



Council Policy

Policy Title: User Fee Policy
Policy Number: Assigned by the City Clerk's Office
Report Number: FB95-83, FCS2008-13, PFC2012-16, CD2024-0015
Adopted by/Date: Council / 2008 April 28
Effective Date: 2008 April 28, amended 2012 February 27 and 2024 Month DD
Last Amended: 2024 Month DD
Policy Owner: Corporate Planning and Financial Services

1. POLICY STATEMENT

- 1.1 The City of Calgary provides many different goods and services that contribute to the quality of life of Calgarians. Some provide broad *societal benefits* to all Calgarians while others provide more direct benefits to individuals who use that good or service.
- 1.2 The costs of providing City goods and services can be funded through fees paid by individual users, through property taxes and other revenues collected from the general public, or through a mix of these funding sources.
- 1.3 The following principles will be used when determining appropriate fees:
 - (a) 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.
 - (b) Benefits principle: Those who benefit from the use of a service – whether individuals or society – should pay for that service.
 - (c) Resource efficiency principle: The City should use fees to maximize community benefits from public assets and encourage the responsible use of limited resources.
 - (d) Ability to pay principle: All Calgarians should have the opportunity to access City goods and services.

2. PURPOSE

- 2.1 This Council policy provides guidance on decisions related to user fees, which are an important part of diversified municipal revenues and help reduce reliance on property taxes and other revenue sources used to provide City services.
- 2.2 Policy on the appropriate use of user fees is intended to
 - (a) help align funding choices with long-term policy goals,
 - (b) balance property tax funding and user fee funding of City goods and services,

- (c) achieve more efficient service delivery by creating clear links between the cost and the service offering, and providing services to customers at their desired service level,
 - (d) ensure that the necessary information is available to inform decisions regarding user fees,
 - (e) retain appropriate Council oversight of user fees, while providing flexibility for Administration to respond to changing circumstances to meet policy and revenue direction,
 - (f) and create consistent and transparent decision-making regarding user fee pricing.
- 2.3 This Council policy provides guidance on how and when fees should be charged for City services, so that the cost of a good or service is distributed equitably between individual users and the public in proportion to the benefits received from an individual's use of the service.
- (a) User fees will be considered whenever there is individual benefit derived from consuming a City good or service.
 - (b) User fees are only appropriate where The City is willing and able to exclude customers for non-payment in a way that is both legally and administratively feasible.
- 2.4 This Council policy creates a standard practice to make decisions on the mix of funding sources for goods and services, by
- (a) establishing principles to guide recommendations regarding how and when fees are used,
 - (b) and defining the process, rationale and information needed to develop and approve user fees.

3. **DEFINITIONS**

- (a) "Cost" means any adverse impact to the financial position of The City, or the social, environmental, or economic position of society at large derived from an individual's consumption of a good or service.
- (b) "Differential pricing" means setting different prices for the same good or service based on customer characteristics, time of use, municipal residence, or other factors.
- (c) "Direct costs" means financial costs that are incurred exclusively to provide or maintain a specific good or service. If The City did not provide the specific good or service, these costs would not exist.

- (d) "Financial costs" means decreases in economic resources resulting from the provision of a good or service, including expenditures, consumption of short-term assets, amortization of capital assets, and the creation of liabilities.
- (e) "Future costs" means financial costs that will be incurred in the future to continue or decommission the provision of a good or service, representing all expenses in which the benefits will be realized over multiple years, generally pertaining to the acquisition or retirement of long-lived assets.
- (f) "Indirect costs" means financial costs incurred for support activities required to provide or maintain multiple goods or services but cannot be assigned to a specific good or service. Indirect costs represent the impact providing a specific good or service has on the overall capacity of a business unit.
- (g) "Individual subsidy" means a subsidy that reduces the price of a good or service for individuals that meet specific criteria.
- (h) "Overhead costs" means financial costs for the executive, administrative and support functions used by all goods and services.
- (i) "Pricing methodology" means the general process and criteria used in determining the price of a good or service.
- (j) "Promotional pricing" means temporary changes in prices to encourage consumption.
- (k) "Proprietary charge" means a fee charged for goods or services that are supplied in a commercial context.
- (l) "Public utility" means a system or works used to provide one or more of the following for public consumption, benefit, convenience, or use: the collection or distribution of water, stormwater, sewage or solid waste.
- (m) "Regulatory charge" means a fee related to a right or privilege granted by a government.
- (n) "Societal benefit" means the benefit to society at large that is derived from an individual's consumption of a good or service. These benefits can be economic, environmental or social benefits.
- (o) "Tax support level" means the portion of financial costs to be funded by property taxes.
- (p) "User fee" means a payment charged in exchange for a good or service provided by the government.

4. APPLICABILITY

- 4.1 This Council policy applies to all City departments and business units.
- 4.2 This Council policy does not apply to partners, subsidiaries, or other organizations that are not a part of City Administration, even when they participate in the business planning and budgeting process.

4.3 This Council policy does not apply to the setting of fines and penalties.

5. LEGISLATIVE AUTHORITY

5.1 Any fee imposed by The City must have valid legislative authority.

5.2 This policy does not provide authority for any given fee but describes the framework under which fees are set and imposed.

5.3 Through provincial legislation and regulations, authority to establish fees is variously given to the municipality, the council, or the council through a bylaw.

(a) Certain municipal fees are described in the *Municipal Government Act*, R.S.A 2000 c M-26 (*MGA*) sections 7 & 8 in relation to a council's general jurisdiction to pass bylaws.

