



User Fees and Subsidies Policy Assessment Report

Attachment 2



Recommended Principles for Council Approval

The principles form the basis of the policy and together guide how and when fees are implemented to fund City services.

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.

Proposed Principles	
1. Cost of Service Principle	2. Benefits Principle
3. Resource Efficiency Principle	4. Ability to Pay Principle

Purpose of this report

This report assesses the current *User Fees and Subsidies Policy* against best practice and identifies opportunities to advance the policy through four proposed principles.

Administration requires critical feedback and review of the work done to date in order to progress the policy review.

Key findings

- Survey respondents acknowledge that a combination of user fees and general tax-funded support can benefit individuals and society. They also want greater transparency and opportunities for input when setting user fees.
- Other jurisdictions view The City of Calgary's *User Fees and Subsidies Policy* as a leading example and have reached out for insights. Agreement on the importance of keeping the policy clear and simple.
- The current user fee policy has a sound basis; however, it could benefit from an update.
- The key proposed improvement is updating and simplifying the policy itself, including four new proposed principles.

Why the *User Fees and Subsidies Policy* is important

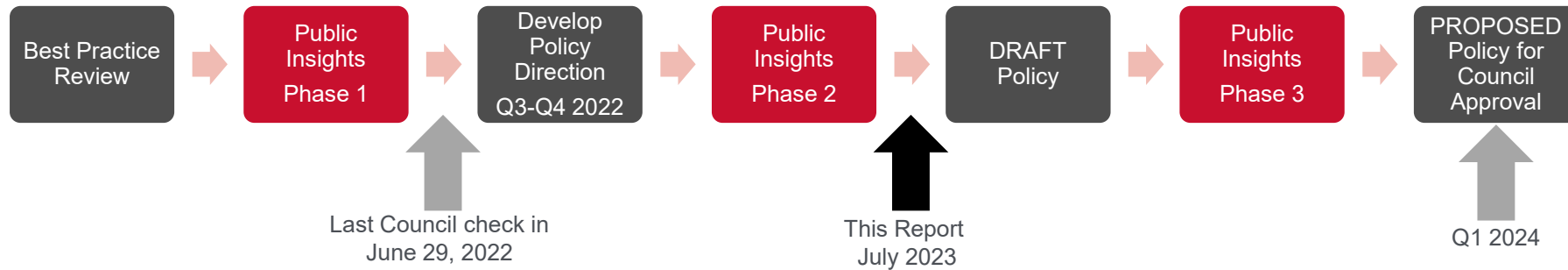
- Calgarians are willing to pay a fee for services that benefit them personally, like transit trips or swimming pool visits. Some Calgarians feel that they should not pay taxes to support services that do not benefit them personally.
- In some cases, customers can choose the amount they use a City service and the amount they pay to maximize the value they receive.
- User fees are an important revenue source for The City and provide a significant portion of the operating budget.
- Reduced user fees can be used to advance quality of life by encouraging behaviours that benefit society and ensuring Calgarians can access services.
- Having a policy provides a standardized way to balance how user fees and property taxes fund various goods and services.

Goals of the policy review project

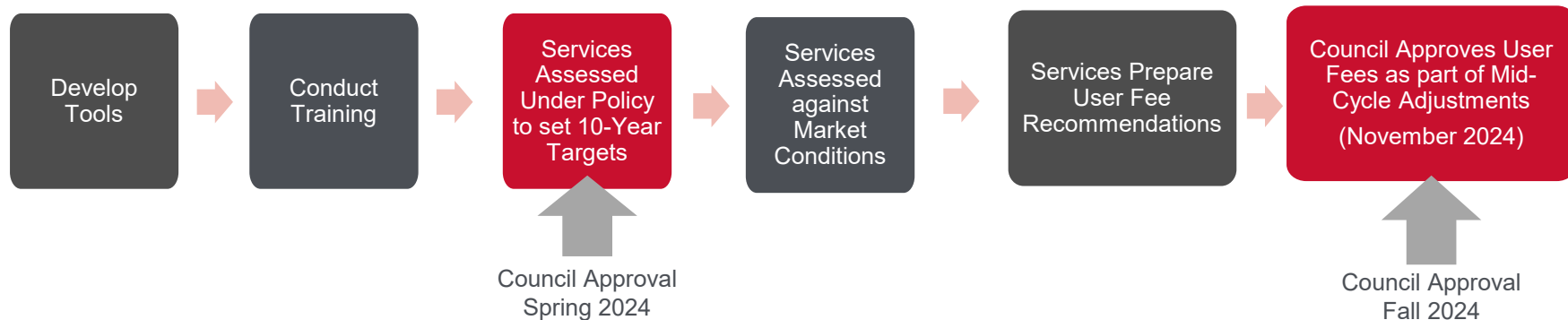
- To continuously improve our system for establishing and adjusting fees so that it is fair, equitable and transparent for Calgarians.
- To improve clarity and create understanding of how and when fees are applied and understanding the level of tax support The City invests on each good or service.
- To review and update the current *User Fees and Subsidies Policy* (and implementation tools) to follow best practice and advance quality of life results (individual and societal benefits).
- To develop an implementation and sustainment plan to support the new policy.



