User Fees:
Moving Forward in Adjala-Tosorontio

Prepared for AMCTO – Municipal Management Diploma

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8/31/2011
EXECUTIVE SUMMARY

Municipal governments are required to operate in a fiscally responsible manner and aim to provide services that are reflective of the needs of the people who live there. The purpose of this report is to look at the current state of user fees in Ontario and to provide guidance for municipal politicians and staff to find their way through the onerous task of figuring out what services should be provided and then establishing appropriate fees for those services.

User fees refer to charges for any good or service that a Municipality provides that is consumed and paid for by individuals. The Province provides the legislative framework for establishing these fees, with specific restrictions on how to determine the price for certain services. It is up to each Municipality to determine which of the services they provide will be paid for by individual residents and what costs those fees will cover.

Prices should be set at a level that is high enough to cover the cost of providing those services, but getting accurate information and applying standard calculations are difficult tasks. Fees tend to be different from one Municipality to the next, and from one service to the next, even though actual costs may not vary.

In the Township of Adjala-Tosorontio, most user fees charges are found in two (2) main By-laws (the Administrative Fees and Planning Fees by-laws). Other charges are buried in other documents like the Canine Control by-law and as budget items such as transfer payments for the use of a library in a neighbouring municipality. Based on a review of several sample User Fees By-laws and an analysis of the existing situation in Adjala-Tosorontio, ten (10) recommendations are provided. They range from completing an inventory of services and by-laws to establishing policies to guide decisions, and from looking at other resources to support the services that are being provided to getting professional assistance in moving forward.

User fees are here to stay. All Municipalities need to start preparing them on a more rational and supportable basis for financial reasons and to ensure that the services residents want can continue to be provided at the local level.
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1.0 SCOPE AND METHODOLOGY

Municipal financing changes over time. In recent history, there has been a reduction in funding transfers from the Province to local governments and a re-alignment of responsibilities for the provision of services with little change to revenue sources. In addition, residents are asking Municipalities to expand the range of public services being provided in order to address local priorities and emerging issues. Given a situation where there is an increase in the demand for local services with no complimentary increase in revenue, Municipalities are being forced to consider increasing revenues, increasing debt or reducing expenditures (which often translates to a reduction of services).

One method of dealing with the age old problems of ‘where will the money come from’ and ‘how do we get the biggest bang for our buck’ is by charging individuals fees for services that are provided publicly. Although current literature relevant specifically to Ontario Municipalities is limited, there seems to be a general consensus that most local governments do not rely on user fees to the extent that they could. There also seems to be consensus that starting to use them (or changing them once they are established) can be a very complicated process.

Through a review of historical practices and current theory surrounding the establishment of user fees, this report will attempt to provide direction for politicians and senior staff of smaller Municipalities on how to move forward with the development of relevant user fees. The first section provides a definition of user fees for the purposes of this report, describes some of the legislation that allows Municipalities to charge those fees, and considers some of the ways that local governments determine what services to charge for and how much to charge for them. The next sections provide a brief analysis of current fees by-laws collected from various Ontario Municipalities, and a more in-depth review of the situation in the Township of Adjala-Tosorontio. The final section provides general recommendations and conclusions related to the establishment of user fees in Ontario.
2.0 A LAYMAN’S REVIEW OF USER FEES

Before you can determine where you want to go and how to get there, you first have to figure out where you are now. The following sections provide background information on what user fees are, where the authority to use them comes from, which services are best suited to the application of user fees, and how to go about calculating them.

2.1 What are User Fees?

Municipal governments in Ontario historically collected income and sales taxes, however, after World War II the Province assumed responsibility for them. Now, Municipal governments have three (3) basic sources of revenue: transfers from senior levels of government; property taxes; and, charges, or user fees, for the services they provide.

