

Principles to Guide the Update to the User Fees and Subsidies Policy

RECOMMENDATION:

That the Executive Committee recommend that Council:

1. Approve the principles on page 2 of Attachment 2 to guide the update of the User Fees and Subsidies Policy.
2. Direct Administration to return directly to the 2024 February Regular Meeting of Council with the updated policy and hear from members of the public who wish to speak to the proposed policy at that time.

HIGHLIGHTS

- Council direction on principles to guide the update to the *User Fees and Subsidies Policy* is critical to ensure Council's perspectives are reflected in the revised policy to be recommended for approval by Q1 2024.
- **What does this mean to Calgarians?** The policy guides decisions on user fees to ensure the costs of City services are equitably shared between Calgarians' property taxes and the fees paid by individual users.
- **Why does this matter?** Approved principles provide direction to Administration in developing a draft policy. The policy can help Council achieve its strategic direction by appropriately pricing City services.
- Administration has conducted a best practice review, including public engagement and research. The review found that the current policy is comprehensive, but complex.
- The public engagement revealed that respondents were supportive of the new principles, but wanted clearer definitions, a more transparent process, and more communication. This feedback informs the recommendation to provide an opportunity for public input to Council and will be reflected in the proposed policy.
- The review also found that the principles would be more effective if they were simplified and written in plain language. The recommended four principles are restated and simplified from the six principles of the current policy.
- Council directed a review of the *User Fees and Subsidies Policy* through the Financial Task Force Implementation program (Administrative Action 4c) and Executive Committee last received an update on the policy review in June 2022.
- Background and Previous Council Direction, including a summary of the first report for this policy review, are included in Attachment 1.

DISCUSSION

This report recommends revised policy principles based on research and public engagement results. The principles will be used to draft a revised *User Fees and Subsidies Policy* ("the policy"). Important findings from work completed so far suggest the policy is sound, the principles are good from an academic perspective, and they are also aligned with the findings from the jurisdictional review. However, the review also found that the policy is too detailed, and the content is written in very technical language.

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Members of Administration who were interviewed about clarity and understanding of the current policy fell in two groups: those who understood and leveraged it to make service funding recommendations, and those who found the language difficult to interpret and were therefore unable to use it effectively (Attachment 4). To improve clarity and ease of use, this report recommends four principles for Council's approval (on page 2 of Attachment 2):

1. **Cost of Service Principle:** The City should have a complete understanding of how much it costs to provide a good or service before setting a fee.
2. **Benefits Principle:** Those who benefit from the use of a service – whether individuals or society – should pay for that service.
3. **Resource Efficiency Principle:** City services should use fees to maximize community benefits from public assets and encourage the responsible use of limited resources.
4. **Ability to Pay Principle:** All Calgarians should have the opportunity to access city goods and services.

The recommended policy principles were tested with the public through a citizen panel survey and public engagement, with most respondents agreeing with the proposed principles. The modernized and adapted language will simplify the approach, resulting in a proposed policy that is clearer and easier to understand for Council and Calgarians.

Attachment 2 is a summary report that provides a principle-focused assessment of the policy against best practices in other municipalities and academic research, with proposed improvements.

Attachment 3 provides background information on how The City charges user fees to balance public funding through property taxes and uses subsidies to lower fees. It identifies conditions that must be present to apply a fee, and describes the four main fee types as they clarify the basis for existing fees and are helpful in fostering understanding of fees and how services are funded. The legal environment for fees continues to evolve and should be assessed before a new fee is considered or when the fee calculation methodology is developed or revised.

Attachment 4 summarizes the key findings from The City's research and engagement, as well as insights from a jurisdictional review, literature review and an internal scan.

