



Proposal

Town of Cobourg

Comprehensive User Fee Study CO-22-20 FIN

SUBMITTED:
June 28, 2022

Watson & Associates Economists Ltd.
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June 28, 2022

Town of Cobourg
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To Whom it may concern:

Re: Comprehensive User Fee Study CO-22-20 FIN

Further to your request for proposal, Watson & Associates Economists Ltd. (Watson) is pleased to submit our proposal for the above-referenced assignment. Our firm has completed numerous user fee studies, spanning a wide range of service areas, including development application fees (i.e. planning, building, engineering), and other user fees such as parks and recreation, facility rentals, and licensing. Our experience in this regard has focussed on assessing the full cost of service, and developing fee and policy recommendations, making us well suited to this assignment.

We agree to be bound by statements and representations made in the proposal and to any agreement resulting from the proposal. We have no conflict of interest that would compromise the performance of the work. Our client base is almost exclusively municipalities, school boards, and conservation authorities.

We trust that the proposal includes the information you require. We would be pleased to discuss the proposal further with you, if so desired. We look forward to the opportunity of working with you on this important assignment.

Yours very truly,

WATSON & ASSOCIATES ECONOMISTS LTD.



Sean-Michael Stephen, MBA
Managing Partner

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1. Company Overview & Project Team

1.1 Company Profile

Watson is one of Canada's leading economic consulting firms. Established in 1982, we offer a comprehensive range of fiscal planning and policy services to clients in government and the private sector throughout Ontario and other provinces.

Our unique and dynamic team of specialists has assisted clients from over 250 municipalities, utilities, school boards, conservation authorities, as well as private industry, and senior levels of government, to frame their financial and economic strategies.

Watson is widely recognized as a leading authority on the fiscal aspects of the municipal government sector. The firm has earned its reputation for quality of analysis, as well as pragmatic and insightful interpretation of the issues we manage. We are well known for achieving results that translate into successful outcomes for our clients.

Watson is a private firm of municipal economists, planners, and accountants with a committed 34-person staff, several of whom have worked together for many years. The firm's Managing Partners have participated extensively as expert witnesses on municipal finance matters at the Ontario Municipal Board (O.M.B.) (now the Ontario Land Tribunal (O.L.T.)) for over 38 years.

Detailed corporate profile information for Watson is included in Appendix A.



Watson Staff Contact

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2. Qualifications and Experience

2.1 Consulting Team

Our proposed Consulting Team has worked together on dozens of projects for our clients in the municipal sector. Project successes are ensured through strong leadership and experienced staff. A feature of our work is a focus on ensuring that project goals and objectives are being met in a manner that is satisfactory to the client. This is accomplished through maintaining open communication channels within our team and with the client. Moreover, coordinating responsibility for the completion of all tasks necessary to deliver the work plan is accomplished through detailed record keeping and communication. Our Consulting Team consists of:

Sean-Michael Stephen, MBA, Managing Partner Role: Project Manager

Mr. Stephen will represent the firm as Project Manager and be responsible for all facets of the study.



Since joining the firm in 2014, he has prepared numerous user fee studies, development charge background studies, water and wastewater rate studies, and long-term financial plans for our municipal clients. Mr. Stephen has led or played a major role in the delivery of recent user fee studies for our municipal clients, including for the Town of Milton (2016, 2018, and 2022), Town of Halton Hills (2017 Planning Application Fee Review, 2019 Recreation and Parks Fees Review, 2021 Engineering Fees Review) and the County of Wellington (2018 Planning Application Fees Review and 2019 Solid Waste Services Fee Review). Furthermore, he is also currently undertaking comprehensive user fees spanning both development and non-development related services for the Township of Springwater, Township of



South Stormont, and Town of Lincoln. In undertaking these studies Mr. Stephen has gained considerable experience in developing user fee recommendations to improve cost recovery levels while having regard for other policy objectives, such as maintaining affordable and competitive fees, the alignment of fees and cost recovery levels with the individual/public beneficiaries of services and maintaining access to services.

