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# TOPIC

**Municipal Services:  
Who Should Pay?**



**Bureau of Municipal Research  
Better Government through Research**



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# Municipal Services: Who Should Pay?

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## TOPIC IN BRIEF

Few municipalities charge individuals directly for municipal services. Only in areas such as water, sewage and public transit are the users of a particular good or service paying directly for use of that good or service. The rest of the services provided are done so through the general municipal revenue, most of which comes from taxes. The question has been raised in recent years, however, whether this is an equitable way of funding services. There are a number of areas where the beneficiaries of a service can be identified and those who do not use the service can be excluded, thus allowing the possibility of user charges.

This Topic reviews the history of user charges and outlines the political and social reasons for their limited use. With the aid of a survey of Ontario municipalities done by the Bureau in 1978, an analysis is undertaken of how user charges are currently employed.

Although the Bureau advocates the use of user charges at the municipal level, it does not do so in a blanket manner. There are both positive and negative aspects of charging. Their institution must be based on specific guidelines.

It is essential that each municipality determine what basic services it will provide to its residents for no extra charge and which are appropriate for user charges. This is a basic policy decision and should help the institution of user charges, not prevent their use. There are obviously some services which must be provided to all residents and we feel that it is crucial that municipalities continue to provide these through current municipal revenue.

The use of charges for other services can be determined by the municipality on a service-by-service basis. Each should be analyzed in terms of the costs and benefits of instituting charges. The analyses must consider four basic factors: social; economic; political; and policy goals.

To institute user charges, however, means a fundamental rethinking of the approach to services, the basis on which they are provided, and ultimately the role of a municipality. Many of the traditional ideas of what municipalities are supposed to provide have to be rethought before the concept of user charges is one which can be accepted on a broader scale. Part of this process is one of re-education. It is important for a municipality to try to inform the public as to why it is instituting a charge and attempt to get a broader understanding of the role of user charges and municipal policies and finances for both municipal officials as well as the citizenry.



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## I INTRODUCTION

In recent years municipalities have begun reassessing their role in the provision of municipal services. Increasing pressure for additional services and new projects, coupled with decreasing sources of revenue from other levels of government, have been responsible for this trend. Municipalities have begun to recognize that their resources are finite. As a result the importance of ascertaining what the citizens really want, and what they can realistically provide, become crucial.

With this reassessment has come a gradual re-evaluation of both expenditures for programs as well as revenue sources. However, there is one revenue source which has not been reviewed to any extent. User charges, or the concept that the user of a municipal service should pay directly for that service, have only been dealt with superficially. Almost all the literature and studies undertaken look at this revenue source from purely an economic point of view. By doing this, the political, social and policy problems have been ignored. At this moment user charges - particularly from water and sewage costs - account for only a small portion of the municipal budget. Their potential, however, is much greater.

This Topic reviews the history of user charges and outlines the political and social reasons for their limited use. With the aid of a survey done by the Bureau in 1978 an analysis is undertaken of how user charges are currently employed. Some suggestions and cautions for future use are also included. This analysis represents one of the first practical reviews of the appropriateness of user charges and should be a guide for citizens as well as municipalities.



## II WHAT IS A MUNICIPAL USER CHARGE ?

### Definition

A municipal user charge is loosely defined as a payment an individual or group makes to a municipality for a particular good or service. Charges can be employed for such items as water consumption (the most common form of user charge), golf courses, tennis courts and public transit. TABLE I (see page 3) outlines some of the possible areas where user charges can be imposed.

There are a number of other fees and charges imposed by a municipality which are usually included in the user charge category. Licenses, permits, and concessions, such as taxi licenses, business licenses, building permit fees, local improvement fees, are all examples of municipalities charging an individual for a particular benefit or right to undertake a specific activity. For the purposes of this Topic, however, we are not including these categories. Only charges which are made on services available to all citizens, and which would otherwise be provided by the municipality at no extra charge, are discussed here.

### Extent of Use in Canada

User charges in various forms are not a new concept. Residents have been paying for municipal utilities, such as water, for many years in most jurisdictions. There are few municipal zoos or museums which have free admission. Municipal golf courses may have lower fees than private courses, but a charge is still levied.

The extent of charges, however, has remained fairly low in terms of overall municipal revenue. TABLE II (see page 4) outlines the level of user charges across Canada in 1978. As can be seen, they range from 13% in New Brunswick to 2.7% in Nova Scotia. Ontario falls in the midrange in terms of both percentage (5%) as well as per capita figures (\$46). If these comparisons between provinces are accepted at face value, Alberta and Saskatchewan would seem to be the leaders in the use of municipal charges, with \$102 and \$69 per capita respectively. There are a number of other factors, however, to consider before the true position of each province can be ascertained.

TABLE I

### TYPES OF MUNICIPAL USER CHARGES

<u>Parks and Recreation</u>	
Arenas - skating admissions	
- hourly ice rentals	
- instruction	
Pools - swimming admissions	
- memberships	
- instruction	
Tennis - court fees	
- membership	
- instruction	
Camps/ - campground fees	
Camping- day camp charges	
Golf - green fees	
Course - membership	
- instruction	
Nonresident fees	
<u>Libraries</u>	
Memberships	
Nonresident borrowers fees	
Interlibrary loan fees	
A.V. equipment rentals	
Overdue fines	
Rental fees	
<u>Public Transit</u>	
Cash fares	
Passes	
<u>Fire</u>	
Alarm connection fees	
Inspection fees	
Charges for services to neighbouring municipalities	
<u>Police</u>	
Special events charges	
<u>Day Care</u>	
Per diem charges	
Weekly charges	
"After 4" program charges	
<u>Other Fees &amp; Charges</u>	
Senior citizens' homes per diem fees	
Entrance fees to museums, zoos, etc.	
Animal control fees	
Parking lot & meter charges	
Fire hydrant inspection fees	
Room & hall rentals	
<u>Utilities</u>	
Water connection fees	
Water service charges	
Sewer surcharge	
Industrial waste fees	
Garbage collection levy	



TABLE II

USER CHARGES AND THEIR PORTION OF MUNICIPAL REVENUE FOR 1978 - BY PROVINCE  
(\$'000)

	British Columbia	Alberta	Saskatchewan	Manitoba	Ontario	Quebec	Nova Scotia	New Brunswick	Newfoundland	Prince Edward Island
Water	\$51,949	\$63,675	\$22,396	\$22,318	\$199,847	\$224,533	\$11,942	\$10,622	\$5,253	\$702
Other *	72,593	142,486	43,531	24,743	189,353	68,580	4,843	9,779	7,434	1,508
Total Revenue from Sale of Goods & Services	124,542	206,161	65,927	47,061	389,200	293,113	16,785	20,401	12,687	2,210
Total Municipal Revenue from All Sources	2,085,779	2,113,175	865,326	849,272	7,830,741	5,473,808	606,240	157,081	103,764	27,058
User Charges as a Percentage of Total Municipal Revenue	5.9%	9.8%	7.6%	5.5%	5.0%	5.4%	2.7%	13%	12.2%	8.1%
User Charges per Capita	\$48	\$102	\$69	\$46	\$46	\$47	\$20	\$29	\$22	\$18

Source: Local Government Finance, Statistics Canada #68-203

\* This "Other" category includes revenue from recreation centres, conservation authorities, any school tuition or lunch fees, day nurseries, library fees, municipal homes for the aged revenue, municipal hospitals and certain miscellaneous revenue. It does not include revenue from licenses, permits, fines, concessions and franchises.

Different provinces have different financial arrangements with their municipalities. For example, New Brunswick and Newfoundland fund education and social services at the provincial level rather than at the municipal level as the other provinces do. This variation in role accounts for the high percentage of user charges registered in these areas. If education and social services were included, the overall percentage of charges would be less than in most other provinces.

It is also important to look at the other categories of municipal expenditures across Canada to fully determine the role user charges play in each. TABLE III (see page 6) outlines actual expenditures and presents some interesting comparisons. Alberta and Saskatchewan, which have the highest per capita user charges, also have very high health costs. This is due to the number of municipally administered hospitals (which occur very infrequently in other provinces). For these large health expenditures the municipalities receive a high level of user fees which would be reflected in the user charge revenue of TABLE II.

The three areas for which Ontario municipalities spend much more than their counterparts in Alberta are: general administration; police; and social welfare. Unlike other services these areas are not easily amenable to user charges to any significant degree.

As a result of these discrepancies between provinces it becomes very difficult to compare rates and determine which municipalities are in fact collecting more. The one thing that is certain is that user charges are a fairly low percentage of municipal revenue in all ten provinces.



TABLE III

MAJOR MUNICIPAL EXPENDITURES BY PROVINCE - 1978  
(\$'000)

	British Columbia	Alberta	Saskatchewan	Manitoba	Ontario	Quebec	Nova Scotia	New Brunswick	Newfoundland	Prince Edward Island
General Admin. Percentage*	\$104,188 4.3%	\$ 85,846 3.4%	\$ 37,349 4.0%	\$ 49,365 5.6%	\$336,750 4.1%	\$356,682 5.9%	\$ 23,228 3.5%	\$ 10,477 5.7%	\$ 9,270 8.2%	\$ 1,080 1.8%
Police Percentage	92,985 3.9%	85,920 3.4%	29,857 3.2%	33,614 3.8%	398,862 4.9%	336,796 5.7%	18,630 2.8%	15,165 8.3%	449 3%	1,561 2.7%
Fire Percentage	79,133 3.3%	61,567 2.4%	17,891 1.9%	25,395 2.9%	229,636 2.8%	125,244 2.1%	14,125 2.2%	14,981 8.1%	2,516 2.2%	585 1.0%
Roads Percentage	181,445 7.6%	421,608 16.7%	142,817 15.5%	107,358 12.2%	947,139 11.7%	514,661 8.7%	48,672 7.4%	41,229 22.5%	19,640 17.4%	2,607 4.6%
Public Transit Percentage	1,231 .05%	-	83	-	554	119,042 2.0%	-	612 .3%	-	-
Water Supply & Purification Percentage	82,723 3.5%	97,246 3.9%	26,626 2.9%	24,545 2.8%	239,053 2.9%	212,751 3.6%	25,610 3.9%	24,474 13.4%	9,984 8.8%	1,850 3.2%
Sewage Collection & Disposal Percentage	102,607 4.3%	87,324 3.5%	24,239 2.6%	13,053 1.5%	265,719 3.3%	243,271 4.1%	16,364 2.5%	14,645 7.9%	7,798 6.9%	1,455 2.5%
Garbage & Waste Collec. & Disposal Percentage	33,451 1.4%	29,853 1.2%	9,027 .9%	14,640 1.7%	150,348 1.9%	78,628 1.3%	7,467 1.1%	4,082 2.2%	4,627 4.1%	387 .6%
Health Percentage	21,500 .9%	319,817 12.7%	130,949 14.2%	63,580 7.2%	406,987 5.0%	5,562 .09%	40,084 6.1%	45 .02%	6	10
Social Welfare Percentage	29,176 1.2%	33,501 1.2%	5,949 .6%	11,394 1.3%	463,935 5.7%	22,252 .4%	46,436 7.1%	-	-	-
Housing Percentage	61,287 2.6%	30,842 1.2%	7,681 .8%	14,156 1.6%	82,556 1.0%	71,889 1.2%	9,014 1.4%	9,571 5.2%	9,966 8.8%	1,199 2.1%
Recreation & Culture Percentage	176,464 7.4%	168,497 6.7%	35,656 3.9%	46,597 5.3%	467,553 5.8%	293,857 4.9%	17,588 2.7%	19,785 10.8%	13,532 11.9%	2,201 3.8%
Education Percentage	1,089,181 45.9%	806,995 32.0%	396,003 43.0%	378,442 43.0%	3,340,134 41.1%	2,720,637 45.7%	332,672 50.7%	-	10,222 9.0%	41,009 71.7%
TOTAL BUDGET	2,374,866	2,519,072	920,791	879,253	8,120,787	5,949,335	655,698	183,278	112,968	57,226

Source: Local Government Finance, Statistics Canada, #68-203

\* Percentage under each category indicates the percentage this expenditure is of total Provincial budget. The figures do not

## III USE OF CHARGES IN ONTARIO

## Bureau of Municipal Research Survey Outline

If one reviews the overall level of user charges in Ontario over the last five years it is clear that their proportion of total revenue has remained the same (see TABLE IV, page 8). It is difficult to tell from these bulk figures, however, what trends exist. The proportion of revenue from water sales has remained more or less constant. What is not known is whether the remaining revenues are from the same sources year after year (although this would be the obvious conclusion), or even from the same municipalities.

To obtain a sampling of the range and diversity of the charges that exist in Ontario, the Bureau decided to undertake a survey in 1978. A questionnaire was sent to 20 municipalities in Ontario, of which 17 responded (see APPENDIX A for questionnaire). An attempt was made to get a sampling of various sizes and levels of government as well as attitudes towards charges. The sampling is too small to make definitive statistical statements and was not intended to do so. It does serve its main purpose, however, of documenting some municipalities and what they are doing in the user charge field.

The 17 municipalities that responded are a good cross section of sizes (representing 55% of the population of Ontario) as well as governmental structure. The respondents were:

## Upper Tier (regional government)

Hamilton/Wentworth  
Metro Toronto  
Niagara  
Ottawa/Carleton  
Peel

## Lower Tier (local governments within regional municipalities)

Burlington  
Etobicoke



TABLE IV

## USER CHARGES FOR THE LAST FIVE YEARS - ONTARIO

	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>
Water	\$111,135,000	\$139,868,000	\$159,902,000	\$182,260,000	\$199,847,000
Other	90,423,000	142,307,000	165,852,000	179,548,000	189,353,000
Total Revenue from Sales of Goods & Services	\$201,558,000	\$282,175,000	\$325,754,000	\$361,808,000	\$389,200,000
Total Revenue from all sources	\$4,882,308,000	\$5,752,563,000	\$6,374,683,000	\$7,205,731,000	\$7,830,741,000
User charge as a percentage of total municipal revenue	4.1%	4.9%	5.1%	5.0%	5.0%

Source: Local Government Finance, Statistics Canada, #68 - 203Lower Tier (con't.)

Gloucester

Nepean

Ottawa

Toronto

St. Catharines

One Tier (local municipalities not in regional municipalities)

London

Kingston

Peterborough

Sarnia

Windsor

Before the actual data are presented a few cautionary notes should be made. First, the questionnaire was sent to the treasurer, finance commissioner or chief administrative officer for each municipality. In some cases this person had to collect information from a number of departments as well as boards and commissions. These diverse sources of information mean that even within a municipality it can not be assumed that answers were collected by uniform criteria.

This is further complicated by the actual means of financial reporting used by municipalities. Many systems do not allow easy retrieval of capital and operating costs or a breakdown of operating cost into direct costs and overhead. As a result, the accuracy and comparability of statistics between municipalities can be questioned to a certain extent.

Despite these constraints the survey does indicate what these municipalities were generally recovering under user charges in 1977. TABLE V (see page 10) outlines the level of user charges in relationship to the total municipal budget. As can be seen there is considerable variation from a low of 4% in Gloucester to 32% in Hamilton/Wentworth Region. There does not appear to be a direct correlation between the size of the municipality and the level of charges since Toronto and Peterborough have almost the same percentage (11% and 10.5% respectively).



