fee
\$3,000,000.01 and over	\$89,175.00 or 2.6% of the total estimated services, whichever is greater	6.19% of the total estimated cost of services

### Site Plan Engineering Fee Surcharge

- Tier 1: Fix fee of \$3,800.00 (current \$1,075) per submission for 4th Submission (and beyond).
- Tier 2: Fix fee of 11,200.00 (current 3,200) per submission for 4th Submission (and beyond).
- Tier 3: 33% of the initial Site Plan Engineering Fee for 4th Submission, and 20% of the initial Site Plan Engineering Fee for each submission after the 4<sup>th</sup> submission.

### **Engineering Review for Residential In-Fill Lots**

• Fix fee of \$4,607.00 (current \$1,075).

This fix fee shall also apply to all single family residential dwelling requiring a Site Plan Application, regardless of actual development site area.