Mr. Stephen also has experience assisting the Town of Cobourg (Town) on other municipal finance matters having recently led the preparation of the 2021 Development Charges Background Study and 2020 Water and Wastewater Rate Study.

Connor Jakobschuk, MBE, Consultant

Role: Technical Support

Mr. Jakobschuk will assist Mr. Stephen in the collection and compilation of data, modeling, policy research, and report documentation. He will also oversee the comprehensive municipal survey to benchmark the Town's fees against those of other peer municipalities, to identify potential new fees, and other policy matters. Since joining Watson in 2019, Mr. Jakobschuk has assisted in gathering and compiling background information for numerous development charges studies, water and wastewater rates studies, and user fee studies, including assisting in the development of the user fee model and survey preparation for several of our municipal and conservation authority clients. He has recently been involved in user fee studies for the Cities of Mississauga, Vaughan, Cambridge, the Municipality of Grey Highlands, Hamilton Conservation Authority, Niagara Peninsula Conservation Authority, Lake Simcoe Conservation Authority and Credit Valley Conservation Authority. Mr. Jakobschuk is currently assisting Sean-Michael Stephen in a similar capacity for the Township of Springwater, Township of South Stormont, and Town of Lincoln.



Mr. Jakobschuk holds a Master of Business Economics degree from Brock University.

Jaco de Beer, MFE, Analyst

Role: Technical Support

Mr. de Beer recently joined Watson bringing a strong skill set in financial modelling and policy research from his prior role working for the Ontario Financing Authority. He will



be responsible for undertaking municipal survey and policy research to support the study deliverables.

Mr. de Beer holds a Master of Financial Economics from the University of Toronto.

A curriculum vitae for each of the above individuals is included in Appendix A and can also be found on the company's website www.watsonecon.ca.

2.2 Related Experience and References

Relevant experience, in the context of this assignment, is demonstrated by the development of user-fee policy recommendations and full cost of service models and adoption of full-cost or policy driven user fees in numerous Ontario municipalities and conservation authorities. Our competencies and experience in developing an Activity-Based Costing (A.B.C.) methodology within the context of multiple pieces of legislation have allowed our clients to better account for the costs of services across multiple departments and to reduce unintended tax base subsidization of service delivery. Our practice in this area includes user fee assignments for over 50 municipalities and conservation authorities in Ontario.

Our experience undertaking user fee studies goes beyond assessing the full cost of service and has focussed on many policy aspects of imposing municipal user fees such as assessing the affordability and competitiveness of fees and considering the individual fee structures to promote revenue stability.

Further, our expertise is demonstrated by our ability to communicate detailed technical study findings and policy recommendations to internal and external stakeholders (e.g., senior management, Council, the general public and development industry stakeholders), in a clear and understandable manner. Our role in presenting study findings and recommendations typically involves providing decision makers (i.e., Council) with the sufficient background information to understand the recommendations, their options, and associated risks. Our role in user fee studies has also involved in-depth engagements with internal and external stakeholders in undertaking workshops, surveys, and public open houses to define the scope of engagement and receive input from the public.



While all of our municipal clients may be contacted regarding references for our work, we have provided a selective list of references contained within the completed reference form in Appendix B. A complete list of our user fee clients is included in Appendix A. In line with the requirements of the RFP we have provided reference for projects that have been completed by our firm in the past 5-years. Although the scope of services included in those sample projects is less than that of the proposed undertaking for the Town, we have provided samples that demonstrate the range of service areas we have examined in our work.



3. Project Understanding and Approach

3.1 Project Understanding

The Town is seeking an experienced and qualified Consulting Team to undertake a review of their current user fees and to make policy and fee recommendations. In making the recommendations the study will involve an assessment of the current funding sources, undertaking a comparison of those fees to select comparator municipalities, reviewing current policies, and recommending revisions based on best practices and public feedback. Moreover, the review will also include the identification of new user fees that could potentially be implemented within the various service areas.

