



# Corporate Policy Manual

Sub Topic: Service Pricing Policy

Policy No. CAO.1-03

Topic:

Section: C.A.O.

Council Adoption Date: Feb 13-06

Effective Date: February 13-06

Revision No: Date:

## Policy Statement & Strategic Plan Linkages

The Town of Newmarket, in striving to become a sustainable community, shall encourage all users of municipal services to be more responsible for the municipal costs associated with the delivery of services that do not benefit the whole community, thereby reducing the dependency of funding these municipal services on the tax base and placing the responsibility on the users themselves. The Policy is a high level framework that recommends target cost recovery levels from 0 to 100% for specific types of users and services.

The Service Pricing Policy is an initiative that is recognized in the Sustainable Financing Strategy and is in alignment with the key focus area “Well Planned & Managed” of the Community Strategic Plan.

## Purpose

- To establish cost recovery target levels for all municipal services.
- To effectively balance costs applicable to community needs, benefits and desirables with responsible taxation and financial management.
- To reduce the dependency on the tax base of funding municipal services that benefits the individual user.
- To achieve the cost recovery target levels within a reasonable timeframe of six years.

## **Definitions and Terminology**

Community Need: an essential service that meets basic needs of the community or is required by law, is a basic human right, or focuses on improving community quality of life.

Community Benefit: a service provided beyond the basic community needs that assists in achieving the mission of the strategic plan and may apply to specific user groups or the community as a whole.

Community Desirable: a service provided well beyond the benefit of the community at large that may be provided by the private sector or requires partnerships to deliver the service, or is a potential, future service.

Full Cost: includes all costs related to the provision of the service, both direct (labour, materials, etc.) and indirect (support costs). As much as possible, direct costs are based upon Activity Based Costing (ABC) and support costs are allocated on the basis of cost drivers (per Finance Report 2005-28). This method is consistent with legislative requirements and cost accounting practise.

Program: an organizational unit which has resources allocated to it, to achieve an objective. The objective would be the product or service. Materiality would be a factor in determining how far to drill down. For example, a swimming program is the unit to which a swimming pool, swimming instructors, flutter boards, etc, have been allocated to achieve the objective of teaching users how to swim. A program may also be defined as a coordinated group of activities that create a distinct product for specific users. The activities consume resources – labour, material, equipment and facility usage. The product may be tangible or intangible.

Service: a product of the program demanded by the public and provided by the municipality for benefit of the end user. For example, a swimming lesson is the service demanded by the public for the benefit of the user (swimming student).

