



Municipal Funding Through Fees

Attachment 3

How Calgarians pay for goods and services

The costs of providing goods and services are funded publicly through taxes, through fees or through a combination of the two. The *User Fees and Subsidies Policy* provides guidance on how and when user fees should be applied so that the cost of a good or service is distributed equitably and proportionately to the benefits received. It is an important tool that enables The City to maximize quality of life for Calgarians while generating revenue that lowers the amount of property taxes required.



What is a user fee?

User fees are payments, made by the user of a good or service, that recover in whole or in part the cost of providing that specific good or service (for example, the cost of recreation passes, development permit costs or utility charges).

What is a subsidy?

General subsidy

A general subsidy is a sum of money used to assist in the delivery of a good or service to maintain lower fees for all customers. The City uses property tax funding to subsidize some goods and services that charge a fee, so their price remains low and better meets the needs of all Calgarians.

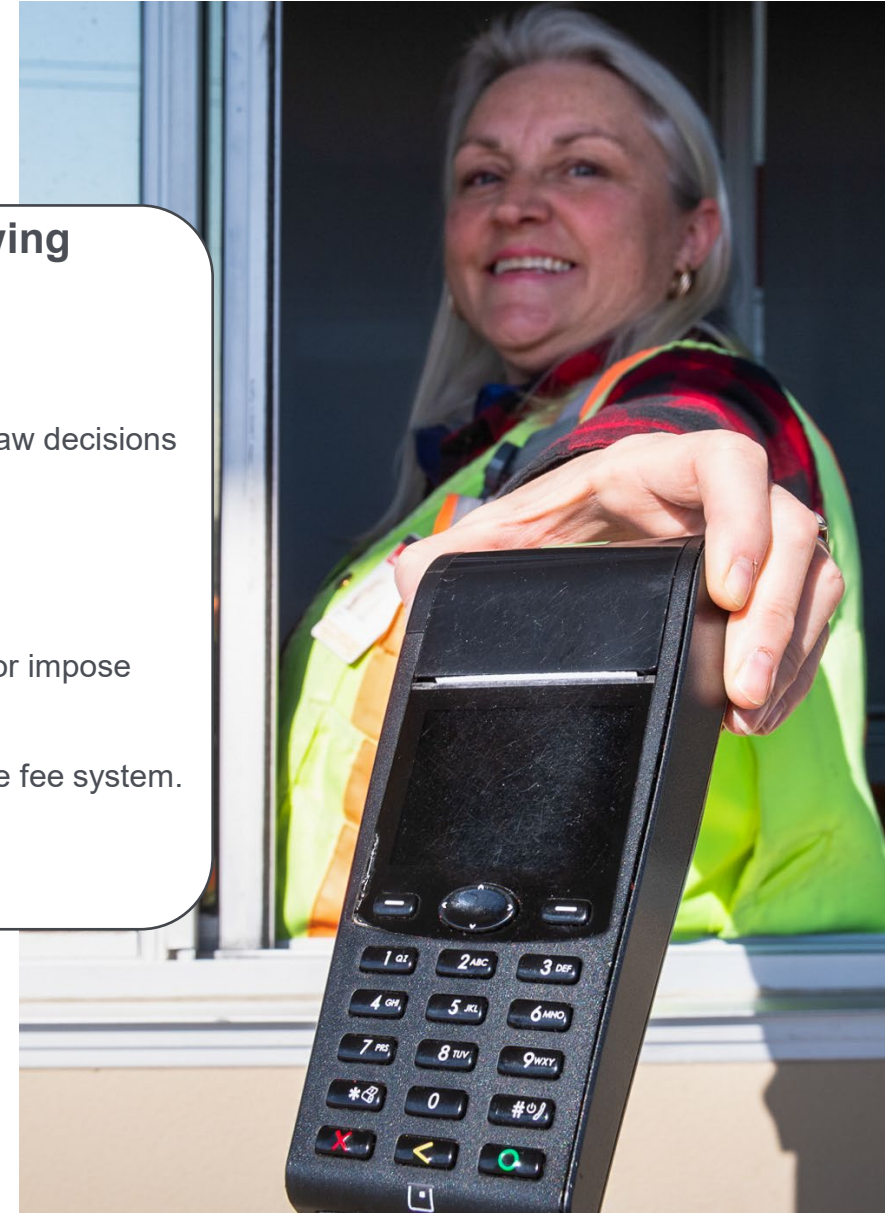
Individual subsidy

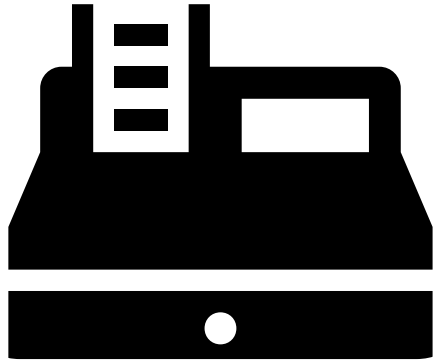
An individual subsidy is a sum of money used to assist in the delivery of a good or service to make prices lower for an individual customer meeting certain criteria.



Implementing a fee may be appropriate when all the following criteria have been met:

- When there is a **legal basis** to charge the fee.
