



POLICY FS-26: User Fee Policy

Financial Services Division

Approval Date: December 16, 2014
Approval Authority: Council Resolution 38, By-Law 2014-137
Effective Date: January 1, 2015
Revision Date/s:

Purpose

The purpose of this policy is to provide Council and staff with a framework for decisions related to the pricing of user fees and to ensure a consistent approach for establishing user fees across the County.

This Policy is designed to establish a rationale for the user fee process and to improve consistency, transparency, efficiency and accountability in establishing, maintaining and managing user fees.

This Policy promotes full cost recovery where possible and sets out the parameters for the on-going review of user fees to ensure that they are adjusted to reflect changes in the cost of delivering services and changes in service levels.

Policy Statement

User fees will be set to recover the full cost of providing services, except where Norfolk County Council has approved a subsidy or exemptions; where services are based on competition in the open markets; or where fee amounts are legislated by the Province.

Application

This policy applies to all County programs and Local Boards.

Definitions

In this Policy, the following terms have the following meaning:

Full Cost Recovery is setting a price for a good or service such that revenues generated are sufficient to fund all costs related to the production of the good or provision of the service. Full cost incorporates direct and indirect operating costs, including the cost of operations and maintenance, overhead and charges for the use of capital assets used to provide the service.

Overhead costs include payroll processing, accounting services, computer usage and other administrative services.

Capital costs include items such as finance charges and amortization.

Market Price/Value is 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 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 County.

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 County, principally from property tax revenues.

User Fees 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 County owned resources (including property) or areas of activity.

Authority

The legislative authority and ability to establish fees and charges is set out in the *Municipal Act* (the Act) under Part 12 and related regulations. The provision under this section provides the authorization for Council to pass a by-law to impose fees or charges on persons as follows:

- a) for services or activities provided or done by or on behalf of it;
- b) for costs payable by it for services or activities provided or done by or on behalf of any other municipality or any local board; and
- c) for the use of its property including property under its control.

The costs included in some fees or charges may include costs incurred by the municipality or local board related to administration, processing and enforcement, as well as the establishment, acquisition and replacement of capital assets (including any deferred benefit attributed thereon).

There are very few limitations/restrictions on fees and charges under the Act or related Regulations. There is also no requirement to consult the public prior to imposing such fees (with exception of Building Permit Fees which requires a public meeting). The County's Public Notice Policy provides that specific notice to the public be provided by public notice on the County's website at least 14 days prior to passing a by-law imposing fees and charges (although there is no legislative requirement to do so). There is no other outside approval required. As a result, the legislative authority is very broad with respect to Council's authority to establish fees and charges.

Council must authorize all user fees and changes to existing fees for all County programs.

General Managers 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.

Fee Classifications:

The County's user fees are classified into the following three broad categories:

1. **Market Based:** Fees in this category are compared to rates charged by other service providers to ensure the market competitiveness is maintained.
2. **Legislated:** Fees in this category are legislated by the Province
3. **Full Cost Recovery:** Fees in this category as determined by Council recover less than the full cost of providing the services and results in a subsidy being provided to the user of the service.

Principles:

The following principles are used to govern the County's user fees:

1. When to Charge User Fees:

Where it is determined that a service or activity provided by the County or Local Board confers a direct benefit on individuals, identifiable groups or business, a user fee will be set to recover the cost of providing the service.

If the charge is of a direct benefit to an individual only, the fee determined will cover the full cost of the service. When the service provided provides a benefit to both the individual user and to the community as a whole, the fee will be subsidized by other revenue sources (e.g. taxation). When a service benefits the community as a whole, it will be funded by direct taxation revenues.

2. Full Cost Accounting:

The full cost of providing each User Fee Service will be determined as a starting point for setting each user fee, regardless of whether the full cost will be recovered. The full cost of providing the User Fee Service will be reviewed annually to confirm that it continues to be accurate. The full cost of each User Fee shall include the direct costs and indirect costs as outlined in the County's **Schedule A Template**. This template is updated annually once the budget is approved. Divisional staff are encouraged to contact their Financial Analyst for assistance in calculating any user fees to ensure that all applicable costs are captured appropriately.

3. HST:

Based on Canada Revenue regulations, Financial Services will determine if fees are subject to HST or whether that are exempt from HST. The schedule of User Fees will provide the fees as approved by Council and will indicate which fees are exempt from HST. If the fee is not indicated as being exempt from HST, HST will need to be added to the approved fee.

4. Subsidy:

Where less than the full cost of providing a user fee service is to be collected, the cost of providing the service is to be subsidized by other revenues. The reasons why a subsidy should be provided for a particular User Fee Service will be detailed in a report to Council which seeks authorization for the subsidy and level of subsidy.

5. Grants, Waivers and Exemptions

Grants, waivers and exemptions to the User Fee Policy may only be awarded if approved by Council, unless Council has delegated such authority elsewhere.

