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Council-In-Committee Meeting – June 11, 2024

Subject: Revenue Services User Fee Review
Report Number: CS-24-008
Division: Corporate Services
Department: Financial Management & Planning
Ward: All Wards
Purpose: For Decision

Recommendation(s):

THAT report CS-24-008 Revenue Services User Fee Review be received as information;

AND THAT staff be directed to implement the revised Revenue Service Fees identified in this report with an effective date of September 1st, 2024 with the exception of the Post-Dated Cheque Handling fee;

AND THAT staff be directed to implement the Post-Dated Cheque Handling with an effective date of January 1st, 2025.

AND FURTHER THAT staff be directed to prepare the necessary By-law for Council's approval to adopt the new user fees.

Executive Summary:

Staff have completed a review of the user fees that are currently part of the user fee bylaw as well as looking into additional fees that would be applicable to services that are provided above our standard level of service.

These include the following proposed fees:

- Post-Dated Cheque Handling Fee
- Reminder Notice Fee
- Mortgage Company Payment Fee
- Section 357/358 Application Fee

Items from the above list are services that Revenue Services staff provide above the standard level of service provided to all property owners. The proposed fees for these services will recover costs and provide additional revenue.

Staff are recommending that the new fees be implemented for September 1, 2024 with the exception of the Post-dated cheque handling fee which will be effective January 1, 2025.

Discussion:

Municipalities are provided the ability to charge user fees for services provided by it under Part XII of the Municipal Act (the Act) Section 391 (1) of the Act provides the authorization for a municipality to impose fees or charges on persons:

- 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; and
- c) for the use of its property including property under its control.

Staff reviewed non-core services being provided by the Revenue Services section of Financial Management and Planning Department against the legislated criteria for establishing a user fee. Based on this review, four new user fees are being proposed for services being provided that are non-core and provide benefit to the individual requesting the service only.

These newly established user fees are summarized below.

Post-Dated Cheque Handling Fee

Property owners have historically been permitted to utilize post-dated cheques to pay their property tax installments. The cheque is made payable to Norfolk County but dated to a future date. These cheques are sent by mail, left in one of the County drop boxes or brought in to a Service Norfolk location. The County is not able to process the payment until the date noted on the cheque.

The existing process flow for post-dated cheques is:

- Customer service representative receives post-dated cheques from resident for tax payment only (with no receipt provided),
- Cheques are forwarded to tax staff through inter-office mail at end of day, tax staff enter post-dated cheques when received as a batch in the accounting system,
- Tax staff store cheques by cheque date in a box within an onsite vault,

- Tax staff pull cheques on the date noted on the cheque and complete the input into accounting system,
- Tax staff deposit cheques at the bank on the date noted on the cheque.

Post-dated cheques represent a relatively small portion of payments but require a disproportionate amount of staff time for processing. Post-dated cheques are required to be stored in a secure location until the date when they are processed which leaves room for error or payments being misplaced.

As indicated in the recently approved Tax Collection Policy – GP-005 and the accompanying report, post-dated cheques were not identified as an acceptable property tax payment method going forward as the County offers more efficient and secure methods of payment. At the time, there were concerns expressed regarding a complete phase out of post-dated cheques. As such, staff are recommending a compromise to a complete phase-out by initiating a user fee for this service going forward to offset the administrative requirements associated with this payment method.

Staff have reviewed the above noted process and are recommending a Post-Dated Cheque Handling Fee of \$20.00 per cheque. Staff anticipate this charge will recover costs for staff time and encourage residents to pay property taxes through more efficient payment methods. In 2023, Revenue Service staff processed 3,670 postdated cheques. The projected revenue based on the number post-dated cheques received in 2023 is \$73,000. This value may be lower as it is anticipated some property owners will choose other more secure and efficient payment options such as Pre-authorized payments or online banking after the fee is initiated.

At this time, staff are aware that some other municipalities charge a post-dated cheque fee, however have received questions from staff at other municipalities indicating interest in following a similar process.

Reminder Notice Fee

In accordance with the recently adopted Tax Collection Policy – GP-005, Property Tax Reminder Notices are issued to the primary property owners in June and November for balances of \$10.00 or more and again in January regardless of the amount outstanding.

The existing process flow for a reminder notice is:

- During the specified month, tax staff generate the reminder notice file within the accounting system,
- Each reminder notice is printed on reminder notice stock with a perforated tear off section for payment,

- Tax staff fold and stuff each envelope,
- Clerks staff apply postage and deliver notices to the post office for mailing.

Mailing and processing of notices take a significant amount of staff time and incurs a significant postage expense. As this service is provided only to property owners with an outstanding balance staff are recommending a fee of \$5.00 per notice to recover costs associated with reminder notices. In 2023, staff processed 14,570 reminder notices. The projected revenue based on the number of reminder notices in 2023 is \$71,250.

This fee is relatively common amongst comparator municipalities including Haldimand County.