EXTERNAL ENGAGEMENT AND COMMUNICATION

- | | |
|---|--|
| <input checked="" type="checkbox"/> Public engagement was undertaken | <input type="checkbox"/> Dialogue with interested parties was undertaken |
| <input checked="" type="checkbox"/> Public/interested parties were informed | <input type="checkbox"/> Public communication or engagement was not required |

The Social Wellbeing Advisory Committee was consulted on the draft principles, and further advice will be sought on proposed amendments. For the broader public, in addition to online surveys and engagement, several face-to-face opportunities were available through public outreach and pop-up events. The information collected thus far will be used in the development of the draft policy. The need for further public engagement will be dependent on the scale and nature of any proposed policy amendments and will be determined in consultation with the Engage Resource Unit.

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The recommendation to provide an opportunity for Council to hear directly from interested members of the public at a future meeting is separate from any Administration-led engagement. As a *Standing Specialized Committee*, Executive Committee does not routinely hear from members of the public, however, when policy is considered at *Standing Policy Committees* this opportunity is required under section 31(2) of the Procedure Bylaw (35M2017). Transparency and accountability are key concerns with respect to City user fee decisions, so Administration is recommending this step to allow any interested person or organization the ability to comment on the proposed policy.

IMPLICATIONS

The *User Fees and Subsidies Policy* is a tool that can help The City achieve strategic goals for Calgarians. It relies on goals defined in the [Triple Bottom Line Policy](#) (LUP003), to assess the societal benefit of a given service. This includes social, environmental, and economic benefits that are derived from the provision of the service. This information is then used to ensure that the cost of a good or service is distributed equitably and proportionately to the benefits received.

Social

The *User Fees and Subsidies Policy* provides a decision framework related to the general subsidy of a good or service to maintain lower fees for all customers. The principles of the [Social Wellbeing Policy](#) (CP2019-01), especially around the delivery of equitable services to Calgarians, will be used to inform decisions around individual subsidy so that The City does not exclude low-income Calgarians through its fees.

Environmental

In line with the environmental goals of the *Triple Bottom Line Policy* and other Council policy and direction, the *User Fees and Subsidies Policy* is a tool that can be used to ensure that City services are funded and priced in a way that encourages the responsible use of City services to limit impacts on climate and environment.

Economic

The appropriate use of user fees can promote fiscal responsibility and reduce reliance on property taxes. They also empower customers to decide how much of a particular service to consume. User fees must be considered within the broader goals of economic resilience, ensuring that they are designed to complement strategies that embrace economic participation for all, support business growth, and align with key economic priorities.

Service and Financial Implications

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

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RISK

The *User Fees and Subsidies Policy* has not been comprehensively reviewed since 2008 and was last updated in 2012. Not updating the policy to improve usability and reflect changes over the past decade may create reputational risks, financial risks, and risk creating inequity in service accessibility for Calgarians.

If the recommendation to approve the four principles is not made, there will be a lack of clarity to draft the revised policy for Council's approval. This may lead to delays in approvals and implementation of the revised policy, beyond the timeline anticipated in the Council Policy Program Update (EC2022-0020).

For the 2023-2026 Service Plans and Budgets process, services developed user fees and rates using the current policy and previously approved guidance on long-term tax support rates. Administration anticipated that the new policy would be implemented through Mid-Cycle Adjustments in November 2024, but delays in policy approval could put that timeline at risk.

ATTACHMENTS

1. Background and Previous Council Direction
2. User Fees and Subsidies Policy Assessment
3. Municipal Funding Through Fees
4. Research Summary
5. User Fees and Subsidies Policy (CFO010)
6. Presentation

Department Circulation

General Manager/Director	Department/Business Unit	Approve/ Consult/ Inform
David Duckworth, City Manager	City Manager's Office	Inform
Les Tochor, Acting CFO and General Manager	Corporate Planning & Financial Services	Approve
Chris Stewart, Director	Corporate Planning & Performance	Approve
Chris Arthurs, General Manager	People, Innovation & Collaboration Services	Inform
Katie Black, General Manager	Community Services	Inform
Stuart Dalgleish, General Manager	Planning and Development Services	Inform
Jill Floen, City Solicitor and General Counsel	Law, Legislative Services & Security	Inform
Doug Morgan, General Manager	Operational Services	Inform
Michael Thompson, General Manager	Infrastructure Services	Inform