TABLE V

USER CHARGES BY PROPORTION OF TOTAL MUNICIPAL BUDGET - 1977

	<u>Total Operating Budget</u>	
	%	\$
<u>Upper Tier</u>		
Hamilton/Wentworth	32.0	\$38,257,000
Metro Toronto	n/a	218,251,000
Niagara	6.5	3,787,000
Ottawa/Carleton	23.1	31,533,000
Peel	27.1	18,860,000
<u>One Tier</u>		
Kingston	8.6	2,833,000
London	n/r *	n/r
Peterborough	10.5	2,606,000
Sarnia	n/r *	n/r
Windsor	7.7	7,081,000
<u>Lower Tier</u>		
Burlington	11.0	2,149,000
Etobicoke	4.3	2,346,000
Gloucester	4.0	12,345,000
Nepean	n/r *	n/r
Ottawa	12.0	16,000,000
St. Catharines	n/r *	n/r
Toronto	11.0	7,195,000

n/a - not applicable

n/r - no response

\* Although these municipalities did not provide an answer, they do charge for some services as can be seen in later tables. Information collection is the problem in many cases.

One thing that can be noted from these figures is the discrepancies between upper tier municipalities and the others. Generally, in upper tier municipalities user charges represent a higher percentage of revenue. This can be attributed to two factors. First, upper tier municipalities tend to have several major services which are substantially user charge oriented, i.e. water, sewer, public transit. They also administer a smaller number of services with the result being that the overall percentage of revenues collected is higher.

Second, regional governments are fairly new institutions. When they were being formed new systems were set up and with these it became easier to institute "new ideas" - such as user charges. There was not as great a traditional bias towards providing services through existing revenue sources.

It is interesting to note that all of the percentages (except 2) are above the overall level for the province. The survey covered those areas more likely to have charges. Some of the levels are quite high. As an adjunct to this, however, it would appear that there are a number of the over 800 municipalities in Ontario who gain little or no revenue from their services.

It certainly must be acknowledged that various municipalities have uneven access to charges since they provide services at different levels. The nature of the services provided, at least in part, determines the feasibility of charging and gaining revenue from them.

Survey Results

The BMR survey also asked questions about specific revenues collected. Again the purpose was to obtain a sampling of the role user charges played in various municipal departments' revenues. TABLE VI (see pages 12 and 13) outlines the overall results for parks and recreation, libraries, water, sewerage, transit, day care, and police, in terms of percentage of budgets from user charges. As can be seen the level of charges in various departments varies greatly from high use, in such areas as water, to very low use for police. The most interesting general trend, however, is the consistency of levels within a certain function, i.e. most municipalities



TABLE VI

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## PROPORTION AND AMOUNT OF DEPARTMENT BUDGETS FROM USER CHARGES - 1977

Upper Tier	Parks & Recreation		Libraries		Water		Sewage	
	%	\$	%	\$	%	\$	%	\$
Hamilton/Wentworth	n/a	n/a	1.9	11,626	86.0	10,503,182	98.7	10,009,133
Metro Toronto	14.5	1,472,863	.5	54,900	100.0	41,732,500	29.0	10,178,100
Niagara	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Ottawa/Carleton	n/a	n/a	n/a	n/a	51.1	10,457,607	n/a	n/a
Peel	n/a	n/a	n/a	n/a	96.0	9,951,000	85.0	9,027,698
<b>One Tier</b>								
Kingston	n/r	n/r	5.4	32,072	n/a	n/a	17.1	985,560
London	40.0	2,368,000	n/r	n/r	88.8	5,180,000	n/r	n/r
Peterborough	36.4	669,000	4.7	18,000	100.0	1,778,000	.02	60,000
Sarnia	28.0	508,000	5.7	37,697	100.0	n/r	7.1	126,575
Windsor	13.2	755,339	1.0	26,365	100.0	5,268,000	n/a	n/a
<b>Lower Tier</b>								
Burlington	20.4	977,856	4.8	59,558	n/a	n/a	n/a	n/a
Etobicoke	2.0	1,903,200	2.0	81,000	100.0	9,346,936	general tax levy	n/a
Gloucester	22.0	2,216,723	2.3	409,094	n/a	n/a	n/a	n/a
Nepean	n/r	2,029,000	n/r	5,000	n/a	n/a	89.0	948,000
Ottawa	18.0	700,000	2.5	111,999	n/a	n/a	56.8	4,669,486
St. Catharines	25.0	660,727	3.3	43,305	100.0	3,359,553	nominal amount	
Toronto	n/a	n/a	1.0	112,222	100.0	26,103,993	80.0	9,839,757

n/a - not applicable, function carried out at a different level  
n/r - no response given on questionnaire

(Table VI continued on page 13)

TABLE VI (continued)

Upper Tier	Transit		Day Care		Police	
	%	\$	%	\$	%	\$
Hamilton/Wentworth	61.0	12,814,078	19.7	21,806	.1	224,327
Metro Toronto	69.0	132,500,000	9.0	1,516,000	.7	1,083,300
Niagara	n/a	n/a	5.6	50,000	1.1	196,000
Ottawa/Carleton	56.1	20,841,323	16.7	233,740	n/a	n/a
Peel	n/a	n/a	26.0	364,391	.8	141,000
<b>One Tier</b>						
Kingston	54.0	887,122	17.0	177,948	8.0	218,445
London	72.2	7,322,000	2.2	15,000	n/r	n/r
Peterborough	45.0	887,000	23.7	43,000	.01	30,000
Sarnia	51.0	625,505	20.2	37,970	23.0	598,702
Windsor	56.0	3,100,000	22.7	140,641	n/a	n/a
<b>Lower Tier</b>						
Burlington	45.7	660,710	n/a	n/a	n/a	n/a
Etobicoke	n/a	n/a	n/a	n/a	n/a	n/a
Gloucester	n/a	n/a	n/a	n/a	13.0	22,673
Nepean	n/a	n/a	n/a	n/a	.1	24,000
Ottawa	n/a	n/a	*	*	10.0	1,761,077
St. Catharines	60.8	2,353,713	no program		n/a	n/a
Toronto	n/a	n/a	n/a	n/a	n/a	n/a

\* - purchase services from Region  
n/a - not applicable, function carried out at a different level  
n/r - no response given on questionnaire

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have the same level in a particular department. The reasons for this seem to underline some of the problems, as well as obstacles, to instituting charges.

The highest consistent rates were in the area of water. Water supply has traditionally been "user pay". Residents expect to pay for water either directly through a metered charge or indirectly through a flat fee. This expectation makes the institution of fees acceptable and few complaints are heard regarding an increase in the rates. The real difference in the figures here is not the amount charged to individuals but how each municipality calculates its water costs. Some areas include all capital expenditures, as well as operating, in these figures.<sup>1</sup> Thus Ottawa/Carleton has a low percentage recorded but has fairly comparable rates since they included all their costs in this figure.

Another service which has traditionally charged users is public transit. Here again the benefit to a user has been particularly obvious since the individual pays money to be transported from point A to point B. The percentage collected ranges from 45% to 72% in various municipalities with most municipalities setting a target level of revenue. Here again users expect to pay something for use of the service. Unlike water, however, increases in transit fares have met with opposition in many locales. Mainly due to the labour intensive nature of transit, the costs have been increasing more rapidly than water charges. These increases have not been absorbed totally by the fares collected, and, in fact, it can be argued whether they should.<sup>2</sup> It is interesting to note on TABLE VII (see page 16) the actual fares which the various municipalities charge. There is really little correlation between the target level of recovery and the actual prices charged by the municipality. For example, Windsor has a fare of \$.50 but has its recovery proportion set at 56%. Other municipalities have higher recovery but lower fares. Obviously the reason for this is the great variance in size, service levels and patronage of the transit system, as well as other factors such as provincial contributions to both operating and capital costs.

