

City of Saskatoon Fiscal Trend Analysis Operating Expenditures and Revenues 2013-2020

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Prepared by Mike Jordan
Chief Public Policy & Government Relations Officer



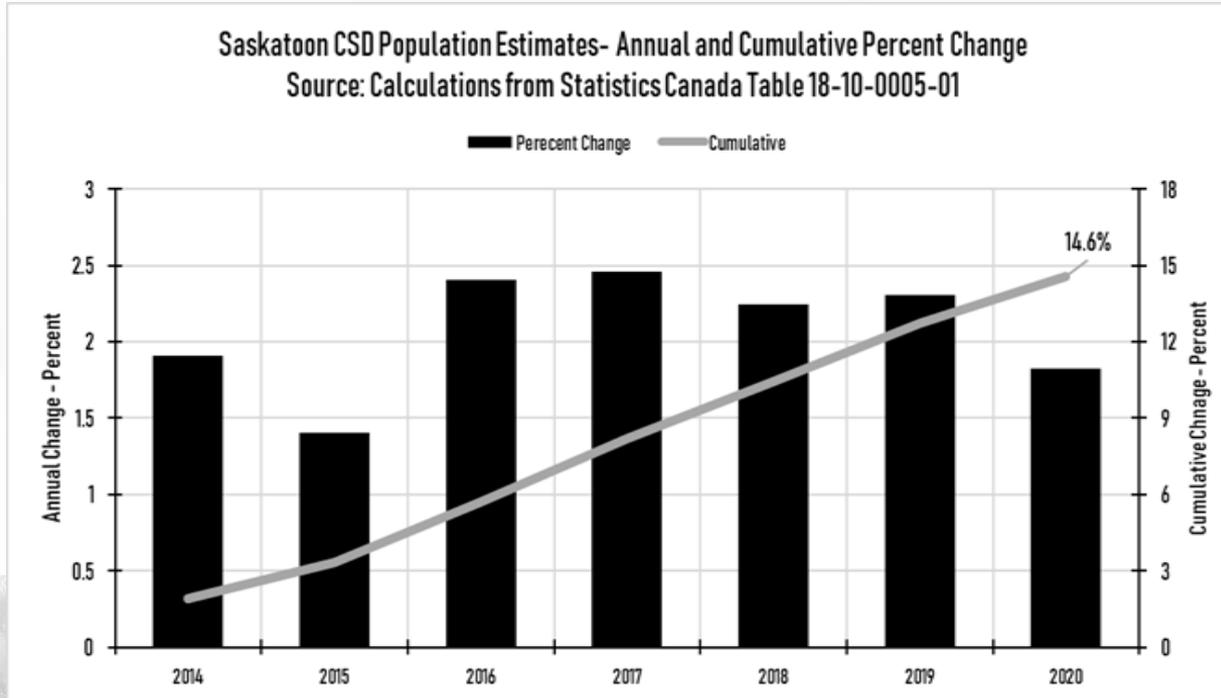
SUMMARY: Three Key Points

- 1. The City of Saskatoon is facing a structural budget challenges due to stagnant revenue growth and rising expenditures.** Specifically, analysis shows that the City's non-tax revenues, particularly user fees and government transfers, have failed to keep pace with population and inflation increases.
- 2. Expenditure growth has been limited overall, but service level changes in some areas have generated larger than average expenditure increases.** City spending is driven primarily by population growth, inflation and service level changes. Analysis shows that while City's expenditures are slightly above the population and inflation benchmark, this is driven by significant service level changes in Transportation and Environmental Health business lines.
- 3. Property taxes are filling the expenditure/revenue gap.** The analysis shows an increasing divergence in how city operating expenditures are paid for. A larger proportion of expenditure increases are being paid for by property taxation due to falling stagnant growth in non-tax revenues, especially user fees and government transfers.

Assumptions & Methodology

1. The analysis in this document focuses on the City's operating revenues, expenditures, and fiscal trends emerging from it for the period of 2013-2020. A longer time series is ideal, however, there are substantial categorization differences in City budgets and financial statements pre-2013 that would generate serious gaps in the analysis. This can be overcome by using consolidated revenues and expenditures, meaning the entire government entity, but a more micro analysis would not be achievable.
2. As a result, capital and utility revenues and expenditures are excluded from the analysis, unless otherwise stated. This means capital grants from federal and provincial governments and utility rates are not part of this analysis. Utilities are factored into the analysis only to the extent that they provide a Grant-in-Lieu or a Return on Investment, the latter of which is captured in the "general revenues" category.
3. The data for this analysis are obtained from the City's audited financial statements for the years 2013-2020. The analysis excludes 2021 data because it requires some adjustments to account for the effects of COVID-19 on revenues and expenditures. The trend analysis does not include the 2022-23 indicative budget assumptions or proposals as they are preliminary and require additional restatements to correspond to previous years.
4. The analysis benchmarks revenue and expenditure trends relative to changes in the economy, specifically, inflation and population. In this case, the analysis uses the all-items Consumer Price Index (CPI) for the Saskatoon Census Metropolitan Area (CMA) to measure inflation. Actual data here is obtained from Statistics Canada Table 18-10-0005-01.
5. Actual population data is obtained from Statistics Canada Table 17-10-0142-01 . We use Census Subdivision (CSD) estimates, which corresponds to the boundaries of the incorporated municipality, for Saskatoon.
6. There is no benchmarking and/or comparative analysis between Saskatoon and other municipalities. This simply reviews Saskatoon's operating expenditures and revenues over a medium-term time series.

