

**Chief Financial Officer's Report to
Executive Committee
2022 June 29**

**ISC: UNRESTRICTED
EC2022-0687
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User Fees and Subsidies Policy Review Update

RECOMMENDATION:

That the Executive Committee recommend that Council receive this report for the Corporate Record and discussion.

RECOMMENDATION OF THE EXECUTIVE COMMITTEE, 2022 JUNE 29:

That Council receive this report for the Corporate Record and discussion.

Opposition to Recommendation:

Councillor Demong

HIGHLIGHTS

- The review of The User Fees and Subsidies Policy (The Policy) includes three touch points with the public and Council, with a target date for a revised policy to be brought forward in Q2 2023 and implementation of any revisions through mid-cycle adjustments in 2024.
- **What does this mean to Calgarians?** Calgarians will have an opportunity to have their say on what is important for The City to consider as it updates its policy on user fees.
- **Why does this matter?** User fees are an important revenue source for The City; however, how, and when user fees are applied are important policy decisions that can have an impact on citizens' quality of life.
- The results of best practice research and public insights are planned to be brought forward to Council in 2022 December, where Council can use this information to set The Policy direction. After this, a draft Policy will be prepared and further tested with the public, before being brought forward for Council's consideration in 2023 and, if approved, will take effect for the mid-cycle adjustments in 2024 November.
- The current Policy will be used to guide Council's decisions on user fees as part of the overall deliberations on the 2023-2026 service plans and budgets in 2022 November.
- Council directed a review of the User Fees and Subsidies Policy through the Financial Task Force Implementation program (Administrative Action 4c). An update on The Policy review was last provided to Executive Committee through the Financial Task Force report that went to Executive Committee in 2021 December.
- Strategic Alignment to Council's Citizen Priorities: A well-run city.
- Background and Previous Council Direction is included as Attachment 1.

DISCUSSION

User fees are payments, made by the user of a good or service, that recover all or part of the cost of providing it. Examples include recreation passes, development permit fees and utility charges. User fees are an important revenue source for The City and account for approximately 30% of total operating revenue. The Policy, last reviewed in 2008 and amended in 2012, guides how and when user fees should be applied. The Policy applies to all City of Calgary goods and services. A review of The Policy is an opportunity for Council to influence how and when fees should be used to fund goods and services.

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User fees can help to drive efficient service delivery and are an important policy tool to drive quality of life outcomes for Calgarians. In addition, The Policy provides a standardized way to assess funding of municipal goods and services and determine the proportion of funding that should be sourced from fees versus property tax or other revenue sources. Having an up-to-date Policy will help to advance these objectives in a way that is fair, equitable and transparent. The process will also help stakeholders better understand how and when fees are applied. The Policy will be developed over the next year and public input is an important component. The workplan includes two more opportunities for the public to contribute. Details of the insights already gained and future engagements planned are noted below with further detail in Attachment 3. Once The Policy is approved, tools and training will be developed and deployed to services with implementation of The Policy targeted for Mid-Cycle Adjustments in 2024. Refer to Attachment 2 for further details.

The current Policy seeks to ensure that benefiting parties (individual or society) contribute to the costs of providing a good or service relative to the amount of benefit received through payment of fees (individual) and taxes (society). This information, along with market conditions, is used by services to recommend specific fees to Council through the planning and budgeting process. Please refer to Attachment 4 for an overview of the current process and Attachment 5 for a copy of the current Policy.

STAKEHOLDER ENGAGEMENT AND COMMUNICATION (EXTERNAL)

- Public Engagement was undertaken
- Public Communication or Engagement was not required
- Public/Stakeholders were informed
- Stakeholder dialogue/relations were undertaken

Attachment 3 provides more detail on the market research, and various public and stakeholder engagements on user fees that have been completed over the last seven years. This information was collected and analyzed to measure the public opinion and understanding of user fees and to develop the proposed research and engagement plan (also summarized in Attachment 3). Further, engagement enables the public to learn more about The Policy and fosters increased understanding about how city services are funded.

The key themes include:

- Respondent views are consistently divided in two groups:
 - Those who prefer user fees over taxes.
 - Those who express concerns about equity and the impact of fees on low-income earners.
- Some Calgarians believe that visitors should have to pay higher user fees.
- Some respondents continue to be confused about the role of user fees and taxes within municipal service funding.

IMPLICATIONS

Social

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The Policy is a tool that can help The City achieve quality of life results for citizens. It relies on societal goals defined in the Triple Bottom Line Policy (LUPP003, EM003, CS003) and framework, and these are listed in The Policy (see Attachment 5, pages 5-7). It also helps to implement some of the goals of the Social Wellbeing Policy (CP2019-01), which forms the basis of offering reduced rates to lower income earners.

Environmental

The Policy can further environmental goals by identifying societal benefits that some services provide to help offset environmental impacts. For example, providing affordable transit helps to reduce carbon emissions. The Policy uses the environmental goals identified in the Triple Bottom Line Policy to define societal benefit (see Attachment 5, pages 6-7).

Economic

Similar to furthering social and environmental goals, economic goals can be advanced through The Policy, and it uses the Triple Bottom Line Policy to define economic societal benefit (see Attachment 5, page 6-7). Application of The Policy takes market conditions and consumer willingness to pay into account when determining specific fee recommendations. User fees also provide market information about the value that citizens place on services relative to the costs of providing them. This review is consistent with the direction provided by the Financial Task Force.

Service and Financial Implications

The approval of a new User Fees and Subsidies Policy will help Council to determine how services should be funded in the future (i.e., portion funded by general tax versus portion funded by fees).

RISK

The proposed further engagement with Calgarians and will provide important insights on principles and desired outcomes of The Policy. This action helps to manage the risk of not meeting citizen expectations.

Because The Policy relies on the societal goals articulated in the Triple Bottom Line Policy, it is possible that citizens will want to provide feedback on these societal goals during the engagement on The Policy. The development of societal goals, however, sits outside of the scope of The Policy and within the scope of the Triple Bottom Line Policy. That policy is planned for its own review beginning in 2023. This timing risk is being mitigated by coordination between the responsible City departments, and by considering all contemporary City policies and priorities in the current context, not just the societal goals from the Triple Bottom Line Policy.

ATTACHMENT(S)

1. Previous Council Direction
2. Approach
3. Public Insights
4. Overview of Current Policy and Process

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5. User Fees and Subsidies Policy (CFO010)
6. Presentation

Department Circulation

General Manager/Director	Department	Approve/Consult/Inform
Carla Male	Chief Financial Officer and General Manager	Approve
Doug Morgan	Transportation	Inform
Michael Thompson	Utilities and Environmental Protection	Inform
Katie Black	Community Services	Inform
Chris Arthurs	Deputy City Manager	Inform
Stuart Dalgleish	Planning and Development	Inform
Josh White	Director Calgary Growth Strategies	Consult