1 The role of capital cost recovery will be discussed in the pricing section.

2 This is discussed further in the next section.

As can be seen on TABLE VI (see pages 12 and 13), the municipalities handling sewage vary greatly in how much they recover from users. The recovery rate is quite high in the case of Region of Peel (85%), Region of Hamilton/Wentworth (98%), City of Toronto (80%), and Nepean (89%). The other five municipalities responding to this question had lower percentages of their budget from .02% (Peterborough) to 56.8% (Ottawa). All the municipalities, except two (Metro Toronto and Kingston), tie the sewer charge to water usage making the fee charged a percentage of the water bill or water consumption. These percentages fluctuate from 6% of the water rate in Sarnia to 100% of the rate in Hamilton/Wentworth. By tying the charges to the water rates, the municipalities are in effect saying that a certain percentage of water is used for sewage purposes. This varying basis of calculation allows for the greater difference in rates between municipalities and means that few will ever recover all the capital and operating costs for sewage alone.

Parks and recreation is an area where municipalities are recovering a much smaller proportion of costs. The reason is obvious in that parks and most recreational facilities of municipalities have always been considered free and a service an individual gets as part of his payment of taxes. As recreation needs and facilities become more sophisticated, however, the costs of constructing and maintaining the facilities increase dramatically. The trend therefore has been for municipalities to begin to charge for use of such facilities as arenas, golf courses, tennis courts and swimming pools but not for use of parks and traditional forms of recreation facilities. This fact plus the fact that charges also only cover a portion of the actual costs, account for the low percentages of revenue collected from 2% (Etobicoke) to 40% (London).

The trends in parks and recreation toward charging for some services can be seen in TABLE VIII (see pages 17 and 18). Municipalities are collecting fees for specialized recreation areas and are even determining future facilities on the basis that they can pay for themselves, i.e. additional tennis courts, marinas, community centres. However, it is interesting to note three things. Figures were not available for what proportion of a particular facility charges covered, but this certainly would be useful data. Second, the rates charged for the facilities are considerably below market. The issue of



TABLE VII  
PUBLIC TRANSIT USER CHARGES - 1977

	ADULT	STUDENT	CHILDREN	SENIORS	COMMENTS
<u>Upper Tier</u>					
Hamilton/Wentworth	\$ .55	6/\$1	6/\$1	6/\$1 or pass for \$12.50	
Metro Toronto	\$ .55	\$ .30	\$ .20	\$ .30	Discounts available for multiple purchases
Niagara Ottawa/Carleton	n/a	n/a	n/a	n/a	
Peel	\$ .50	n/a	\$ .25	n/a	Discounts available for multiple purchases
	n/a	n/a	n/a	n/a	
<u>One Tier</u>					
Kingston	\$ .35	\$ .25	\$ .25	\$ .15	
London	\$ .40	\$ .20	\$ .20	\$ .40	
Peterborough	\$ .30	\$ .25	\$ .25	\$ .30	
Sarnia	\$ .35	\$ .20	\$ .15	\$ .35	
Windsor	\$ .50	\$ .35	\$ .25	\$ .35	
<u>Lower Tier</u>					
Burlington	\$ .40	\$ .30	\$ .15	\$ .15	
Etobicoke	n/a	n/a	n/a	n/a	
Gloucester	n/a	n/a	n/a	n/a	
Nepean	n/a	n/a	n/a	n/a	
Ottawa	n/a	n/a	n/a	n/a	
St. Catharines	\$ .40	\$ .30	\$ .20	\$ .40	
Toronto	n/a	n/a	n/a	n/a	Discounts available for multiple purchases

TABLE VIII  
PARKS & RECREATION CHARGES - 1977

	ARENAS			SWIMMING			GOLF		
	Skating Admission	Ice Rental	General Admission	Membership	Pool Rental	Membership	Green Fee		
<u>Upper Tier</u>									
Hamilton/Wentworth	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Metro Toronto	---	---	---	---	---	---	---	---	\$2.25-\$4.45
Niagara	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Ottawa/Carleton	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Peel	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
<u>One Tier</u>									
Kingston	\$ .25-\$ .50	\$18-\$28/hr.	\$ .30-\$ .50	---	\$12/hr.	\$40-\$110	\$3-\$5		
London	\$ .25-\$ .60	\$22/hr.	\$ .10-\$ .50	---	---	\$70-\$110	\$2.50-\$6		
Peterborough	\$ .50-\$1.25	\$33-\$43/hr.	\$ .50-\$1	---	---	---	---		
Sarnia	*	*	---	---	---	---	---		
Windsor	\$ .50-\$1	\$21-\$50/hr.	up to-\$ .50	---	\$15/hr.	\$185-\$280	\$2.25-\$7		
<u>Lower Tier</u>									
Burlington	\$1.00	\$40/hr.	\$ .75	\$12	\$20/hr.	\$200	\$5-\$7		
Etobicoke	*	\$20-\$45/hr.	*	---	*	---	---		
Gloucester	*	*	*	---	*	---	---		
Nepean	---	\$27/hr.	\$ .35-\$ .60	---	\$35/hr.	---	---		
Ottawa	---	\$10-\$30/hr.	---	---	\$10-\$20	---	---		
St. Catharines	\$35.--\$75	\$11-\$42/hr.	---	\$25/season/fam.	---	---	\$2.50-\$5		
Toronto	n/a	n/a	n/a	n/a	n/a	n/a	n/a		

n/a - not applicable  
--- - no charge

\* - charge for these but did not list the rate

(TABLE VIII continued on page 18)



## OTHER

--- - no charge

whether this is appropriate is covered in the pricing section. Third, there is considerable variation in charges for the same thing between municipalities. Tennis membership fees range from \$12 to \$50 per season; ice rentals from \$11 per hour to \$50 per hour.

The other three areas covered in TABLE VI are day care, libraries and police. All of these areas have fairly small amounts of revenue. TABLE IX (see page 20) shows the fee structure for day care. It is difficult to draw any conclusion from either the fee structure or the proportion collected without knowing more about the individual municipal programs and what is offered. Unfortunately this detail was not covered in the questionnaire. A few general notes can be made, however. First, day care is heavily subsidized for needy users as reflected in the difference between the assisted and unassisted rates. Several municipalities in fact report waiving the fee all together for low income families. Thus day care is seen partly as a "social" program and, as such, municipalities see little revenue to be gained in this area. Second, London has a limited day care program. Despite this, or possibly as a result of this, they still have the lowest rates and hence the smallest proportion of costs covered by fees. London has no charge for children whose parents have less than \$6,000 net income and only charges \$.60 per day for other children.

Libraries in most areas collected less than 6% of their revenues from charges as reported on TABLE VI. Some argue that the opportunity for charging is limited since libraries are seen to be almost a public right that citizens should be able to expect. The areas where monies are collected can be seen on TABLE X (see page 21). Only one municipality (St. Catharines) charged a general membership fee (\$.25).

The last item covered on TABLE VI is police. The two main areas from which revenues are received are the hiring of off-duty policemen for special events and parking ticket revenues. Both of these are common practices, but generate little revenue in terms of overall police services.