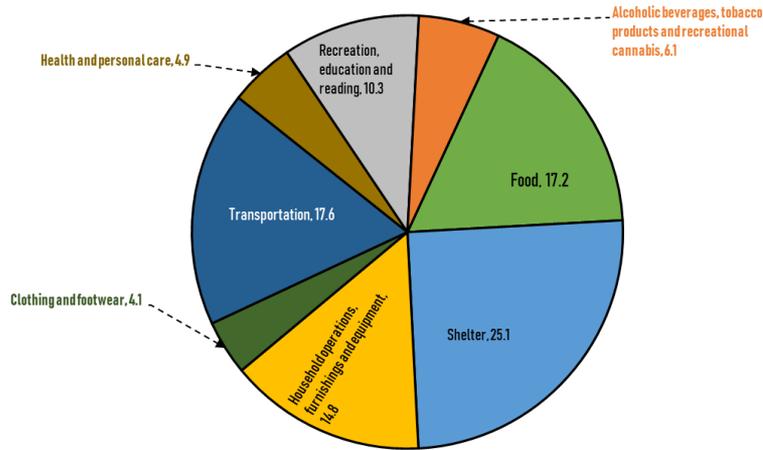
POPULATION: A starting point for the analysis is to illustrate population growth in Saskatoon over the analysis period. Population is a cost driver for City spending, but it can help to generate revenue through some transfer programs and fee-based revenues. With 2013, as the starting point, the chart on this slide shows how Saskatoon's population has changed over the period. The COVID-19 pandemic had an impact on population growth due to limited net international immigration. Nonetheless, population growth over the period averaged 2.1%, growing by a cumulative 14.6. Saskatoon added over 37,500 net new persons over the period.



INFLATION: Inflation is another major cost driver for City spending. It is defined as a change in prices over a period time as measured by a price index. While there is debate over the what the appropriate price index is to use to deflate City spending, many assume that the CPI is the best approach. The CPI measures the change in prices for consumer goods, not government purchased goods and services. As the chart on the left illustrates, the CPI basket is composed of typical household purchases, such as food, clothing and shelter. In fact, shelter has the largest weight in the CPI basket. Property taxes, water and electricity compose the shelter index. In 2020, property taxes account for 3.6% of the shelter sub-index, or less than 1.0% of the All-items CPI. The chart on the right shows how the composition of the CPI basket has changed over time. The transportation sub-index fell by four percentage points, while the food and alcohol, tobacco and cannabis sub-indexes have risen by over two percentage points each.

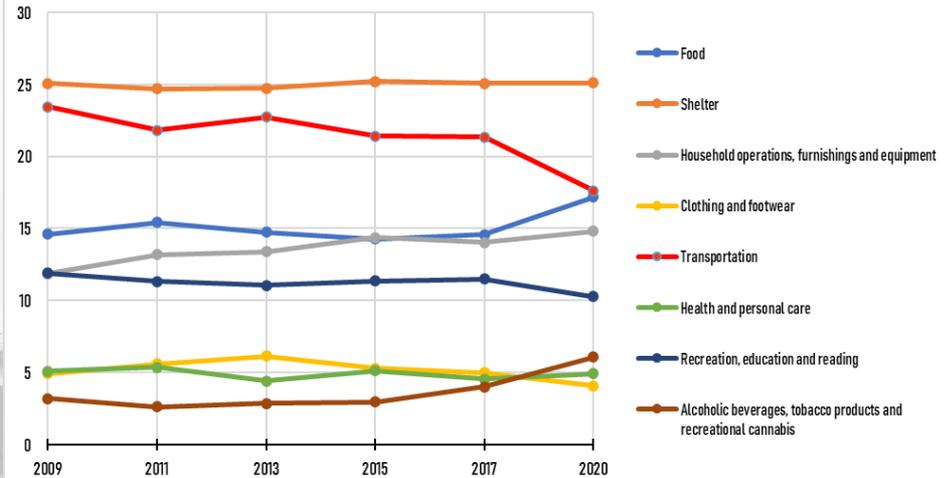
Composition of Consumer Price Index Basket (All Items) Percent Share

Source: Statistics Canada Table 18-10-0007-01 (2020 Weights)

