CITY POLICY & PROCEDURE

SECTION: **FINANCE**

NO: FI - UF - 01

REFERENCE: **USER FEE POLICY & PROCEDURE**

Date: November 9, 2026

Next Review Date: November 2028

TITLE: USER FEE POLICY & PROCEDURE

1.0 Policy Statement

1.1 The City of Dryden will collect user fees to recover the costs of services where it is determined that a service, product or the use of City facilities or resources provides 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.

1.2 The amount of a fee will not exceed the Full-Service Cost of providing the applicable service.

2.0 Purpose

2.1 This policy will provide a framework to ensure a consistent, transparent, efficient, and accountable approach for establishing and managing user fees across City programs and Local Boards.

This policy promotes recovery of the full-service cost of services for which user fees are charged. Notwithstanding, City Council may approve a subsidy if it is determined that full-service cost recovery would not be consistent with achieving the City's policy objectives, or where services benefit the community or general public and not just the individual, group of individuals or business sectors, or where services are based on competition in the open market, or where fee amounts are legislated by the Province.

This Policy requires the 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.

3.0 Application

3.1 This Policy applies to all City Programs and Local Boards.

4.0 Authority and Accountability

4.1 Council

- Authorize all user fees and charges for all City Programs and for all Local Boards in respect of user fees being charged for services being provided to the general public prior to implementation of the user fees.

Department Heads

- 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.

5.0 Definitions

Full-Service Cost includes 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 Dryden Public Library Board, the Dryden OPP Detachment Board 1, 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.

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 considering prevailing prices for products or services that are the same or substantially like those provided by the City.

Non-Resident means citizens living outside of Dryden municipal boundaries, including both incorporated as well as unincorporated areas.

Pricing Methodology means the process or methodology used to determine the price of a user fee or charge.

Resident means citizens residing within the corporate City of Dryden.

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.

6.0 Principles

6.1 When to Charge User Fees:

6.1.1 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.

6.1.2 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 6.3 below). Services that benefit the general public will be funded by property tax revenues.

6.2 Full-Service Costs:

6.2.1 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.

6.3 Subsidy:

6.3.1 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 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.

6.4 Non-Resident:

6.4.1 Non-resident fees should be considered where not administratively onerous to do so.

6.4.2 User Fees that are subsidized may include a Non-Resident Fee that factors in a surcharge equal to the subsidy percentage of that service or activity.

6.5 Waivers:

6.5.1 On an application basis, user fees may be waived, in whole or in part, based on criteria established in the City's Donation Policy (MU-CO-12).

6.6 User Fee Review:

6.6.1 User fees will be reviewed annually as part of the operating budget process 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.

6.6.2 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.

6.7 Revenue Allocation:

6.7.1 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 Board, the user fee revenues will be allocated to the respective City Program or Local Board based on the direct and indirect costs incurred.

6.8 All Fees Approved by City Council:

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

6.9 Two Year Review:

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

History			
Approval Date:	November 9, 2026	**Approved by:**	By-law 2026-67
Amendment Date:		**Approved by:**	
Amendment Date:		**Approved by:**	
Amendment Date:		**Approved by:**	
Amendment Date:		**Approved by:**	
Amendment Date:		**Approved by:**	

Appendix A

Guidelines and Procedures

The following guidelines complement the principles set out above and will be considered when developing new user fees, or where changes to existing user fees are contemplated.

When to Charge User Fees

Where it is determined that a service or activity provided by the City presents a direct benefit on individuals, identifiable groups or businesses, a user fee may be set to recover the cost of providing the User Fee Service. User Fee Services shall be funded fully through the user fee charged for the service, unless otherwise determined by Council.

Where it is determined that a service or activity provided by the City presents a direct benefit to individuals, identifiable groups or businesses but also results in benefits to the general public, the service or activity may be partially funded by other revenue sources by way of a subsidy.