In the strictest sense, user fees are “charged by governments for voluntarily purchased and publicly provided goods or services that are closely associated with basic governmental responsibilities.”¹ They are applied to “basic, general services that are important in the day-to-day lives of citizens”² and “are appropriate when the service is primarily a private good, exclusion is possible and fees can be collected efficiently.”³ They are charged for services that provide personal, social, economic and/or environmental benefits that the private sector can’t or won’t produce, and work best when they “provide significant private benefits to identifiable individuals…, it is feasible to exclude non-beneficiaries, and the costs of service are measureable.”⁴

User charges can generally be sorted into two (2) basic categories: service fees (which include licenses, permits, and processing applications) and sales of goods and services (such as water, facility rentals and swimming lessons).

Development Charges, Local Improvement Charges and other special benefit charges will not be discussed to any degree in this report. While they are user fees, most are established under specific pieces of legislation and Municipalities either have staff that is trained and assigned to deal with these them or retain outside assistance with their calculation. Taxes will not be considered either, as they too are established under specific legislative requirements, and they are a general levy with no direct relation between the person making the payments and the services that result.
2.2 What Does the Legislation Say?

Municipalities are the creatures of the Province, established in accordance with provincial legislation. They are required, by law, to balance their budgets and are restricted in how much they can borrow to meet capital requirements. While there is a general lack of authority for Municipalities to charge user fees, where fees can be charged there are often provincially established limitations.\(^5\)

The primary piece of enabling legislation is the Municipal Act. Part XII (Section 391) provides the authority to impose fees and charges for municipal services. Over 60 items a municipality can charge for are specifically listed, including: sewer rates, water rates, admissions to facilities, use of facilities, parking lot rates, signs and advertising, copying of minutes, market vendor fees, use of highways, and drain connections. The Municipal Act (S.392) also requires municipalities to keep a master list of their user fees (to be reviewed annually and available for public scrutiny) and provides policy and procedure considerations for establishing and implementing user fees. Although fees for some of the larger ticket items will not specifically be discussed in this report, the Municipal Act also provides more detailed requirements for the establishing fees for certain services including policing, fire protection, water, and sewer. Specifically, the legislation requires that water and sewer rates be set at a rate sufficient to cover all costs associated with the service (including both operating and capital costs).

The Municipal Act does not, however, define "costs".

In addition, Ontario Regulation 584/06 provides a list of items that Municipalities cannot charge for, including: conducting municipal elections, items covered by school or upper-tier taxes, and the use of municipal roads by utility providers.

The Building Code Act (S. 7) allows fees to be imposed for the direct and indirect costs of reviewing building permit applications and conducting inspections, but does not allow Municipalities to charge more than the “anticipated reasonable costs” to administer and enforce the Ontario Building Code during construction, other than a reserve fund (to offset costs of providing these services in years when building permit activity is low).

Similarly, the Planning Act permits fees to be collected in lieu of parkland dedication when development is being approved (S.42), sets limits to what charges can be imposed
for zoning infractions (S.67), and for the “anticipated cost to the Municipality” for reviewing planning applications (S.69).

Other legislation also regulates what services can be charged for and how the charges are to be determined, including the following Acts: Public Utilities Act, Cemeteries Act and Environmental Assessment Act.

2.3 What is the Rationale for Charging User Fees?

“Arguments in favour of charging user fees have been made from philosophical, political, and economic perspectives. These arguments span issues of fiscal equivalence, accountability, cost recovery and economic efficiency. Conversely, arguments against charging user fees have been made on the basis of concerns with equity, potentially high administrative costs, and political unpopularity.”

Where services are very ‘public’, such as police and fire protection services, where user fees are not typically imposed; others, like water and airport services, are more ‘private’ in nature and the fees associated with the use of those services may resemble what the private sector might charge. This is compounded by municipal services that do not fit neatly into one category or another and exhibit both public and private attributes.

While almost every service or facility that a Municipality makes available for public consumption can be charged for, there are differences across jurisdictions (and sometimes within) that relate to residents’ preferences, demand for public goods, and the cost of providing services. This makes a ‘one size fits all’ list of user fees impossible to create.