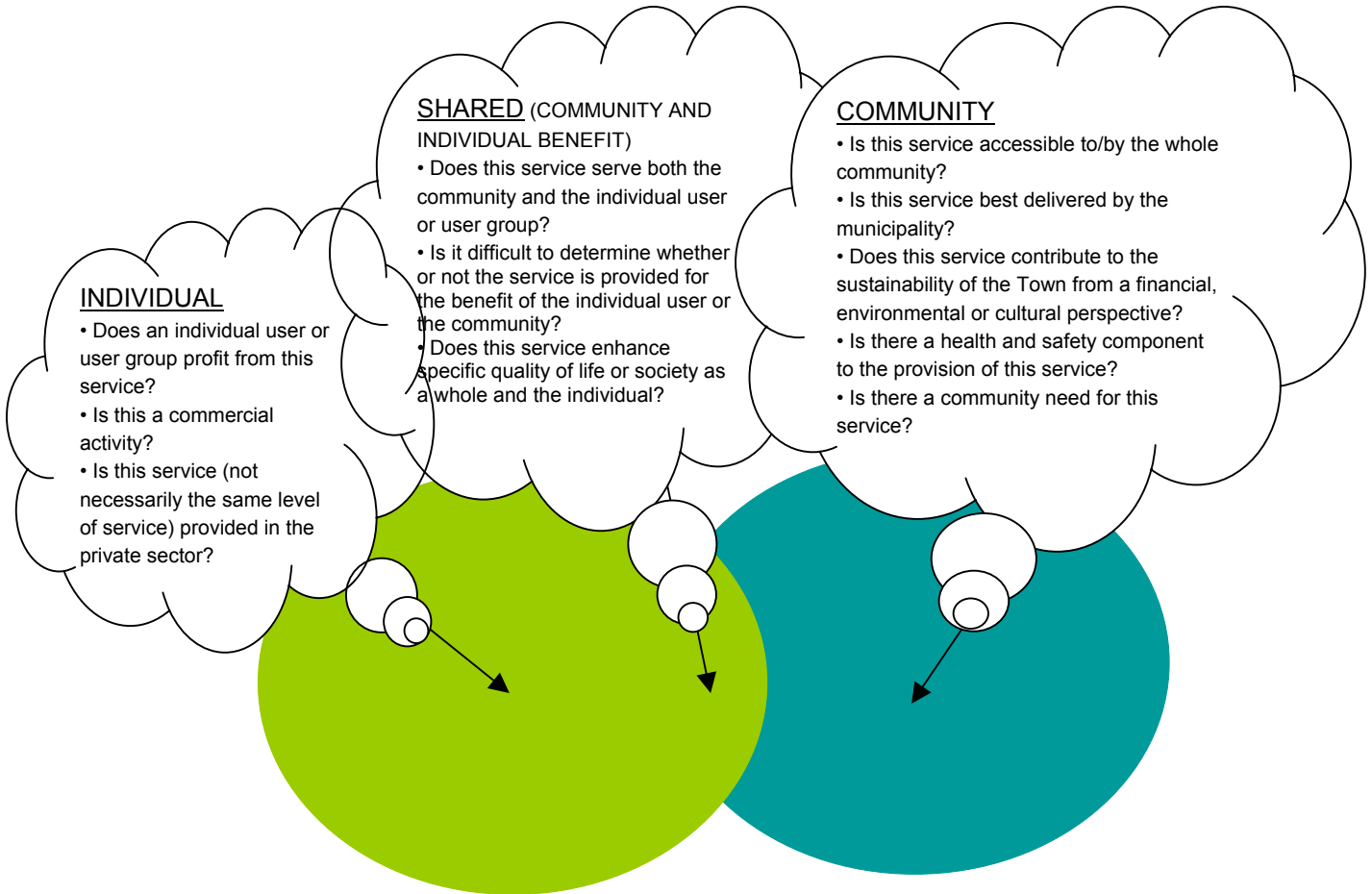
Service Pricing Category: a pricing category which groups services based on the beneficiary or user and the cost recovery expected.

User: a customer who may be either an individual, a group or the entire community desiring, requiring, or receiving access to a municipal service. The user may be a resident, non-resident, a community organization, or a business.

Whole Community: the general public, including the resident customers and businesses of the municipality, either together or separately.

