



# 2023

## Building Department

## Annual Report

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**Presented to:** Mayor and Members of Council, Township of Norwich

**Report Number:** BB 2024-01

**Council Meeting Date:** April 30, 2024

# **2023 Building Department Annual Report**

## Contents

<b>Background</b>	ii
<b>Scope</b>	iii
<b>Annual Report Summary 2023</b>	v
<b>Financial</b>	vi
<b>Council Priorities and Strategic Action Plan</b>	vi
<b>Recommendation</b>	vi
<b>Attachments</b>	vi

## Background

### The Building Code/Act Requirements

The *Building Code Act of Ontario* requires:

- the total amount of the fees must not exceed the anticipated reasonable costs of the principal authority to administer and enforce this Act in the area of jurisdiction,
- every 12 months, each principal authority shall prepare a report that contains such information as may be prescribed about any fees authorized under (the Building By-law) and costs of the principal authority to administer and enforce this Act in its area of jurisdiction, and
- The principal authority shall make its report available to the public in the manner required by regulation.

The Ontario Building Code prescribes that the Annual Report required under the Act shall contain the following information in respect of fees authorized under a building by-law:

- **total fees collected** in the 12-month period ending no earlier than three months before the release of the report,
- the **direct and indirect costs** of delivering services related to the administration and enforcement of the Act in the area of jurisdiction of the principal authority in the 12-month period,
- a **breakdown of the costs** into at least the following categories:
  - **direct costs** of administration and enforcement of the Act, including the review of applications for permits and inspection of buildings, and
  - **indirect costs of administration** and enforcement of the Act, including support and overhead costs, and
- if a **reserve fund** has been established for any purpose relating to the administration or enforcement of the Act, the **amount** of the fund at the end of the 12-month period.

### Operational Overview, Building Services

Building Services consists of 2 primary Departments – the Building Department and the Drainage Department – with additional corporate duties and responsibilities assigned as related to each department services provided. For the purposes of this report work associated to the administration and enforcement of the *Drainage Act of Ontario* are omitted.

This report is reflective only of services which are directly related to the administration and operation of the Building Department in the delivery of services as identified by the legislated requirements of the *Building Code Act of Ontario*.

## Scope

### Purpose and Format of the Annual Report and Summary

In summary, the intent of the Report is to:

- **confirm that the “user pay” approach** to the collection and utilization of Building Permit Fee revenue in the Township is being applied,
- ensure that the Building **Permit fees collected closely reflect the true cost** of delivering the Building Code Permitting and enforcement-related services to the community, and
- verify that any surplus or shortfall in Permit fees **will have minimal affect (approaching zero impact) upon other municipal operational costs or upon the individual rate payer.**

In contrast to the Operational Budget, **the purpose of the Annual Report is not to forecast future expenses but rather to report on the expenses that have already occurred.**

The Annual Summary Report offers an at-a-glance financial summarization of the total annual operational costs (subdivided into direct costs and indirect costs) and revenues necessary to deliver Building Department services to the public on a year-by-year basis. This statement further satisfies the provisions of Div. C., 1.9.1.1. (2) of the Ontario Building Code which requires:

*The principal authority shall give notice of the preparation of a report under subsection 7 (4) of the Act to every person and organization that has requested that the principal authority provide the person or organization with such notice and has provided an address for the notice.*

The format of this Annual Report adheres to the Ontario Building Code Div. C, 1.9. – Fees, while providing both the prescribed information as well as additional information and analytics. In years previous, the Report provided both the prescribed information and additional analytics staff endeavour to promote understanding and awareness of the Building Department’s operation in context to the Township’s larger operational environment as well as the local construction and development industry in the community. This allows staff to explain the costs/revenue relationship in context to the service level provided by the Building Department to the community, it also provides an opportunity to frame these statistics in context to historic data of the construction occurring within the community over past years.

For purposes of the 2023 Report, staff have chosen to deviate from this model due to various factors including (but not exclusive to):

- the timing of the Municipal By-election (May 2024),
- The conducting of coincidental studies and reports on Planning Fees that did affect Building Department operations in the 2023 year (not concluded at the time of the writing of the report), and,
- the regulatory prescribed timeframes outlined in Div. C, 1.9.1.1. of the Building Code

requiring the frequency of reporting.

The second component of the report containing the analysis and review of operations will be submitted for council information once the above have been completed.

## **Direct Costs**

All costs directly associated with administration and enforcement of the Act, including the review of applications for permits and inspection of *buildings*. Examples of the Direct Costs attributable to services delivered by the Building Department are:

- in-person and digital application services (application intake, review, and related correspondence),
- consultation, correspondence, and education of Code-related matters,
- inspection of permitted work,
- investigation and enforcement (activities directly and indirectly related to the Act and/or Code),
- Information Reporting.

## **Indirect Costs**

All costs other than Direct costs, and which are indirectly associated with administration and enforcement of the Act, including support and overhead costs. Provision of the additional services by the Building Department are considered indirect operational costs and are reflected as a component of the Annual Report in the Summary statement. These costs are estimated via the methodology established in the 2021/23 Fees Study report and principally associated to:

- Norwich Council (salary and payroll burden),
- the Municipal Office building (heat, hydro, internet, phone, etc.),
- ancillary administrative support services (i.e. Health and Safety Committee, Human Resources, counter services, etc.)

In summary, the associated indirect annual operational costs incurred by the building department are calculated to constitute 11.57% of the total annual actual municipal operational costs.

# Annual Report Summary 2023

## 2023 Revenues:

Total Fees (Revenues) Direct and Indirect collected for the period January 1st, 2023, to December 31st, 2023.