Municipalities have periodically updated their development-related and other municipal user fees in order to address changes in development cycles, application characteristics, service levels, and cost-recovery objectives, to continue to improve fee structures so that they more accurately reflect processing efforts, resource utilization, and the alignment of costs with the beneficiaries of service.

This assignment would require the review of the following service areas:

- Building Standards, including non-building code fees
- Cobourg Community Centre
- Victoria Hall, Concert Hall
- Environmental Services
- Finance
- Fire Services
- Legislative services, including licenses
- GIS
- Waterfront, including Marina
- Trailer Park
- Engineering and public works
- Parks
- Planning applications
- Special Events
- Tourism
- Transit



- Municipal Buildings, including Victoria Hall and Cobourg Market Building.

A key component of the assignment will also be the process of engaging with internal stakeholders to understand how services are being delivered and funded and how current policies operate, and to receive feedback from external stakeholders on the administration of the services and fees to inform recommendations.

3.2 Proposed Approach

Our proposed approach involves first undertaking a high-level assessment of the costs by service area (e.g., Fire user fees vs. Environmental Services user fees), including indirect and capital costs, to understand the current budgeted funding sources (i.e., user fees and taxes). This is a key first step in the study process to ensure that the Town is operating within its legislated limits to recover fees for service under various pieces of legislation. Our proposed methodology to assess the full cost by service area is to develop an A.B.C. model.

An A.B.C. methodology attributes effort and associated costs from all participating departments to the appropriate user fee service area. The resource costs attributed to user fee activities include direct operating costs, indirect support and corporate overhead costs, and capital costs.

The development of an indirect cost model will allow for indirect functions to be allocated to direct service delivery departments based on a set of cost drivers, which subsequently flow to the user fee service areas according to allocations of staff involvement. Cost drivers are units of service that best represent the consumption patterns of indirect support and corporate overhead services by direct service delivery departments or business units. As such, the relative share of a cost driver (unit of service consumed) for a direct department determines the relative share of support/corporate overhead costs attributed to that direct service department. An example of a cost driver commonly used to allocate information technology support costs would be a department or business unit's share of supported personal computers. Cost drivers are used for allocation purposes acknowledging that these business units do not typically participate directly in the delivery of services, but that their efforts facilitate services being provided by the Town's direct business units.



The result of employing this costing methodology provides municipalities with a better recognition of the costs utilized in delivering user fee activities and making resources/assets available for use, 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.

Fee recommendations and fee structure improvements to increase cost recovery levels and decrease the municipal tax burden will be based on a comparative assessment of the Town's fees and structures with neighboring and similar sized municipalities, the affordability of fees, industry best practices, and the full cost of service assessed in the first step. Furthermore, the level of individual/community benefit associated with each user fee activity and the market competitiveness of fees will be considered when making fee recommendations or the imposition of new fees and the desired level of cost recovery. The market competitiveness of the fee recommendations are important to ensure that fee increases do not have the effect of decreasing service utilization thereby reducing overall cost recovery levels.

Policy recommendations will also be made based on our experience with other municipalities, municipal policy research, and industry best practices. These recommendations will include areas such methods of collecting fees, refund policies, resident and non-resident fees, frequency and process for review (both annual updates and comprehensive reviews), rationale for setting fees and cost recovery levels (e.g., public vs. private benefit of services), duration of fee schedule/by-law, subsidies (e.g., low-income, seniors, etc.)

In developing policy and user fee recommendations, Watson will also engage with external stakeholders on matters related to current and proposed user fee policies, and the administration of the fees. Watson will work with internal stakeholders to gain a clear understanding of how the current policies operate, and the beneficiaries of services before confirming the scope and method of engagement to occur with external stakeholders. It is anticipated that the engagement with external stakeholders will occur through an on-line platform such as EngageCobourg.ca and through Council/Committee meetings.