TABLE IX

## DAY CARE CHARGES - 1977

	Charges per Day	
	Unassisted	Assisted Minimum
<u>Upper Tier</u>		
Hamilton/Wentworth	\$7 - \$8	---
Metro Toronto	\$10.50	---
Niagara	\$10.00	\$ .50
Ottawa/Carleton	\$10.50	---
Peel	\$10.00	\$1.50
<u>One Tier</u>		
Kingston	\$ 7.00	---
London	\$ .60	---
Peterborough	\$ 9.00	\$1.00
Sarnia	\$ 8.90	---
Windsor	\$10.00	---
<u>Lower Tier</u>		
Burlington	Not applicable (Regional function)	
Etobicoke	Not applicable (Regional function)	
Gloucester	Not applicable (Regional function)	
Nepean	Not applicable (Regional function)	
Ottawa	Not applicable (Regional function)	
St. Catharines	No program	
Toronto	Not applicable (Regional function)	

TABLE X

## PUBLIC LIBRARY CHARGES - 1977

Nonresident Borrowers Fee		Overdue Fines	Miscellaneous Services
<u>Upper Tier</u>			
Hamilton/Wentworth	No charge	\$ .05-\$ .25 per day	Rent projectors - \$2-\$3/day
Metro Toronto	\$5.00/person	\$ .01-\$ .05 per day	
Niagara	Not Applicable		
Ottawa/Carleton	Not Applicable		
Peel	Not Applicable		
<u>One Tier</u>			
Kingston	\$15/family; \$10/single	\$ .02-\$ .05 per day	Photocopy - \$ .10; Film - \$.50-\$4/day
London	Not Applicable		
Peterborough	\$7/family; \$5/adult	\$ .02 per day	Photocopy - \$ .10
Sarnia	No charge	*	
Windsor	\$5/person	No charge	Equipment rental - \$1 - \$4/day
<u>Lower Tier</u>			
Burlington	No charge	*	*
Etobicoke	\$5/person	\$ .10 per day	Films - \$1/day
Gloucester	*	*	
Nepean	\$5/person	\$ .03 per day	
Ottawa	*	*	
St. Catharines	No charge	\$ .05 per day	Film rentals & lecture hall rentals
Toronto	\$5/person	\$ .01-\$ .05 per day	

\* Indicates that the municipality charges some fee for this service but did not indicate the rate at which it charges.



Two service areas not covered by TABLE VI, but included in the BMR survey, were fire protection and sanitation. Fire protection generated little revenue with all the respondents reporting less than 1% of expenses recovered. It would obviously be difficult to charge fees for actual use of fire fighting services. (An extreme case of this would be ancient Rome where private fire fighting companies negotiated fees with owners at the scene of the fire.) An area that a number of other municipalities are investigating, however, is a scheme whereby municipalities would levy properties according to their fire risk. The practical difficulties are apparent but the idea is one which could be implemented in some areas.

Sanitation or garbage collection and disposal had all municipalities reporting that these are financed by tax revenues and not user charges. In two cases the amount of tax levied to cover sanitation costs is itemized on the municipal tax bills. The other municipalities do not itemize it. Thus most people do not identify sanitation as an item for which they are in fact being levied.

#### IV CRITERIA FOR CHARGING

##### Initial Obstacles

The BMR Survey highlights what a number of the more active municipalities are doing in Ontario. The emphasis here was to obtain a sampling of the extent and types of areas where charges are made.

There are two conclusions that can be drawn from this information: first, the extent of charges is quite limited; and second, there are only a few service areas where they are used to any extent. The survey showed that traditional user pay services such as water, sewer and transit are still the only areas where large amounts are collected. Although gains are being made in other areas, such as parks and recreation, the overall amount is still fairly static as shown by the five year review of Ontario (TABLE IV).

Why are user charges used to such a limited extent? What factors besides revenue gained must be considered in the review a municipality must undertake to determine if charges are appropriate for a particular service?

In purely economic terms the main criteria for determining where a user charge can be made for a particular government service is whether it is possible to exclude people from the benefits of that service.<sup>1</sup> There are some services which are provided from which everyone can benefit and few can be excluded. General police protection is one where it is difficult to single out the benefits from the policeman walking the beat, and as was demonstrated by the survey, little revenue is generated here.

Most services, however, are not that definitive. Direct users can be identified for many and technically these individuals could be made to pay as a result. Why then are user charges used so infrequently only representing an overall 5% of municipal revenue? The answer to this is political not economic.

<sup>1</sup> John Due, Government Finance: Economics of the Public Sector, Irving, 1968, p. 343.



Municipalities have traditionally asked residents to pay for some services such as public transit and water. Although in most cases the charges did not cover the full cost of the service, the principle of having to pay was established. Other services, however, were not charged. Municipalities in times of prosperity built parks, tennis courts, libraries, etc. and provided them free of charge. People began to expect services in return for their tax dollar.

To suddenly begin to charge for a previously free service is difficult to reconcile politically. As one economist notes, "once the mistake of giving something away has been made . . . it is very difficult to overcome the interests of beneficiaries".<sup>1</sup> The local politician must decide to introduce the charge and set the rates and as a result leaves himself open to pressures from affected users. In many cases, it is politically easier to raise the mill rate than alienate a substantial group of residents. This is even true for increases in user charges.

Thus there is more to making a decision to institute charges than simply working out the economics which has been the traditional approach.<sup>2</sup> The implications and considerations are great - but not so great that the exercise should not be followed.

There are a number of pros and cons of charging which should be analyzed by a municipality for each service for which a charge is being considered. The importance of the various items will fluctuate obviously depending on the service and local condition. An analysis is not complete, however, until these various factors are considered.

1 Richard Bird, Charging for Public Services: A New Look at an Old Idea, Canadian Tax Foundation, 1976, p. 35.

2 This attitude of the supremacy of economics is evident in almost all the works done on user charges to date.

### Weighing the Advantages

The most obvious advantage is the revenue potential. In the present financial situation of most municipalities, this factor will be the one that brings the issue forward at the municipal level. The potential for revenue must be closely analyzed in terms of the market and nature of the service. Prices can be charged only when people will voluntarily purchase the priced service at the established amount.

As part of the BMR survey a number of questions were asked to determine why present charges were or were not used. The most frequently cited reason for a charge to be supported was to ensure fairness between users and non-users. Elected officials acknowledged that in some cases those who receive the benefits should pay. This is certainly an economic principle which has a wide following. It is seen to be more equitable than to have the general public paying for a service from which only a select few benefit.<sup>1</sup>

Some local government analysts argue that user charges also give the public a clearer understanding of taxation. Many people are skeptical of the benefits they receive from their taxes. If it can be shown what the tax dollars are used for and what is paid for by the user, then the individual can relate his money to actual benefits received. Whether this will make individuals more content about their tax situation is questionable. It does, however, open a line of communications between municipalities and residents.

Municipalities can also decide to impose charges as a means of implementing a particular policy of council. For example, if a municipality would like to promote its public transit system in a downtown area, one method of accomplishing this might be through raising municipal parking fees. Another example of relating charges to policy is the municipality that charges industries for the volume and special treatment costs for the type of sewage generated. In this case the charge would also be functioning as a way for the municipality to better implement environmental control policies.

1 Selma Mushkin (ed.), Public Prices for Public Products, Washington, D.C., Urban Institute, 1972.



It has also been argued extensively that the imposition of charges helps a municipality to ascertain the actual demand or need for a particular service.<sup>1</sup> Some services may be oversupplied in terms of demand, others undersupplied. The theory is, that by making people pay, the real demand can be seen in terms of how many people still use the service. This has been suggested to be true in some services such as recreation programs where the paying participants were more committed than those who had not paid.<sup>2</sup>

There are a number of problems with this theory, however. The first is that delivery of municipal services is more complex than it used to be. There are numerous factors that must be analyzed to determine the demand for a service. Second, a minimum level of service is needed to simply continue to maintain the quality of the service and, in effect, make it marketable. Third, user charges may make municipal service patterns more sensitive to preferences of residents at a particular point - usually inception. However, over a longer period of time, this "gauge" of demand becomes more uncertain and inflexible to shifts in priorities and user preferences. Demand at that point can not be solely determined by willingness to pay. Fourth, particularly in the case of recreation, if a person must spend a great deal of time and money on a sport (particularly in terms of transportation and equipment) than the fee that must be paid to use the facility once the person is there has little if any effect on his demand for the facility.<sup>3</sup>

1 This is argued in most literature. A good example is Local Service Pricing Policies and Their Effect on Urban Spatial Structure, edited by Paul Downing, U. of British Columbia Press, 1974.