## Procedures

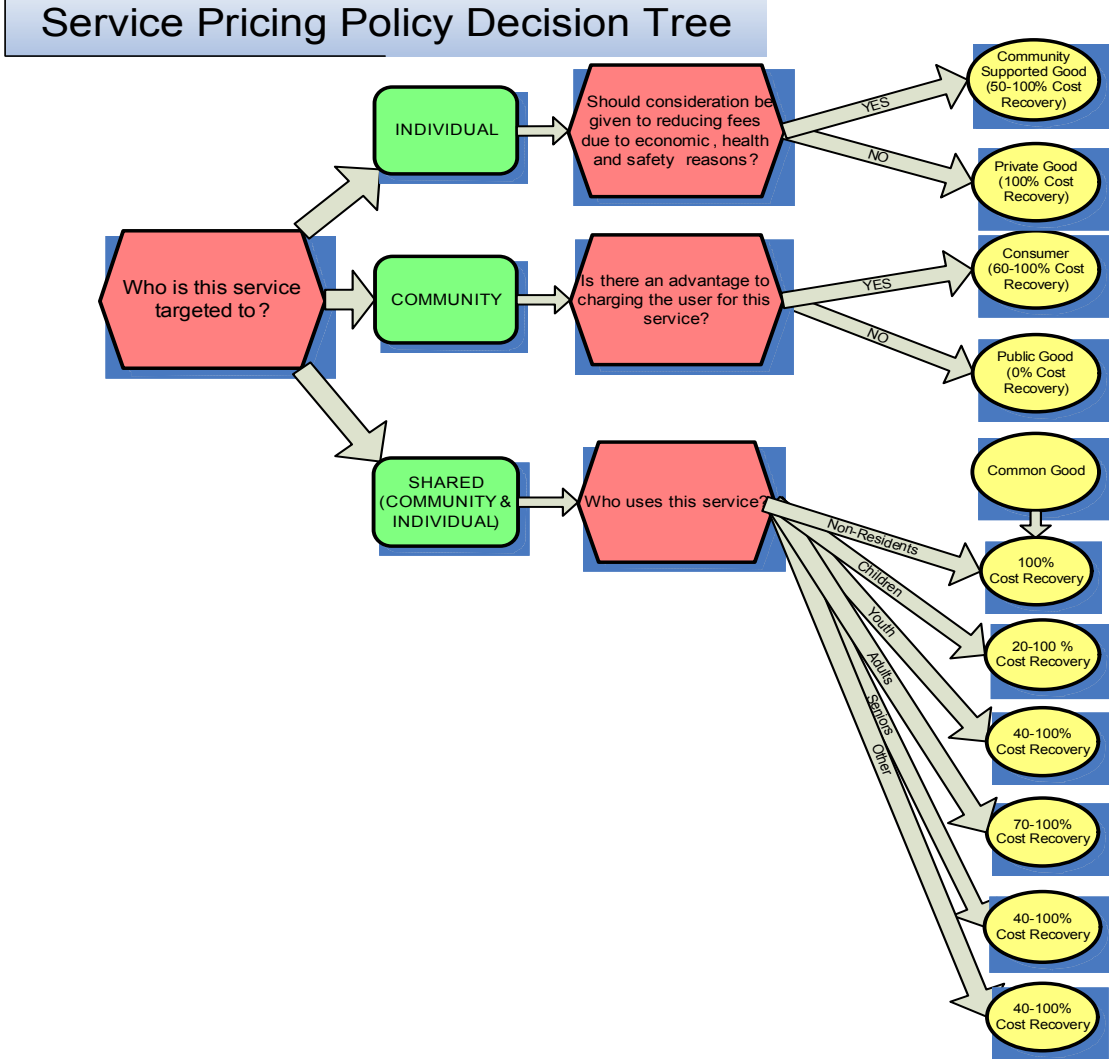
Initially, one must determine who the service is targeted to. The following diagram provides direction as to how to determine or clarify the beneficiary or intended recipient of the service.



Once it is determined who the service is directed at, one can then determine the more appropriate cost recovery percentage to apply. The following decision tree has been developed to guide and further categorize municipal service costing into the following Service Pricing categories:

- Private Good
- Community Supported Good
- Common Good
- Consumer Good

- Public Good



Additional evaluation criteria are provided below to further assist with determining service category fit.

### Service Category Criteria

#### Community Supported Good (50 – 100% Cost Recovery)

- Is this service provided to deter use of the service or protect the community?
- Is this service provided to promote activity in a program?
- Is there a temporary decrease in the use of the service based on cultural needs, change in demographics, or economic adjustments?
- Is this an economic development initiative?

#### Private Good (100% Cost Recovery)

- Does an individual user or user group profit from this service?
- Is this a commercial activity?
- Is this service provided in the private sector?
- Is this service a community desirable identified in the Community Strategic Plan or through a community survey that is accessible by or directed to individual users?
- Is this service provided at a higher level than an introductory level of service?
- Does this service benefit the business community?

#### Consumer Good (60-100% Cost Recovery)

- Would there be the possibility of users avoiding payment of fees if the full cost for the service is charged?
- Would an increase in fees charged cause the user or user group to terminate use of the service?
- Is the provision of this service to deter abuse to the potential users of the service?
- Can payment for this service be broken out on a per user basis?
- Does the Town require control over administration and fees charged for the use of the service?
- Are there substantial capital and/or operating costs involved in providing a service to the general public that would benefit from applying a user fee to assist in reducing the burden on the tax base?