There are many reasons for applying user fees, including: promoting economic efficiency, generating revenue, reducing the use of a good or service, expanding the range and/or quality of an existing service, and providing a method to evaluate how much residents value what the public sector is supplying. There are also many obstacles to establishing user fees: political considerations, lack of public consultation, public perceptions related to having to pay for a service that was previously ‘free’, and significant complexities when calculating costs and assigning benefits.

For these reasons, it is important that a general philosophy be established to guide the design of user fees. Criteria need to be set for deciding what services (or parts thereof)
need to be paid for by the individuals benefitting from them, and the extent that operating and capital costs should be recovered. In addition to economic considerations, the principles need to be transparent, clearly articulated, and perceived as fair. Finally, it is important that “local tradition, type of service, tastes and preferences of residents and the desire (or lack thereof) of local politicians and administrators to substitute prices for local taxes” be taken into consideration when establishing user fees.

### 2.4 How Should Services be Priced?

There are three (3) main reasons why individual fees are assessed for services that are being provided: to ensure that appropriate resources are being allocated to the individuals they are intended to service; to ensure that an appropriate amount of the service is being provided; and, to ensure that the service is being provided in the most cost-efficient manner.

Once it has been determined that it is appropriate to charge user fees for a particular service, the next step is to figure out what the appropriate fee for the service is. Pricing is affected by local preferences, political will, professional advice, and economic factors. Charges vary widely from Municipality to Municipality and by type of service, and are often calculated based on past practices and administrative convenience rather than any systematic policy-based criteria.

The next hurdle arises when attempting to determine an actual price for the service. Without going into detail, some of the methods used to determine the appropriate price to charge for a service include: marginal cost, average cost, revenue maximization, full cost recovery, price indexing, fixed percentages, and comparisons to other Municipalities. These rate structures not only vary from one Municipality to another, but also change from one service to another, and with regard to what costs are included in the calculation (such as operating costs, capital costs, opportunity costs, administrative costs, and/or environmental costs). While financial considerations tend to be the dominant factor in setting prices, social and environmental costs should also be part of the equation when establishing fee structures.

It is not enough to impose fees; the correct fees must be charged in order to ensure that the fee results in the intended effect of imposing it. If the resulting fee is too low, some residents may use more than they need because it is a ‘good deal’; too high, and people
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may be discouraged from using it even if they need it. Once the fee is set, it is often difficult to gain consumer acceptance if it needs to be changed.

"Pricing techniques generally depend on tradition, the type of service, the preferences of residents and the desire on the part of local politicians and administrators to substitute prices for property taxes but they rarely reflect marginal costs."³ In practice, it is very difficult to determine the true costs of public services: some costs are not easily allocated to a particular service; not all costs can be easily quantifiable; there may be circumstances where only some of cost components should be included in the pricing.

User fees mean many things to many people. Basically, any service that a Municipality provides that is consumed by its residents can be subject to user fees. The Province provides the legislation to guide Municipalities when they are establishing user fees, with specific restrictions on how to calculate the fee for certain services. In the end, it is up to each Municipality to determine which of the services they provide to their residents will be paid for (at least in part) by user fees, and to determine the extent that the costs of providing those services will be paid for by the individuals who benefit from it or through a general levy.

3.0 A SAMPLING OF CURRENT USER FEE BY-LAWS

The next section will focus on a sample of user fees by-laws obtained from various municipalities in Ontario. User fees by-laws for the City of Barrie, the Corporation of the Township of Duoro-Dummer, and the Corporation of the Township of the Sables-Spanish Rivers will be described in detail (and can be located in Appendix I). Other documents, used for comparison purposes, were obtained from the websites of the following Municipalities: the City of Hamilton, Clearview Township, the Corporation of the Town of Huntsville, the Corporation of the Town of New Tecumseth, and the Township of Essa. While an in-depth study of these by-laws could be the topic for another paper, a brief review and comparison follows.