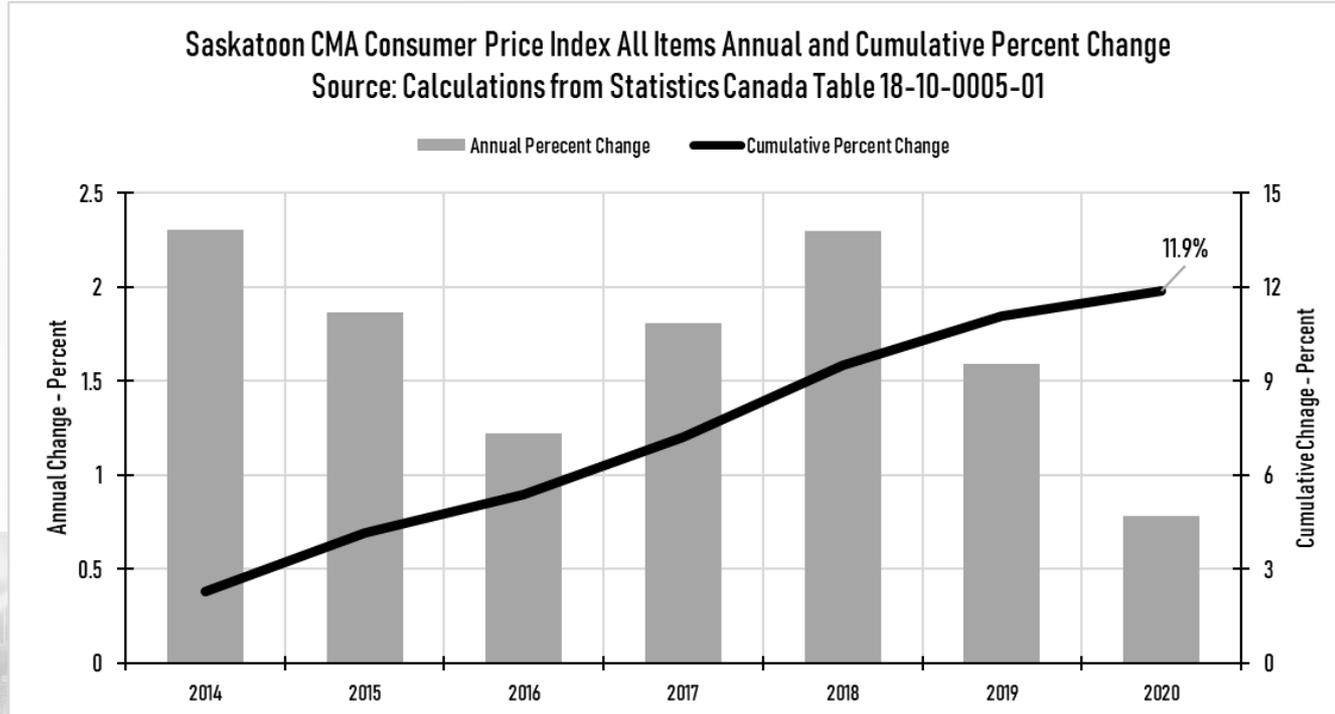


Saskatchewan CPI Basket Weights Trend (Percent Share)

Source: Statistics Canada Table 18-10-0007-01



INFLATION CONTINUED: Given the composition of the CPI basket, it is not a great indicator to measure government price inflation. It does not account for wages and salary price changes or construction materials such as aggregate or asphalt. That is why some cities, including Saskatoon, have developed its own municipal price index. However, because the CPI is calculated by an independent agency and is published monthly, we will use it as a proxy to measure the change in government spending and revenues for the purposes of this analysis. As the chart on the right shows, CPI inflation in Saskatoon grew by 11.9% over the period, averaging 1.7% annually.



What Does Population + Inflation Mean?

- Government spending that grows in line with population and inflation means that the spending is keeping pace with the economy in “real per capita” terms.
- Government spending that exceeds population and inflation suggests that spending is rising faster than changes in the economy. This could be for several reasons, such as service level changes or legacy budget fixes.
- Government spending that is less than population and inflation suggests that spending is not keeping pace with changes in the economy. This can mean a real spending reduction, but other reasons may be at play, such as service level reductions.
- The same logic can be applied to trends in government revenues.

OPERATING EXPENDITURES

OPERATING EXPENDITURES. Table 1 shows City of Saskatoon Operating Expenditures over the period in nominal dollars by business line. The bottom two rows show the annual and cumulative percent change in expenditures. From 2013 to 2020, the City's operating expenditures grew by 28.3% or about 4% annually. Note that smaller business lines have been combined with larger as noted below the table.

Table 1: City of Saskatoon Unadjusted Operating Expenditures (2013-2020)
Source: City of Saskatoon Annual Report (Statistical Appendix - Summary of Operating Expenditures)

Expenditure Categories	2013	2014	2015	2016	2017	2018	2019	2020
Community Support	\$ 14,228	\$ 14,388	\$ 15,944	\$ 16,001	\$ 18,027	\$ 17,569	\$ 18,062	\$ 17,631
Corporate Asset Management	\$ 8,306	\$ 10,799	\$ 10,010	\$ 11,725	\$ 11,751	\$ 14,240	\$ 12,144	\$ 11,291
Corporate Governance & Finance	\$ 41,066	\$ 38,898	\$ 44,261	\$ 45,961	\$ 47,835	\$ 55,955	\$ 51,227	\$ 72,844
Debt Servicing Costs	\$ 23,108	\$ 29,355	\$ 26,884	\$ 27,787	\$ 29,461	\$ 29,135	\$ 28,975	\$ 27,559
Environmental Health	\$ 17,738	\$ 18,456	\$ 18,622	\$ 19,127	\$ 18,566	\$ 20,552	\$ 20,490	\$ 22,851
Fire	\$ 43,706	\$ 43,944	\$ 45,955	\$ 47,120	\$ 47,478	\$ 49,209	\$ 53,682	\$ 53,556
Police	\$ 79,422	\$ 85,779	\$ 89,949	\$ 93,280	\$ 96,927	\$ 100,635	\$ 106,286	\$ 109,718
Recreation & Culture	\$ 49,050	\$ 50,584	\$ 53,771	\$ 56,829	\$ 58,252	\$ 59,967	\$ 63,226	\$ 58,971
Transportation	\$ 97,923	\$ 99,992	\$ 112,497	\$ 123,242	\$ 131,555	\$ 132,357	\$ 138,685	\$ 129,388
Urban Planning & Development	\$ 20,450	\$ 21,429	\$ 18,155	\$ 15,161	\$ 15,237	\$ 13,552	\$ 18,773	\$ 17,041
Total Expenditures	\$ 394,997	\$ 413,624	\$ 436,048	\$ 456,233	\$ 475,089	\$ 493,171	\$ 511,550	\$ 520,850
Annual Percent Change in Expenditures	N/A	4.72	5.42	4.63	4.13	3.81	3.73	1.82
Cumulative Percent Change	0	4.72	10.14	14.77	18.90	22.71	26.43	28.25