2 One of the BMR Survey respondents also mentioned this by hypothesizing that vandalism at recreation facilities was reduced by charging admission.

3 Philip Moss, "Pricing Recreational Services", Public Prices for Public Products, p. 340.

### Weighing the disadvantages

Drawing on the BMR survey, some of the problems with user charges can be seen. The reasons used for not instituting a charge reveal the complexity of the issues with which officials must deal. Public resistance was cited as a main reason. In some jurisdictions the resistance manifested itself in petitions, delegations and demonstrations at council meetings. The protests were over a myriad of issues from increases in parking fees and sewer surcharges to arena rentals, playing field lights and tennis court charges. The amount and type of pressure exerted for issues that did not reach council formally was not mentioned.

It is apparent from the responses that certain areas in some municipalities will never have user charges or only ones at a very low rate. The reason is again political. One example cited by an administrator was day care. It was felt that if day care user costs were increased, more women would be forced to stay home and welfare rates would increase. Neither of these the politicians wanted and they made it known to the administrator. Thus the political needs of a municipality must be assessed to ensure that time and money will not be wasted pursuing charges which politically would never be accepted.

Another factor which the survey results depict as crucial for determining whether or not to institute a particular charge, is the cost of administration and collection. In some cases, these costs could be more than the revenues collected. This should be known ahead of time and a decision made based on this information. The methods of determining costs will be covered in a later section on pricing services.

The actual municipal organization can cause some problems in terms of implementing charges. It is crucial that there be cooperation between department heads, administrative staff (particularly the budgeting section) and politicians. Depending on the structure and politics of the local situation, this can be easy or difficult to obtain. In some areas, the budget department could propose charges to council and have them approved with little support from department heads. Cooperation and a good working relationship, however, are crucial for successful implementation.



Any of these three systems could make a charge more equitable in a particular circumstance. A number of cautionary notes should be made about all these methods. The administrative costs should be low to make the option feasible. Administration in general should be convenient and not adversely effect the service delivery.<sup>1</sup> The people receiving special consideration should not be stigmatized as in many other "social programs". A person may choose not use a facility or service if it becomes one more form of humiliation and means of identifying that person's income.

Lastly, if the third option is to be used, there must be great concern given to establishing the real cost of the "extra service". The users should pay all costs - including such things as, in the garbage analogy, reserve fund replacements costs for vehicles being used more, debt charges, storage charges, etc. If these hidden costs are not totally covered by the people receiving the extra service then in effect the system is again subsidizing a discrimination in service based on income. An increase in one service should not jeopardize the provision of other essential services.

An analysis of the users of particular services will show which service charges will have the greatest impact on which income group. Many services are used only by those with access to information and having more education and awareness of the service.<sup>2</sup> There are also certain groups of activities that are predominantly used by middle and upper income groups. These are particularly ones which require a certain amount of investment in equipment, travel and training such as skiing, tennis and camping.

In the view of the Bureau it seems crucial to go beyond establishing a system of subsidy to end discrimination in access to services. It seems essential that each municipality, when they are embarking on user charges, make a decision as to which services they provide are basic and should be without a charge. There are some services which each resident should get without extra

1 These two ideas are covered in the Willcox, Mushkin article.

2 Mushkin & Vehorn, Governmental Finance, November, 1977, p. 47.

a basis for determining this. Minimum levels of police protection and fire protection are two examples of basic services. There are many others. Their determination should not be a deterrent to the use of user charges but a guide to help to decide whether charges are appropriate. It then must be decided on a service-by-service basis in which areas charges can be made and which areas systems of subsidies are appropriate.



## V PRICING

Once a municipality has made the decision that charges are appropriate for a particular service, the next step is to actually ascertain what fee will be charged. There are a variety of theories and methods as how to set an appropriate fee. These possible methods will only be outlined briefly here. An extensive analysis of methods can be found in such books as Local Service Pricing Policies and their Effect on Urban Spatial Structure edited by Paul Downing and Charging for Public Services by Richard M. Bird.

### Pricing Methods

Three basic pricing principles can be used: marginal cost pricing; average cost pricing; market rates.

Marginal cost pricing has been advocated by economists as the method of pricing which promotes efficiency. The basis for this pricing is a fee which is set at the cost of producing or supplying one more unit of service used. In other words what is the extra cost of one more user of a particular service? In the case of sewer lines it is quite easy to determine since the cost of installing a new line to one house can be determined. This cost would then be considered the marginal cost or price for that particular service.

In many other services it is quite difficult to determine the marginal cost. For example, how much extra cost is incurred by one extra visitor to the municipal zoo? The extra cost is minimal since one extra person would have little effect on overall maintenance and operating cost. Thus the marginal cost would not cover much of actual cost of operating in this case, plus it would cover little, if any, of the initial capital costs. It should be noted that a marginal cost may differ within a service depending on outside factors.

The second method is average cost pricing. This method does include a calculation for operating and capital costs by basing the fee on the total

cost of supplying the service. All expenses including such items as maintenance, insurance costs, depreciation, debt charges, etc. are calculated. This then is divided by the number of users to find the full or average price for the service. This method is also called full cost recovery since in theory all costs should be covered. An example of where this is frequently used is with water and sewer services.

One of the problems with average cost pricing is its equalizing nature. In the case of water, for example, suburban households cost more to service since they are less dense. Under the average cost method, these would pay the same rate as inner city households. Under the marginal cost method certain compensation for these difference can be made.

The third method, and the one that is used very rarely, is that of pricing by determining the market rate - or what people will pay - for an activity. For some activities such as golf courses, tennis courts, this is easier to ascertain since there is also a private market supplying these services. For most municipal services, there is not a private market counterpart and as such the establishment of a market rate becomes very difficult. It is also questioned by many as to whether this is even wise? Each municipality must determine this themselves.

Thus these are the three "economic" ways of setting prices or determining pricing increases. Inherent in each of these is the ability of a municipality to correctly identify all the costs associated with a service. This can be a difficult task given the various degrees of sophistication that exist between municipalities. Regardless of this, it is a crucial exercise.

### What Pricing Methods are Really Used?

Now that the three pricing methods have been outlined it is interesting to see how some Ontario municipalities actually price services. Turning to the BMR survey again, the question of pricing was asked in the areas of parks and recreation and libraries. TABLE XI (see page 34) shows the responses.



TABLE XI  
CRITERIA FOR DETERMINATION OF CHARGES - PARKS & RECREATION AND LIBRARIES

[illegible]

\* excluding staff  
\*\* a portion

As can be seen other factors came into play beyond the purely economic ones. Things like "tradition" are many times the basis for current charges by municipalities. Straight price setting must yield to other considerations as well. For example, the idea of peak and off-peak rates and rates by volume of use are certainly legitimate to even out use of a service and lower costs to both the municipality as well as the consumer. TABLE XI shows the use of peak versus off-peak rates in recreation. The respondents to the survey all indicated that they did not use off-peak pricing for other services such as water.

A number of municipalities (four) did charge for water by volume (which uses marginal cost pricing methods). Unfortunately all of these municipalities gave discount rates for high volume use which encourages the demand and use of the service and discourages conservation.

