

# User Fee Principles

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City Council Meeting: May 9, 2023



**PORT COLBORNE**

# Topics to Discuss

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- Legislation
- Principles
- Models (Financial / Social)
- Next Steps

# Legislation

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- Subsection 391(1) of the *Municipal Act, 2001, S.O. 2001, c. 25*, as amended allows municipalities to adopt By-laws imposing fees or charges on any class of person for services or activities provided or done by or on behalf of it, for cost payable by it for services or activities provided or done by or on behalf of any other municipality or local board, and for the use of its property including property under its control
- *Building Code Act, 1992, S.O. 1992, c. 23*, as amended provides a municipality may pass by-laws imposing fees and charges
- *Cemeteries Act (Revised), R.S.O. 1990, c. C.4*, as amended, provides a municipality may pass by-laws imposing fees and charges
- *Planning Act, R.S.O. 1990, c. P.13*, as amended, provides a municipality may pass by-laws imposing tariffs, fees and charges

# Proposed User Fee Principles

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- Principle 1 – Benefits Principle
- Principle 2 – Cost Recovery Principle
- Principle 3 – Management of Public Assets Principle
- Principle 4 – Allocation of Resources Principle

**The why**

**Learnings from Calgary**

# Principle 1

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- **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

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- **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 (ie. by charging one fee another fee is forgone)
  - Environmental costs (ie. cost of carbon)
  - Social costs (ie. charging extra for “sugary drinks” and reinvesting in other health programs)
- Should be the starting point when calculating the appropriate user fee.

# Principle 3

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- **Principle 3 – Management of Public Assets Principle**
  - Public assets have a value and the City has a responsibility to recognize this value and protect these assets.

# Principle 4

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- **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.



# Proposed User Fees and Charges

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- **Model 1** – Full cost recovery, includes people costs, direct costs, capital, future liabilities, environmental costs, and overhead
- **Model 2** – Subsidized, full cost recovery user fees and charges
- **Model 3** – Differentiated, full cost recovery and/or subsidized user fees and charges

# Model 1

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- Full cost recovery, includes people costs, direct costs, future liabilities, capital, environmental costs, administrative, implicit and social costs.

(\$50 per ton of Co2)



Will fund Co2 reduction initiatives

(overhead  $\approx$  15 percent  
all other costs)



Asset replacement

i.e. Vale Health and Wellness Centre  
i.e. Beaches  
i.e. Sugarloaf Marina



# Model 2

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- Subsidized, full cost recovery user fees and charges
  - Improve demand (usage)
  - Reduce access barriers (affordability)
  - To promote or encourage identified initiatives or outcomes included in the strategic plan

# Model 3

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- 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)

# Next Steps

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- **User fees and charges to be reviewed in stages:**
  - Self sustaining entities, including building are full cost recovery
  - Planning was done in 2022 on full cost recovery
  - Cemetery and Vale Health and Wellness Centre (VHWC) fees to be reviewed next (June 2023)
  - All other fees to be reviewed for the 2024 budget

**Note:** environmental charges will be an evolving addition (June 2023 may not include)

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# Thank you!