

Policy

Title: Subsidy Levels and User Fees for Public Services Policy		Number: 0160
Reference: Administrative Committee November 30, 2016	Adopted by City Council: December 5, 2016	Supersedes:
Prepared by: PUBLIC SERVICES DIVISION		

STATEMENT

This Policy provides the mechanism for effectively allocating public funds (subsidy) for Public Services and facilities. It will further provide a consistent approach to setting User Fees and to ensure a reasonable and equitable proportion of the costs to deliver Public Services are recovered through User Fees, to meet the established subsidy levels.

PRINCIPLES

1. The City acknowledges that individuals or groups who specifically benefit from a particular Public Service should pay for that good or service.
2. The City acknowledges that when a Public Service benefits a broader community, or society as a whole, then all residents should pay, to some degree, for such benefit.
3. The City is responsible to determine, from time to time, the appropriate subsidy levels for Public Services provided to residents.
4. The City endorses the Pyramid Model and associated processes as the reasonable, objective mechanism to establish appropriate subsidy levels for Public Services.
5. The City acknowledges that Public Services User Fees are a reasonable mechanism for recovering the costs of providing Public Services, aligned to established subsidy levels.
6. The City shall determine that User Fees are allocated to the sustainability of the Public Service for which the User Fee is obtained.
7. The City endeavors to establish Public Services User Fees that reflect a balance of remaining competitive with non-municipal providers of similar services while not detracting from providers of similar services.
8. The City acknowledges that a range of Public Services will be available to all residents and that Medicine Hat residents shall not be unreasonably excluded from accessing this range of Public Services because of an inability to pay. A Public Services Fair Entry Policy, specific to this principle, will serve to complement this Policy.
9. Public Services that are under formal contract with the City are deemed outside the scope of this Policy.

This policy is subject to any specific provision of *The Municipal Government Act* or other relevant legislation or union agreement.

Policy #0160 – Subsidy Levels and User Fees for Public Services Policy		PROCEDURE
Authority:	Effective Date: December 5, 2016	Page 2 of 6

ROLE OF COUNCIL

To receive, review and adopt this Policy and any recommended amendments thereto.

1. DEFINITIONS

- 1.01 Categories of Service: The outcome of grouping Public Services of similar nature into a condensed number of portfolios.
- 1.02 Full Cost: Includes all direct (fixed costs, changing fixed costs, variable costs) and indirect costs (traditionally called overhead costs) to any part of the City's provision of the service.
- 1.03 Public Services: Those municipally provided services under the Public Services Division where User Fee recovery of costs to provide the Public Services is deemed appropriate.
- 1.04 Pyramid Model (adapted from GreenPlay LLC, 2013): A guideline and processes for City Council to reasonably and objectively establish the percentage level of subsidy for particular categories of Public Services. The Pyramid Model helps differentiate between the degree of benefit to the community as a whole and the benefit to the individual, regarding Public Services (see Attachment 4.01). Secondary filter questions are used to further guide the final determination of subsidy levels for the Categories of Service.
- 1.05 Subsidy Levels: The percentage level that particular Categories of Service be subsidized, as determined by City Council.
- 1.06 User Fees: Payments made by an individual(s) benefitting from a Public Service which are collected to recuperate the cost of providing the Public Service. User Fees are allocated to the sustainability of the Public Service being provided.

2. RESPONSIBILITIES

- 2.01 City Council
 - (a) Determine, from time to time, the subsidy levels for Public Services per the mechanism described in this Policy.
- 2.02 Administrative Committee
 - (a) Ensure that procedural obligations under this Policy are administered appropriately.

This policy is subject to any specific provision of *The Municipal Government Act* or other relevant legislation or union agreement.

Policy #0160 – Subsidy Levels and User Fees for Public Services Policy		PROCEDURE
Authority:	Effective Date: December 5, 2016	Page 3 of 6

- (b) Receive and review periodic (each budget cycle) Policy evaluation data and recommended amendments.
- (c) Make recommendations to City Council regarding any amendments to this Policy.
- (d) Adopt Procedures that are developed for the implementation of this Policy.

2.03 Chief Administrative Officer

- (a) Ensure that the Policy and Procedures are administered appropriately by the Public Services Division.

2.04 Public Services Commissioner

- (a) Ensure that the Departments within the Public Services Division, in concert with the Finance Department, complete the User Fee calculations in accordance with the Policy and Procedures.

2.05 General Manager of Finance

- (a) Ensure that the Full Cost of operating Public Services programs and/or facilities is calculated and available to Public Services Division Departments.