Exception for Planning Application Fees

An exception to the above approach will be made for planning application fees as it pertains to fee recommendations. With the exception of planning applications, all service areas included within the scope of this review are imposed under the authority of the Section 391 of the *Municipal Act*. Under the *Municipal Act*, municipalities have the authority to impose fees or charges for services or activities provided or done by or on behalf of it, so long as the fee is not a tax. As this test is fairly broad, it is reasonable to assess the full costs by service area when considering the cost recovery levels of the associated current fees and fee recommendations. However, under Section 69 of the *Planning Act*, municipalities may impose a fee to recover only the anticipated costs of processing each type of application in the tariff. As such we are of the opinion that planning application fees should not be based on the costs to deliver the overall service of planning application review nor based on the fees imposed in other jurisdictions. Fees should be based on the anticipated processing costs of each type of planning application within the Town. Therefore, planning application fees will be included in the review in the same manner as all other fees, however fee recommendations will not be made at this time.

As a subsequent phase to this review, we would recommend that the Town undertake a detailed full cost assessment of planning application fees by application type to inform fee recommendations that are defensible and better align user fee revenues with the levels of effort and costs associated with each type of planning application. Furthermore, this approach is often extended to the review of building permits under the authority of the building code to ensure that building permit fees are recovering the full costs of administering and enforcing the *Building Code* and contributing to building permit reserve funds for the sustainable provision of service.

3.3 Proposed Study Work Plan

Based on our past experience with similar undertakings and the terms of reference with the RFP, the following work program has been developed for this assignment.

Task #1 – Review of project methodology, fee review trends, and current legislation, existing user fees and policies, and Town study team composition

- Undertake an initial start-up meeting with the Town to discuss assignment methodology/deliverables and review the implications of legislation and O.L.T.



rulings on development and non-development user fees. This start-up meeting will cover the following:

- *Planning Act* and *Municipal Act* fee design and cost recovery issues;
 - High level A.B.C. methodology incorporating these legislative and regulatory guidelines to ensure all related direct and indirect costs permitted under the legislation are considered;
 - Policy recommendations and deliverables;
 - Municipal comparators for each service area;
 - Town Study Team composition and Terms of Reference for internal Town Study Team;
 - Preliminary discussion on public consultation requirements;
 - Information requirements for the assignment; and
 - Detailed project work plan and timeline;
- *One (1) meeting with Town staff is anticipated*

Task #2 – Receive and review background documents from Town staff

- Review information and other policy related documents requested at the start-up meeting
- Finalize list of municipal comparators (neighbouring and similar sized municipalities), for fee comparisons and policy research best practices
- Undertake a meeting with the Town study team to:
 - Review the process for determining the full by service area;
 - Review scope of policy review and recommendations;
 - Discuss the preliminary public consultation plan; and
 - Discuss services being provided for which no user fees are currently imposed for potential inclusion in the full cost assessment.
- *One (1) meeting with the study team is anticipated*

Task #3 – Undertake municipal survey of user fees and policies

- Prepare survey of municipal comparator fees, including identification of activities for which there are not currently user fees imposed
- Undertake municipal user fee policy research
- Receive feedback from Town study team on additional activities to be included in the scope of the review



Task #4 - Secure Town staff resource allocation estimates and construct A.B.C. model

- Prepare communication materials for staff to complete the established resource allocation templates
- Develop a Microsoft Excel A.B.C. model to ensure appropriate cost objects, drivers, data flows and full cost generation
- Assess current cost recovery levels based on budgeted user fee revenues by service area
- *One (1) meeting with the study team is anticipated to review and revise input received*

Task #5 – Public Consultation

- Key study information will be made available to the public on-line through the EngageCobourg.ca platform so that the public is aware of the study process, areas for which public input will be sought and the associated method, timing, and scope of involvement
 - Stakeholders consulted will include the general public and the primary user groups of each service area as identified by Town staff
- The engagement tools used will likely comprise Q&A functions and survey materials
- A summary of the public consultation process and feedback will be prepared for discussion with the Town study team and will be included in the final report.
- The public will also have the opportunity to engage in the public process as the study findings are brought forward to Council.

