Agenda - Executive Policy Committee – December 5, 2012

Moved by Councillor

That Rule 10(3) of The Procedure By-law No. 50/2007 be suspended in order that the following item, which was received less than 96 hours preceding the committee meeting, be considered by Committee.

Report - Standing Policy Committee on Finance - December 3, 2012

Item No. 1 Amendments to Fees and Charges By-law No. 196/2008

STANDING COMMITTEE RECOMMENDATION:

On December 3, 2012, The Standing Policy Committee on Finance concurred in the recommendation of the Winnipeg Public Service and submits the following to Council:

1. That the Fees and Charges By-law No. 196/2008 be amended as proposed in Appendix A:

    A. To make provision to allow for the Transit fare model.
    B. To adjust the limits on multi-year inflationary increases.
    C. To limit the rounding amount to the inflationary increase.

2. That the Proper Officers of the City do all things necessary to implement the intent of the foregoing.

Agenda - Executive Policy Committee – December 5, 2012

Report - Standing Policy Committee on Finance – December 3, 2012

DECISION MAKING HISTORY:

STANDING COMMITTEE RECOMMENDATION:

On December 3, 2012, the Standing Policy Committee on Finance concurred in the recommendation of the Winnipeg Public Service and submitted the matter to the Executive Policy Committee and Council.

ADMINISTRATIVE REPORT

Title: **Amendments to Fees and Charges By-law**

Critical Path: **SPC on Finance – EPC -- Council**

AUTHORIZATION

Author	Department Head	CFO	CAO
Georges Chartier	M Ruta	M Ruta	D Joshi

RECOMMENDATIONS

1. That By-Law 196/2008 be amended as proposed in Appendix A:
   - To make provision to allow for the Transit fare model;
   - To adjust the limits on multi-year inflationary increases;
   - To limit the rounding amount to the inflationary increase.

2. That the proper officers of the City do all things necessary to implement the intent of the foregoing.

REASON FOR THE REPORT

The Public Service is requesting amendments to the Fees and Charges By-law 196/2008 in order to improve inflationary increases to the City's Fees and Charges.

Council approval is required for a by-law amendment.

IMPLICATIONS OF THE RECOMMENDATIONS

There are three aspects to the by-law amendments which will allow the Public Service to better carry out annual inflationary increases to fees and charges in various circumstances.

1) Currently, the Fees and Charges By-law permits Council to exempt specific *fees* from inflationary increases. In order to accommodate the transit fare model proposed by the Transit Department from the inflationary and rounding authority given to the Chief Financial Officer under the By-law it is necessary to also provide that Council can exempt *methods of determining fees*. This change will allow the transit fare model to operate on the basis that the cash fare will still be subject to the inflationary and rounding authority of the Fees and Charges By-law. All other fares in the model will be derived from the cash fare but may themselves vary from the inflationary and rounding formula.

2) Currently, the Fees and Charges By-law restricts any increase for the years earlier than the immediately previous year to 5 cents. That is, fees can currently be increased by the rate of inflation for the immediately preceding year but any inflationary increase for the four years before that is capped at 5 cents in total.

   This cap was intended to prod the Public Service into routine inflationary increases except for the smallest of fees. However, after 4 years of applying the Fees and Charges By-law, it is clear that when the inflation amount is low routine inflationary increases simply are not practical even for relatively large fees and capping the amount available for previous years' inflation just makes matters worse. For example, last year's fee increase was based on the inflation rate of 0.8%. A $50 fee with 0.8% inflation applied would result in the new fee amount of $50.40. As a general rule, the CFO has declined to round up fees more than the increase allowed by the rate of inflation. Therefore, the most that could be charged would be $50.80, although the likely fee would be rounded to $50.50. Without the ability to increase the fee for previous years by more than 5 cents, it would not be possible to increase the fee even to $51.00. Ease of payment by customers and the desire to avoid undue administrative disruption and cost would lead many departments simply to leave the fee at $50.00.

   Removing the 5 cent restriction and replacing it with a 3% limit will allow for a limited "catch up" on past years' inflation amounts but it would then be possible to access past inflation.

   For example: A $50 fee was not increased for 2 years due to low inflation, 0.5% and 0.8%. The current inflation amount is 2.9%. Thus with the proposed rules, the $50 fee could be increased by a total of 4.2% or $2.10. When rounded, the result would be a $52 fee which results in an overall increase of 4.0% for a 3 year period.

   The Public Service plans to increase fee and charge annually and thus the intent would be to limit the use of this clause to situations such as low inflation.

3) Currently, the Fees and Charges By-law allows the CFO to round fees up or down to the nearest nickel, dime, quarter, dollar or ten dollars "as he or she considers appropriate for ease of payment". As a matter of practice, the CFO has generally declined to round fees up by more than the annual inflationary increase. However, in order to avoid potentially inappropriate use of this authority and to provide clear direction as to the limits of this power, it is recommended that this practice should be explicitly set out in the By-law. That is, the By-law should specify that the rounding should itself not exceed the total of the previous years' inflationary increase that has been authorized. Therefore, if a $500 fee is subject to an inflationary increase of 0.8% or resulting $504.00 fee amount, the CFO could round this increased fee up or down for ease of payment. Thus, the $500 fee could be increased by as much as $8 or 1.6% in total. The CFO could round the fee to $505.00 but would not be empowered to raise it to $510.00.

HISTORY

On January 22, 1992 Council directed the Public Service to review fees regularly, at least once every 3 years, and that, as a general rule, fees should be increased by the rate of inflation.

Prior to 2009, departments have individually submitted reports to Council for increases to fees and charges. This has resulted in numerous reports being submitted annually usually in the fall and early winter.

Three departments had received delegated authority to increase fees and charges by the rate of inflation:

- January 24, 2007 – Public Works Fees for 2007 and Beyond
- October 24, 2007 – Community Services Fees and Charges Policy
- March 26, 2008 – Planning, Development and Building Fees By-law No. 63/2008

On December 17, 2008 Council approved a new Fees and Charges Policy and accompanying Fees and Charges By-law 196/2008. Council delegated to the Chief Financial Officer (CFO) the authority to increase fees and charges by the rate of inflation; and to create, set the amount or rescind fees and charges that are of administrative in nature. In general, fees increases that are above inflation continue to require Council approval.

FINANCIAL IMPACT

Financial Impact Statement **Date:** October 25, 2012

Project Name: **First Year of Program** **2013**

Fees and Charges Increases

	2013	2014	2015	2016	2017
Capital					
Capital Expenditures Required	$ -	$ -	$ -	$ -	$ -
Less: Existing Budgeted Costs	-	-	-	-	-
Additional Capital Budget Required	$ -	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal	$ -	$ -	$ -	$ -	$ -
Debt - External	-	-	-	-	-
Grants (Enter Description Here)	-	-	-	-	-
Reserves, Equity, Surplus	-	-	-	-	-
Other - Enter Description Here	-	-	-	-	-
Total Funding	$ -	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ -				
Total Additional Debt Required	$ -				
Current Expenditures/Revenues					
Direct Costs	$ -	$ -	$ -	$ -	$ -
Incremental Revenue/Recovery				-	-
Net Cost/(Benefit)	$ -	$ -	$ -	$ -	$ -
Less: Existing Budget Amounts	-	-	-	-	-
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments:

This report relates to by-law changes which will have little financial impact.

original signed by R.Abeysekera
Radhika Abeysekera
Manager of Finance - Campus Departments
Corporate Finance Department

CONSULTATION

In preparing this report there was consultation with:

- **Winnipeg Transit**
- **Legal Services**
- **Corporate Finance**

SUBMITTED BY

Department: Corporate Finance
Division: Infrastructure Planning
Prepared by: Georges Chartier

Date: October 26, 2012
File No.

APPENDICES:

Appendix A: Proposed By-Law Amendments

Appendix A

THE CITY OF WINNIPEG

BY-LAW NO.

DRAFT

A By-law of THE CITY OF WINNIPEG to amend the Fees and Charges By-law

THE CITY OF WINNIPEG, in Council assembled, enacts as follows:

Fees and Charges By-law amended

1 The Fees and Charges By-law No. 196/2008 is amended by this By-law.

Section 3 amended

2 Section 3 is amended

(a) by replacing clause 3(1)(a) with the following:

(a) applies despite the fact that the amount of a fee or a method of determining a fee has been set out in a by-law or resolution, unless the by-law or resolution specifically states that the amount of the fee or method of determining the fee is exempt from this section; and

(b) in subsection (2), by replacing *"Subject to subsection (3), where"* with *"Where"*; and

(c) in subsection (3), by striking out "*$.05*" and substituting "3*%*".

Section 4 replaced

3 Section 4 is replaced with the following:

4(1) Subject to this section, the Chief Financial Officer may round fees up or down to the nearest nickel, dime, quarter, dollar or ten dollars as he or she considers appropriate for ease of payment even if the rounding results in a new fee that exceeds the inflationary increase authorized by section 3.

4(2) The amount by which a fee is rounded up under subsection (1) must not itself be greater than the inflationary increase authorized for the fee by subsection 3(1).

4(3) The authority given to the Chief Financial Officer in subsection (1) does not apply if the amount of a fee or method of determining a fee has been set out in a by-law or resolution and the by-law or resolution specifically states that the amount of the fee or method of determining the fee is exempt from this section.

DONE AND PASSED, this day of , 2012.

DRAFT

_____
Mayor

_____
City Clerk

Approved as to content:

_____
Chief Financial Officer

Approved as to form:

_____
For Director of Legal Services/City Solicitor