#### Public Good (0% Cost Recovery)

- Is there a community need for this service?
- Is this service accessible or of benefit to the whole community?
- Is this service a community desirable by the whole community outlined in the community strategic plan?
- Is this service provided for health and safety reasons?

- Is this service provided to protect the community?
- Is this service provided for environmental conservation, protection or improvement reasons?
- Is there an implied precedence for this service i.e. a long time (over 25 years) by the Town?
- Would the charging for this service cost more than the service itself?
- Does the entire community have access to the service?
- Is this service best delivered by the municipality?
- Does this service contribute to the sustainability of the Town from a financial, environmental or cultural perspective?

Common Good (User Dependent (20-100% Cost Recovery))

- Is this service provided to develop, expand or sustain an existing service?
- Is this service of benefit to both the community and the individual user or user group?
- Is there a legislative requirement for this service and the fee is established by an external agency?
- Is it difficult to determine whether or not the service is provided for the benefit of the individual user or the community?
- Does this service enhance specific quality of life or society as a whole and the individual?

The chart below provides descriptions and recommended cost recovery target levels for services that are assigned to a specific category.

SERVICE PRICING CATEGORY	CATEGORY DESCRIPTION (Rationale)	RECOMMENDED % COST RECOVERY	SERVICE EXAMPLES <sup>2</sup> (for illustrative purposes)
Private Good	The fees set for providing a service within this category recover the <b>full cost</b> of providing the service by the municipality. The service is a <b>community desirable</b> and is provided for the benefit of <b>specific interested users</b> that may appeal to specific socio-cultural, economic, or lifecycle activities. There is no broader benefit or appeal to the community as a whole. This service may contribute to the diversity of amenities and services provided within the community.	100%	Vital Statistics (C) Liquor Licence Application (C) Commissioning Documents (C) Filming Permit (C) Registration of Accessory Dwelling Units (C) Compliance Letters, etc. (F) Tax Certificate (F) Statement of Taxes Paid (F) Verification of Local Improvements (F) Statement of Tax Account – Owner only (F) Request for Incident Reports/Property File Search (FD) Paid Duty Truck Stand-by (FD) Provincial Highway Accident Responses (FD) Development Agreements (Encroachment, Model Home, Site Plan Etc.) (L &DS) Part Lot Control Exemption Bylaw (L&DS) Release Documents – Restrictions, Releases (L&DS) Transfer of Land to Correct Title (L&DS) Terraview Fees (L&DS) Building Permits (L&DS) Pitch/Diamond Tournament Use (PR&C) Meeting Room Rental (Private) (PR&C) Engineering Checking and Inspection (PWES) Water & Waste Water Services – New Development (PWES) Road & Blvd. Services (incl. curb cuts)– New (PWES) Development/Private (incl. traffic counts) (PWES) Contract Administration Services – Development related Property Information Requests (PWES) Fill Permits (PWES) Gate Inspections (PWES) Manuals/Documents/Prints (PWES) Special Events (PWES)
Community Supported Good	The fees applied/charged for the use of receiving services within this category recover up to the <b>full cost or part</b> of the cost of providing this service by the municipality. A service within this category is a <b>community desirable</b> and is provided for the benefit of <b>specific interested users</b> to encourage use, i.e. start-up programs, gesture of assistance, stimulate the economy, minimize evasion of fee payments, and achieve the economic or strategic goals.	50-100%	Lottery Licenses (C) Meeting Room Rental – Private or Non-Profit (C) Apartment/Office Inspections Base Building (FD) Industrial Inspection (FD) Woodstove/Fireplace Inspection (FD) Firefighter Recruitment Application Fee (FD) Retrofit Inspections (FD) Discharge Mortgage – Affordable Housing (L&DS) Development Applications – Planning (L&DS) Graffiti Removal – Private Property (PWES)