Task #6 – Prepare user fee/fee structure and policy recommendations

- Model costing results will be utilized to generate fee structure options. Full cost and other policy-driven fee structure options will be considered in consultation with the study team. These policy-driven fee structure options will be developed with regard for industry best practices, comparative analysis, affordability, individual/public benefits, and feedback from the public consultation process.
- Policy recommendations will be made with regard for industry best practices, policy research, and feedback from the public consultation process



- *One (1) meeting with the Town study team will be held to present results of the municipal user fee and policy research and recommendations*

Task #7 – Prepare Draft Report and provide to Town Staff

- Prepare a draft report which will summarize:
 - The project methodology and findings;
 - The full cost recovery and recommended fee structures;
 - Municipal user fee and policy research reserve fund policies to staff.
- Receive feedback and provide revised recommendations to staff ahead of preparation of final report and presentation to Council.

Task #8 – Prepare Final Report and present at a Public Meeting of Council

- A final report will be prepared summarizing legislative context and resultant methodology, summary of the full cost recovery assessment, full cost recovery fee structure, policy recommendations and public consultation,
- The final report and recommended fee structure will be provided for Council consideration to assist with the by-law adoption process.
- *One (1) presentation to Town Council is anticipated*

Figure 3-1 outlines Watson staffing requirements for each of the above work plan tasks. If this level of effort and the associated costs identified in the study pricing (provided under separate cover) do not meet the Town's expectations, we would be pleased to review with you further and revise as necessary.



Figure 3-1
Watson Consulting Staff Time Task Matrix

Work Plan Task	Sean Michael Stephen, <i>Managing Partner</i>	Connor Jakobschuk, <i>Consultant</i>	Jaco de Beer, <i>Analyst</i>	Total Resources
Task #1 – Review of project methodology, fee review trends, and current legislation, existing user fees and policies, and Town study team composition	4	4	2	10
Task #2 – Receive and review background documents from Town staff	4	6	8	18
Task #3 – Undertake municipal survey of user fees and policies	8	8	160	176
Task #4 - Secure Town staff resource allocation estimates and construct A.B.C. model	8	24	-	32
Task #5 – Public Consultation	16	28	12	56
Task #6 – Prepare user fee/fee structure and policy recommendations	24	56	-	80
Task #7 – Prepare Draft Report and provide to Town Staff	12	12	6	30
Task #8 – Prepare Final Report and present at a Public Meeting of Council	6	4		10
Total Number of Hours	82	142	188	412

3.4 Project Management Approach

Watson understands how important it is to meet time and budget constraints and that the key to success is to develop a thorough schedule and cost control plan. Our team will work closely with the Town's project manager to establish clear and achievable expectations at the outset that will evolve throughout the study process to address any unforeseen events that may occur (e.g., changes in legislation, changes to the scope of work, Town staff availability, etc.).

As the timeline in the RFP provides for approximately 3 months between study initiation and completion, we have proposed that there will be weekly or bi-weekly project management meetings with the Town's project manager to ensure that Town staff and Watson are meeting the project deliverables at the required times. The consulting team will prepare and provide a summary/minutes of each meeting with the study team.



Watson's quality management program covers four components, including project scope, project schedule, project budget, and quality control of deliverables. The quality management program for each of these components is summarized below:

- **Project scope** – project scope is defined in the project proposal and/or agreement. The project scope is subsequently confirmed with the client at the project initiation stage of the assignment. On-going project management and client consultation ensures monitoring of project deliverables and requests in the context of the agreed-upon scope. Where project scope adjustments are required, communications between the client and Watson will be documented and presented to the client for approval.
- **Project schedule** – project schedule is generally addressed within proposals. Project schedules are further refined and developed at the project initiation stage of the assignment. On-going project management and client consultation ensures monitoring of the project schedule. Where changes to the project schedule are required, Watson will document the change, revise the project schedule, and present the updated schedule to the client for approval.
- **Project budget** – project budgets are generally upset limit budgets, as defined in the project proposal and/or agreement. Monthly invoices are reviewed by project managers relative to the project tasks and deliverables within the project work plan. Monthly invoices are monitored relative to project upset limits by project managers. Where project budget adjustments are required, as a result of a change in project scope, communications between the client and Watson will be documented and budget adjustments will be presented to the client for approval prior to invoicing. In the event that the project scope or deliverables require less resourcing than the agreed to upset limit, Watson will only invoice for the resourcing costs incurred to project completion and implementation.
- **Quality control of deliverables** – Watson will review background materials provided by the client to inform project deliverables. Quality control relies, in part, on the timely, accurate, and complete delivery of background information to Watson to complete the agreed-upon deliverables. Watson will review with the client underlying assumptions significant to the project deliverables. Draft reports or advice, whether oral or written, issued by Watson may be subject to further work, revisions, and other factors which may mean that such drafts are substantially different from any final report or advice issued. Project modelling