The characteristic of the service and the nature of the benefits derived will help to determine the type of service and when to charge user fees. Services delivered by government are generally classified into the following major categories:

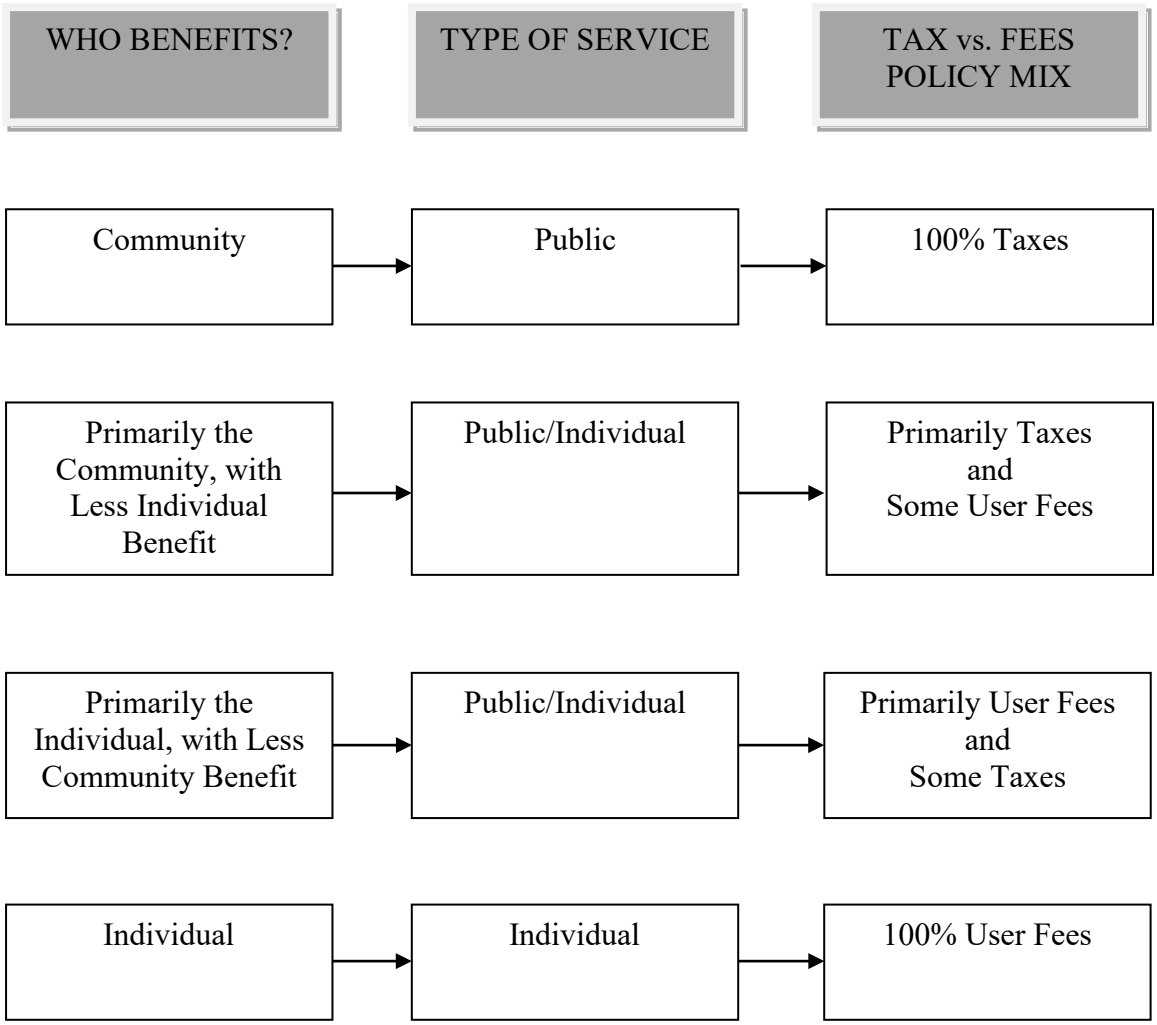
- Public Service: Benefits the general public; it is impossible to exclude someone from using or enjoying the benefits provided by the service.
- Private Service: Benefits specific individuals, groups or businesses; it is possible to exclude someone from using the service.
- Mixed Service: Benefits the general public as well as the specific individual, group or business using the service.

The 'Decision Matrix Chart' below should help in determining whether a service should be funded by user fees, property tax revenues or a combination of user fees and property tax revenues, based on the type of service (public or private) and who benefits.

