



Subject: User Fee Principles

To: Council

From: Corporate Services Department

Report Number: 2023-91

Meeting Date: May 9, 2023

Recommendation:

That Corporate Services Department Report 2023-91 be received; and

That the user fee principles as set out in this report and associated Appendix be approved.

Purpose:

The purpose of this report is to establish foundational principles and costing models to support the development of user fees and charges within the City.

Background:

The City charges user fees in accordance with various legislations that includes but is not limited to the *Municipal Act*, *Building Code Act*, *Cemeteries Act*, and the *Planning Act*.

The last update to the User Fee by-law occurred December 7, 2022, through Report 2022-244.

Discussion:

The presentation attached as Appendix A builds on learnings from the City of Calgary, where extensive work has been done establishing principles and costing models related to user fees and charges.

These principles have been streamlined to include the following:

- Principle 1 – Benefits Principle
 - Those who receive benefits from a particular municipally provided good or service should pay for that good or service according to the level or value of the benefit received.
- Principle 2 – Cost Recovery Principle
 - The full cost of providing a good or service, including:
 - Operating expenses
 - Administrative costs
 - Capital expenses (including depreciation)
 - Implicit costs of foregone opportunities or activities that are not being undertaken (i.e., by charging one fee another fee is forgone)
 - Environmental costs (i.e., cost of carbon)
 - Social costs (i.e., charging extra for “sugary drinks” and reinvesting in other health programs)
- Principle 3 – Management of Public Asset Principle
 - The full cost of providing a good or service, including:
 - Public assets have a value and the City has a responsibility to recognize this value and protect these assets.
- Principle 4 – Allocation of Resources Principle
 - In an environment with limited resources available and increasing public demand for goods and services, user fees have value as a mechanism for allocating scarce resources.

Once determining the need for a user fee or charge by applying the foundational principles, the following cost models are proposed to be applied to each user fee and charge dependent on the needs and/or goals of each user fee and charge:

- Full cost recovery
- Subsidized, full cost recovery to improve:
 - Improve demand (usage)
 - Reduce access barriers (affordability)
 - To promote or encourage identified initiatives or outcomes included in the strategic plan
- Differentiated, full cost recovery and/or subsidized user fees and charges:
 - Balance supply and demand (capacity)

- Recognize local property tax or rate subsidization ultimately pay for any subsidization (resident vs. non-resident fees)
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Internal Consultations:

The principles outlined in this report and attached presentation were discussed with the City by Supervisors and above in February 2023 as the City started the budget process for 2024.

Financial Implications:

There are no immediate financial implications.

Staff will be reviewing user fees and charges to ensure alignment with the proposed user fee and charges principles and review the various cost models for each user fee and charge.

It is staffs' intent to bring Council updates to the Cemetery and Vale Health and Wellness Centre (VHWC) fees in June 2023. These updates will follow the above principles and costing models. Subsequently staff will look to review all other fees for the 2024 budget approval process.

Public Engagement:

The principles included in this report and attached presentation are guided by comments heard from Councillors during the 2023 budget process based on feedback they have received from the public.

Strategic Plan Alignment:

The initiative contained within this report supports the following pillar(s) of the strategic plan:

- Service and Simplicity - Quality and Innovative Delivery of Customer Services
 - Attracting Business Investment and Tourists to Port Colborne
 - City-Wide Investments in Infrastructure and Recreational/Cultural Spaces
 - Value: Financial Management to Achieve Financial Sustainability
 - People: Supporting and Investing in Human Capital
 - Governance: Communications, Engagement, and Decision-Making
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Conclusion:

Establishing the principles as set out in this report, along with the proposed costing models, will support the development of user fees and charges within the City.

Appendices:

- a. User Fee Principles Presentation

Respectfully submitted,

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Report Approval:

All reports reviewed and approved by the Department Director and also the City Treasurer when relevant. Final review and approval by the Chief Administrative Officer.