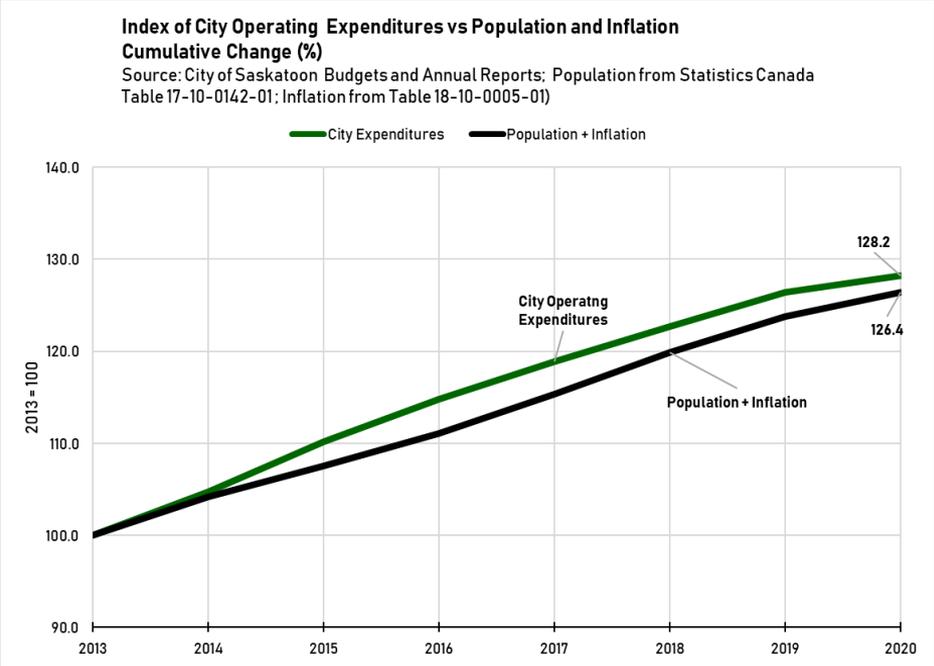
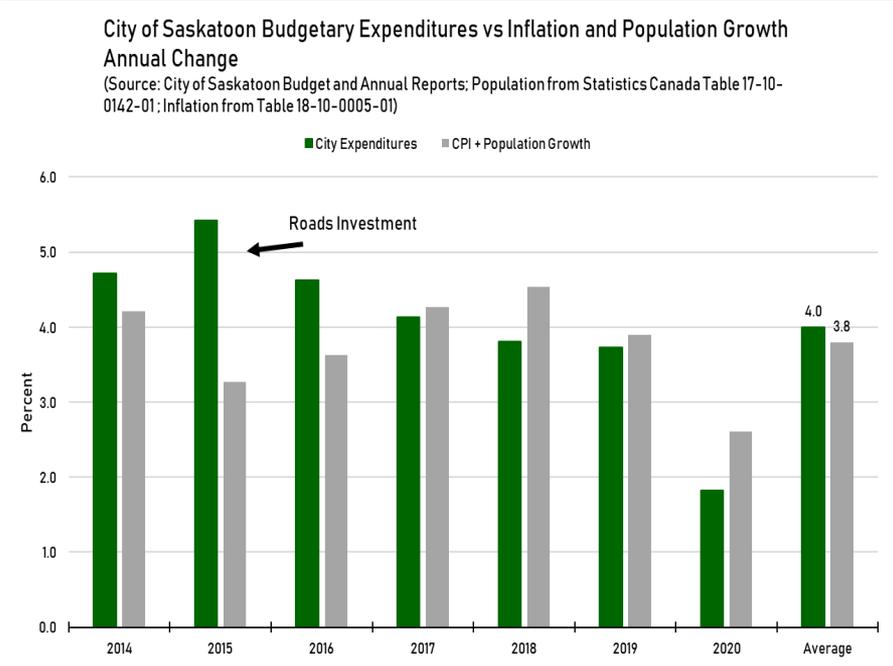
Notes: (1) Corporate Governance & Finance includes Taxation and General Revenues; (2) Recreation & Culture Includes Arts, Culture & Events Venues, and (3) Urban Planning & Development includes Land Development

OPERATING EXPENDITURES MIX. Table 2 shows the percent share of operating expenditures by business line over the period. The expenditure mix has been largely consistent over time, with Corporate Governance and Finance (CGF) seeing the largest change over time, as noted in the far right (percentage point change) column. It should be noted that the CGF category is overstated due to the accounting treatment of one-time federal funding for COVID-19. As the table notes (see “Average” column), Transportation and Police account for the largest shares of the City’s operating expenditures, averaging 26% and 20.6% respectively over the period.

