



## Policy FIN-001-2025 User Fee Policy

**Implemented: February 2025**

**Revision Date:**

**References and Related Documents:**

**This document is public and available in an accessible format upon request.**

### **Policy Statement**

The Township of Georgian Bluffs will collect user fees to recover the cost of services where it is determined that a service provides direct benefits to individuals, groups, and business, unless otherwise directed by Council.

A direct benefit is deemed to accrue, and a user fee will be considered when a service, product or use of Township facilities or resources:

- i. Enables the recipient to obtain a more immediate or substantial benefit that is distinct from or greater than that enjoyed by the general public; or
- ii. Is performed at the request of, or for the convenience of the recipient, and is beyond the services regularly performed for other individuals, groups of individuals, business sectors or for the general public.

User fees will be set to recover the full cost of providing the applicable service, except where the Township has approved a subsidy or exemption; where services are based on competition in the open market; and where fee amounts are legislated by the Province. The amount of a fee must not exceed the full cost of providing the applicable service.

### **Purpose and Scope**

The purpose of this policy is to provide a framework to ensure a consistent, transparent, efficient, and accountable approach for establishing and managing user fees across Township programs that promotes recover of the full cost of services for which user fees are charged and to provide staff with guidelines for updating or establishing user fees, to the extent that there is no conflict with the Township's policy objectives and priorities. Notwithstanding, the service may be subsidized by other sources of revenue if it is determined that full cost recovery would not be consistent with achieving the Township's policy objectives or legislative requirements. Ongoing review of user fees will occur to ensure the purposes of this policy and related procedures is met.



All user fees will be updated annually as part of the operating (base/core) budget process and displayed on the Township website. The full cost of providing each User Fee service shall be determined as the starting point for setting the user fee regardless of whether the full cost is to be recovered. New fees shall not be introduced without knowing the full cost of providing the service for which a fee is being considered. The costing model developed by the Treasury department shall be the basis for the costing of town services.

User fees will be set to recover the full cost of providing the applicable service, except where:

- Council has approved a subsidy or exemption.
- Services benefit the community or general public, and not just the individual, group of individuals or business sectors.
- Services are based on competition in the open market.
- Fee amounts are legislated by the Province.

The amount of a fee must not exceed the full cost of providing the applicable service unless Council has approved otherwise.

## Definitions

**Full cost** – includes direct costs of providing the good or service, including the costs of operations and maintenance.

**Market Price/Value** – the price of a good or service that is based on competition in the open market. Where there is substantial, competitive demand, market price is determined using the commercial practices such as competitive bidding or by reference to prevailing prices in competitive markets. In the absence of competitive demand, market price is determined by taking into account prevailing prices for products or services that are the same or substantially similar to those provided by the Township.

**Pricing Methodology** – the process or methodology used to determine the price of a user fee or charge.

**Subsidy** – is the amount of the full cost of providing a service that is not recovered from user fees but is paid for by the Township, principally from property tax revenues.

**User fee** – means a fee or charge to individuals or groups and/or businesses for the provision of a service, activity, or product, or for conferring certain rights and privileges, which grant authorization or special permission to a person, or group of persons to access Township-owned resources (including property) or areas of activity.



## Policy Requirements

### When to Charge a User Fee

Where it is determined that a service or activity provided by the Township confers a direct benefit on individual, identifiable groups or businesses, a user fee will be set to recover the cost of providing the User Fee service. User fee services shall be funded fully through the user fee charged for the service, unless otherwise determined.

To address fairness or equity in user fees, where it is determined that a service or activity provided by the Township confers a direct benefit to individuals, identifiable groups or businesses but also results in benefits to the general public, it will be partially funded by other revenue sources by way of a subsidy.

The characteristics of the service and the nature of the benefits derived will help to determine the type of service and when to charge user fees. Services delivered by government are generally classified into the following major categories:

- Public service: Benefits the general public; it is impossible to exclude someone from using or enjoying the benefits provided by the service.
- Private service: Benefits specific individuals, groups, or businesses; it is possible to exclude someone from using the service.
- Mixed service: Benefits the general public as well as the specific individual, group, or business using the service.

