

APPENDIX A

City of Toronto User Fee Policy

Definitions

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

Full Service Cost include direct and indirect costs, including the costs of operations and maintenance, overhead, and charges for the use of capital assets used to provide the service.

Local Boards include City boards, the Toronto Transit Commission, the Toronto Public Library Board, the Toronto Board of Health, the Toronto Police Services Board, and any other board, commission, committee, body or local authority established or exercising any power under any Act with respect to the affairs or purposes of the City, and any body prescribed for the purposes of section 258 of the *City of Toronto Act*, 2006, and excludes school boards, hospital boards, and conservation authorities.

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 City.

Pricing Methodology means 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 City, 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 City-owned resources (including property) or areas of activity.

Purpose

The purpose of this Policy is to provide a framework to ensure a consistent approach for establishing user fees across City Programs and Local Boards. This Policy is designed to improve consistency, transparency, efficiency and accountability in establishing and managing user fees. This policy promotes recovery of the full cost of services for which user fees are charged, to the extent that there is no conflict with the City's policy objectives and priorities. Furthermore, the Policy requires ongoing review of user fees to ensure that they are adjusted to reflect changes in the cost of delivering services, changes in service levels, as well as the continued relevance of policy objectives and actual outcomes.

Policy Statement

City Programs and Local Boards will collect user fees to recover the full cost of services where it is determined that a service, product or the use of City facilities or resources provide direct benefits to identifiable individuals, groups of individuals or businesses, beyond those that accrue to the general public.

A direct benefit is deemed to accrue and a user fee will be considered when a service, product or use of City 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 City Council has approved a subsidy or exemptions; 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.

Application

This Policy applies to all City Programs and Local Boards.

Authority

With the exception of certain market based fees charged by Local Boards, City Council must authorize all user fees and changes to existing user fees for all City Programs and for all Local Board (with the exception of the Toronto Transit Commission) in respect of user fees being charged for services being provided to the general public prior to implementation of the user fees.

Division Heads are accountable for ensuring that user fees for services charged by their Program or Local Board are properly charged, collected, deposited and in general, are administered in compliance with the principles set out in this Policy.

Principles

The following principles will govern the City's user fees:

1. When to Charge User Fees:

Where it is determined that a service or activity provided by the City or Local Board confers a direct benefit on individuals, identifiable groups or businesses, a user fee will

be set to recover the cost of providing the service [a "User Fee Service"]. Ordinarily, User Fee Services will be funded fully through the user fee charged for the service.

Where it is determined that a service or activity provided by the City or Local Board confers a direct benefit to individuals, identifiable groups or businesses but also results in benefits to the general public (positive externalities) that service or activity will be partially funded by other revenue sources by way of a subsidy (see Principle 4 below). Services that benefit the general public will be funded by property tax revenues.

2. Full Service Costs:

The full cost of providing each User Fee Service will be determined as the starting point for setting the 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.

3. Calculation of Full Service Costs:

The full cost of each User Fee Service shall include the direct costs and the indirect costs, including operations, maintenance and overhead, of providing the service or activity; and the capital cost for the replacement of assets utilized to provide the service or activity.

4. Subsidy:

Where less than the full cost of providing a User Fee Service is to be collected, the cost of providing the User Fee Service has been subsidized by other revenue. The reasons why a subsidy should be provided for a particular User Fee Service will be detailed in a report to City Council which seeks authorization for the subsidy and level of subsidy. The report will include conditions and criteria for awarding subsidies.

5. Waivers and Exemptions:

User fees may be waived, in whole or in part, for groups of individuals or businesses based on criteria such as ability to pay, City policy or other criteria. The report recommending the user fee and the by-law establishing it will include the criteria for providing waivers or exemptions from the user fee, and where appropriate, may include a delegation to the appropriate official to waive or rebate on a case-by-case basis in accordance with the criteria set out in the report.

6. Automatic Annual Inflationary Adjustment:

Automatic annual inflationary adjustments to user fees, which have been approved by City Council, will be effective on January 1 of each year. Authority is delegated to the Deputy City Manager and Chief Financial Officer to annually determine the automatic annual inflationary adjustment to each such 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 for which the user fee is charged. The projected rate of inflation for each component cost will be set out in the City's annual Budget Instructions and Guidelines which will be posted on the City's website prior to January 1st of the year to which such rates will apply. The new amount of the user fee rates after the automatic annual inflationary adjustment has been made will be added to Chapter 441 of the City's Municipal Code as early in the year as possible.

7. User Fee Review:

User fees will be reviewed annually as part of the operating budget process in order to confirm their adequacy to recover the full cost of the associated User Fee Service and where required, to recommend appropriate adjustments through the budget process.

A comprehensive review of all user fees will be conducted at least once every four years to ensure that they comply with the principles set out in this Policy and with best practices.

8. Revenue Allocation:

Subject to legislative requirements, revenues generated from user fees will be used to pay for costs incurred to provide the associated User Fee Service, and where the User Fee Service is provided jointly by more than one City Program or Local Boards, the user fee revenues will be allocated to the respective City Program or Local Board based on the direct and indirect costs incurred; and revenues collected for the recovery of capital costs will be placed in a Capital Financing Reserve Fund for the purpose of the replacement of the associated capital asset(s).

9. Public Notice:

With the exception of City Council approved automatic annual inflationary adjustments, where user fees are recommended to be introduced or changed, the public will be provided with five working days' notice of the recommended user fee prior to the meeting of the committee at which the recommended user fee will be considered, and will be provided with an opportunity to make presentations to the committee considering the user fee prior to the submission of the user fee to City Council for approval.

10. Public Consultation:

Public consultation in addition to the opportunity to make presentations to the committee considering a user fee, will be undertaken when new user fees are being recommended to City Council for approval, outside of the annual budget process. The consultation will elicit public input through a variety of channels and mechanisms to ensure that stakeholders have been granted reasonable opportunity to express their concerns, needs and priorities, and the Division Head of the City Program or Local

Board recommending the new user fee will determine the means by which such public consultation will be undertaken.

11. All Fees Approved by City Council:

User fees for all City Programs will be approved by City Council before implementation of such fees. User fees charged by Local Boards (with the exception of the Toronto Transit Commission) for User Fee Services being provided to the general public will also require approval by City Council, with the exception of certain market based user fees charged by Local Boards which have been specifically exempted by Council from the requirement of prior Council approval.

12. Chapter 441:

All user fees will be included in Chapter 441 of the City of Toronto Municipal Code. Chapter 441 will be updated to reflect the adoption of new fees or changes to existing user fees at the City Council meeting immediately following the meeting at which the fee approval was obtained, wherever possible.

13. Four Year Review:

This Policy, along with its associated principles and guidelines, will be reviewed at least once every four years in order to ensure continuing relevance and conformance with best practices.