A corollary example to this was in the sewage area. Five of twelve reporting municipalities reported making no extra charge to businesses discharging concentrated industrial wastes despite the widely recognized fact that these wastes place a considerable extra burden on sewage treatment cost. Moreover, no municipality reports varying rates according to distance from the treatment plant, even though part of the costs of providing the service vary in direct proportion to distance. Again, as with water, average cost pricing takes precedence over marginal cost pricing.

The quantity or use of the service may be such that the demand for the service would not warrant trying to charge the full cost. The reverse of this is also possible. Lower rates could encourage use of a service which the municipality was trying to promote.

If the goal is to maximize revenue or minimize the cost of collection fees, rather than promote equity or efficiency, then other methods might be appropriate. For example, use of such items as annual permits for campgrounds, seasonal rates for tennis courts or monthly passes for public transit allow the administrative costs to be fairly low and the level of revenue to be guaranteed.



Thus there are a number of factors to consider when setting a price for a service. Obviously each price must reflect municipal policy towards use of the service. It should be noted that there is no one method that is always appropriate for all services. "There is no absolutely good or absolutely bad system but only a choice of imperfect possibilities. Which system is better in a particular instance is fundamentally an empirical question, though unfortunately often one where we simply do not have the relevant information."<sup>1</sup> What is needed is careful analysis on a case by case basis of the implications of the various pricing methods.

<sup>1</sup> Bird, p.41.

## VI CONCLUSIONS AND RECOMMENDATIONS

Although the level of user charges varies across Canada, the overall level is still relatively low compared to total municipal revenue sources. User charges are not perceived as a major source of revenue in most areas. Only services such as water and sewage where user charges are traditionally applied, have consistently high levels of use.

The use of charges in Ontario has stayed consistent in the last few years although the BMR survey indicates that the areas of charges may change slightly in the future. The respondents to the Bureau survey indicated what the possibilities are for increasing the use of charges in the next few years. Eleven of the seventeen municipalities responding indicated that they expected greater use of charges in the future. Of these, 5 municipalities expected to introduce charges for services previously provided "free"; 9 expected to introduce new types of charges for services already subject to a fee of some kind; and 4 reported that use would increase but were uncertain how.

Parks and recreation was the service most frequently mentioned as being target for more and new use of charges. This is consistent with the observations made in this Topic in terms of present expansion in the recreation area. The traditional programs such as water, public transit and sewage will continue to apply user charges most extensively, since few municipalities are taking the initiative to introduce charges for other services.

As reviewed in this Topic, one of the major obstacles is political. User charges can be very difficult to reconcile politically. This is particularly true when they are applied to services that people feel they pay for in their taxes and where everyone benefits from the provision of the service.

Although the Bureau advocates the use of user charges at the municipal level, it does not do so in a blanket way. There are both positive and negative aspects of user charges. Guidelines for their use are required.



It is essential that each municipality determine what basic services it will provide to its residents for no extra charge and which are appropriate for user charges. This is a fundamental policy decision and should help the institution of user charges, not prevent their use. There are obviously some services which must be provided to all residents and we feel that it is crucial that municipalities continue to provide these through current municipal revenue.

The use of charges for other services can be determined by the municipality on a service-by-service basis. Each should be analyzed in terms of the costs and benefits of instituting charges. The analyses must consider four basic factor: social; economic; political; and policy goals.

User profiles of services will help to determine which groups will be most affected by the implementation of fees. Certain services can be predominately for one group, while others have wider markets. There should be special consideration of the effect of the charge on the pattern of uses to ensure that there is little discrimination between income groups for municipal services. Also the use of user profiles will help to determine whether in fact the service is one from which people can be excluded.

The economic considerations frequently cause user charges to be considered in the first place. It is essential that complete economic analyses be done to ascertain not only the revenue potential, but the complete set of costs of the service including such hidden costs as capital expenditures, depreciation, debt charges, etc. It is essential to also ensure that the costs of administration do not outweigh the benefits. Various pricing methods can be instituted but one of the real problems with most municipal economic analyses is the lack of complete financial information. This hinges on two problems. First is the fragmentation of delivery of many services through the variety of delivery agents, namely special purpose bodies. The second problem is the more crucial one - that of municipal cost accounting. Without complete cost information in the first place it is impossible for municipalities to be aware of the full extent of its costs for each service. Hence it becomes increasingly difficult to set revenue objectives that are realistic and attainable. Even for those services which are provided without a user charge, it is advantageous to know the full costs of that service.

Obviously the political climate must be assessed to determine the amount of public resistance as well as the affects there will be on other programs and policies. Both of these areas have been crucial in determining the use of user charges in the past and their significance must be recognized now to ensure that an enormous amount of time is not put into developing a scheme which politically would never be acceptable.

The last area of consideration is that of policy considerations. As mentioned in this Topic the use of charges can be a way of supporting and supplementing the policies which a council adopts. All user charges have policy making aspects but some are more formal than others. For example, the decision to use a parking charge increase to support the public transit system of a municipality is a way of instituting or supporting the use of user charges but also trying to compliment or support other policies of the Council. Also a decision to vary the methods of charging can be based on policy considerations. Again the use of such things as peak and off peak rates and charges by volume of use for such things as water and sewage can be means of implementing conserver principles that a municipality might be supporting.

To institute user charges, however, means a fundamental rethinking of the approach to services, the basis on which they are provided, and ultimately the role of a municipality. Many of the traditional ideas of what municipalities are supposed to provide have to be rethought before the concept of user charges is one which can be accepted on a broader scale. Part of this process is one of re-education. It is certainly desirable for a municipality to try to inform the public as to why they are instituting a charge and attempt to get a broader understanding of the role of user charges and municipal policies and finance for both themselves and their citizenry.

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## APPENDIX A

## BUREAU OF MUNICIPAL RESEARCH USER CHARGE QUESTIONNAIRE

## SECTION A - SERVICES

1. Please estimate the amount (\$) and proportion (%) of the total operating budget (Revenue Fund) of your municipality which were accounted for by user charges of all kinds in 1977.

\$ \_\_\_\_\_, \_\_\_\_\_%.

## 2. PARKS AND RECREATION:

- (a) Please estimate the amount (\$) and proportion (%) of the total budget for the parks and recreation department which were accounted for from user charges or fees during 1977.

\$ \_\_\_\_\_, \_\_\_\_\_%.

- (b) Indicate the charges or fees levied on users for the following recreation services; please note if there are special rates for students, seniors, or other groups; (attach a rate schedule if more convenient):

- |   |                               |       |
|---|-------------------------------|-------|
| (i) Arenas                                      | - skating - general admission | _____ |
|   | - membership                  | _____ |
|   | - ice rental                  | _____ |
|   | - curling sheet               | _____ |
| (ii) Swimming                                   | - general admission           | _____ |
|   | - membership                  | _____ |
|   | - pool rental                 | _____ |
|   | - instruction                 | _____ |
| (iii) Tennis                                    | - membership                  | _____ |
|   | - court fee                   | _____ |
|   | - instruction                 | _____ |
| (iv) Camps/Camping                              | - day camp                    | _____ |
|   | - campground fee              | _____ |
| (v) Golf  | - membership                  | _____ |
|   | - green fee                   | _____ |
|   | - instruction                 | _____ |
| (vi) Other recreation programs (please specify) |                               | _____ |
|   |                               | _____ |
|   |                               | _____ |



## 2. PARKS AND RECREATION (con't)

(c) On what basis are the rates for charging users of recreation services set? CIRCLE NUMBER INDICATING APPROPRIATE ANSWER(S).

- (i) Going rate - by comparison to private facilities.
- (ii) To recover direct operating costs.
- (iii) Tradition - according to what has been charged in the past.
- (iv) To recover all costs, direct and indirect.
- (v) According to volume of demand.

