



REPORT

REPORT TO: Mayor Bonnette and Members of Council

REPORT FROM: Slavica Josipovic, Chief Building Official

DATE: February 12, 2020

REPORT NO.: TPW-2020-0011

RE: 2019 Building Permit Annual Report

RECOMMENDATION:

THAT Report No. TPW-2020-0011, dated February 12, 2020 regarding 2019 Building Permit Fees, be received.

BACKGROUND:

The purpose of this report is to inform Council of the Building Permit Fees collected for the full year 2019, building permit related activities and the costs associated with the administration and enforcement of the Building Code Act in 2019.

In accordance with Section 7(4) of the Building Code Act (Act), the municipality is required to prepare an Annual Report, in order to enhance transparency and ensure that the Building Permit Fees do not exceed the anticipated reasonable delivery service expense.

As a requirement of Article 1.9.1.1., Division C of the 2012 Ontario Building Code, the Annual Report must include the following:

- a) Total fees collected between January 1, 2019 and December 31, 2019,
- b) The direct and indirect expenses of delivering services related to the administration and enforcement of the Act within the Town of Halton Hills,
- c) Itemization of the expenses as stated in b) into the following categories:
 - Direct costs of administration and enforcement of the Act, including the review of applications for building permits and inspection of buildings;
 - Indirect costs of administration and enforcement of the Act, including support and overhead expenses;
- d) Reserve Fund, if surplus exists (Reserve Fund is required to address likely ranges in year-to-year volatility in service volumes).

COMMENTS:

Statistics

In 2019, Building Services issued 650 permits, of which 563 were building permits and the remaining 87 were pool enclosure permits. The Zoning Section issued 197 compliance letters/responses to the requests from the general public, builders, developers, real estate agents and appraisers. In the year 2019 the Inspection Section conducted 7,664 inspections, of which 6,683 were mandatory inspections requested by building permit holders and violation/Code enforcement inspections and 981 pro-active inspections. The purpose of the proactive inspections is to ensure that the inspection backlog of inactive (open) building permits is maintained at a level that will not compromise the health and safety of occupants or create a greater risk of liability for the Town. Ten buildings were registered as two-unit houses. One existing on-site sewage disposal system was inspected under the Mandatory sewage System Maintenance Inspection Program.

An itemized list of the permits and compliance letters issued and building registered as two-unit houses in 2019 is added as Attachment A to this report.

Revenue

For the full year 2019, Building Services anticipated building permit revenue of \$1,856,000.00. The actual revenue earned was \$1,354,048.00. The actuals were below the budget by \$501,951.80. The decrease in the expected revenue is due to the decreased value of the residential permits. (As no building permit application for the construction of subdivision houses has been made in 2019, re-hiring of two building inspection positions that have been vacated in first half of the year has been postponed until 2020.)

Expenses

The total budgeted (direct and indirect) expenses for the Building Services Division for the year 2019 were \$2,780,136.00, as provided below:

Direct Expenses:

Personnel	\$2,493,836
Operating	\$ 87,300
Contract Out (Lot Grading)	\$ 9,120

Indirect Expenses:

Corporate Charges	<u>\$ 174,000</u>
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Budgeted Building Services Expenses	<u>\$2,780,136</u>
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The expenses, as provided below, represent the actual cost of operation for the Building Services Division in its entirety for the year 2019:

Direct Expenses:

Personnel	\$1,935,556
Operating	\$ 49,039
Contract Out (Lot Grading)	\$ 9,120

Indirect Expenses:

Corporate Charges	<u>\$ 174,000</u>
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Total Actual Building Services Expenses **\$2,167,715**

The difference between the budgeted and actual expenses is primarily attributed to staff vacancies and the operating costs related savings.

As legislated by the Building Code Act, building permit revenue can only be used to fund the expenses associated with the issuance of building permits and performing the related building inspections.

Building Permit Related Expenses were as follows:

Direct Expenses:

Personnel	\$1,622,384
Operating	\$ 41,104
Contract Out	\$ 9,120

Indirect Expenses:

Corporate Charges	<u>\$ 174,000</u>
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Total Actual Building Permit Related Expenses **\$1,846,608**

For reporting years 2013 onwards, the building permit revenue is stated using accrual accounting methods. The revenues relating to cash received for building permits during the year have been adjusted to account for recognition of revenue received in the prior year but earned in the current year, and deferral of revenue received in the current year but earned in future years.

Building Permit Revenue, January 1 – August 31, 2019	(\$1,354,048)
Revenue (Sep. 1 – Dec. 31, 2019) deferred to 2020	\$ 266,723
Contribution from 2018 deferred revenue (Sep. 1 – Dec. 31, 2018)	(\$ 523,914)
Total Building Permit Related Expenses	<u>\$1,846,608</u>

2019 Building Permit Deficit **\$ 235,369**

A financial summary for the year ended December 31, 2019 is added as Attachment B to this report.

RELATIONSHIP TO STRATEGIC PLAN:

This report is for operational purposes and is not directly related to the Strategic Plan.

FINANCIAL IMPACT:

The Building Code Act requires that the total amount of Building Permit fees meets the total costs for the municipality to administer and enforce the Building Code Act and Regulations.

The building permit related expenses exceeded the 2019 actual revenue. The 2019 building permit deficit in the amount of \$235,369 will be covered by funding from the Building Permit Reserve Fund.

