

Corporate Planning & Financial Services Report to
Community Development Committee
2024 February 14

ISC: UNRESTRICTED
CD2024-0015

Reaffirming Our User Fee Model

PURPOSE

The purpose of this report is to provide recommendations to amend Council's policy on *User Fees and Subsidies* (CFO010), to reflect changes since the policy was last amended in 2012 and to bring the policy format into alignment with the *Council Policy Program* (CC046).

PREVIOUS COUNCIL DIRECTION

On 2023 September 12, Council approved the principles to guide the update of this policy contained in EC2023-0558 and directed Administration to return to the 2024 February Meeting of the Community Development Committee with the updated policy.

RECOMMENDATION:

That the Community Development Committee:

1. Forward this report to the 2024 February 27 Regular Meeting of Council; and,
2. Recommend that Council approve the revised *User Fee Policy* in Attachment 2.

CHIEF ADMINISTRATIVE OFFICER/GENERAL MANAGER COMMENTS

General Manager and Chief Financial Officer Carla Male concurs with this report.

HIGHLIGHTS

- Council's *User Fee Policy* is foundational. It guides decisions on how and when fees should be charged for City services. User fees are one of the few municipal revenue tools available to The City and make up a significant amount of total operating revenue (35 per cent).
- This policy update does not set or change any new or existing fees. Fees continue to be approved through resolutions of Council or bylaws as part of The City's Service Plans and Budgets.
- This update also does not change any aspects of the Fair Entry program. The proposed policy highlights "ability to pay" as one of its guiding principles and continues to require analysis of individual subsidy options when user fees are considered. Consistent income eligibility requirements continue to be managed through the Fair Entry program.
- The proposed amendments to the policy are primarily designed to enhance the readability of the policy and to enable flexibility in setting fees where appropriate. The *User Fee Policy* is the foundation for significant policy decisions that guide the system of City fees within the legislative framework available to Alberta municipalities.
- In line with best practice, recommended fees will continue to be based on understanding the cost of providing a service, the individual and societal benefits received from the service, the efficient use of public resources, and consideration of users' ability to pay.

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DISCUSSION

The recommended amendments contained in the proposed Council policy in Attachment 2 reflect established practice since the policy was introduced in 2008 and aim to address findings that the policy is too detailed, with content written in very technical language.

Policy review

Routine review is a key element of good stewardship of the policy documents that guide Administration and Council decision making on important topics. This periodic evaluation of Council policies has been further strengthened through the requirements of the *Council Policy Program*. Earlier in this review, through [EC2023-0558](#), Administration shared that the current policy is comprehensive, but complex. These findings were the result of a best practice assessment ([Attachment 2](#) of EC2023-0558) and research including literature review, jurisdictional review, internal scan and public insight ([Attachment 4](#) of EC2023-0558).

Policy structure

Some of the amendments are required to transfer Council's existing policy CFO010 into the new Council policy template consistent with the *Council Policy Program* (CC046). This change in format makes a direct comparison of the text of the two policies difficult, but Attachment 3 provides a reference for deletions from the existing policy.

Changes to reflect current practice and legislative environment

The proposed policy has an updated section on the characteristics of different types of municipal fees (regulatory charges, utility rates, proprietary charges and user fees) and the legislative authority for those fees, as presented in [Attachment 3](#) of EC2023-0558.

The amendments introduce more explicit policy on Council approval and delegation of fees. The policy retains direction that user fees are approved by Council through service plans and budgets but includes clearer provisions that Council may delegate authority for setting certain fees. In practice, this can be done by removing user fees from bylaws and approving through resolutions of Council (as occurred with amendments to the *Street Bylaw* 20M88 through TT2015-0790), or by delegating approval to Administration to adjust fees within specific parameters in response to market conditions (as occurred with cemetery products and services and golf admissions in the 2023-2026 Service Plans and Budgets C2022-1051). Attachment 4 provides an overview of the current fees that Council approves, and the approval processes used.

Working within Council-approved tax support levels, the proposed policy also introduces some limited conditions (e.g., promotional pricing) under which Administration may deviate from Council-approved fees without further approval required. This is intended to support services in meeting existing policy and revenue direction when operating within changing market conditions.

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There are also some proposed changes to the discussion of “costs” within the policy. These changes are intended to clarify what is included in the calculation of full financial costs, which will continue to be aligned with Administration’s work to consolidate a costing function within the Corporate Budget Office. Estimation of non-financial costs (e.g., social, environmental, and economic costs) is included in the policy within the analysis of societal benefits.

Simplifying the level of detail

Through the review, we learned that both the public and City staff found the policy complex and too detailed, especially on pricing methodologies, economic theory, and societal benefits. This made the policy difficult to interpret and implement for some.

Elements of the existing policy that are proposed to be deleted are highlighted in Attachment 3. Most deletions are of content that is definitional or explanatory.