 - All fees must abide by the Municipal Government Act and appropriate case law decisions on the relevant fee type.
- When services and goods offer a **level of private benefit that can be priced**.
- When a service is **excludable**.
 - If someone doesn't pay, it should be possible to say no to their participation or impose fines to limit their use of the good or service.
- When the money collected from fees is enough to cover the costs of setting up the fee system.





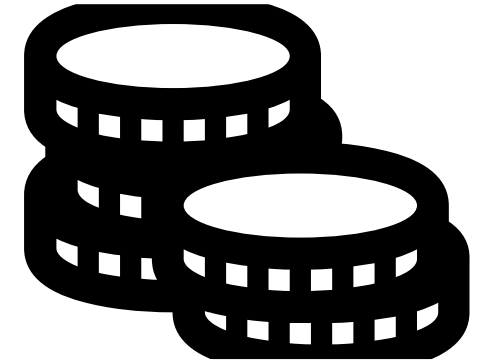
1. Conventional user fee
(See Page 5 for details)



2. Utility rate
(See Page 6 for details)



3. Regulatory charge
(See Page 7 for details)



4. Proprietary charge
(See Page 8 for details)

Some fees may have characteristics from more than one category.

Conventional user fee

A **conventional user fee** is a payment for something that the government provides, like a service or item. The fee must be related to how much it costs to offer that service, and the money collected must be used to support that service.

- Conventional user fees are appropriate when an individual benefits from using a particular item or service.
- If there is a benefit to both the individual and society, then it is appropriate to fund the good or service with a proportionate mix of user fees and general tax (mixed funding).
- Conventional user fees can be used to encourage consumer behaviour which can lead to greater public benefit.
- Examples of conventional user fees include children's swimming lessons, picnic table reservations, and transit passes.