(b) Other fees are described in the *MGA* section 61 relating to the use of municipal property, including property under the direction, control and management of the municipality.

(c) Section 6 of the *MGA* grants municipalities natural person powers, which may be exercised by council or by the chief administrative officer. "Natural person powers" means the capacity, rights, powers and privileges of a natural person.

(d) The above does not describe all legislative authority for municipal fees, as some derive from or are proscribed by other legislation or other sections of the *MGA*.

6. PROCEDURE

6.1 All user fees are approved by Council as part of the service planning and budgeting process.

(a) When Council directs user fees to be introduced or adjusted outside of this process, those changes will be reflected in the subsequent service plans and budgets or annual adjustments.

(b) Council may delegate the authority to Administration to adjust fees within specific limits.

(c) Administration may deviate from Council-approved fees without further Council approval for the purposes of *promotional pricing*, or if an emergency, event, or other circumstance results in a long-term closure or reduction of service related to the fee, unless those fees are set in a bylaw.

6.2 All user fees recommended by Administration will be informed by a *pricing methodology* appropriate to the type of fee being charged:

- (a) *Regulatory charges* are fees with a specific regulatory purpose. These often take the form of licenses, permits and approvals, or relate to the use of municipal property, including property under the direction, control, and management of the municipality. The funds collected are used to finance the regulatory scheme or to alter individual behaviour.
- (b) Utility rates are fees related to the municipal operation of a *public utility*. There may be specific financial objectives to meet, like managing debt levels or paying a return on equity, and standard approaches for setting rates.
- (c) *Proprietary charges* are fees charged in the exercise of proprietary rights over municipal property and when goods or services are sold by the municipality 'in a commercial way'. The charge can be determined by market forces, which might be set at a level above cost-recovery.
- (d) All other user fees related to services, facilities or other things that are provided by the municipality. There must be a reasonable connection between the cost of the service provided and the amount charged.
- (e) Some fees may have characteristics of more than one of the above types.

6.3 All user fees recommended by Administration will be guided by the principles in section 1.3 of this policy:

6.3.1 User fees are based on the full *financial cost* of providing the service, including all *direct costs* and allocations for *indirect, overhead, and future costs*.

- (a) Calculating full financial cost does not mean that all financial costs incurred must be recovered through user fees.

6.3.2 User fees are based on an estimation of the value of the *societal benefit* associated with an individual's consumption of the good or service, including

- (a) the balance of social benefits and costs,
- (b) the balance of environmental benefits and costs,
- (c) and the balance of economic benefits and costs.

6.3.3 User fees are based on a *pricing methodology* that can include

- (a) *differential pricing* strategies, where there are cost differentials, differentials in *societal benefit*, or for demand management purposes,

- (b) full cost recovery or profit maximizing strategies, where legally permitted,
 - (c) and deviation from cost recovery where pricing is designed to encourage or discourage specific activities, where legally permitted.
- 6.3.4 User fees will include consideration and analysis of individual subsidy options based on users' ability to pay, including
- (a) identification of any *individual subsidies* which may apply to the good or service,
 - (b) and the criteria for receiving an *individual subsidy* and identification of the application process for receiving an *individual subsidy*.

6.4 All user fees recommended by Administration will be in alignment with the approved balance of revenue from user fees and property taxes for the good or service.

6.4.1 The balance of revenue from user fees and property taxes for goods and services is approved by Council through the service planning and budgeting process using targeted long-term *tax support levels*.

- (a) Administration makes recommendations on long-term *tax support levels* for services.
- (b) Council approves targeted long-term *tax support levels*.
- (c) Administration makes recommendations on the pricing of fees to generate the required revenues.
- (d) Council approves fees through the service planning and budgeting process.

6.4.2 Depending on the service provided, long-term *tax support levels* may be set to provide no property tax funding, partial property tax funding, or full property tax funding.

- (a) *Tax support levels* will be presented as a range to allow flexibility between review periods.

6.4.3 Proposed fees, adjustments, and rebates that impact targeted long-term *tax support levels* will be highlighted in Administration reports to Committees and Council that recommend those changes.

6.4.4 Where freezing or reducing fees is desired to meet a temporary strategic objective, one-time funding should be used to ensure that service levels are maintained.

6.5 Council and Administrative Policy environment

- (a) The timing and Council approval processes related to user fees will be carried out in alignment with service planning and budgeting activities, and related policies.
- (b) Analysis of *societal benefits* to inform user fee recommendations will be made in alignment with The City of Calgary’s long-term social, environmental, and economic policy goals, and other Council priorities and approved plans.
- (c) Analysis of *individual subsidies* to inform fee recommendations will be made in alignment with City programs and Council policy on access to services for all Calgarians regardless of their income.
- (d) Administration develops guidelines, processes, and tools to support the development of fee recommendations that are consistent with this policy.

7. **AMENDMENTS**

| Date of Council Decision | Report/By-Law | Description |
|--------------------------|---------------|--|
| 2012 February 27 | PFC2012-16 | Council amended the User Fees and Subsidies Policy (CFO010) to add a new economic policy goal and reword an existing economic policy goal. |
| 2008 April 28 | FCS2008-13 | Council adopted the User Fees and Subsidies Policy FCS013. |
| 1995 February 27 | FB95-83 | Council adopted 6 user fee policies to support the pricing decision of any revenue-generating good or service produced by The City. |

8. **REVIEWS**

| Date of Policy Owner’s Review | Description |
|-------------------------------|---|
| 2010 June 01 | Policy number change from FCS013 to CFO010. |