

Grand River Conservation Authority

Report number: GM-09-24-81

Date: September 27, 2024

To: Members of the Grand River Conservation Authority

Subject: Planning and Regulations Fees Cost Recovery Targets

Recommendation:

THAT staff be directed to implement a cost recovery target of 65% for Regulations fees;

AND THAT staff be directed to implement a cost recovery target of 100% for Plan Review fees.

Summary:

As per the 'Policy: Minister's list of classes of programs and services in respect of which conservation authorities (CAs) may charge a fee', fees for permitting and planning services should be developed to recover but not exceed the costs associated with administering and delivering the services on a program basis. Each authority can decide the proportion of costs recovered by a user fee versus other sources such as municipal apportionment (general levy).

Staff recommend the following cost recovery targets be realized through user fees:

- cost recovery target of 65% for Regulations fees (permits and inquiries)
- cost recovery targets of 100% for Plan Review fees (Planning Act and Aggregate Act applications)

The balance of the Planning and Regulations program and services is funded through municipal apportionment. This support is vital to the delivery of this mandatory program that provides a watershed benefit.

Report:

The Planning and Regulations program is a mandatory service that provides a watershed benefit by regulating development and undertaking review of applications/proposals in and near natural hazards to reduce the risk of loss of life and minimize property damage. The program includes proactive planning (plan input and policy advice, environmental assessments etc.), review of planning and other applications, as well as the permit process, public inquiries, title clearances and compliance.

As per the 'Policy: Minister's list of classes of programs and services in respect of which conservation authorities (CAs) may charge a fee', fees for planning and permitting services should be developed to recover but not exceed the costs associated with administering and delivering the services on a program basis. Each authority can decide the proportion of costs recovered by a user fee versus other sources such as municipal apportionment (general levy).

Report GM-12-23-101 was presented to the General Membership on December 15, 2023. The report proposed changes for 2024 permit and planning fees, taking into consideration the recommendations of a Program Rates and User Fee Review (User Fee Review) completed by Watson and Associates Economists Ltd. (Watson). The consultant assessed the full cost for certain planning services and permitting activities and provided recommendations considering cost recovery, affordability of fees, and comparison with municipal and fee schedules of other Conservation Authorities.

On December 13, 2023, a Minister's Direction to freeze fees from January 1, 2023 to December 31, 2023 was extended to December 31, 2024. The Grand River Conservation Authority had approved fee changes for 2023 prior to the effective date (Report GM-12-22-98), therefore the fee freeze only impacted 2024 and the proposed fee changes were not able to be implemented. At this time, it is unknown if the Minister's Direction will be extended again.

If Conservation Authorities are permitted to make fee changes, staff are seeking approval of the user fee cost recovery targets as outlined last year. This direction will be used to inform a proposed Planning and Regulations fee schedule for 2025, which will be considered at a future General Membership meeting.

2024 Fee review

As outlined in Report GM-12-23-101, based on the analysis undertaken by Watson across all permitting and planning activities, user fees collected recovered 61% of the total annual cost of processing. More specifically, for permits (and inquiries) the cost recovery was 66% and for certain planning services (Planning Act, Aggregate Act, Drainage Act and Environmental Assessments) it was 56%. The balance of program costs is funded through apportionment (general levy).

Historically, the cost recovery target for permits has been 50%. Last year, staff recommended that the cost recovery target of approximately 65% that was being achieved for permits (including inquiries) should be maintained. It was therefore proposed that a cost-of-living increase of 3% (rounded to the nearest \$5.00) be implemented, except in limited cases.

Historically, the cost recovery target for plan review has been 100%. Last year, staff recommended this cost recovery target for Planning Act and Aggregate Act applications. To achieve this, it was proposed to phase-in increased fees for Planning Act applications as per the User Fee Review with an annual cost-of-living increase. No increases for Aggregate applications were proposed as the fees were already in line with the consultant recommendations. A new fee category was proposed for the review of applications within the Niagara Escarpment Plan boundary circulated by the Niagara Escarpment Commission. The proposed increases were expected to achieve 98% cost recovery for plan review (Planning Act and Aggregate Act applications), while continuing to fund other planning services such as Environmental Assessments and Drainage Act applications and plan input through apportionment.