Table 2: Percent Share of City Operating Expenditures By Major Business Line

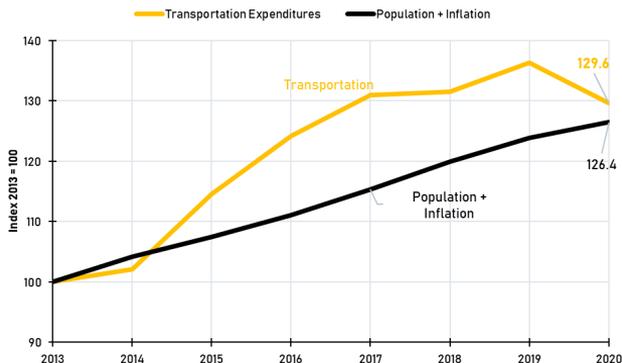
Expenditure Categories	2013	2014	2015	2016	2017	2018	2019	2020	Average	Percentage Point Change
Community Support	3.60	3.48	3.66	3.51	3.79	3.56	3.53	3.39	3.56	-0.22
Corporate Asset Management	2.10	2.61	2.30	2.57	2.47	2.89	2.37	2.17	2.44	0.07
Corporate Governance & Finance	10.40	9.40	10.15	10.07	10.07	11.35	10.01	13.99	10.68	3.59
Debt Servicing Costs	5.85	7.10	6.17	6.09	6.20	5.91	5.66	5.29	6.03	-0.56
Environmental Health	4.49	4.46	4.27	4.19	3.91	4.17	4.01	4.39	4.24	-0.10
Fire	11.06	10.62	10.54	10.33	9.99	9.98	10.49	10.28	10.41	-0.78
Police	20.11	20.74	20.63	20.45	20.40	20.41	20.78	21.07	20.57	0.96
Recreation & Culture	12.42	12.23	12.33	12.46	12.26	12.16	12.36	11.32	12.19	-1.10
Transportation	24.79	24.17	25.80	27.01	27.69	26.84	27.11	24.84	26.03	0.05
Urban Planning & Development	5.18	5.18	4.16	3.32	3.21	2.75	3.67	3.27	3.84	-1.91
Total	100	0								

OPERATING EXPENDITURE TRENDS: The charts on this slide benchmark the City's operating expenditure changes to the population and inflation benchmark in a couple of ways over the period. The bar chart on the left simply compares the annual percent change in operating expenditures relative against the percent change in population and CPI inflation. The line chart on the right shows the cumulative percent change in City operating expenditures relative to the population and CPI inflation benchmark. This chart is an index meaning that is set to a base year and then shows how each variable has changed over time relative to one another. Overall, City expenditures have kept pace with the population and CPI inflation benchmark and are 1.8 percentage points above the benchmark.

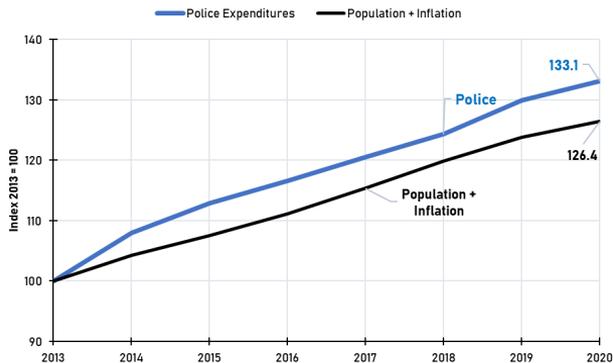


OPERATING EXPENDITURE TRENDS: The charts on this slide show expenditure trends for the six largest operating expenditure categories expressed as business lines. The charts index expenditure growth with a combined population and CPI inflation growth to the base year of 2013 (i.e., 2013 = 100). The black line on each chart represents the population + CPI benchmark, which grew by 26.4% over the period. Each chart is scaled to the same level on the y-axis (vertical). The trend analysis shows that Police and Transportation expenditures have stayed consistently above the benchmark. Service level changes for solid waste have pushed the Environmental Health business line to the benchmark and projections are that it will exceed that rapidly over the next couple of years. Only Fire expenditures have grown consistently less than the benchmark.

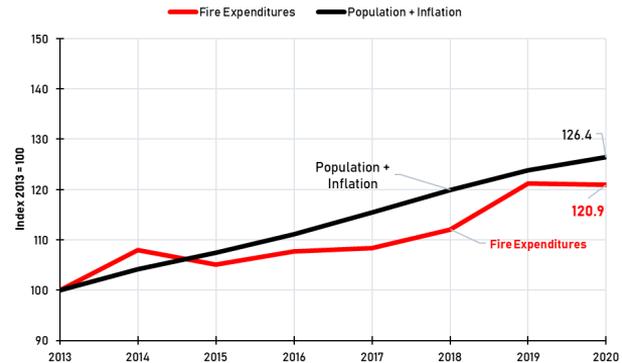
**City of Saskatoon Operating Expenditure Index
Transportation vs Population and Inflation (2013 = 100)**



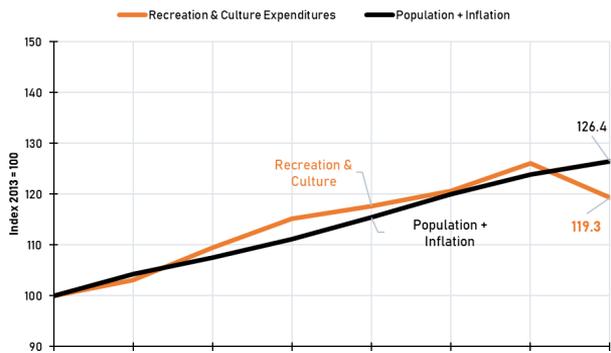
**City of Saskatoon Operating Expenditure Index
Police vs Population and Inflation (2013 = 100)**



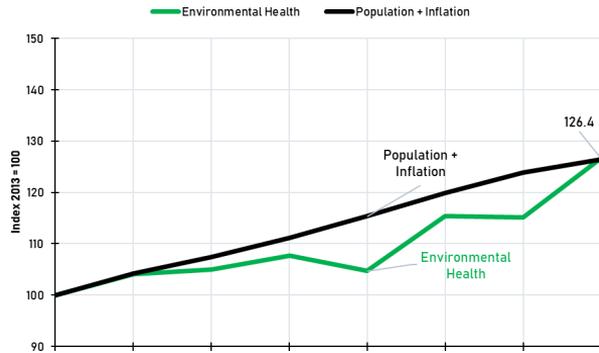
**City of Saskatoon Operating Expenditure Index
Fire vs Population and Inflation (2013 = 100)**