3.1 City of Barrie

With over 130,000 people and under tremendous pressure to keep growing for at least the next 20 years, the City of Barrie was the largest of the municipalities from which user fees were reviewed. Just over 60 pages long, By-law No. 2011-049 begins with a formal preamble, which cites the legislation it is being passed under, definitions, and a list of schedules. This is followed by series of 13 schedules which provide an ‘item’ and the
current fee for that service or good. The schedules appear to be divided along departmental divisions, as well as by enabling legislation, and include: Corporate Services; Building Services Department (Building Code Administration, By-law Administration/Enforcement); City Clerks’s Office; Engineering Department (Mapping Products, Development Fees, Sewer Works Fees, Water Works Fees); Finance Department; Fire and Emergency Service; Legal Services; Leisure, Transit and Works Department (Transit, Recreational/Facility Rentals, Parking); and, Planning Services. It also includes a short list of amending by-laws that appear to primarily be revisions to the fees associated with some of the schedules. NSF fees were $34.65 (up from $20 in 2004); a license for a neutered dog was $25 (changed from $20 for a renewal and $25 for a new license in 2004); compliance letters were listed as “full cost recovery” (a difference from $120 for a 24 hour turnaround and $60 for 48 hour turnaround in 2004); and a zoning by-law (entire) that was $38 in 2004 is no longer on the list (but is available on the website). They also had sections that dealt with processing condominium applications and 2-unit dwellings, fees for approvals of new works or equipment required by the Ontario Water Resources Act, property development file management fees, and fees for complaint investigations (where the complaint was found to be warranted).

The list of items in the document was extensive and appeared to be comprehensive. There appeared to be some significant changes between the 2004 version and the 2011 version. This is partly attributable to the introduction of a new policy. Titled “Revenues – User fees and service charges”, the City is attempting to increase its reliance on user fees to take some pressure off the tax rate by establishing guiding principles and targets for funding municipal services that benefit defined users. While accountability was one reason for the creation of this policy, the main emphasis appeared to be on financial considerations. Due to the size of the City, it was assumed that the by-law and policy had been prepared by staff, at least some of whom have some level of expertise in the area of establishing user fees.

3.2 Township of Duoro-Dummer

The Township of Duoro-Dummer is a smaller municipality which exhibits the slower growth of a more rural and agricultural Municipality. The preamble for this by-law cites the Municipal Act and establishes an annual increase in fees. While all fees are
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contained within a single schedule, they are listed alphabetically by department. There are 23 categories which include: Building; Dogs; Fire; Library; Line Fences; Photocopies/Faxing; Planning; Public Works (divided into Roads and Landfill); several Arenas; Parks; and, Summer Day Camp. NSF fees were $25; a license for a dog was $10 ($20 after April 30); a certificate of compliance was $50; and a zoning by-law was $85 plus taxes, for a total of $96.05.

Approximately one-half of the schedule was devoted to fees for using public buildings and properties (and the services provided in them). Hourly rates for staff time and set fees for providing real estate agents and lawyers zoning information were also included. The by-law was prepared by municipal staff (without the benefit of extensive training, other than financial backgrounds in the Treasury Department). It was also the only by-law that included an annual fee increase of 3% for each item (based, presumably, on anticipated cost increases).

Discussions with staff indicated that Council is reluctant to increase user fees, and that fees do not always cover the costs of providing the service. They do not have a formal policy in place to guide decisions about what services to charge for or what costs to include, and the items included in the by-law have not changed significantly in the past five (5) years. They try to review the by-law annually, but are more likely to review it if an issue arises. It was recommended that fees only be considered when actual staff time, material costs, and overhead costs can be documented well in advance.

