# The Quest for Fiscal Sustainability: User fees and new revenue streams

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## Learning Objectives:

After completing the seminar, the participants will:

- Understand how revenue sources which do not originate from property taxes, particularly user charges, can be critical to the fiscal sustainability of their local government agencies.
- Learn new types of revenue sources for their communities.
- Monitor the efficiency, effectiveness and equity aspects of these revenue sources.

## Course Description:

Faced with property tax levy cap limitations communities might consider raising user charges. These user charges may not be subject to the same amount of limitations as property taxes. User charges can increase based upon local ordinances. At the same time, there is no necessary connection between the revenues generated from the user charge and the costs incurred by providing this service. Moreover, user charges are just one example of a revenue source which does not originate from property taxes.

User charges have become increasingly popular since there has been a growing trend to make government more like a business. In theory, a more optimal level of production will be achieved since the cost of the service will be incurred by the citizens. This situation resembles the benefit principle.

When a user charge is considered mandatory it might be misconstrued as being a tax. For example, since residents are required to pay for a sewer usage fee, they could consider this as a tax. However, when a user charge is voluntary it could influence consumption patterns since residents might choose to consume less (i.e. create less garbage if they pay for the disposal costs). Another appealing aspect of user charges is that these fees are determined by the local jurisdiction (i.e. home rule). However, there might be legal limitations, regarding the magnitude of the discretion for the respective governing bodies. During the seminar participants will be encouraged to share their knowledge and experiences with the different types of revenue structures associated with user charges.

A major goal of this seminar is to help the participants conclude that every department can establish possible user charges for the community's revenue stream. For example, utility departments can generate revenues with new water and sewer connections and charges associated with transfer of property transactions. Public works department officials might consider the feasibility of pay-per-bag garbage and bulky goods removal programs. Officials from the purchasing department could determine how these possible revenues can offset the charges for such activities.

For each revenue source there will be discussions regarding how revenue structures can be established. Furthermore, it would be determined whether such revenues are efficient, effective, and/or equitable. Efficiency refers to how much output is generated based upon a given input. Meanwhile, if the user fee program achieved its purpose, then the revenue source is effective. Finally, the term equity is synonymous with fairness.

Since many Tax Collectors are also responsible for utility collections, there will be information and discussions on various miscellaneous charges related to utilities such as final water meter readings, shut off charges and turn on charges. Also, there will be information and discussions on how revenues can be generated with modern methods of tax collection.

For Qualified Purchasing Agents there will be information and discussions regarding how communities can generate revenues via their interactions with private agencies. For example, concession agreements have provided miscellaneous revenues for municipalities and this is an area which needs to be further explored and capitalized on.

As a means to evaluate the students, the instructor will ask the seminar participants to **briefly** write about:

- How they can relate one of the above topics to their work experiences.

    **OR**

- Something that they learned for the first time during the seminar.

Time will be allocated at the end of the seminar for this learning activity.