

Edmonton's Financial Sustainability Plan: The Way We Finance - User Fees White Paper

Recommendation:

That Executive Committee recommend to City Council:

That *The Way We Finance* White Paper on User Fees, as set out in the April 12, 2016, Financial and Corporate Services report CR_3437, be received for information.

Report Summary

This report presents the next *The Way We Finance* White Paper on User Fees for feedback from the public.

Report

Edmonton's Financial Sustainability Plan: *The Way We Finance* is the City of Edmonton's plan that speaks to City Council's ten year strategic goal to ensure Edmonton's financial sustainability. The City has been preparing a series of white papers on a number of municipal financial topics that will inform the recommendations for development of financial policies and strategies that will be presented in Edmonton's Financial Sustainability Plan: *The Way We Finance*. The topics are:

- Investments (presented to Executive Committee on September 30, 2014)
- Franchise Fees (presented to Executive Committee on September 30, 2014)
- Debt (presented to Executive Committee on November 12, 2014)
- User Fees (to be presented to Executive Committee on April 12, 2016)
- Property Assessment and Taxation (to be presented to Executive Committee on May 10, 2016)

As of the date of writing this report, all the white papers are published online at www.edmonton.ca/thewaywefinance.

User Fees White Paper Context

Edmontonians look to their City government to provide a wide variety of programs, services and infrastructure. These are typically paid for through tax-supported revenue. However, the costs of certain City services are also partially recovered through user fees - which are payments made by the direct users of the service. While utility rates are considered a form of user fees, they are not in the scope of this White Paper. Utility Rates are set through their own system that includes a rigorous development, review and approval process.

For many of the services offered by the City, there is no comparable service available in the marketplace, such as fire rescue services, policing, transit, outdoor pools, etc. The aim of these services is to enhance the overall public good. However, for some City services there is also a private benefit received by the direct users of the service. In such instances, user fees can be an appropriate tool to recover costs in relation to these private benefits. It is important to consider how user fees play a role in equitably distributing service costs between individual users and society at large, limit property tax increases, enable freedom of choice for citizens, more efficiently allocate government dollars, and regulate demand for services.

A comprehensive external review of Edmonton Transit, in 2013, identified that the lack of a corporate policy has contributed to an uncoordinated approach to setting user fees and subsidies. The white paper suggests six principles that are intended to guide the development of a corporate user fees and subsidies policy:

1. **Benefits Principle:** Those who receive benefits from City services, whether an individual or society at large, are the ones who should pay for those services in an amount proportionate to the private and/or public benefit derived.
2. **Full-Costing Principle:** The full cost of service delivery is well understood prior to setting user fee or subsidy rates.
3. **Service Efficiency Principle:** Prices are set to ensure optimal service delivery and government efficiency.
4. **Targeted Subsidy Principle:** Targeted subsidies are levied with the purpose of achieving a desired result that supports the City's goals and objectives.
5. **Transparency Principle:** User fees and subsidies are transparently reported for all City services.
6. **Public Engagement Principle:** The public will have opportunities to engage with the City, and to provide input on a corporate user fees and subsidies policy.

These six principles are being suggested to initiate the discussion with City Council on shaping the City's corporate user fees and subsidies policy.

Feedback for the User Fees white paper has been gathered in the following ways:

1. Online

The User Fees white paper and discussion questions have been posted to our website www.edmonton.ca/thewaywefinance. Stakeholders and citizens were contacted via various media (emails, public service announcements, and social media platforms) to provide responses to the discussion questions by mid-May 2016.

2. Non-Statutory Public Hearing

A number of non-statutory public hearings were scheduled over the course of the development of the white papers. Invitations were sent to stakeholders and citizens to attend the following non-statutory public hearings at Executive Committee:

- Tuesday, September 30, 2014, for the white papers, Investments and Franchise Fees
- Wednesday, November 12, 2014, for the white paper, Debt
- April 12, 2016, for the white paper, User Fees
- May 10, 2016, for the white paper, Property Assessment and Taxation

The purpose of the non-statutory public hearings is to provide an opportunity for citizens and stakeholders to provide feedback directly to Executive Committee and to supplement the feedback received online.

All the feedback gathered from the public will be reviewed as Edmonton's Financial Sustainability Plan: *The Way We Finance* is finalized and a summary of the feedback will be included. It is expected that this plan will be presented to Executive Committee for formal consideration in the third quarter of 2016.

Attachment

1. User Fees White Paper

Others Reviewing this Report

- D. Wandzura, General Manager, City Operations
- R. Smyth, Acting General Manager, Citizen Services
- R. G. Klassen, General Manager, Sustainable Development
- A. Laughlin, General Manager, Integrated Infrastructure Services