3.3 Township of Sables-Spanish Rivers

Sable-Spanish River is also a smaller municipality, located along the North Channel between Sudbury and Sault Ste. Marie. It exhibits the slow growth (and sometimes declining population) that is common to many communities in rural northern Ontario. Similar to the Barrie by-law, Sables-Spanish River By-law (2005__) sets the stage by citing the Municipal Act as the enabling legislation, and provides a list of the schedules that form part of the by-law. It has ten (10) schedules attached, but they appear to be broken down by type of service: Administrative; Building; Fire Department; Waste Management; Land Use Planning; Arena; Auto Recycling and Salvage, Refreshment Vehicle, Hawkers & Peddlers; Cemeteries; Tax Sales; and, Line Fences. NSF fees were $25; fees for dog licenses were not included; zoning/building compliance letters were $30; and, there was no reference to the purchase price for a zoning by-law. It would
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appear that all of the fees the Municipality charges are in this single document, however, it is unclear as to whether the Township licenses its dogs (possibly in another by-law) or if the cost of enforcement makes licensing inefficient. It is also noted that while there were various charges for services at the arena, it appears that the Fire Hall meeting room was the only other structure that was rented out; this could be the extent of municipal property, or some of the other buildings are maintained by volunteers and residents may use them free of charge. Also of note was a lack of water and sewer rates, although it is likely that the Municipality does not provide any public utilities.

Given that this Municipality is smaller than Barrie, it is assumed that some staff perform more than one function, thus the different breakdown of schedules. It was also assumed that the fees were prepared for Council by staff with little specific training in the establishment of user fees, and with little policy guidance.

The only thing that was constant with the documents was that there was little commonality between one document and the next, with the exception of references to policies or political guidance: only the Barrie documents were prepared based on policies aimed at the establishment of the fees.

Some of the generalizations gleaned from looking through the above noted by-laws, and other similar documents include:

- **Styles**: some were done as formal by-laws while others were more user friendly and published in table format; some cited sections from 3 different provincial acts, others cited none.
- **Topics**: many of the documents had the same basic services (ie. photocopying, building permit fees, and planning fees), but the full list of services for which fees were charged varied greatly.
- **Categories**: all by-laws had sections for administrative, building, and facility rental fees, but those were the only categories in some by-laws, while others had up to 13 separate headings. Similar services were categorized differently, presumably based on the differing departments/personnel responsible for performing the service (ie. zoning compliance letters were found in Administrative, Building, Clerks, or Planning categories, depending on which by-law was being reviewed).
- **Age**: most were current (within the past year or two), although there did not appear to be any specific reference to how often they were reviewed.
- **Prices**: at face value, a comparison of fees was possible for many services (i.e. NSF charges ranged from a low of $10 to a high of $35; dog tags ranged from $0 to $40; building permits had minimum fees for smaller structures, and charged for principal buildings on the basis of square footage or estimated value of construction), but it was difficult to determine how comparative the services actually are (i.e. zoning by-laws sold for between $38 and $100, but it is unclear as to whether each included text only or text and schedules, whether shipping was included, and how long it would take to get a copy; it was unclear what a “compliance letter” consisted of (zoning, building, or both)).

- **Calculations**: none of the documents indicated what information was used to calculate the fees, nor was it noted what costs were included in the calculation (i.e. prices for material costs, operating costs, capital costs, and administrative costs were not noted).

- **Policy Considerations**: as noted at the start of this section, only one of the user fees by-laws that were considered appear to have any associated rationale (for charging for the service or for what costs to include when setting rates).

There were also items, unique to single documents, that hinted of matters beyond fiscal responsibility being taken into consideration when establishing fees. Three (3) examples of the more interesting examples are:

- **Barrie, fees related to Planning applications**: Although the costs for dealing with the City in relation to planning applications are clearly spelled out in the “Planning” Schedule, significant fees for other matters related to completing planning applications were found in other sections as well (including fees to review planning applications found in the Building and Engineering schedules, as well as significant fees in the Legal schedule).