SERVICE PRICING CATEGORY	CATEGORY DESCRIPTION (Rationale)	RECOMMENDED % COST RECOVERY	SERVICE EXAMPLES <sup>2</sup> (for illustrative purposes)
Common Good	The fee charged for this service is <b>shared</b> between the <b>community</b> and the <b>individual user or user group</b> . This service is a <b>community benefit</b> targeted at both the whole community and the individual user or user group that provides a broader focus to the community or appeal to a larger user group and may have an impact on the health and safety of the community, the environment, or other socio-cultural, life-cycle activities.	20-100% (user dependent)	Freedom of Information (C) <b>(PR&amp;C)</b> Pre-School 0 – 5 yrs (20-100%) Facilities Programs Aquatics Children 6 - 12 yrs (20-100%) Facilities Programs Aquatics Youth 13 – 18 yrs (40-100%) Facilities Programs Aquatics Adult 18 – 54 yrs (70-100%) Facilities Programs Aquatics Senior 55 – over (40-100%) Facilities Programs Aquatics Tree Planting (Celebration & Blvd)(100%) (PWES) Fire Route Signs (PWES) (100%)
Consumer Good	A fee is charged for this service to recover the <b>full cost</b> of providing the service to the whole community <b>or a nominal fee (up to 20%)</b> is charged in an attempt to modify behaviours, deter use of or need to access the service. It is <b>preferable</b> or in the best interest of the user or community to <b>exercise control</b> over consumption or use of the service by the individual user to reduce or eliminate excess demand or waste for the overall health, safety, security, or sustainability of the whole community.	60-100%	Quotations, Proposals and Tenders-Purchasing (C) Interest, NSF Cheques (F) Accounts Receivable Interest (F) Hazardous Materials Response (FD) Fireworks permit (FD) Burning Permit (FD) Chronic False alarm (FD) Solid Waste and Recycling (needs special consideration for not being able to achieve full cost) (20%) (PWES) Water & Waste Water Services – Existing Development (PWES) Property Maintenance – Private (100%) (PWES) Signage – New Development (100%) (PWES) Capital Projects Administration (PWES) Winter Control (PWES) Corporate/Public Facilities Maintenance (PWES) Crossing Guards (PWES) Services in Kind (PWES)
Public Good	No user fees are charged for accessing a service within this category. It would be difficult or impractical to charge for the service on a per-use basis. The service is <b>essential</b> and/or all users of the <b>whole community</b> have access to the service. The service serves a <b>community need</b> and may be required by law, performed for health and safety reasons, or considered a public good as it is focused on maintaining the quality of life for the community.	0% (no fee applied)	Fire suppression Services (FD) Non-mandated fire inspections (FD) Public Fire Education (FD) Community Events (PR&C) Parks and Open Spaces – Maintenance etc. (PWES & PR&C) Roads – New Construction and Maintenance (PWES) Streetlighting – New and Maintenance (PWES) Road Services – Existing Development – Town Assumed (PWES) Graffiti Removal – Town Facilities (PWES) Replacement Signs (PWES)

- Notes: 1) Specific service prices and cost recovery levels to be identified during the costing exercise.  
 2) Service reviews may alter the assignment of services to specific service pricing categories. Reassignment of a service will not require amendment to this policy.  
 3) (C)= Corporate Service; (F)=Finance; (FD)=Fire Department; (L&DS)= Legal and Development Services; (PR&C)=Parks, Recreation & Culture; (PWES)=Public Works and Environmental Services



## Special Considerations

It should be noted that the recommended cost recovery levels do not preclude individuals or specific groups from seeking further discounts to the recommended cost recovery levels identified in the policy. Likewise, there may be opportunities for the Town to provide a service that is profitable. Consequently, there is a need to establish a framework for specific fees and charges requiring special consideration. Three main categories for altering target cost recovery levels have been created: Constraints, Compassion and Opportunities.

Constraints – The achievement of target cost recovery levels may be subject to external forces that hold back, limit, or control opportunities to achieve target cost recovery levels as identified in the following list.