One substantive deletion includes the removal of the 12 policy goals for assessing societal benefits. The existing goals were brought as a separate recommendation when the policy was approved in 2008, and an external review of the policy conducted as part of the *Policy Review Program* (PFC2020-0769) found the relationship between the goals and the rest of the policy to be unclear. Administration recommends streamlining the policy, such that long-term policy goals for The City are not embedded separately in user fee policy but drawn and updated from those goals articulated through other City policies and strategies (e.g., the *Social Wellbeing Policy*, the *Calgary Climate Strategy*, etc.).

Aligning the analysis of societal benefits to The City’s long-term social, environmental, and economic policy goals is a requirement of 6.5(b) of the proposed policy. Administration will continue to use internal assessment tools that rely on the 12 policy goals and update those tools in alignment with the ongoing review of the Triple Bottom Line policy. Council will continue to approve services’ long-term tax-support levels.

Adjusting the use of the term subsidy

The proposed policy also moves away from the word “subsidies” in the title and text. This terminology was confusing to some because it referred to at least three different types of subsidies: general subsidies to keep fees low for all users, group subsidies to reduce fees for all members of an identifiable group, and individual subsidies to reduce fees for individuals who meet specific criteria. Despite clear definitions, using the term subsidy still led to many different interpretations. The 2008 policy’s principle of “general tax-supported subsidies” for tax support that lowers costs for all users of a service is referred to throughout the revised policy as “tax support level”. This leaves the term “subsidy” to refer only to individual subsidies based on ability to pay.

The proposed policy highlights “ability to pay” as one of its guiding principles and continues to require analysis of individual subsidy options when user fees are considered. Consistent income eligibility requirements continue to be managed through the Fair Entry program, as they have since 2015 May.

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Non-resident pricing

Differential pricing for non-residents has been suggested for consideration in the recommendations of the Financial Task Force (C2020-0742) and in the Municipal Fiscal Gap report (C2023-0960). The policy amendments proposed in this report would continue to enable the practice through sections of the policy that discuss differential pricing.

EXTERNAL ENGAGEMENT AND COMMUNICATION

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

Information collected from earlier online surveys and engagement, public outreach and pop-up events, and consultation with the Social Wellbeing Advisory Committee were used to formulate the recommended amendments. The results of this public insight work were detailed earlier in [EC2023-0558 Attachment 4](#). Further public engagement was not conducted on the proposed policy text. This report is returning through a Standing Policy Committee, rather than the Executive Committee, to ensure that there is an opportunity to hear from any interested members of the public.

IMPLICATIONS

Social

The policy continues to require that user fee recommendations include an estimation of the social benefits and costs associated with an individual's consumption of the good or service.

Additionally, the policy continues to require consideration and analysis of subsidy options based on users' ability to pay so that The City does not exclude low-income Calgarians through its fees.

Environmental

The policy continues to require that user fee recommendations include an estimation of the environmental benefits and costs associated with an individual's consumption of the good or service.

Additionally, the resource efficiency principle encourages the responsible use of City services to limit impacts on climate and environment.

Economic

The policy continues to require that user fee recommendations include an estimation of the economic benefits and costs associated with an individual's consumption of the good or service.

The appropriate use of user fees can promote fiscal responsibility and reduce reliance on property taxes. 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.

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Service and Financial Implications

No anticipated financial impact

The approval of the proposed *User Fee Policy* will help Council determine how services should be funded through future decisions in the service planning and budgeting process (i.e., the portion of costs funded through tax support versus the portion funded by fees).

RISK

This 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.

There is risk that user fees are perceived as a tool for additional funding and flexibility. There are many restrictions on how fees are used, and some of the limits to user fees as a funding source are discussed in the Municipal Fiscal Gap report (C2023-0960). There is also a risk that fees are viewed as additional costs on top of property tax, but the policy describes fees as a balance against using property taxes to fund services that would be more efficiently and more fairly funded with fees.

The proposed amendments do not change the general philosophy toward user fees, and do not introduce any new fees or eliminate any existing fees. All fees charged by The City must have valid legislative authority.

ATTACHMENTS

1. Background and Previous Council Direction
2. User Fee Policy
3. For Information - Redlined existing *User Fees and Subsidies Policy* (CFO010)
4. List of Council - Approved User Fees
5. Presentation - Reaffirming Our User Fee Model

Department Circulation

General Manager/Director	Department / Business Unit	Approve/Consult/Inform
David Duckworth, Chief Administrative Officer	Chief Administrator's Office	Approve
Carla Male, CFO and General Manager	Corporate Planning and Financial Services	Approve
Stuart Dalglish, Chief Operating Officer	Chief Operating Office	Approve
Chris Stewart, Director	Corporate Planning and Performance	Approve
Chris Arthurs, General Manager	People, Innovation and Collaboration Services	Approve
Katie Black, General Manager	Community Services	Approve

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Jill Floen, City Solicitor and General Counsel	Law, Legislative Services and Security	Approve
Debra Hamilton, Acting General Manager	Planning and Development Services	Approve
Doug Morgan, General Manager	Operational Services	Approve
Michael Thompson, General Manager	Infrastructure Services	Approve

Author: Business Planning Team