- **Hamilton, Souvenirs**: By-law No. 03-302 notes that pins and flags should be sold ‘at cost’ but that other Hamilton souvenirs and mementos should be sold at ‘varying rates that would include the cost of materials and/or costs related to the purchase and sale of the product’. The reason for the distinction between the type of good and the range of pricing options, however, was not made clear.

- **New Tecumseth, Site Alteration**: The permit fee was $250, with an additional $5000 security. While it is understood that the security would be to ensure that the Municipality would not have to foot the bill should any remedial work be required, it is unclear as to whether this amount is appropriate (in most situations it would more than cover any expenses incurred by the Township, but it might not be enough in others). The impact of these fees, however, gave a clear example of how setting the correct fees is important. Will
the effect of this significant security requirement mean that some people will decide not to alter the grading of their property, or does it mean that more people will bring in fill without coming in for a permit and potentially increasing the Town’s susceptibility to environmental damage? It is unclear as to whether these implications were considered when establishing the fees.

In conclusion, each by-law appeared to geared towards the Council of the day’s philosophy towards which services it should be providing to its residents; the more urban the municipality was, the more extensive the list. And, while no indication was provided relating to what costs were used to calculate the fees, most appeared to be based primarily on financial reasons and geared towards recouping at least some of the costs of providing the services. No explanations were given related to how the municipality selected the services that would be charged to individuals, and which would be paid for through the general tax levy.

4.0  A CASE STUDY OF THE TOWNSHIP OF ADJALA-TOSORONTIO

A copy of the user fees for the Township of Adjala-Tosorontio can be found in Appendix II.

4.1  Background on the Township of Adjala-Tosorontio

The Township of Adjala-Tosorontio is a small rural Municipality in Simcoe County (current population about 11,000). With agriculture being the primary business in the Township, Adjala-Tosorontio prides itself on its large tracts of farmland, wide open spaces, and a sense that the days of good manners and common sense are not completely gone. It has ten (10) historic settlement areas, and is in close proximity to Alliston (which borders on the Township), Barrie, and Orangeville (both within about a one-half hour drive from its geographic centre).

Council has traditionally tried to keep taxes low while providing an ever expanding variety of services to its residents. Given the close proximity to recreational and medical services in nearby municipalities, traditional values that promote helping your neighbours, and a limited tax base, past Councils have chosen to restrict the development of public facilities and services within the Township. There has also been a concern that people will choose to do their business elsewhere if the Township charges too much for its licences and services.
The main services provided relate to parks (playgrounds and baseball diamonds), building and planning applications, and public works services (roads, water, sewer); a portion of the Municipal offices are also available for public use.

Last year, a relatively new Council was elected (only 3 incumbents were returned), resulting in a slight shift in the ideologies around the Council table. As part of recent budget deliberations, staff was asked to try to find new ways to both decrease expenditures and find new revenue sources. User fees provide a revenue source that has not previously been considered in any detail at the Township of Adjala-Tosorontio.

4.2 Status of Current User Fees By-laws

Fees for most services can be found in By-law 05-53 (a by-law to ‘provide for a schedule of administrative service fees) and By-law 06-05 (a by-law to ‘prescribe a tariff of fees for processing applications in respect to planning matters). They follow the standard format of most municipal by-laws. The prices for each service are included within the body of the text. NSF fees were $25; a building and zoning compliance letter was $100; and zoning by-laws are available on the website.

User fees can also be found within other by-laws, such as the Canine Control By-law and the recently adopted Fire By-law, but these are not generally considered to be part of the ‘user fee’ system by staff or Council. Similarly, subsidies can be found in the budget, related to items such as transfers to nearby municipalities for the provisions of library and recreational services, and water and sewer rates. Development charges also contain items related to the provision of services in the future.

The types of services that are charged for, and the prices that are set, have been primarily based on past practices with some investigation into the fees that other similar and nearby municipalities have charged. Little information exists related to how much time staff spends on certain services, the material costs to provide the service, or anticipated future capital costs; it is unclear how many of the fees actually recover the cost to provide the service. It is also important to note that staff do not have any specific training related to the establishment of user fees, although there is a great wealth of knowledge regarding what residents in the Township prefer and how to provide them in a cost-effective manner. There is also support from staff to maintain fiscally responsible programs, and there is little resistance to new ideas.
4.3 Analysis

While user fees have been in existence at the local level for many years, the Township has never completed an in-depth review or analysis to determine what services it should provide, what items individuals should be charged for or what appropriate fees would be. The "primary issue at the local level is not the idea of user-charge financing, as such, but rather the structure and level of prices to be charged," and the Township of Adjala-Tosorontio faces several challenges in moving forward: a small population that cannot be expected to fund the costs of services that may be available in larger towns and cities; limited property assessments which translate into a limited budget; heavy workloads that translate into staff filling many positions and few staff that specialize in areas like law and engineering. Add to this an 'old school' philosophy shared by Council and staff that says you take care of your own, public services are not businesses, and people aren't numbers.

These issues are compounded by limited historical data and inadequate information being available in a usable format, which make accurate determinations of cost almost impossible.

Past practice has determined which services are most likely to be subject to user fees, although economic realities indicate a need to determine whether the standards of days gone by can be improved in the future.

4.4 Recommendations

In order to decide which services should be charged for, and what the charges should be, the following is recommended for the Township of Adjala-Tosorontio:

1. **Complete an inventory of existing services** – Determine all of the services that Township is providing, to identify gaps where the Municipality is not currently providing services.

2. **Complete an inventory of existing by-laws** – As user fees are hidden within several by-laws and embedded in budget items, a review of all Municipal by-laws should be completed. A determination should be made as to whether the services are currently funded from the general tax levy, user fees, or both.

3. **Create a comprehensive by-law** – Particularly for transparency and ease of use, it is recommended that all fees charged by the Municipality be put into a single
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document. A separate schedule could be created for each department (or other appropriate service division) so that the entire by-law does not need to be re-considered and/or repealed every time a fee is changed.

4. **Determine a policy framework for public services and fees** – Adjala-Tosorontio needs a policy framework to determine which services the Township should be providing and within which pricing decisions can be made. Per capita expenditures for certain services may be higher and user fees may not succeed in full-cost recovery, but it is important to know which services should have fees that more closely cover costs than others. Relating fees to goals and objectives of the Municipality could form part of the new Strategic Plan that the Township is considering, or could be dealt with on its own. Staff and Council should be reminded that if services benefit identifiable individuals, user fees should to be charged to cover the costs of that service or the general population will be picking up the tab through property assessments. It should also be kept in mind that “public programs and activities that are largely self-supported by user charges are less likely to suffer the inevitable budget cuts and reductions in services that occur during periods of fiscal austerity.”

5. **Ensure consistent methods are used to determine cost** - At the very least, a single method of calculating costs for all departments needs to be established. One study recommended tracking all expenses for each of the services provided for one year, then reporting back to Council to determine which fees should be based on full-cost recovery and which ones should be recovered on a different basis.

6. **Consider obtaining outside help** – Staff are experts in implementing legislation and providing services, but do not fare as well with cost calculations or with finding the time needed to complete these additional duties. Firms specializing in this field could be used to complete a thorough review and/or to create baseline fee structures that could be updated by staff for future updates.

7. **Start public consultation early** – Like any other public decision, public consultation should take place before any new fees are established (maybe even before the decision is made as to whether a fee should be charged or not). Residents are both customers and shareholders and deserve to understand the reasons behind the fees charged for various services.

8. **Be cautious when setting prices** – Perhaps the easiest way to set prices is to make comparisons to other nearby municipalities, however, there is no way of
knowing whether their fees are correct, mirror local preferences, or account for different levels of service (ie. length of time to have a building permit issued or a simple/non-controversial planning application processed). If data is not available to prepare a detailed analysis, other methods (such as per capital costing or establishing fees as a percentage of a larger budget) could be considered.