- There may be legislative controls that place limitations on a municipality's ability to set targets for reducing tax dependent services.
- Fees may be legislated by a higher level of government or external government body, lying outside of the municipalities control to set user fees.
- There may be seasonal or time demand implications which may affect cost recovery opportunities.
- The service may be program specific, not accessible or desirable by the entire community.
- Potential extraordinary fee increases would result in a loss of accessibility or demand and should be phased in to be respectful of the magnitude of change to the user.
- There are also practical constraints to adjusting and/or increasing user fees and charges to market rates having similar levels of service.

Opportunities – There are three different types of opportunities to the Town that are distinct from achieving target cost recovery levels, i.e. to provide additional assistance to users, profit from a specific service, and non-resident fees.

- Council may wish to establish a recognition program for awarding grants or scholarships to provide additional funding or assistance to specific individual users, user groups or service provider, as was the case for the Resurgence Theatre Company.
- The service may be profitable, either through popularity (volume of individuals accessing the service) or it may be market competitive (enabling the Town to set fees at market rates). This is an opportunity for the Town to redistribute the funds received that are in excess of recovering the full cost to assist with reducing operating

costs and the burden on the tax base or reallocation of the funds to a recognition program.

- An opportunity exists to seek full cost recovery of service fees from non-residents of Newmarket in that non-residents should be responsible for the full cost for the service and should not be subsidized by Newmarket taxpayers. There may be opportunities through further research and development of alternate financial arrangements/agreements with other municipalities interested in utilizing Newmarket's facilities and services should the municipality be unable to provide the needed/demanded services to their own residents that are available through Newmarket.

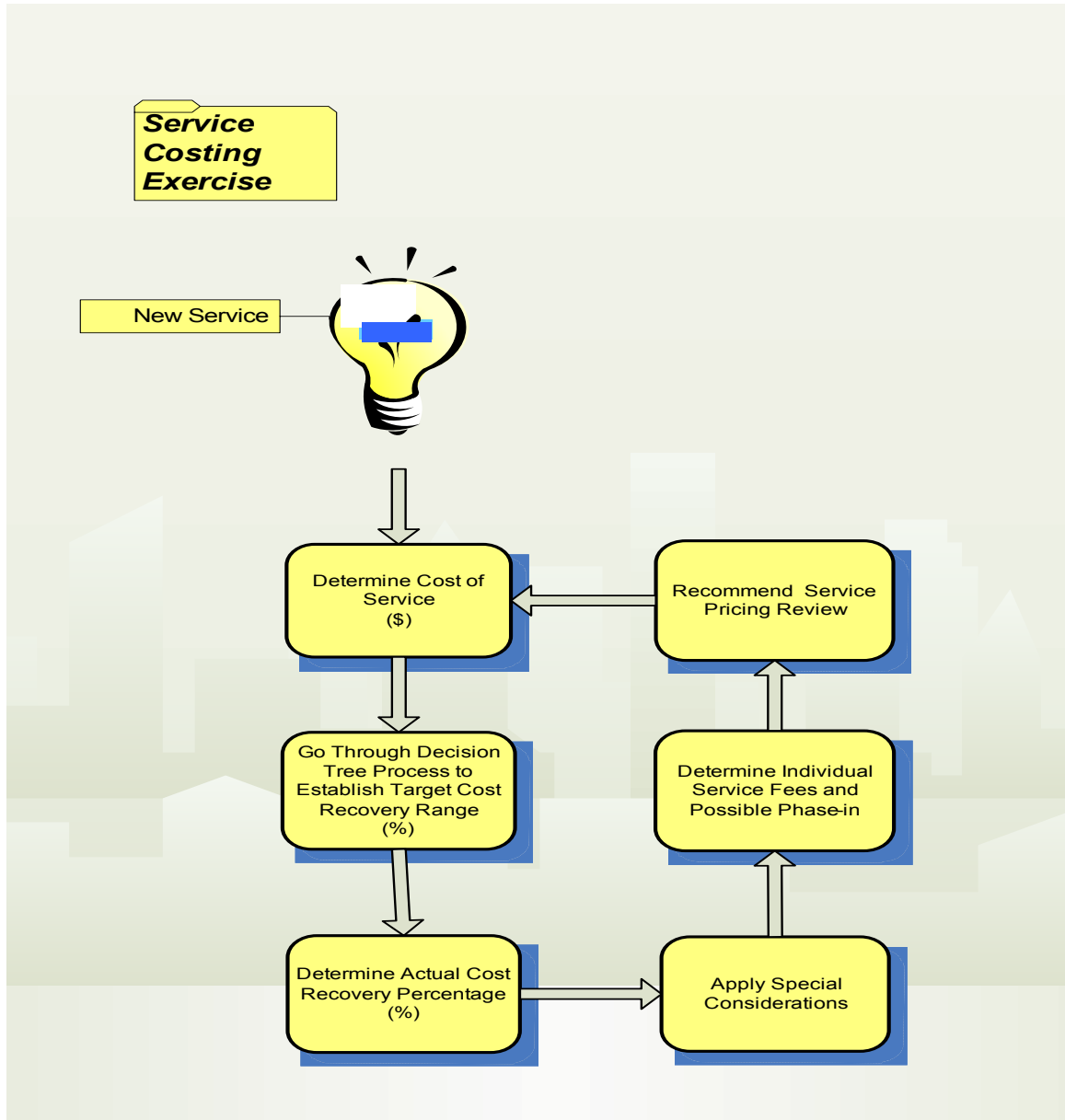
Compassionate Measures - Compassionate measures assist to mitigate the impact of fees and fee increases on specific, constrained users, differing from service subsidy levels and acts as a further subsidy to fees or charges beyond the target cost recovery level applied to the service.