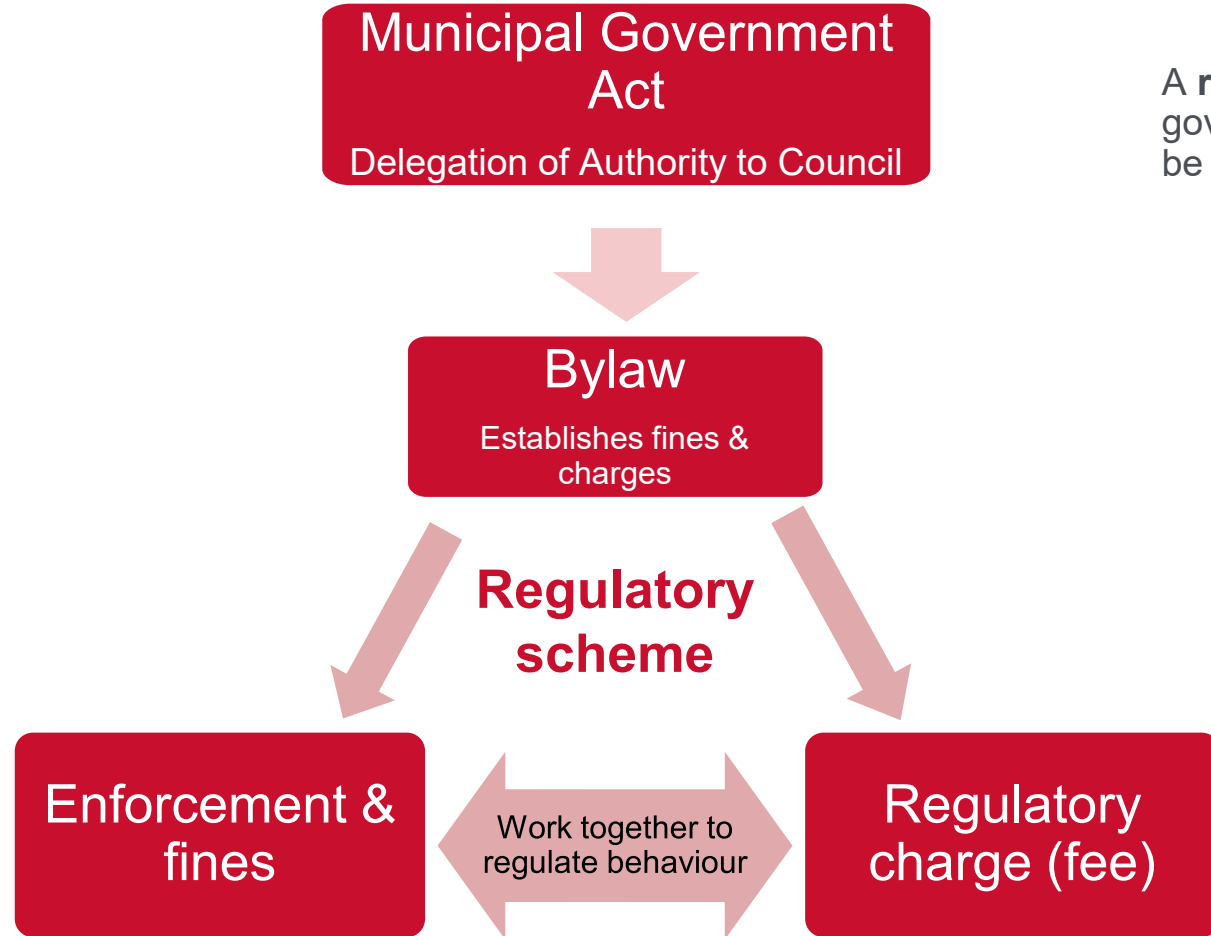
Utility rate

A **utility rate** is a specific type of user fee for utilities with little to no tax funding. The current utility rates were set in accordance with [the User Fees and Subsidies Policy \(CFO010\)](#) and approved by Council through the [2023-2026 Service Plans and Budgets User Fee and Rate Changes](#).

- It mainly benefits the consumer and, therefore, should be fully cost-recovered (fully funded by fees).
- Utility services may have specific financial policies, for example, managing debt service levels or paying a return on equity, to meet and standardize approaches for setting rates.
- Examples of utility rates are water service charges and usage charges. The Water Treatment & Supply pays a return on equity to the Corporation.



Regulatory charge



A **regulatory charge** is a fee related to a right or privilege granted by a government. It has a specific regulatory purpose. The revenues must be designated back to the regulatory scheme.

- A regulatory scheme is established by Council as the designated Regulatory Authority under the Municipal Government Act. It includes fees, fines, interpretations and guidelines established in a bylaw. Together, these tools work to encourage compliance.
- The individual using the service is generally the main beneficiary. Therefore, regulatory charges should fund the full cost of the service when possible.
 - Exceptions can include:
 - Regulatory charges with significantly larger costs in comparison to consumer willingness to pay, such as pet licenses.
 - Regulatory charges required by legislation with limitations on pricing, such as tribunals.
- Examples of regulatory charges include business licenses and development permits.



A **proprietary charge** means that we can sell goods and services in the same way as a citizen or business, with some limits set out by the Municipal Government Act. This includes entering contracts, buying property and hiring staff.

- The charge can be determined by market forces like supply and demand and can go beyond recovering our costs. It is most appropriate when there are private competitors in the market.
- Money generated can go into general City revenue.
- Proprietary charges mainly benefit the consumer and therefore should cover the full cost of providing the service.
- Proprietary charges and the relevant case law are relatively new. The scope or situation where proprietary charges are used is still unclear.
- Examples of proprietary charges include parking and leasing commercial space.

¹ "In 1995 Alberta was the first province in Canada to provide municipalities with "natural person power". With natural person powers, municipalities have the capacity, rights, powers, and privileges of a natural person (subject to the limits set out in the MGA) and can therefore exercise broad powers that are not explicitly set out in legislation. These powers address daily operational matters such as entering into contracts, acquiring property, and hiring staff." <https://www.alberta.ca/about-municipalities.aspx>