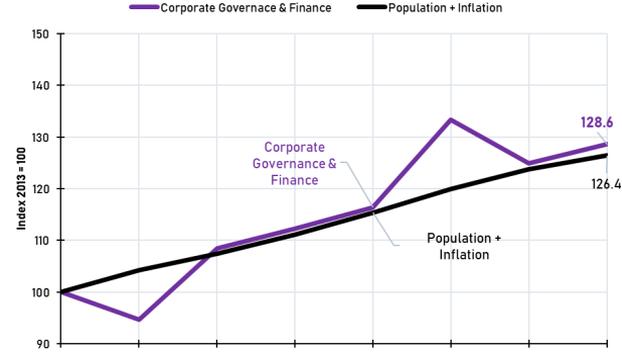
**City of Saskatoon Operating Expenditure Index
Recreation & Culture vs Population and Inflation (2013 = 100)**



**City of Saskatoon Operating Expenditure Index
Environmental Health vs Population and Inflation (2013 = 100)**



**City of Saskatoon Operating Expenditure Index
Corporate Governance & Finance vs Population and Inflation (2013 = 100)**



REAL PER CAPITA OPERATING EXPENDITURES. Table 3 shows real per capita operating expenditures, adjusted to 2020 dollars, for the City's major business lines. Overall, real per capita operating expenditures have grown by 1.5% from 2013 to 2020. This is likely reflective of service level changes over the period, especially driven by transportation.

**Table 3: Real Per Capita City Operating Expenditures (2020 Constant \$)
[Rounded to Nearest Dollar]**

Expenditure Categories	2013	2014	2015	2016	2017	2018	2019	2020	Percent Change (2020 over 2013)
Community Support	\$ 66	\$ 64	\$ 69	\$ 66	\$ 72	\$ 67	\$ 66	\$ 63	-4.6
Corporate Asset Management	\$ 39	\$ 48	\$ 43	\$ 49	\$ 47	\$ 54	\$ 44	\$ 40	4.6
Corporate Governance & Finance	\$ 190	\$ 173	\$ 191	\$ 191	\$ 190	\$ 213	\$ 188	\$ 260	36.5
Debt Servicing Costs	\$ 107	\$ 131	\$ 116	\$ 115	\$ 117	\$ 111	\$ 106	\$ 98	-8.2
Environmental Health	\$ 82	\$ 82	\$ 80	\$ 79	\$ 74	\$ 78	\$ 75	\$ 82	-0.8
Fire	\$ 203	\$ 195	\$ 198	\$ 196	\$ 189	\$ 187	\$ 197	\$ 191	-5.7
Police	\$ 368	\$ 381	\$ 387	\$ 387	\$ 386	\$ 383	\$ 389	\$ 392	6.3
Recreation & Culture	\$ 227	\$ 225	\$ 232	\$ 236	\$ 232	\$ 228	\$ 232	\$ 210	-7.5
Transportation	\$ 454	\$ 445	\$ 484	\$ 512	\$ 524	\$ 504	\$ 508	\$ 462	1.7
Urban Planning & Development	\$ 95	\$ 95	\$ 78	\$ 63	\$ 61	\$ 52	\$ 69	\$ 61	-35.9
Total	\$ 1,832	\$ 1,840	\$ 1,877	\$ 1,895	\$ 1,892	\$ 1,878	\$ 1,874	\$ 1,859	1.5

OPERATING REVENUES

OPERATING REVENUES. Table 3 provides a summary of the City of Saskatoon Operating Revenues over the period in nominal dollars by major category. The bottom two rows show the annual and cumulative percent change in expenditures. Over the period, the City's operating revenues rose by 27.2% or slightly below 4% annually. Government transfers in 2020 include one-time federal Safe Restart funding, hence the large jump relative to previous years (note that this will be removed from the trend analysis later).

Table 4: City of Saskatoon Unadjusted Operating Revenues (2013-2020)
Source: City of Saskatoon Annual Report (Statistical Appendix - Summary of Operating Revenues)

Revenue Categories	2013	2014	2015	2016	2017	2018	2019	2020
Taxation	\$ 161,177	\$ 178,318	\$ 193,806	\$ 206,562	\$ 220,086	\$ 231,149	\$ 244,393	\$ 256,528
Grants in Lieu of Taxes	\$ 30,921	\$ 33,135	\$ 34,708	\$ 36,524	\$ 38,744	\$ 41,439	\$ 43,352	\$ 43,698
General Revenues	\$ 86,076	\$ 91,001	\$ 94,912	\$ 97,249	\$ 96,378	\$ 102,212	\$ 107,391	\$ 97,852
User Fees	\$ 56,887	\$ 48,847	\$ 49,363	\$ 50,005	\$ 51,968	\$ 52,847	\$ 53,917	\$ 37,093
Government Transfers	\$ 63,613	\$ 62,878	\$ 65,318	\$ 66,546	\$ 64,813	\$ 62,505	\$ 63,015	\$ 84,977
Total	\$398,674	\$ 414,179	\$ 438,107	\$ 456,886	\$ 471,989	\$ 490,152	\$ 512,068	\$520,148
Percent Change in Revenues	N/A	3.89	5.78	4.29	3.31	3.85	4.47	1.58
Cumulative Change in Revenues	0	3.89	9.67	13.95	17.26	21.11	25.58	27.16