Mortgage Company Payment Fee

Some property owners elect to have their property taxes paid by their mortgage company. This payment method is often convenient for property owners but can be rather time consuming and inefficient for the County to process.

The existing process flow for a mortgage company payment is:

- When the interim or final bill is prepared the Property Tax Analyst creates mortgage listing files and sends a copy of the mortgage listing to all mortgage companies that show their interest on property tax accounts. The mortgage listing contains the roll number, owner information and installment amounts that are due.
- The mortgage company emails the tax department for any additions, deletions or changes to the listing.
- The mortgage company sends notification of payment either by EFT or cheque, along with the mortgage listing file indicating properties the payment is being made for.
- The Property Tax Analyst uses the listing file returned by the mortgage company to create an import file (if available) or manually enter the amounts into the accounting system.

Payments through mortgage companies require staff resources for processing and importing payments, sending bill file listings as well as maintaining mortgage information on the tax roll and responding to mortgage company inquiries.

In 2023 staff processed 3,632 payments from mortgage companies. Staff are recommending charging a fee of \$2.50 to mortgage companies for each transaction that is processed. The projected revenue based on the number of mortgage company

payments in 2023 is \$9,080. These costs will be billed directly to the mortgage company and are not the responsibility of the property owner to pay directly.

Some other municipalities charge a similar fee and it is expected that this will become more common in the near future.

Section 357/358 Application Fee

When a designated change event occurs to a property (i.e., change of use or demolition) between the creation of annual assessment rolls, the owner of the property can complete a 357/358 application to have the change in assessment value updated for the current year in advance of the roll return for the subsequent taxation year.

The existing process flow for a section 357/358 application is:

- The application is received at the tax department. Revenue Services staff check the application for completeness.
- After initial screening, the application and any other relevant information is distributed to MPAC (The Municipal Property Assessment Corporation) through their online system, Municipal Connect.
- MPAC processes the application and issues a recommendation to the County. Revenue Services staff set up the hearing date and send a letter to the property owner indicating the County's approval.
- After the hearing date, the change in assessment value is updated in the accounting system and a credit is issued to the owner.
- Revenue Service staff mail out a letter advising the owner of the change as well as a copy of the credit notice and a statement of account.

In 2023 Revenue Services staff processed 60 applications. Applications are processed in accordance with By-Law 2019-54. Staff are recommending a user fee of \$80.00 per application to fully recover costs associated with 357/358 applications which will generate \$4,800 in offsetting revenue annually.

Staff are aware of one other municipality that charge a user fee for 357/358 applications, though it is lower than the full cost recovery amount.

Financial Services Comments:

Table 1 below shows the total projected revenue to be generated from the new user fees based on the number of each instance that occurred during 2023. The total projected revenue from the new fees is \$158,530.00. Actual revenue generated may be lower as it is believed that fees for some of these services will encourage property

owners to choose more efficient methods of payment which are already available such as pre-authorized payments or payment through online banking.

Table 1 – Proposed New Revenue Service Fees and Projected Revenue

Proposed Fee	Fee Amount	No. Processed in 2023	Projected Revenue
Post Dated Cheque Fee	\$20.00	3,670	\$73,400
Reminder Notice Fee	\$5.00	14,250	\$71,250
Mortgage Company Payment Fee	\$2.50	3,632	\$9,080
Section 357/358 Application Fee	\$80.00	60	\$4,800
Total			\$158,530
Net Levy Saving (%)			0.12%

The rationale for any user fee is that when a service benefits only an individual that cost should be recovered through a user fee and not the entire tax base. If the charge is of a direct benefit to an individual only, the fee determined will cover the full cost of the service. When the service provides a benefit to both the individual user and to the community as a whole, then the fee will be subsidized by other revenue sources (e.g., annual levy). When a service benefits the community as a whole, it will be 100% levy funded.

Interdepartmental Implications:

None.

Consultation(s):

None.

Strategic Plan Linkage:

This report aligns with the 2022-2026 Council Strategic Priority Sustaining Norfolk - Creating a sustainable community and a positive legacy.

Explanation: The new proposed fees will encourage payment through more efficient methods. This also means that services provided above the base level of service are being paid for by the user rather than the entire tax base.

Conclusion:

Municipalities are authorized to set user fees to cover costs for services provided. Staff are recommending the adoption of new user fees for the following

- Post Dated Cheque processing fee
- Reminder Notice Fee
- Mortgage company payment fee
- 357 application fee

The rationale for these fees is that cost for services above the base level of service provided to all tax payers should be recovered through a user fee. In addition to cost recovery these fees will also encourage tax payers to make payment using other more efficient payment methods. Staff are recommending implementation of the revised Revenue Service fees identified in this report with an implementation date of September 1, 2024 with the exception of the Post-dated cheque handling fee which will be effective January 1, 2025.

Attachment(s):

None.

Approval:

Approved By:
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