Step 1: Approve Policy (2021-2023)



Step 2: Training and Implementation (2023-2024)



Step 3: Monitoring and Continuous Improvement (2025 and Beyond)



Best Practice Assessment

To assess the current *User Fees and Subsidies Policy*, a best practice study was completed. It included a literature review, a jurisdictional review, and interviews with internal subject matter experts. The key points are summarized here, and details are included in Attachment 4.

Best Practice	Current State	Proposed Improvements
<p>Policy</p> <p>There is a policy that applies to the entire city, which tells us when and how fees are charged for different services.</p> <p>This policy is designed to help the organization reach its strategic goals, follow the law, and make smart decisions based on economic principles.</p>	<ul style="list-style-type: none"> Public engagement highlighted that Calgarians understand the challenge of balancing user fees and taxes to ensure affordability and public benefit, but they want accountability for higher fees and taxes. Respondents emphasized the need for increased transparency in the process and more information and input when setting fees. The principles and policy statements are sound from an academic and theoretical perspective. The principles would be more effective if they were simplified and written in plain language. Currently, they are written in very technical language and include many details that would be more appropriate for accompanying support documents. The policy fits well with the current rules and strategic goals. However, some changes need to be made to match new laws and policies. The goals used to decide how much benefit it brings to society come from the Triple Bottom Line Policy (LUP003) and framework, which was last updated in 2011. In 2019, the City got rid of the Fair Calgary Social Policy (CSPS034) and replaced it with the Social Wellbeing Policy (CP2019-01). The language in the policy currently focuses on how services are funded rather than on the basis for charging the fee. 	<ul style="list-style-type: none"> Simplify the title of the policy to “User Fees Policy”. Rephrase and simplify policy principles so that they are easier to understand. Instead of deciding fees based on how a service is paid for, move towards categorizing fees based on how and why they are being charged. Update policy references and ensure relationships to other Council policies are clear.