6. Annual Inflationary Adjustment

Prior to the beginning of the upcoming fiscal year, Financial Services staff will coordinate and prepare an annual update to the current approved user fees, to be effective January 1st unless otherwise noted in the User Fee Schedules. The annual inflationary increase is to be determined by a thorough analysis of the prior years' budget drivers and the projected rate of inflation for the upcoming year.

Establishing an annual inflationary adjustment to gradually increase fees over time and keep fees current is considered a good municipal practice as opposed to increasing fees suddenly.

7. User Fee Review

Once initial fees are established, they will be adjusted annually to incorporate the inflationary adjustment mentioned above.

A comprehensive review of fees will be reviewed every three years at a minimum in order to confirm their adequacy to recover the full cost of the associated User Fee. This does not preclude user divisions to initiate a review of fees prior to the three years.

8. All Fees Approved by Council

User fees for all programs and services will be approved by Council before implementation. User fees charged by Local Boards will require Board approval and also approval by Council.

The level of subsidy for any user fees that do not recover the full cost of providing the service will also be approved by Council.

9. Policy Review

This policy will be reviewed annually in conjunction with the user fee update, or at any time there is any significant change in the application of the underlying principles contained herein.

ATTACHMENTS:

[User Fee Calculator – Schedule A](#)

**SCHEDULE A
FEES AND CHARGES ESTIMATE FORMULA
2026**

Service/Activity to be calculated:

Revenue Account #

Description of Service/Activity:

Input required in yellow cells only.

The only items requiring input on this tab are those highlighted in yellow. This sheet is a summary tab of all of the input completed on the subsequent tabs and is used to calculate the final costs for the fee to be charged. There are hyperlinks in the title of each section below which will bring you directly to the tab where the input is required.

Please insert the name of the user fee under **Service/Activity to be calculated and Revenue Account #** along with a description of the fee under **Description of Service/Activity**.

Include **Supply costs** if specific to service being provided. (Not a part of administration supplies)

If the fee is to be offset by a revenue source (i.e. Subsidized by levy, grant funding, etc), enter the percentage or the dollar value of the reduction under **Ancillary Revenues** on this tab.

Once all information has been input, the total fee will be calculated in cell **G59**. If you plan on adjusting the fee (i.e. Rounding, or changing for any other purpose), please input the adjust amount, or duplicate the amount in **Finally**, please select from the drop down beside **Applicable Taxes**. If you are unsure what applies here, please contact your Financial Services Advisor for assistance.

COSTS:	DESCRIPTION OF COSTS/SERVICES:	HOURS/UNITS:	ESTIMATED COSTS:
DIRECT COSTS:			
WAGES & BENEFITS:			
Staffing Costs:	Hours x Hourly Rate	0.00	\$0.00
Staffing Benefit Costs:	County Average Benefit Percentage	45%	\$0.00
Supervisor Costs:	Hours x Hourly Rate	0.00	\$0.00
Supervisor Benefit Costs:	County Average Benefit Percentage	45%	\$0.00
VEHICLE COSTS:			
	Vehicles Used:	Vehicle Rate/hr	Operating Hours:
	SELECT	\$0.00	0.00
	SELECT	\$0.00	0.00
	SELECT	\$0.00	0.00
	SELECT	\$0.00	0.00
	SELECT	\$0.00	0.00
	SELECT	\$0.00	0.00
SUPPLY COSTS:			
	Supplies Used:	Cost Per Unit:	Units:
			\$0.00
			\$0.00
			\$0.00
			\$0.00
			\$0.00
			\$0.00
			\$0.00
			\$0.00
ADMINISTRATIVE COSTS:			
Inspection Costs:	Number of Staff x Hours x Hourly Rate	0.00	\$0.00
Benefits:	County Average Benefit Percentage	45%	\$0.00
Photocopying	Cost of Photocopying & Paper		\$0.00
Mailing	Cost for Regular Mail		\$0.00
Filing	Copying & Filing Internal Copies		\$0.00
OTHER COSTS:			
	Description:	Cost Per Unit:	Units:
		\$0.00	0
		\$0.00	0
		\$0.00	0
TOTAL DIRECT COSTS:			\$0.00
INDIRECT COSTS:			
Department Overhead Allocation	Allocation to Department of Allocation (%)		\$0.00
County General Admin Overhead	Council, CAO, Finance, Clerk's & General Overhead (%)		\$0.00
TOTAL INDIRECT COSTS:			\$0.00
TOTAL COSTS:			\$0.00
BACKUP DOCUMENTATION			
Less: Ancillary Revenues:	Grants & Offsetting Revenues	Percentage:	\$0.00
		\$ Amount:	\$0.00
CALCULATED USER FEE			\$0.00
Per Unit Breakdown	Volume of Users/Annual Number etc.	1	USER FEE PER UNIT
			\$0.00
ADJUSTED USER FEE APPROVED BY COUNCIL			

Applicable Taxes

SELECT

1

Final User Fee Including Taxes

\$0.00

Comments: