

# Setting of Government Charges and Fees

The original recommended practice was developed by the Government Finance Officers Association (GFOA). Some aspects of the practice have been revised by the Financial Management Capacity Building Committee (FMCBC) for use by Nova Scotia municipal governments. The original GFOA recommended practice is *Setting of Government Charges and Fees*, approved by the GFOA in 1996. Other sources used are footnoted in the text.

## Recommendation

The GFOA supports the use of charges and fees as a method of financing governmental goods and services. The GFOA offers four suggestions for local governments to adopt when implementing a system of charges and fees:

1. A formal policy regarding charges and fees should be adopted.
2. The full cost of providing a service should be calculated in order to provide a basis for setting the charge or fee.
3. Charges and fees should be reviewed and updated periodically.
4. Information on charges and fees should be available to the public.

## Purpose

A municipality may want to implement charges and fees for varying reasons. Charges are voluntary payments that can be used to finance traditional governmental services. Conversely, fees may be imposed to regulate the public's activities. Whether establishing a charge or fee to a municipal service, municipalities can extract revenues to fund these particular services.

## Background

Since charges are typically associated with voluntary payments, they have often been associated with government services such as water, sewage, and transit. Conversely, fees have been associated with providing a degree of regulation when placed on a government product or service. Often, fees are established with regards to health, safety, or other protective purposes. Fees result in the purchase of a privilege or authorization and are applied to various activities, such as restaurant inspections, landfill use, and building permits.

Municipalities should take into consideration the method of pricing when establishing charges and fees. Resources can be used efficiently if the price of the product or service

is set at a level that is related to the cost of producing the product or service. Some municipalities will set some charges and fees to recover 100 percent of the cost, while other municipalities will set charges and fees at levels above or below cost for various reasons.

## **Considerations for Policy Development**

In order to establish a comprehensive system of setting charges and fees in a municipality, some factors need to be considered. Municipalities in Nova Scotia need to consider the applicable legislations. *Appendix I* includes Section 79 of the Municipal Government Act (MGA) and *Appendix II* has a tabled list of all of the types of municipal charges and fees found in the MGA.

In addition to following legislation, municipalities should also consider some of the implications surrounding charges and fees. *Appendix III* discusses some guiding principles and equity concerns surrounding charges and fees. Upon examining all of these different components, municipalities should consider establishing standard implementation guidelines for charges and fees. *Appendix IV* offers suggestions for implementing government charges and fees.

## **Appendices**

Appendix I: Municipal Government Act, Part 4: Section 79

Appendix II: Legislated Charges and Fees

Appendix III: Implications of Charges and Fees

Appendix IV: Implementation of Charges and Fees Guidelines

## **Appendix I: Municipal Government Act, Part 4: Section 79**

Municipalities need to consider the Part 4: Section 79 of the MGA when implementing charges and fees affecting its residents.

### **Section 79**

#### *User Charges*

Subject to the approval of the Board for those services that are subject to the Public Utilities Act, the council may, by by-law, prescribe charges for the provision of services for persons who use or benefit from the service, on a basis out in the by-law.

## Appendix II: Legislated Charges and Fees

The following is a list of charges and fees found in the MGA. This can act as a helpful and concise guide for municipalities when establishing charges and fees.

Type	MGA	Description
Water and Sewer Charges	49(1)(a)	Council may make policies for setting the interest rates to be charged on water charges, sewer charges, and any other charges or sums owing to the municipality.
Solid Waste Charges	49(1)(b)	Council may make policies for the setting of charges for solid waste management facilities operated by the municipality.
Setting Fees	49(1)(c)	Council may make policies for the setting and amending of fees for licenses, inspections, permits, applications, approvals, and the impoundment of animals: also see 172(2)(e)(i)
Flag, Symbol, or Coat of Arms	62(3)	Council may set the fee for the authorized use of the municipality's flag, symbol, or coat of arms.
Uniform Charges	75(4)	Council may in lieu of levying an area rate, levy a uniform charge on each taxable property assessment and dwelling unit.
User Charges	79	Council may, by by-law, prescribe charges for the provision of services for persons who use or benefit from the service, on a basis to be set out in the by-law. This is subject to the approval of the Board for those services that are subject to the <i>Public Utilities Act</i> .
Local Improvement Charges	81	Council may make by-laws imposing, fixing, and providing methods of enforcing payment of charges for wastewater facilities; stormwater systems; the municipal portion of the capital cost of installing water systems; streets; curbs; sidewalks; gutters; bridges; culverts; retaining walls; tree removal; and the municipal portion of the capital cost of placing the wiring and other parts of an electrical distribution system underground.
Interest on Charges	82	Interest is payable on unpaid charges at the same rate as for other outstanding taxes.
Tax Certificate	132(2)	Council may set the fee for a tax certificate.
Deed Conveyance Fee for Tax Sale	150(2)	Fee for tax sale deed.
Redemption of tax sale property fee	152(2)(d)	The person redeeming land shall pay the fee to record the certificate of discharge.

By-Law Fees	172(2)(e)(i)	Council may establish fees for licensing, permits, and approvals that may be for the purposes of raising revenue.
Dog By-Law	175	Council may establish fees for registration, impounding of dogs at large, and a kennel fee.
Price for Sale of By-Laws	187	The by-law may be sold at a reasonable price, having regard to the cost of printing the by-law.
Copying fee for Public Hearings	206(4)	Council may set a fee to recover the cost of providing copies of documents or portions of planning documents for a Public Hearing.
Land Use Application Fee	220(4)(1)	Council may by policy set the fees for an application to amend the land use by-law or for entering into development agreements, site plans, or variances.
Subdivision Fees	271(3)(f)	A subdivision by-law may include the fee for the processing of applications for approval or repeal of a subdivision, including recording and filing fees.
Infrastructure Charges	274 275 276	A municipal planning strategy may authorize the inclusion of infrastructure charges in the subdivision by-law to recover all or part of the capital costs incurred or anticipated to be incurred due to new development for new or expanded water systems, wastewater facilities, stormwater systems, streets, and the upgrading of intersections, traffic signs, signals, and new transit bus bays.
Work on Street Fee	317	Council may, by policy, prescribe the terms upon which a permit to break the surface of the street may be granted, including the setting of a fee for the permit and require a security to ensure the street is restored.
Solid Waste Deposit Fee	325(f)	Council may make by-laws prescribing the terms and conditions under which a deposit may be made at a solid-waste management facility, including the amount and manner of payment of fee or charge to be paid for the deposit.
Solid Waste Removal Fee	325(h)	Council may make by-laws, which include the fees for the removal of solid waste.
Village Commission Charges	428	The village commission may make by-laws for charges on wastewater facilities, stormwater systems, the village portion of the capital cost of installing a water system, streets, curbs, sidewalks, gutters, bridges, culverts and retaining walls, the village portion of the capital cost of placing the wiring and other parts of an electrical distribution system underground. The village commission may by by-law levy a one-time redevelopment charge to pay for additional or trunk sanitary or storm sewers or for oversized sanitary storm sewers or for oversized sanitary or storm sewers.

Freedom of Information and Protection of Privacy (FOIPOP)	466(1)(c) 471(1)	A person may obtain access to a record by paying the prescribed application fee.  Note: The fee is that prescribed by Provincial regulations.
FOIPOP Service Fees	471	Except for the first hour spent locating or retrieving a record or for an applicant's own personal information or if in the opinion of the responsible officer the applicant cannot afford the payment, a fee may be charged. The fee cannot include the actual cost of the services and includes the following: the locating, retrieving, and producing a record; preparing the record for disclosure; shipping and handling the record; providing a copy of the record.  Note: The fee is prescribed by Provincial regulations.

<sup>1</sup> Service Nova Scotia and Municipal Relations. Local Government Resource Handbook. March 2005.  
<http://www.gov.ns.ca/snsmr/muns/manuals/PDF/LGRH/LocalGovernmentResourceHandbook.pdf>

## Appendix III: Implications of Charges and Fees

In order to develop a comprehensive set of policies for implementing charges and fees, municipalities should consider the ramifications of charges and fees. The following involves two discussions of the implications for charges and fees. The first component discusses some of the principles associated with establishing charges and fees, and the second component discusses the issue of equity associated with charges and fees.

### 1. Guiding Principles to Creating or Adjusting Fees and Charges:

The following points refer to some of the guiding principles for establishing fees and charges that municipalities may wish to consider.

#### *Cost of Providing Service*

If inflation and increased public demand have boosted the government's cost of providing products and services and fees should be adjusted to reflect the cost of providing the product or service.

#### *Resource Fees and Royalties*

Use of the municipality's resources or public infrastructure often provides economic benefits to users well in excess of government's service costs. A municipality could establish that in the interest of good public policy, consumers of these resources should return to the municipality a fair share of the economic benefits received, regardless of the government's costs in providing associated services.

#### *Private Sector Competitive Fees*

In providing essential public services, municipalities may supply other related services that are of value to specific groups, and which may also be available in the private sector. For some services, municipalities may be able to compare its services offered to services offered in the private sector for a comparable price.

### 2. Concerning Equity in Setting Fees or Charges

Charges and fees are an effective mechanism to target a specific group who only use a particular product or service. Charges and fees enable municipalities to target this group without placing the financial burden on other taxpayers. Some of the following principles should be considered when making adjustments to fees and charges.

#### *Achievement of Public Policy Goals*

Certain fees intended to encourage or discourage activities may not be achieving their goals, which can cause increased costs for a municipality. For example, fees intended to discourage environmental pollution may be set at unrealistically high levels, which can result in non-compliance. This leads to increased costs of government monitoring and enforcement, with no reduction in pollution.

### *Efficiency of Administration*

Administrative efficiencies can be reduced by eliminating fees that are costly to administer or by amalgamating similar fees into a single bundle of fees. Municipalities could consider reforming the way that fees and charges are administered to residents. These changes help to reduce costs to both government and clients by minimizing the amount of overlap involved in conducting business or complying with regulations.

### *Impact of Fees on Users and the User's Ability to Pay*

The cumulative impact of fees on the financial health of businesses and affected client groups is often considered a negative aspect of municipal charges and fees. Municipalities may also consider avoiding transferring the service costs benefiting specific users, which are then being transferred to the general public. Wherever possible and practical, the residents who are most likely to be affected by the change should be consulted and notified prior to the introduction of changed fees.<sup>2</sup>

### *General Guidelines for Deciding what Products and Services should have Fees and Charges:*

- Where a municipal good or service is deemed to generate positive externalities, then the municipal government could justify implementing a fee or charge.
- If a municipal good or service is deemed to generate positive externalities, but only to certain members of the municipality, a fee or charge could be placed to only affect those using the good or service.
- Fees or charges can be imposed on goods or services that municipalities may want to discourage or decrease consumption. This could include environmental charges, such as a fine for littering, while these charges would still remain equitable.<sup>3</sup>

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<sup>2</sup> Province of British Columbia Ministry of Finance and Corporate Relations. Topic Box: User Fees. <http://www.fin.gov.bc.ca/archive/budget97/bg97boxd.htm>.

<sup>3</sup> Dollery, Brian. "The State of Play in Australian Local Government". Centre for Local Government University of New England.

## Appendix IV: Implementation of Charges and Fees Guidelines

In order to create continuity and sustainability, municipality might consider implementing standard guidelines for implementing charges and fees. This can aid other municipal administrators and elected officials when setting charges and fees. The following guidelines are recommendations that municipalities may consider when developing their individual charges and fees guidelines.

### Charges and Fees Guidelines

1. Municipalities should clearly communicate the rationale associated with pricing the product or service to the public and the degrees to which the services are subsidized. This would provide accountability and greater acceptance of the fee or charge.<sup>4</sup>
2. Municipalities should use clear and consistent terminology when establishing charges in legislations and regulations.<sup>5</sup>
3. Municipalities should try to estimate the costs of the products and services that are subject to charges. It can be difficult to identify the types of indirect costs that should be allocated and how costs associated with future capital requirements should be determined. It is also difficult to establish guidelines for estimating the costs of products and services, but municipalities may consider some of the following recommendations when estimating the fee or charge for products and services.
  - i. If the municipality decides to place the full cost of the product or service onto the user, municipalities could consider:
    - The current full cost of the product or service (adjustments according to inflation);
    - The administrative cost(s) associated with the product or service;
    - The market surrounding similar products and services offered by the private sector; and
    - The external or environmental costs associated with the product or service.
  - ii. If the municipality decides to only place part of the cost of the product or service on to the user, municipalities could consider:
    - The current full cost of the product or service (adjustments according to inflation), and a corresponding percentage that the municipality wishes to charge;
    - The administrative cost(s) associated with the product or service, and a corresponding percentage that the municipality wishes to charge;

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<sup>4</sup> Province of Alberta. *Fees & Charges Review Committee – Final Report*. Treasury Alberta. June 2000. <http://www.assembly.ab.ca/lao/library/egovdocs/alt/2000/128192.pdf>.

<sup>5</sup> Ibid.

- The market surrounding similar products and services offered by the private sector; and
  - The external or environmental costs associated with the product or service.<sup>6</sup>
4. Fees and charges should be designed so that the revenues generated reflect the cost of the service provided.<sup>7</sup>
  5. Municipalities should charge for re-submissions and additional transactions whenever extra costs are incurred.<sup>8</sup>
  6. If a resident is only paying on a portion of the product or service, municipalities should try to ensure that each resident is assessed a proportionate amount of the overall cost of providing the product or service.<sup>9</sup>
  7. Municipalities may charge less than the cost of the service. Some reasons may include:
    - i. The services provide benefits to the public as a whole as well as individual users, and therefore do not warrant full cost recovery; and
    - ii. Lower charges can that the services remain affordable and accessible to residents.<sup>10</sup>
  8. Municipalities should not raise the fee or charge beyond 100 percent of the full cost of the product or service.<sup>11</sup>
  9. Municipal fees and charges should be reviewed periodically. The time standard should remain uniform to ensure that the fees and charges are reviewed at a steady rate.
    - i. Fees and charges could be reviewed before the annual budget and business planning process, and include any changes in the budget or business plan.<sup>12</sup>

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<sup>6</sup> Province of Ontario Ministry of Municipal Affairs and Housing. Part XII – Fees and Charges (Sections 390 to 400). <http://www.mah.gov.on.ca/Page260.aspx>.

<sup>7</sup> Province of Alberta Fees & Charges Review Committee – Final Report. Treasury Alberta. June 2000. <http://www.assembly.ab.ca/lao/library/egovdocs/alt/2000/128192.pdf>.

<sup>8</sup> Ibid.

<sup>9</sup> Ibid.

<sup>10</sup> Province of Ontario Ministry of Municipal Affairs and Housing. Part XII – Fees and Charges (Sections 390 to 400). <http://www.mah.gov.on.ca/Page260.aspx>.

<sup>11</sup> Ibid.

<sup>12</sup> Province of Alberta Fees & Charges Review Committee – Final Report. Treasury Alberta. June 2000. <http://www.assembly.ab.ca/lao/library/egovdocs/alt/2000/128192.pdf>.

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