and reports will be reviewed internally by Watson staff and the project manager to ensure quality control of final project deliverables.

Furthermore, the Consulting Team has been structured to ensure that there is technical support throughout the delivery of this project. This approach allows Watson to allocate sufficient resources to the successful delivery of each task in the work plan and to also address staff absences. Should any changes in the Consulting Team be required during the delivery of the project, this will be discussed with the Town's project manager in advance of any changes taking place.

4. Proposed Study Schedule

The timing we have proposed for this project, as identified in Table 4-1, would allow for initiation of the study in early July 2022 with completion of the draft report and presentation of study findings to the study team by September 30, 2022. It is anticipated that the final report would be presented to the newly elected Town Council by the end of November 2022.

The schedule provides for the following five (5) meetings:

- One (1) Project Startup Meeting;
- One (1) meeting with the study team to review the full cost approach and public consultation approach, amongst other items;
- One (1) meeting with the study team to review the resource allocation approach;
- One (1) meeting with the study team to present draft findings; and
- One (1) presentation of the final report to Town Council.

It is anticipated that the Council meeting will be held in person at the Town and that all other meetings with staff will be held virtually.



Table 4-1
Proposed Schedule

Work Plan Task	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22
Task #1 – Review of project methodology, fee review trends, and current legislation, existing user fees and policies, and Town study team composition	SM				
Task #2 – Receive and review background documents from Town staff	SM				
Task #3 – Undertake municipal survey of user fees and policies					
Task #4 - Secure Town staff resource allocation estimates and construct A.B.C. model		SM			
Task #5 – Public Consultation	PC-1	PC-2			
Task #6 – Prepare user fee/fee structure and policy recommendations			SM		
Task #7 – Prepare Draft Report and provide to Town Staff				DR	
Task #8 – Prepare Final Report and present at a Public Meeting of Council					CM

SM = Staff Meeting CM = Public Meeting DR = Draft Report FR = Final Report

PC-1 = Launch public consultation page on EngageCobourg.ca

PC -2 = Public Survey



5. Other Matters

5.1 Accessibility

Watson is committed to producing accessible documents that comply with A.O.D.A. (*Accessibility for Ontarians with Disabilities Act, 2005*) guidelines, as well as adherence to C.N.I.B. (Canadian National Institute for the Blind) Clear Print guidelines. Watson can provide reports as PDF files that pass the Adobe Acrobat Pro DC Accessibility Checker.

Illustrations in the form of images, figures, diagrams, and complex tables often display data that is difficult to make accessible to people with visual disabilities. To effectively communicate complicated information in a way that is accessible and understandable to the reader, such illustrations are inserted as enhanced metafiles with descriptive, perceivable, and understandable alternative text. In addition, a comprehensive rendering of the data is included in the text to complement the illustrations and communicate results clearly.

In cases where complex data tables are being provided, or the Town requires customized report styles, templates, and specific formatting (e.g., the use of capital letters, underlining, italics, font sizes and colours), we will discuss any special circumstances with the Town. Often, complex data tables would be included as a separate appendix in order that they can be separated from the main document when being published in the public domain (e.g., Town's website) where accessibility is required.

Our proposed budget for this work is reflective of the accessibility features outlined above. If, however, a higher level of digital accessibility is required, we are able to provide this service at an additional cost to the Town. This additional cost would be determined based on Town's specific requirements.