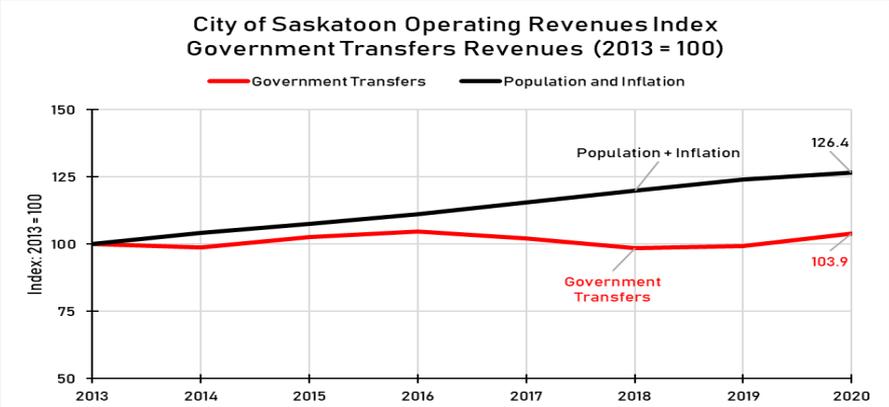
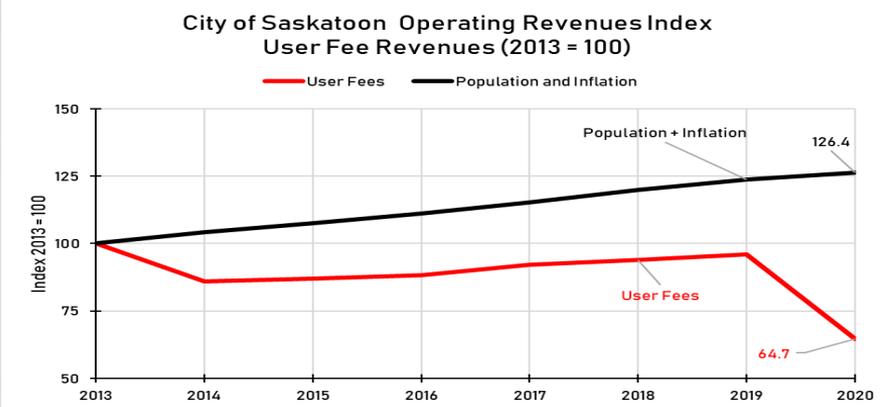
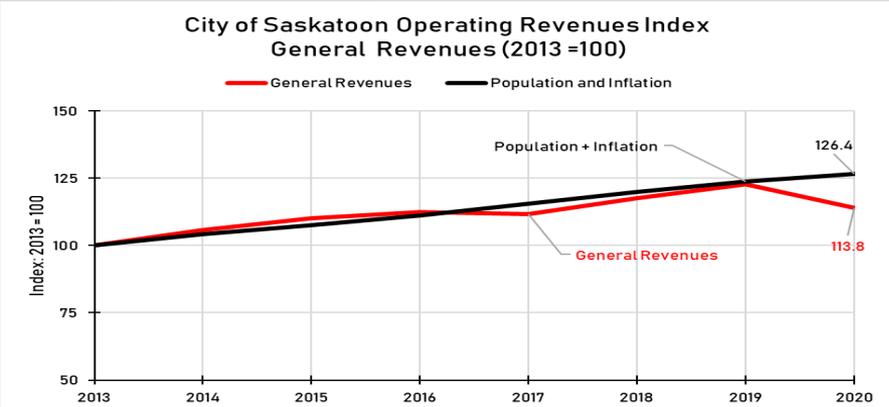
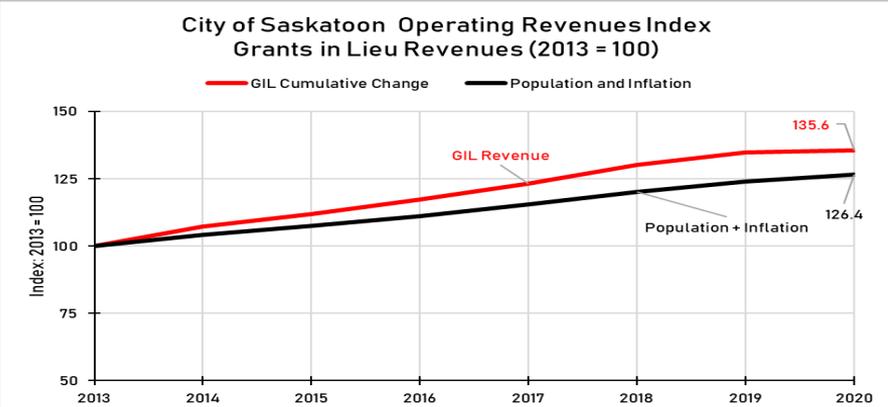
Notes: Government Transfers do not include those for tangible capital assets (such as the Federal Gas Tax Fund and Saskatchewan's one-time Municipal Economic Enhancement Program (MEEP)).

OPERATING REVENUE MIX: Table 4 shows the percent share of operating revenues over the period. Taxation occupies the largest share of operating revenues averaging 45.5% over the period. There has been a growing reliance on this source: from about 40% in 2013 to above 49% in 2020, a nine-percentage point increase over the period. The reason for this is that the share of other revenue sources have either declined or stayed flat, as indicated in the last column. The 2020 fiscal year skews the mix for government transfers and user fees due to the COVID-19 pandemic.