Staff Recommendation

Staff recommend the following cost recovery targets be realized through user fees as proposed in 2024:

- cost recovery target of 65% for Regulations fees (permits and inquiries)
- cost recovery targets of 100% for Plan Review fees (Planning Act and Aggregate Act applications)

The Planning and Regulations program would continue to be funded through user fees along with the allocation of municipal apportionment (general levy). The program provides a watershed benefit by regulating development and undertaking review of applications/proposals in and near natural hazards to reduce the risk of loss of life and minimize property damage. Historically, in recognition of this benefit, permit fees were not intended to achieve full cost recovery. The apportionment funding support for permit fees facilitates a fee structure which may otherwise be a deterrent to seek permission if full cost recovery was the objective and the fees were higher. It is important to highlight that in the User Fee Review, it is noted that permitting program costs associated with enforcement and violations are largely unrecoverable through user fees, therefore 100% cost recovery for the Regulations program is not achievable.

Municipal apportionment also provides a stable funding source, given the variation of applications in any given year based on current and potential future legislative and regulatory changes as well as fluctuations in market conditions. Legislative changes have occurred which reduced areas that are regulated by CAs. Amendments to the CA Act were also made but not proclaimed that may exempt the requirement for a permit if the activity is authorized under the *Planning Act*. A new regulation would prescribe the activities, areas of municipalities or type of authorizations under the *Planning Act* to enable this exemption, which has the potential to further reduce the number of permits received if this exemption is enabled within the Grand River watershed. While the total permit revenue has been on a downward trend since 2022, direct and indirect costs increase every year. Of note, best practices regarding timelines for determining completeness of an application and making a decision on a permit application are now legislative timelines. In combination with other legislative timelines, as well as internal service delivery targets, a stable funding source for staffing to deliver planning and regulations services is needed.

Continued partial funding for planning services enables staff to provide input to initiatives of municipalities in the watershed without charging a fee per project/circulation. These initiatives may include Environmental Assessments, Drainage Act applications, municipal plans and policies such as Official Plan and Comprehensive Zoning By-law documents, Secondary/Block/Community Plans, review of planning amendments initiated by municipalities, as well as policy and technical support at appeal hearings.

Apportionment funding also provides support for review of provincial policy and technical initiatives related to natural hazards, enforcement and compliance responsibilities as well as responding to most general inquiries from watershed residents related to permit regulations, planning processes and approval requirements.

Comparison to Other Conservation Authorities

At the December 2023 Board meeting, questions were raised regarding the cost recovery targets and fees of other Conservation Authorities (CAs). Appendix A illustrates the cost recovery targets of neighbouring Conservation Authorities as well as Central Lake Ontario CA, Lake Simcoe CA and Toronto and Region CA. It is important to note that these are targets which may not yet be achieved for several reasons, including the fee freeze, and actual cost recovery from user fees will vary in any given year depending on factors such as staff vacancies and the number and complexity of applications/inquiries received.

Fees amongst the CAs vary significantly, reflective of cost recovery targets and direct and indirect costs of delivering the planning and regulations programs at each individual CA.

The User Fee Review undertaken by Watson reviewed GRCA proposed fees to ensure they were within the range of other CAs as well as municipal fees.

Alternative Cost Recovery Options

At the December 2023 Board meeting, questions were raised regarding implications of seeking further cost recovery through user fees. This was contemplated in the User Fee Review, and if the report recommendations were fully implemented for Regulations fees (permits and inquiries), it is expected that approximately 90% cost recovery would be achieved. Appendix B shows potential fee increases based on the User Fee Review and a 90% cost recovery target compared to maintaining a 65% cost recovery target. The table is for comparative purposes, and a more detailed review of the fee schedule would be undertaken if direction was provided to implement a 90% cost recovery target.

For planning services, the User Fee Review contemplated the introduction of new fees for other planning services. The following fees could be introduced for the review of Environmental

Assessments and Drainage Act applications to achieve further cost recovery; \$5000 for a Class B EA, \$6400 for a Class C E and \$2200 for an application under the Drainage Act.

Financial Implications:

The draft 2025 budget will be updated to incorporate the fees approved by the General Membership in a future meeting.

Other Department Considerations:

Staff from other departments that are involved in permitting and planning are accounted for in the direct and indirect costs.

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