The 'Decision Matrix Chart' attached as Appendix A represents a decision matrix to assist in determining whether a service is to be funded by user fees, property tax revenues, other revenues, or a combination of such, based on the type of service (public or private) and who benefits. As illustrated in the chart, the analysis distinguishes the degree to which a service benefits the community as a whole, an individual, or groups of individuals and how it should be funded.

Notwithstanding that a service qualifies for user fee, the service may be subsidized by other sources of revenue either entirely or partially if it is determined that full cost recovery would not be cost effective or would be inconsistent with achieving the Township's policy objective or legislative requirements.

Every Township service must be reviewed at least once every four years to determine if the cost of providing the service should be recovered through user fees or funded from property tax revenues or any other source of revenue. To accomplish this, staff will determine:

- The degree to which the benefits that each service provides accrue directly to specific individuals or groups of individuals or businesses (a private service), and



- Whether the service should be paid for by users of the service or whether the service benefits the entire community (a public service) and should be funded from the property tax revenues or other revenue source.

## **Determine the Full-Service Cost**

The full cost of providing each User Fee Service shall be determined as the starting point for setting the user fee regardless of whether the full cost will be recovered. New fees will not be introduced without knowing the full cost of providing the service for which a fee is being considered. The costing model developed by the Treasury department will be the basis for the costing of Township services.

The full cost shall include direct costs attributed to the deliver of the service such as salaries and benefits, materials, supplies and purchased services.

## **Develop the Cost-Recovery Strategy**

The major principle of the User Fee Policy is that those who receive the benefits should pay. Therefore, cost recovery strategies are developed to consider the extent of the benefits received by identifiable individuals/groups (private benefit) versus that received by the general public. In situations where full cost recovery is not the appropriate pricing strategy, the level of subsidy is based on the full cost of delivering the service and the reasons for recovering less than the full cost of providing the service stated. This improves consistency, transparency, and accountability in managing user fees and facilitates Council's decision-making process.

The following factors shall be considered when setting user fees and cost recovery levels.

1. Community-wide versus individual benefits. Where the town provides goods or services that have societal benefits, the level of user fees shall reflect the benefits received by the general public relative to the private benefits.
2. Affordability of the service. Where services are specially designed to serve particular groups or segments of the population affordability will be considered in order to achieve public policy outcomes.
3. Where the Township provides a cost recoverable service that is like services provided by the private sector under competitive market conditions, the Township's user fee should be in line with prices charged in the private sector, unless the user fees do not achieve an appropriate level of cost recovery in which case the service provided by the Township should be reviewed to determine its feasibility. To ensure that competitiveness is maintained, the Township's user fees must be compared annual to the prices charged in the private sector.
4. The fee charged for services can significantly impact demand. In an environment with increasing public demand for services, user fees can be utilized as a



mechanism for allocating scarce resources in an efficient manner. The implementation of full cost recovery generally ensures that the Township is providing a service for which there is a genuine demand that is not overly stimulated by fees that are substantially below cost.

5. Where there are limits set by Township policy objectives or other legislative requirements on the level of cost recovery, pricing shall reflect these limits.

An impact assessment must be conducted to ensure that the value of the benefit provided bears a relation to the user fee associated with the service. The impact assessment should focus on factors such as economic competitiveness and on social factors such as access to Township services by low-income residents.

## **Subsidy**

Notwithstanding the principle that the full cost of user fee services be recovered, certain factors may exist that warrant recovery of less than full cost, or no recovery at all. The amount of the service that is not recovered from user fees would then be subsidized by the Township, principally from property tax revenues.

- Full cost recovery would conflict with Township policy objectives or priorities, or with legislative requirements.
- Consumption of the good or service provides societal benefits more than the value received by those paying for the service. In such cases, the amount of the subsidy should reflect the estimated value of the societal benefit derived from consumption of the service.
- Collecting the user fee is inefficient, not cost effective, or the fee constitutes an insignificant portion of the cost of the applicable service.
- Market conditions preclude setting user fees to recover the full cost of services that are offered in a competitive, open market environment.
- Other conditions exist, based on the extent of societal benefits derived from the general consumption of the service, which justify funding from other revenue sources.

The justification for the level of cost recovery associated with individual user fee services should be clear and explicit. Furthermore, the amount of subsidy shall be well defined and transparent to those providing and monitoring the user fee service.