As illustrated in the chart, the analysis distinguishes the degree to which a service benefits the community as a whole and should be funded by property tax revenues or benefits an individual or groups of individuals and should be funded by user fees.

Notwithstanding that a service qualifies for cost recovery, the service may be subsidized by other sources of revenue either entirely or partially, if it is determined that full cost recovery would not be cost effective or would be inconsistent with achieving the City's policy objectives, or legislative requirements.

Decision Matrix



Examples of services that fall under each category:

Community – Road Maintenance
Primarily the Community, with Less Individual Benefit – Fire Suppression
Primarily the Individual, with Less Community Benefit – Community Services
Individual – Building Permits

Every City service must be reviewed at least once every four years to determine if the cost of providing the service should be recovered through user fees or funded from property tax revenues or any other source of revenue. To accomplish this, Department Heads will:

- Determine the degree to which the service benefits directly to specific individuals or groups of individuals or businesses (a private service), and
- Recommend to Council whether the service should be paid for by users of the service or whether the service benefits the entire community (a public service) and should be funded from the property tax revenues or other revenue source.

Full Cost Recovery

Consistent with best practices for user fees, it is the City's Policy that user fees, including permits and licences should be set to recover the full cost from those who receive a direct benefit from the service; or where the service is performed at the request of, or for the convenience of the recipient. Full cost represents the value of all the resources used or consumed in the provision of the service.

Full cost recovery sets a framework for the efficient allocation of the City's resources by recovering cost from those that benefit from goods and services provided by the City, or to those that engender the need for the service. The cost recovery framework will facilitate reducing reliance on property tax revenues, maintaining equity considerations regarding the provision of services; and contribute to the effective and efficient use of resources by having those who benefit from a service pay the cost of providing that service.

City Programs and Local Boards with user fees shall determine cost recovery rates based on direct and indirect costs, plus capital charges for all fees and shall accurately calculate the full cost of providing services regardless of whether all user fee services are deemed to be fully cost recoverable. New fees will not be introduced without knowing the full cost of providing the service for which a fee is being considered.

The full cost shall include:

- Direct costs attributed to the delivery of the service such as salaries and benefits, materials, supplies and purchased services.
- Indirect costs that cannot be identified and charged directly to a specific program but are related to the resources dedicated to support it, such as costs associated with Corporate Support.

- Capital costs for asset utilization referred to as capital amortization. Amortization is defined as the original cost of the tangible capital asset divided by its useful life. Examples of capital assets used in the delivery of a program include buildings, vehicles and equipment.

Subsidy

Notwithstanding the principle that the full cost of user fee services should be recovered, certain factors may exist that warrant recovery of less than full cost, or not to recover costs at all. In such situations, the service is being subsidized by revenue other than user fees. A subsidy should be considered where:

- Full cost recovery would conflict with City policy objectives or priorities, or with legislative requirements.

- Consumption of the good or service provides societal benefits more than the value received by those paying for the service. In such cases, the amount of the subsidy should reflect the estimated value of the societal benefit derived from consumption of the service.

- Collecting the user fee is inefficient, not cost effective, or the fee constitutes an insignificant portion of the cost of the applicable service.

- Market conditions preclude setting user fees to recover the full cost of services that are offered in a competitive, open market environment.

- Other conditions exist, based on the extent of societal benefits derived from the general consumption of the service, which justify funding from other revenue sources.

The justification for the level of cost recovery associated with individual user fee services should be clear and explicit. Furthermore, the amount of subsidy should be well defined and transparent to those providing and monitoring the user fee service.

Waiving User Fees

Refer to the City's Donation Policy - MU-CO-12 and related procedures.

Cost-Recovery Strategy

The major principle of the User Fee Policy is that those who receive the benefits should pay. Therefore, cost recovery strategies should consider the extent of the

benefits received by identifiable individuals/groups (private benefit) versus that received by the general public. Thus, there will be situations where full cost recovery will not be the appropriate pricing strategy. However, the level of subsidy should be based on the full cost of delivering the service and be taken into consideration in any decision on user fees; and the reasons for recovering less than the full cost of providing the service should be stated. This will help to improve consistency, transparency and accountability in managing user fees and facilitate City Council's decision-making process.