(vi) Other (please specify) \_\_\_\_\_

(d) Are rates adjusted to take into account peak periods of demand and off peak periods?

Yes \_\_\_\_\_ No \_\_\_\_\_

## 3. LIBRARIES:

(a) Please estimate the amount (\$) and proportion (%) of the total budget for the library department (or board) which were accounted for by user charges (including fines) in 1977.

\$ \_\_\_\_\_ %

(b) Indicate the charges or fees levied on users of the following library services:

- (i) general membership \_\_\_\_\_
- (ii) non-resident borrowers \_\_\_\_\_
- (iii) computer searches \_\_\_\_\_
- (iv) inter-library loans \_\_\_\_\_
- (v) overdue fines \_\_\_\_\_
- (vi) other (please specify) \_\_\_\_\_

## 3. LIBRARIES (con't)

(c) On what basis are these charges levied? CIRCLE APPROPRIATE ANSWER(S).

- (i) To recover direct costs, including staff.
- (ii) To recover all costs direct and indirect.
- (iii) To recover materials and out-of-pocket costs only.
- (iv) Other (please specify) \_\_\_\_\_

## 4. SANITATION:

(a) (i) Do you finance garbage collection through property tax revenues?

Yes \_\_\_\_\_ No \_\_\_\_\_

(ii) If YES to 4(a)(i) above, is a garbage collection levy identified separately on your tax billings?

Yes \_\_\_\_\_ No \_\_\_\_\_

(iii) If NO to 4(a)(i) above, please describe the method and rates you employ to charge for garbage collection services.

(iv) What proportion of total costs did revenues from the special levy or charges account for in 1977?

\_\_\_\_\_ %

(b) How are disposal costs financed? CIRCLE APPROPRIATE ANSWER.

- (i) Included with user charge/levy for collection.
- (ii) General property tax revenues.
- (iii) Other (please specify) \_\_\_\_\_



## 5. PUBLIC TRANSIT:

- (a) Please estimate the amount (\$) and proportion (%) of the total transit budget which were accounted for from user charge revenues in 1977.

\$ \_\_\_\_\_, \_\_\_\_\_ %

- (b) What rates do you charge for transit services?

Single fare (adult) \_\_\_\_\_

Special fares (students, etc.) \_\_\_\_\_

Pass (monthly or other) \_\_\_\_\_

- (c) What basis or policy determines the proportion of transit revenues to be financed from taxation or levies and the proportion raised through fares?

- (d) Are there differentials in fare rates to take into account?

(i)	peak periods or off-peak periods?	Yes	No
(ii)	distance of trip?	Yes	No

## 6. WATER:

- (a) Please estimate the amount (\$) and proportion (%) of total water supply and distribution costs, including capital costs, which were financed from user charges or levies during 1977.

\$ \_\_\_\_\_, \_\_\_\_\_ %

- (b) Indicate the charges or levies made on water users:

(i) connection charges \_\_\_\_\_

(ii) service (volume) charge \_\_\_\_\_

(iii) flat rate \_\_\_\_\_

- (c) (i) Are water rates adjusted according to peak periods of demand or off-peak periods?

Yes No

- (ii) If YES to (c)(i) above, what are the adjustments?

## 6. WATER (con't)

- (d) Are there other differential rates charged for water?

(i) According to volume of use? \_\_\_\_\_

(ii) According to distance from supply or filtration plant? \_\_\_\_\_

## 7. SEWERAGE:

- (a) Please estimate the amount (\$) and proportion (%) of total sewerage costs including capital costs, which were financed from user charges or special levies in 1977.

\$ \_\_\_\_\_, \_\_\_\_\_ %

- (b) Indicate the charges or levies made on users of sewerage services. Please state if there are different rates among separate classes of users.

(i) connection charge \_\_\_\_\_

(ii) service charge \_\_\_\_\_

(iii) surcharge \_\_\_\_\_

(iv) flat rate within serviced areas \_\_\_\_\_

- (c) If service charge is levied (b)(ii) above, describe the basis for the charge.

- (d) Are there special charges for concentrated industrial sewage wastes?

Yes No

If YES, what are they? \_\_\_\_\_

- (e) Are there any differences in rates according to distance from the sewage treatment plants?



## 8. FIRE:

- (a) (i) Do you charge for fire protection services covering areas outside your municipality?

Yes

No

- (ii) If YES, what rates do you charge? \_\_\_\_\_

- (b) (i) Do you charge business properties for connection to the alarm system?

Yes

No

- (ii) If YES, what rate? \_\_\_\_\_

- (c) (i) Do you charge for fire inspection?

Yes

No

- (ii) If YES, what rate? \_\_\_\_\_

- (d) (i) Are fire permits required for activities in your municipality associated with special fire risks?

Yes

No

- (ii) If YES, what is the cost of the permit fee? \_\_\_\_\_

- (e) (i) Do you employ any other charges for fire services?

Yes

No

- (ii) If YES, what are they? \_\_\_\_\_

- (f) Please estimate the amount (\$) and proportion (%) of the total fire budget accounted for by all charges and levies in 1977.

\$ \_\_\_\_\_, %

## 9. POLICE:

- (a) (i) For special events which require crowd and/or traffic control do you charge for police services?

Yes

No

- (ii) If YES, what rate is charged? \_\_\_\_\_

- (iii) If NO, do you require the organizers of events to hire off-duty policemen?

Yes

No

At what rate? \_\_\_\_\_

- (iv) What guidelines do you use to distinguish events which are policed free from those which will be charged? \_\_\_\_\_

- (b) Please indicate the fines you levy for traffic violations.

- (c) Estimate the amount (\$) and proportion (%) of total police operating costs accounted for by revenues from fines and special charges in 1977.

\$ \_\_\_\_\_, %

## 10. DAY CARE:

- (a) Please indicate the charges or fees you employ:

(i) Full day program per diem - assisted \_\_\_\_\_

- unassisted \_\_\_\_\_

(ii) Full day program weekly charge - assisted \_\_\_\_\_

- unassisted \_\_\_\_\_

(iii) After 4 program - assisted \_\_\_\_\_

- unassisted \_\_\_\_\_

(iv) Other (please specify) \_\_\_\_\_







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5. What reasons are usually given, or accepted, by elected officials for having user charges for services in your municipality? CIRCLE LETTER INDICATING APPROPRIATE ANSWER(S).

- (a) To help raise revenues.
- (b) To gauge demand for the service in question.
- (c) To ensure fairness of financial burdens between users and nonusers.
- (d) To help limit or ration demand for the service in question.
- (e) Other (please specify) \_\_\_\_\_

6. If charges for services have been considered in the past but not adopted, what reasons were most commonly given for not adopting them? CIRCLE LETTER INDICATING APPROPRIATE ANSWER(S).

- (a) Too difficult to administer.
- (b) Not fair to public.
- (c) Non-payers cannot easily be excluded from benefits of the service.
- (d) Collection costs are high.
- (e) Hurts people who can least afford to pay.
- (f) Easier to raise the necessary funds through increased taxes or grants.
- (g) Other (please specify) \_\_\_\_\_

7. (a) When new charges have been introduced in the past, has there been significant public resistance?

Yes

No

(b) If YES to 7(a), what form has public resistance usually taken?

(c) What service or type of fee was involved? \_\_\_\_\_

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8. When user charges are set so as to make a service operate on a cost-recovery basis, are the following costs incorporated into the rates?

- |  |     |    |
|--|-----|----|
| (a) Capital costs of buildings and land.   | Yes | No |
| (b) Overhead cost of administration.   | Yes | No |
| (c) When capital costs are included but not debenture-financed, are interest charges imputed as a cost of the capital? | Yes | No |