As permitted by the Building Code Act, the purpose of the Reserve fund is to address fluctuations in year-to-year service volumes. The building permit revenue shortfall for the years 2007 and 2010 in the amount of \$522,632 was covered from the Town's Tax Rate stabilization Reserve. The full amount was repaid from the revenue surplus in 2011. The revenue surplus between 2011 and 2017 was contributed to the Building Permit Reserve Fund. The 2018 revenue shortfall in the amount of \$62,938 was covered by funding from the Building Permit Reserve Fund.

The graph in Attachment C to this report shows the Building Services Revenue & Expenses Comparison for the period between the year 2003 and 2019.

CONSULTATION:

The Manager of Accounting was consulted with respect to the preparation of this report.

PUBLIC ENGAGEMENT:

There was no public engagement respecting the preparation of this report.

SUSTAINABILITY IMPLICATIONS:

The Town is committed to implementing our Community Sustainability Strategy, Imagine Halton Hills. Doing so will lead to a higher quality of life.

The recommendation outlined in this report is not applicable to the Strategy's implementation.

COMMUNICATIONS:

This report presents the Building Services financial summary for the full year 2019 and is prepared for information purposes.

CONCLUSION:

Reporting on Building Permit Fees on an annual basis is a mandatory requirement for the Municipality as imposed by the Building Code Act.

Reviewed and Approved by,

A handwritten signature in black ink, appearing to read "C. Mills". The signature is stylized with a large, sweeping initial "C" and a horizontal line extending from the top of the "C" across the rest of the signature.

Chris Mills, Commissioner of Transportation and Public Works

A handwritten signature in black ink, appearing to read "Brent Marshall". The signature is written in a cursive style with a large, prominent "B" and "M".

Brent Marshall, Chief Administrative Officer

Attachment A

Permits Issued, January 1 - December 31, 2019

Permit Type/Category		Q1	Q2	Q3	Q4	2019 Total	2018 Total
Agricultural Buildings	AG	1	3	1	4	9	7
Group A - Assembly Uses	AP	1	10	1	2	14	16
Group D - Business & Personal	BP	1	4	3	7	15	13
Conversion (Single to Two-unit)	CO	2	7	3	6	18	7
Group E - Commercial	CP	3	7	6	3	19	64
Change of Use	CU	0	1	0	0	1	0
Demolition Permit	DP	0	2	7	8	17	39
Plumbing Only	DR	8	7	16	34	65	56
Designated structures	DS	0	2	0	0	2	36
Heating/Air Conditioning	HE	0	1	0	2	3	4
Group B - Institutional Uses	IP	0	0	2	0	2	0
Multiple Occupancy	MO	4	1	1	1	7	2
Group F - Industrial	MP	6	7	11	6	30	29
Miscellaneous	MS	2	3	1	0	6	4
Group C - Residential - Add/Alt/Imp	RA	42	73	72	50	237	262
Group C - Residential - New Construction	RP	8	5	4	5	22	50
Septic Only	SE	7	13	16	16	52	46
Signs	SP	10	6	6	8	30	51
Tents	TP	1	6	6	1	14	11
Total Building Permits		96	158	156	153	563	697
Pool Enclosure	PP	9	33	33	12	87	84
Total Permits		105	191	189	165	650	781
Zoning Certification		32	64	48	53	197	213
Registration of Two-Unit Houses	RH	4	2	1	3	10	4

Attachment B

Building Services Financial Summary for the Year Ending December 31, 2019	Full Year Analysis		
	Actuals	Budget	% of Budget
Revenue			
<u>Building Permit</u>			
Residential - New Construction	\$ 368,560.00	\$ 1,457,500.00	25%
Industrial/Commercial/Institutional	\$ 626,722.00	\$ 18,500.00	339%
Other	\$ 356,766.00	\$ 380,000.00	94%
Building Permit Revenue	\$ 1,354,048.00	\$ 1,856,000.00	73%
<u>Non-Building Permit</u>			
Mandatory Sewage Systems Maintenance Inspections	\$ 61.00	\$ 300.00	20%
Pool Enclosure	\$ 21,420.00	\$ 24,800.00	86%
General Recoveries (Compliance Letters)	\$ 42,228.00	\$ 35,000.00	121%
Two-Unit House Registration	\$ 17,456.00	\$ 12,900.00	135%
Non-Building Permit Revenue	\$ 81,165.00	\$ 73,000.00	111%
Total Building Services - Revenue	\$ 1,435,213.00	\$ 1,929,000.00	74%
Expenses			
<u>Building Services - Expenses</u>			
Personnel - Direct Expenses	\$ 1,935,556.00	\$ 2,493,836.00	78%
Operating - Direct Expenses	\$ 49,039.00	\$ 87,300.00	56%
Contract Out - (Lot Grading) - Direct Expenses	\$ 9,120.00	\$ 25,000.00	36%
Corporate Charges - Indirect Expenses	\$ 174,000.00	\$ 174,000.00	100%
Total Building Services - Expenses	\$ 2,167,715.00	\$ 2,780,136.00	78%
<u>Building Permit Related Expenses</u>			
Personnel - Direct Expenses	\$ 1,622,384.00		
Operating - Direct Expenses	\$ 41,104.00		
Contract Out - (Lot Grading) - Direct Expenses	\$ 9,120.00		
Corporate Charge - Indirect Expenses	\$ 174,000.00		
Total Building Permit Related Net Expenses	\$ 1,846,608.00		
Building Permit Revenue	\$ (1,354,048.00)		
Deferred revenue from 2017	\$ (523,914.00)		
Revenue deferred to 2018	\$ 266,723.00		
Building Permit Related Expenses	\$ 1,846,608.00		
Net (Surplus)/Deficit	\$ 235,369.00		

Attachment C

Building Services Revenue & Expenses Comparison

