User Fee Principles

City Council Meeting: May 9, 2023



Topics to Discuss

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



Legislation

- 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, <u>for cost payable by it for services or activities</u> 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

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



Learnings from Calgary



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 (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 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 – 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.



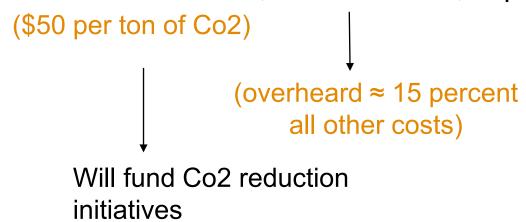
Proposed User Fees and Charges

- 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

• Full cost recovery, includes people costs, direct costs, <u>future liabilities</u>, capital, environmental costs, administrative, implicit and social costs.



Asset replacement

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



Model 2

- 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

- 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

- 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)



Thank you!