- The application of compassionate measures requires the identification and eligibility of the constrained users.
- Council shall permit further fee reductions for identified target groups/users as a conscious effort to alleviate the impact of user fees or charges and enable constrained users access to specific services which would otherwise be denied access for reasons such as limitations of their disposable income.

During and beyond the implementation period of the Service Pricing Policy, additional constraints, challenges and opportunities may be realized and should be considered at that time.

## Service Costing Exercise

The following process has been developed to evaluate the cost of a service, determine the service pricing category for a new service, and re-evaluate the cost of an existing service. Other processes may be employed to evaluate the need for a new service or the discontinuation of an existing service.



### Additional Information

The following list of assumptions provides details surrounding the development of the Service Pricing categories relevant to the Service Pricing Policy:

- The Service Pricing Policy, and resultant shift towards tax base independence for services not benefiting the general public, will achieve greater efficiency in the delivery of services and use of resources, enhancing and supplementing the Sustainable Financing Strategy. Specifically, in the case of “optional” or desirable services that the community identifies through the Community Strategic Plan, the Town should have consideration for the availability, level of service, and cost of those services within the private sector.
- Municipal services, such as those provided through the Parks, Recreation and Culture Department should be complimentary to those provided by the private sector.
- User charges for municipal services should reflect the level and value of the service.
- Lower market rates preclude municipal service opportunities.
- Tax dollars are more appropriately allocated to services that benefit the general public or the whole community.
- User fees and charges more appropriately finance services that benefit specific individuals, user groups or private interests.

The establishment of the Service Pricing categories enables the Town to:

- Reduce the dependency of funding services that do not benefit the general public away from the tax base
- Recover up to the target cost recovery level of the service from the users themselves (user dependent funding);
- Adjust user fees and charges on an annual basis to approach the cost recovery target level within a reasonable time period.
- Have regard to the financial impact on users accessing services and potential negative impact on the tax base.
- Consider reasons that may influence the level of cost recovery of a service such as public risk, legislative requirements, health and safety, liability, compassion, affordability, education, life skills and available private opportunities.

### Review Period

The Service Pricing Policy provides a strategic, theoretical framework to achieve the financial sustainability objectives of the organization’s Strategic Plan. A philosophical review shall coincide with the community strategic plan review time

frame as a means to measure goal achievement of the policy and affirm consistency with the community's needs, benefits, and desires.