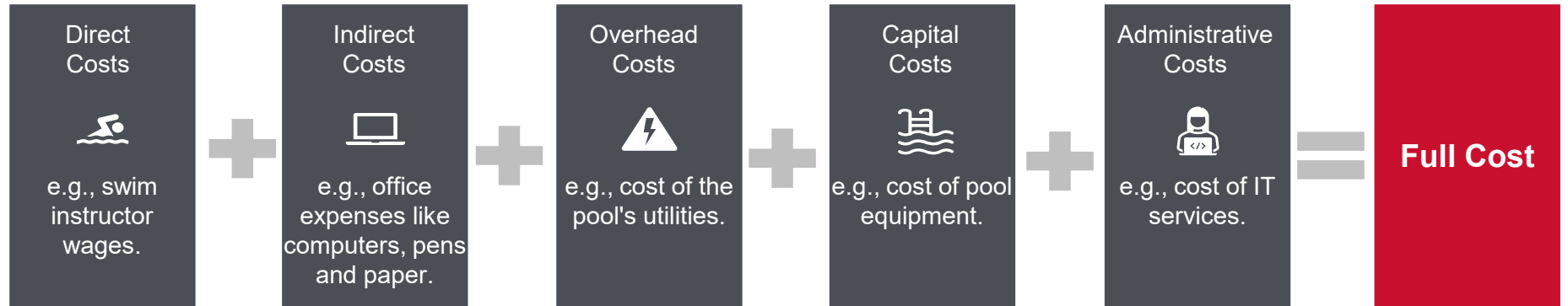


Principles in Practice

1. Cost of Service Principle

How it works

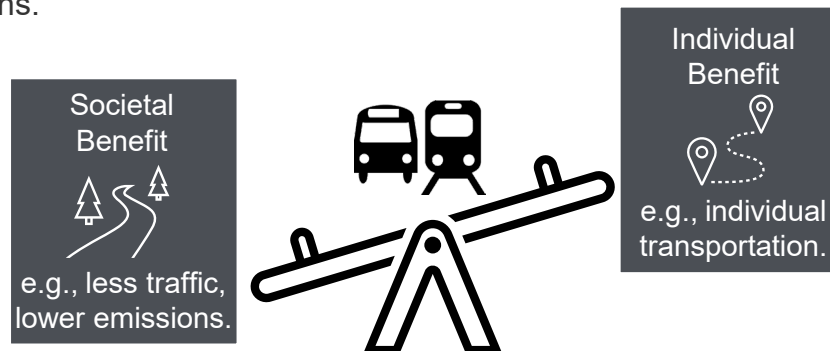
The City calculates the full cost of providing a product or service to Calgarians. Then, a decision can be made on how to fund the service - through fees, taxes, or a mix of both. Knowing the full cost of providing the service is also important to pursue funding from other orders of government. An example of how the full cost of swimming lessons is calculated is shown below:



2. Benefits Principle

How it works

The City evaluates a service's benefit to the community and to the individual user to determine how a service is funded. For example, when a person uses transit rather than a car, there is a societal benefit (such as less traffic, reduced need for road maintenance and lower greenhouse gas emissions). There is also a benefit to the individual (transportation). As a result, a portion of transit should be funded by taxes and a portion paid by the individual using transit. This mix of funding encourages the use of services that benefit all Calgarians.





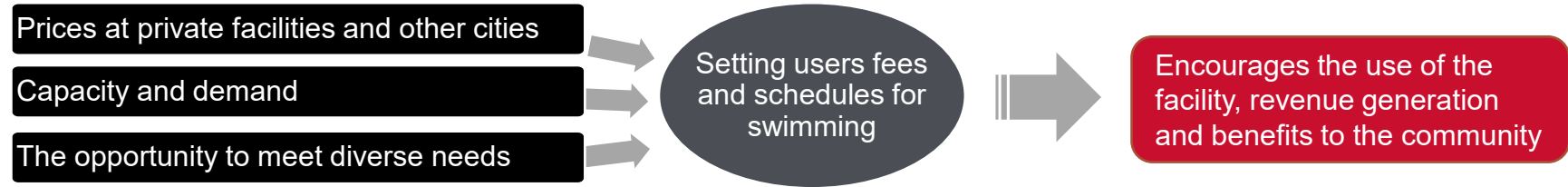
Principles in Practice

3. Resource Efficiency Principle

How it works

The City uses limited public resources such as land, buildings, facilities, funds, and equipment, to create the most benefit for Calgarians while addressing diverse needs and considering market conditions. This maximizes benefits to individuals and the community.

The pricing should consider fees charged by others for similar goods or services, service demand, and availability of alternative services. For example, when setting fees and schedules for swimming, we consider prices at private facilities and other cities; capacity and demand; and the opportunity to meet diverse needs. An example would be providing swim times to meet specific cultural needs. This encourages the use of the facility, revenue generation and benefits to the community.



4. Ability to Pay Principle

How it works

Services can offer reduced rates to people based on their level of income. An example is a sliding scale for low-income transit passes where the cost is reduced according to income. This principle also provides the rationale for offering facility bookings like meeting rooms at a reduced rate to non-profit groups.

Individual tax-supported subsidies through reduced rates offered by services is guided by the *Social Wellbeing Policy* (CP2019-01). The Ability to Pay Principle aims to ensure the revised *User Fees and Subsidies Policy* aligns with the Social Wellbeing Principles, including that The City will strive to provide Equitable Services.

As income increases... ...so does the price of a monthly transit pass.