<b>Indirect Revenue:</b>	<b>\$5,842</b>
Ancillary revenue is generated via fees collected for Service delivered by the Building Department that are not directly related to administration and enforcement of the Act – (services such as Work Order reports, 911 signage and deposit forfeitures)	
<b>Direct Revenue:</b>	<b>\$490,041</b>
SEPTIC-Permit Related revenue	\$ 26,737
Total Fees Collected, Jan. 1 <sup>st</sup> to Dec. 31 <sup>st</sup> , 2022	\$413,846
Transfer from Reserves – Building (see <b>Statement of Stabilization Reserve – 2023</b> )	\$29,614
Transfer from Reserves – Contract services (Cloudpermit 2021/22)	\$19,843
<b>Grand Total Revenues</b>	<b>\$495,883</b>

## 2023 Costs:

<b>Indirect Costs:</b>	<b>\$30,249</b>
Indirect Costs include an attributable portion (11.57%) of the total 2023 costs related to Members of Council (\$201,868), the Township Office Building (\$53,892), and Occupational Health & Safety (\$5,768) as support and overhead costs.	
<b>Direct Costs:</b>	<b>\$465,624</b>
Direct Costs include the costs of administration and enforcement of the Act, including the review of applications for permits and inspection of buildings (Coincides with the reported “2023 Actual Cost” - 2024 Operational Budget).	
<b>Grand Total Costs</b>	<b>\$495,883</b>

## Statement Of Revenue/Costs (2023):

<b>Revenues/Costs</b> (December 31 <sup>st</sup> , 2023)	<b>\$0</b>
	<b>\$495,883</b> - <b>\$495,883</b>

## Statement Of Building Permit Fees Stabilization Reserve Fund (2023):

Year-end Balance continuity (Status of Reserve Fund, January 1 <sup>st</sup> , 2023)	<b>\$96,160</b>
Transfers from Reserve	- \$29,614
<b>Grand Total Reserves</b> (as of December 31 <sup>st</sup> , 2023):	<b>\$71,650</b>

## Financial

### 2023 at a Glance:

- **overall operational costs were down** in comparison to 2022
- **Operational Permit revenue below Budget projection** (\$510,000 → \$440,583)
- **operational revenue deficit** (+/- \$30,000)
- **Operational reserve beginning to run low** (\$71,650)
- **Net zero impact to municipal levy in 2024**

The 2023 building year was a lean year for new development in the Township, as reflected in the shortfall in revenue over actual costs. Despite this shortfall there was no net negative impact upon the general levy and the 2024 Operation Budget due to the the Building Permit Revenue Stabilization Reserve - created in 2019 and to which surplus permit fee revenues have been directed since that time – this reserve fund has enabled the Township to bridge shortfalls in year-over-year operational cost disparities as they arise without significant impact to the municipal operating budget or the tax levy.

More information upon the nature and use of the Building Permit Fee Stabilization Reserve Fund can be in the Appendix to this report.

## **Council Priorities and Strategic Action Plan**

The recommendation in this report supports the following Council priority:

- Facilitate and address potential impediments to sustained growth
- Ensure that adequate, timely and appropriately serviced property is available for commercial and industrial development
- Enhance our communication to and our engagement with Township residents and businesses

## **Recommendation**

It is recommended that Council receive Report BB 2024-01, 2023 Building Department Annual Report, as information.

## **Attachments**

### Appendix A

Prepared by: Brad Smale B. Arch. Sci., CBCO, Director, Building Services/Chief Building Official

Reviewed by: Lee Robinson, P.Eng. Chief Administrative Officer

## Appendix A

### ***Direct Costs, Indirect Costs and Reserve Funds***

As outlined in the Background, below is a brief explanation of the distinctions between Direct Costs, Indirect Costs and Building Reserve funds as related to the administration and enforcement of the Ontario Building Code Act.

The differences between Direct Costs and the Indirect Costs of administration and enforcement of the Act are essentially drawn between costs associated to the administration and enforcement of the Building Code and Act, and the costs for services that facilitate the administration and enforcement of the Act and Code.

#### **Indirect Costs**

**Indirect Costs** are costs related principally to the overhead and support of Building Department operations. These costs mostly relate to support services provided within the Municipality by other Departments which are necessary to the operation of the Building Department but not necessarily directly related to the review of permit application or the inspection of work under permit. These costs predominately consist of utilities, maintenance, phones, and insurance as well as consulting costs for legal and professional services. **As such, Indirect Costs are predominately considered to be overhead costs that tend to remain relatively steady on a year-over-year basis.** For this reason, indirect costs are not generally adjusted or re-evaluated on an annual basis except where they may be tied or related to factored macroeconomic indicators, such as fuel cost indexing or inflationary indexing.

#### **Direct Costs**

**Direct Costs** are the costs associated with the delivery of the Building Department related services – principally, the provision of permit review and construction inspection services to the public. Examples of Direct Costs are considered costs directly related to the delivery of permitting, inspection, and enforcement such as building permit application intake, plans review, field inspections, and the issuance of orders and related court costs.

**Direct Costs are often extremely variable and are tied most closely with over costs related to activity such as application review and inspection of the permitted construction.** The calculation of these costs are predominately fixed staffing-related costs and are meant to account for the time and resources required to review, issue, inspect and enforce the construction under permit by qualified personnel.

#### **Building Stabilization Reserve Fund**

As with other types of reserve funds, Building Reserves are intended to be used to set aside adequate money in years of surplus building permit fee revenue to offset cost in years where building permit fee revenues are less than the costs of delivering the building services. The Code prescribes that a Building Reserve may be created for the purpose of offsetting the cost of operational administration and enforcement of the Building Code. It does not prescribe that this reserve may be used for any other purpose.