9. **Look at other methods of providing and/or funding services:** In addition to establishing effective user fees, other methods of supporting public services should be considered: increasing the use of volunteers; changing service levels (such as mowing lawns once a week, with a specific user charge for higher levels of service); exploring the potential for public/private partnerships and inter-governmental agreements (and re-evaluating the ones that are currently in place).

10. **Monitoring the results** - Once a ‘new and improved’ fee structure is established, it is important to monitor both the use of the service and the actual costs to provide it. If what was hoped to be accomplished is not being done, changes may necessary to ensure the vitality of the community is maintained.

For the Township of Adjala-Tosorontio, a ‘back to basics’ approach appears to be in order. Councils has attempted to ensure general tax levies and fees imposed on individuals using specific services provided by the municipality remain low, however, the time has come to do a thorough review of the effects of these well meaning, but not necessarily fiscally or socially balanced, policies. If only a few of the recommendations noted above are carried through, the results will be a more consistent approach to service delivery, a higher rate of cost recovery and a more effective and accountable government.

### 5.0 CONCLUSIONS

In Ontario, more services are being funded and delivered at the local level than ever before. This can be a good thing as “municipalities are in the best position to determine local priorities and to make decisions about what services to provide, how much to provide, and how to pay for them.” User charges (fees for goods and services that benefit an individual rather than the community as a whole) can and should be used in the public sector. Figuring out what to charge and how much to charge for a public service is a very complex but necessary task; it is important to reduce pressures on the general tax levy by finding alternate revenue sources for services that are more appropriately financed in other ways.
At the start of this project, a brilliant, easy to apply model was believed to be just around the corner. There does not, however, appear to be an easy fix or ‘one size fits all’ solution for dealing with who and what to charge for the many services local governments provide. The approach to establishing fees is seldom uniform and often not rational. In hindsight, any one of the above sections could have been the subject of a much more in-depth report than this one.

The Province provides the legal basis for local government to charge fees for certain services. As is the case with many other pieces of provincial legislation, the intent may be good, but implementation and enforcement of the rules at the local level is often difficult, and is inconsistent at best. While local Municipalities don't want the Province checking their piggy banks any more than is necessary, additional guidance (such as best practices or clearer guidelines) at a Provincial level may be warranted. This will not just protect the general population from 'greedy politicians', but will ensure that Municipalities have the resources (finances, training) to ensure that user fees are being applied in the best way. This will further ensure that the people of Ontario are being served well by their local governments.

One of the key findings of this research is that even those who appear to be doing a good job of setting fees rarely make decisions based on established policies. There is a need to expand strategic planning exercises to determine which services a Municipality wants to provide, as well as to determine who will benefit (individuals or general public), who will pay, and what the anticipated results of providing the service are.

Many decisions are based on past practices. Local knowledge, political will and citizen demands all influence what services are provided and at what price. While this is not necessarily wrong, those who start with an empirical/professional base and then add the local flavor will have a greater chance of success. It is important to be able to see a direct link between revenues and expenditures, and between the degree of benefit and the level of subsidy. This, in turn, will provide stronger, more transparent, and more accountable governments.

There are some basic decisions that need to be made when establishing or changing user fees. First, it should be determined if this is a service that the Municipality should be providing. Can it be done privately? Is someone else already providing it? If it is determined to be a local government role, the next question should be: does everyone benefit from it or are certain individuals going to benefit more? If the answer is yes to the first scenario (ie. roads, fire protection) then funding should generally come from property tax levies; if the benefits are
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attributable primarily to individuals, then user fees would probably be more appropriate. Considerations when establishing user fees include financial efficiencies, minimizing administrative and compliance costs, and political accountability. Finally, you must have staff resources (or be prepared to supplement them) and the political will to create a user fee system that is based on sound financial analysis, consistent methods of calculating fees, and policies by which to measure their success.
CITATIONS


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