As new services are introduced or changes to fee structure or cost recovery are recommended, the reason why a particular user fee service should be subsidized, the conditions and criteria will be reported to council prior to the annual update of the Fees and Charges by-law.



## **Full-Service Cost Review**

For services that require 100% cost recovery, the full cost of these services will be updated annually to ensure full cost recovery through user fees.

For services that require less than 100% cost recovery, the full cost of these services shall be updated at least once in a four-year period. Notwithstanding the fact that the full cost of these services will be updated at least once in a four-year period, market-based fees should still be reviewed annually to ensure that market competitiveness is maintained.

## **User Fees Review**

Fees will be updated annual as part of the operating budget process. Fees that require 100% cost recovery will be updated to recover the full cost of providing the service and will be effective on January 1 of each year, subject to Council approval, or the start of the program offering.

Fees that require less than 100% cost recovery will be adjusted for inflationary changes and level or standard of service delivery, and will be effective on January 1 of each year, subject to Council approval, or the start of program offering. Authority is delegated to the appropriate staff member and Treasury department to jointly determine the automatic annual inflationary adjustment to each user fee based on the projected rate of inflation for the upcoming year for the cost of each component of the overall cost of providing the user fee service.

All user fees shall be reviewed at least once in a four-year cycle. The review will re-evaluate the assumptions upon which the user fee is based and the degree to which the User Fee Policy is complied with. The review will be coordinated between the Treasury department and each program Director/Manager and will include the following:

- List of user fees along with primary beneficiaries of the relevant services;
- Full cost of providing each user fee services;
- User fee revenues generated for each service;
- Indication of whether subsidies are to be provided and why along with criteria for waiving the fee in whole or in part, if applicable;
- Service levels and standards established to deliver the service as well as actual performance levels that have been reached, and other relevant performance metrics.

Any changes to the user fees will be incorporated in the rates and fees schedule for Council consideration.



## Categories of User Fees

To facilitate the review of user fees and evaluation of cost recovery rates, user fees are categorized based on the following classification:

- **Market-Based:** Fees in this category are compared annually to rates charged by other service providers for the same or similar services to ensure that market competitiveness is maintained.
- **Province-Legislated:** Fees in this category are legislated by the Province.
- **Township Policy:** Fees in the category are determined by Township policy and recover less than the full cost of providing the services.
- **Full Cost Recovery:** Fees in this category recover the full cost of providing the service.

## Information Required for Introduction of New User Fees

When introducing a new user fee outside the annual operating budget process, a staff report is to be prepared and submitted to Council requesting approval of the fee. The report to Council is to include the following:

- Service and user fee description;
- Primary users of the service for which the user fee relates;
- Full cost of providing the service;
- Proposed fee amount or rate;
- Justification for implementation of the proposed fee;
- Percentage of the full cost that will be recovered from the fee, and if less than full cost will be recovered the reasons for doing so;
- Estimated annual revenue that the fee will generate;
- Public consultation undertaken – when and how. Provide a summary of consultation outcomes; and
- Service levels and standards, and relevant performance measures.

## Notification

User fees will be presented to Council annually as part of the operating budget process for approval and inclusion in the annual operating budget. Notice of this will be provided to the public on the Township's website. Upon Council approval, all user fees will be posted on the Township website.

## Responsibilities

Department heads are accountable for ensuring that user fees for services charged for their programs are properly charged, collected, deposited and in general, are administered in compliance with the principles set out in this policy.



Council must authorize all user fees and charges for all programs prior to implementation of the user fee.

## **Monitoring and Review**

This policy will be reviewed periodically and no less than once every four years.





## Appendix A to User Fee Policy – Decision Matrix Chart

	<b>Who Benefits</b>	<b>Type of Service</b>	<b>Taxes vs Fees Policy Mix</b>	<b>Example of Service</b>
1	Community	Public	100% Taxes	Snow clearing
2	Primarily Community with less Individual Benefit	Public/Individual	Primarily Taxes and Some User Fees	Fire suppression
3	Primarily Individual with less Community Benefit	Public/Individual	Primarily User Fees and Some Taxes	Community Centre
4	Individual	Individual	100% Fees	Building Permits