The following factors should be considered when setting user fees and cost recovery levels:

i. Community-wide versus special benefits. Where the City provides goods or services that have societal benefits, the level of user fees should reflect the benefits received by the general public relative to the private benefits.

ii. Affordability of the service. Where services are specifically designed to serve groups or segments of the population, affordability will be considered in order to achieve public policy outcomes.

iii. Where the City provides a cost recoverable service that is similar to services provided by the private sector under competitive market conditions, the City's user fees should be comparable with prices charged in the private sector.

iv. The fee charged for services can significantly impact demand. If the user fee is too low relative to the cost of providing the service, the City may have higher demand during peak periods, resulting in capacity being increased to meet this demand while there is under utilized capacity during off-peak periods. In an environment with increasing public demand for services, user fees can be utilized as a mechanism for allocating resources in an efficient manner. The implementation of full cost recovery generally ensures that the City is providing a service for which there is a genuine demand that is not overly stimulated by fees that are substantially below cost.

v. Where there are limits set by City policy objectives or other legislative requirements on the level of cost recovery, pricing should reflect these limits.

An impact assessment must be conducted to ensure that the value of the benefit provided bears a relation to the user fee associated with the service. The impact assessment should focus on factors such as economic competitiveness and on social factors such as access to City services by low-income residents.

Other Costing Considerations

To distinguish a fee from a tax, the legislation requires that a reasonable connection exist between the cost of providing the service and the fee being charged for that service. The costs of providing a service should include direct operating expenditures, indirect costs (such as administrative overhead), and capital expenses (including depreciation).

The amount of revenues generated from user fees for a service, or product should not exceed the full cost of providing the service. Where services provided by the City are the same as or like that of other private providers, user fees should be set to maintain market competitiveness. Charges within and among City Programs and Local Boards should be made at full cost.

User Fees Review

Fees will be updated annually as part of the operating budget process.

Fees that require less than 100% cost recovery may be adjusted for inflationary changes. Authority is delegated to the Director of Finance, through consultation with the Finance Committee, to determine the automatic annual inflationary adjustment to each user fee.

Categories of User Fees

To facilitate the review of user fees and evaluation of cost recovery rates, user fees are categorized based on the following classification:

i. Market-Based: Fees in this category are compared annually to rates charged by other service providers for the same or similar services to ensure that market competitiveness is maintained.

ii. Province-Legislated: Fees in this category are legislated by the Province.

iii. City Policy: Fees in this category are determined by City policy and recover less than the full cost of providing the service.

iv. Full Cost Recovery: Fees that require 100% cost recovery will be updated to recover the full cost of providing the service and will be effective on January 1 of each year, subject to Council approval, or the start of the program offering.

v. Subsidized: Fees that are subsidized should be updated to ensure alignment with Council established subsidy targets.

Fees that require less than 100% full cost recovery may be adjusted for inflationary changes. Authority is delegated to the Director of Finance, through consultation with the Finance Committee, to determine the annual inflationary adjustment to each user fee.

User fees reviews should re-evaluate the assumptions upon which the user fee is based and the degree to which the User Fee Policy is complied with. The review will be coordinated between the Finance department and each program Manager and will include the following.

- List of user fees along with primary beneficiaries of the relevant services;
- Full cost of providing each user fee services;
- User fee revenues generated for each service;
- Indication of whether subsidies are to be provided and why along with criteria for waiving the fee in whole or in part, if applicable;
- Service levels and standards established to deliver the service as well as actual performance levels that have been reached, and other relevant performance metrics.

Any changes to the user fees will be incorporated in the Fees and Charges By-law for Council consideration.

Information Required for Introduction of New User Fees

When introducing a new user fee outside the annual operating budget process, a staff report is to be prepared and submitted to Council requesting approval of the fee. The report to Council is to include the following:

- Service and user fee description;
- Primary users of the service for which the user fee relates;
- Full cost of providing the service;
- Proposed fee amount or rate;
- Justification for implementation of the proposed fee;
- Percentage of the full cost that will be recovered from the fee, and if less than full cost will be recovered the reasons for doing so;
- Estimated annual revenue that the fee will generate; and
- Service levels and standards, and relevant performance measures.

Notification

User fees will be presented to Council annually as part of the operating budget process for approval and inclusion in the annual operating budget. Annual fees will be posted on City's website when adopted.