2.06 General Managers – Public Services Division

- (a) Appropriately manage the established subsidy levels within the overall Department budget stewardship context, considering User Fees and other sources of revenue to offset expenditures.
- (b) Ensure that User Fees relative to their respective Departments are calculated based upon Full Cost of operating each Category of Service and the established subsidy level.
- (c) Notify Commissioner of Public Services of any subsequent recommendations in relation to the Policy and/or Procedures.
- (d) Monitor and evaluate the Policy and/or Procedures and its implementation yearly; forward recommendations to the Administrative Committee.

2.07 General Managers – Other Divisions

- (a) Assess and determine the applicable employment of this Policy and Procedures.
- (b) Delegate the applicable employment of this Policy and Procedures to appropriate personnel.

This policy is subject to any specific provision of *The Municipal Government Act* or other relevant legislation or union agreement.

Policy #0160 – Subsidy Levels and User Fees for Public Services Policy		PROCEDURE
Authority:	Effective Date: December 5, 2016	Page 4 of 6

- (c) Ensure that personnel are educated regarding the Policy and Procedures.
- (d) Determine that personnel are aware of their responsibility in relation to the Policy and Procedures.

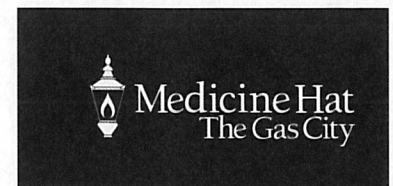
2.08 Authorized Personnel

- (a) Adhere to all Policies and Procedures regarding User Fees.
- (b) Seek direction related to implementation of the Policy and Procedures.
- (c) Conduct evaluations of the Policy and Procedures as directed by Senior Management.
- (d) Notify Senior Management of any recommendations arising in relation to the Policy and Procedures.

3. PROCEDURES

- 3.01 Subsidy Levels Established: Administrative Committee will apply the Pyramid Model, and related processes, with Council to establish approved subsidy levels for the Categories of Service. Applying the same Pyramid Model, recommendations regarding subsidy levels may be received by City Council from a representative group of Public Services Division Advisory Boards and also a senior City administration team.
- 3.02 User Fees Established: Public Services Division will incorporate the established subsidy levels into the City budget process, and User Fees will be determined based upon the calculation of Full Cost and established Categories of Service subsidy levels. Market comparisons and pricing considerations will be factored into the specific User Fees.
- 3.03 Substantial Change in Subsidy Levels: Whenever a particular subsidy level will decrease by greater than 20 percent of the current subsidy level, City Administration will develop a phase-in plan to achieve the new subsidy level, and corresponding User Fees, over a reasonable period of time.
- 3.04 User Fees Reporting: Public Services Division shall provide City Council with a report of the established User Fees, prior to release of this information to the general public.
- 3.05 Notice to Public: Once the Public Services User Fees are established, the public/user groups will receive 60 days' notice prior to implementation.

This policy is subject to any specific provision of *The Municipal Government Act* or other relevant legislation or union agreement.



Policy #0160 – Subsidy Levels and User Fees for Public Services Policy		PROCEDURE
Authority:	Effective Date: December 5, 2016	Page 5 of 6

- 3.06 Fairness: The Pyramid Model provides a reasonable, objective mechanism for establishing appropriate subsidy levels for Public Services generally. Through a separate Policy (Public Services Fair Entry Policy 0161), those residents who demonstrate an inability to pay the established Public Services User Fees may be subsidized to a greater extent.
- 3.07 Other Revenue and Support: The Public Services Division will continue to investigate potential new sources of revenue (e.g. grants, partnerships and new programs) and support appropriate funding efforts of groups and organizations to help offset the costs to the municipality in providing services and operating facilities.
- 3.08 Surcharges: The City may impose a surcharge on persons or groups who do not pay business or property taxes to the City of Medicine Hat (non-residents).
- 3.09 Waiver or Unplanned Reduction of User Fees: As determined by the CAO from time to time, the City may waive, reduce and/or alter User Fees for Public Services for promotional purposes and/or to establish User Fees for experimental services on an as required basis.
- 3.10 Reporting – Public Services Division will provide an annual evaluation of the Policy and Procedures implementation and impact to the CAO.

4. ATTACHMENTS

- 4.01 Pyramid Model Diagram

This policy is subject to any specific provision of *The Municipal Government Act* or other relevant legislation or union agreement.

Pyramid Model



Adapted from Greenplay LLC, 2015

13

This policy is subject to any specific provision of *The Municipal Government Act* or other relevant legislation or union agreement.