

SUBJECT: Indexation of Building Permit Fees 2025 – Additional Information

TO: Council

FROM: Development and Growth Management
Building

Report Number: DGM-06-25

Wards Affected: All

Date to Committee: N/A

Date to Council: April 15, 2025

CIP Date: N/A

The purpose of this memo is to provide additional information to Council in relation to the Indexation of Building Permit Fees 2025 as discussed at Committee of the Whole on April 8, 2025, in relation to report DGM-06-25.

Background

In 2006, Council voted to implement the current funding model in the Building Department as per the changes in the Building Code Act (BCA) and the Ontario Building Code (OBC) enacted under Bill 124. The changes to the BCA, 1992 provided municipalities with the authority to collect fees to fully recover the cost of administration and enforcement of the BCA and the OBC. Regulations made under the BCA/OBC outline the details of what can be included as part of the cost including direct and indirect costs, and provisions for a reserve fund. The basic principle for providing building permit and inspection services is: “Fees for Service”.

To assist with the fees review, the City retained the services of Watson & Associates. This consultant has completed several building permit fee reviews for municipalities throughout Ontario using an activity-based costing model. This firm is familiar with the City of Burlington having been involved in the original implementation of the Fees for Service model in 2006 and the subsequent reviews in 2010, 2016 and 2019.

Strategy and Process

The approach to capturing costs is by using an activity-based costing methodology:

- Direct costs (staff time/cost involved directly with administration and enforcement of the BCA)
- Indirect costs (support functions, overhead and capital replacement costs)
- Building permit reserve fund stabilization (recognizing the cyclical nature of construction it allows for stabilization during economic swings which can be up or down, temporary staffing due to spikes in construction volume and process re-engineering and technology improvements).

Utilization of this costing methodology provides municipalities with a better recognition of the costs utilized in delivering building permit processes, as it acknowledges not only the direct costs of resources deployed but also the operating and capital support required by those resources to provide services.

Financial Details

Report DGM-06-25 provided a recommendation to approve a 5.36% indexation to building permit fees for 2025. The noted annual fee indexation is in accordance with the overall percentage increase for the total human resource expenditures as approved in the 2025 annual budget and in accordance with the provisions of Building Permit By-law 66-2019.

The Building Permit By-law was revised in 2019 to index fees in relation to the total human resource expenditures for the Building Department. The building permit fee indexation of 5.36% for 2025 was a formation of the annual market and performance-based adjustments for Building Department staff.

Reserve Forecasts

In collaboration with Finance colleagues, scenarios have been provided in relation to projected 2025 building permit revenues. The 2024 actual building permit revenues were utilized as the baseline for these scenarios. Note that the 2024 revenues were 34% less than the budget forecast amount for 2024.

	<i>Scenario 1</i>	<i>Scenario 2</i>	<i>Scenario 3</i>	<i>Scenario 4</i>
	0% Revenue	3% Revenue	5% Revenue	10% Revenue
	Increase	Increase	Increase	Increase
Building Permit Revenues	\$ 4,339,862	\$ 4,470,058	\$ 4,556,855	\$ 4,773,849
Building Permit Costs (Direct and Indirect)	\$ 7,585,017	\$ 7,585,017	\$ 7,585,017	\$ 7,585,017
Net Position - Surplus/(Deficit)	\$ (3,245,155)	\$ (3,114,959)	\$ (3,028,162)	\$ (2,811,169)
Reserve Fund Opening Balance Forecasted 2025				
Year-end Balance	\$ 1,001,274	\$ 1,131,470	\$ 1,218,267	\$ 1,435,260

It is estimated that any of the noted increases in 2025 building permit revenues will result in a required draw from the Building Permit Stabilization Reserve Fund. This will result in a forecasted 2025 year- end reserve balances ranging from \$1,001,274 to \$1,435,260.

Building departments should aim to maintain a minimum reserve fund equivalent to 1.5 times their annual operating costs.

Based on current economic conditions and preliminary indicators as of Q1 in 2025, the Building Department is expected to generate less building permit revenue. While there are approximately 14,000 units ready to transition into the building permit process it is difficult to predict when those applications will materialize.

A failure to maintain indexed building permit fee adjustments annually will not only compound the downward pressure on reserves, it will also exacerbate the need for much larger increases in 2027 and beyond to “catch up” to the cost recovery model adopted by the City of Burlington, with no ability to continue using reserves to subsidize building permit fees.

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Attachments:

N/A

Notifications:

N/A

Memo Approval:

All memos are reviewed and approved by the Commissioner, Head of Corporate Affairs, Chief Financial Officer, and Commissioner of Legal and Legislative Services/City Solicitor.