Table 5: Percent Share of Operating Revenues By Category

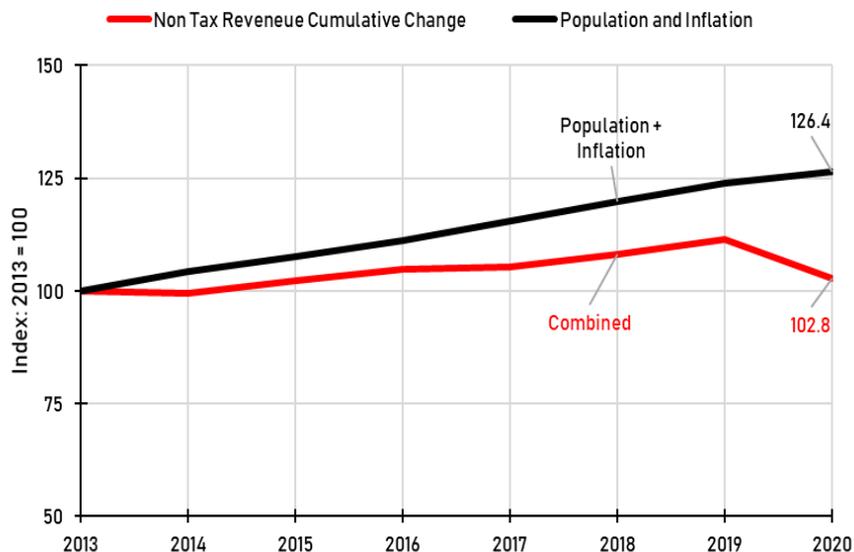
Revenue Categories	2013	2014	2015	2016	2017	2018	2019	2020	Average	Percentage Point Change
Taxation	40.43	43.05	44.24	45.21	46.63	47.16	47.73	49.32	45.47	8.9
Grants in Lieu of Taxes	7.76	8.00	7.92	7.99	8.21	8.45	8.47	8.40	8.15	0.6
General Revenues	21.59	21.97	21.66	21.29	20.42	20.85	20.97	18.81	20.95	-2.8
User Fees	14.27	11.79	11.27	10.94	11.01	10.78	10.53	7.13	10.97	-7.1
Government Transfers	15.96	15.18	14.91	14.57	13.73	12.75	12.31	16.34	14.47	0.4
Total	100	N/A								

OPERATING REVENUE TRENDS: The charts on this slide show revenue trends for the City's non property tax revenue sources. Like the trend analysis for operating expenditures, they index revenue growth with a combined population and CPI inflation growth to the base year of 2013 (i.e., 2013 = 100). The black line on each chart represents the population + CPI benchmark, while the green represents the revenue source. Each chart is scaled to the same level on the y-axis (vertical). The trend analysis shows that user fees and government transfers are well below the population and inflation benchmark. Government transfers, predominantly from the Municipal Revenue Sharing Grants Program, have seen little growth over the period. User fees, due to the COVID-19 pandemic, have fallen dramatically. This source is about 60 percentage points below the benchmark.

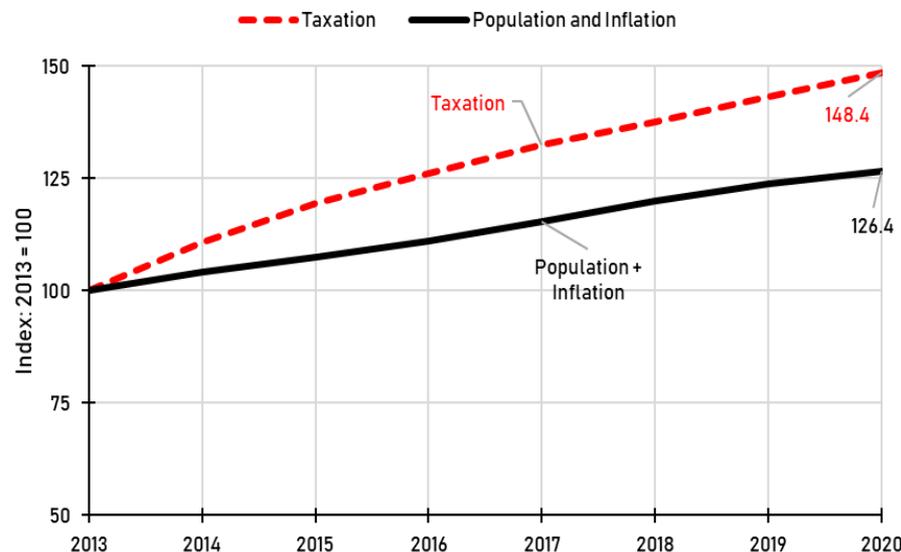


OPERATING REVENUE TRENDS CONTINUED: This slide compares the aggregate change in all non-tax revenue sources (see previous slide for those) relative to the taxation revenue. As the chart on the left shows, the City's non-tax operating revenues have grown by a cumulative 2.8% over the period and almost 24 percentage points less than population and inflation benchmark. Conversely, taxation revenue (including rate increases and new inventory) grew by over 48% or 22 percentage points higher than the benchmark. Taxation is thus filling the gap between expenditures and non-tax revenues.

City of Saskatoon Operating Revenues Index
Combined Non Tax Revenues (2013 = 100)



City of Saskatoon Operating Revenues Index
Taxation Revenues (2013 = 100)



REAL PER CAPITA OPERATING REVENUES. Table 6 shows real per capita operating revenues, adjusted to 2020 dollars, by major categories. This adjustment is similar to that made for the expenditures. As the table clearly illustrates, real per capita non-tax revenues have fallen by almost 21% since 2013, whereas tax revenues have grown by roughly a similar amount to offset the change in non-tax revenues.

**Table 6: City of Saskatoon Real Per Capita Operating Revenues (2020 Constant \$)
[Rounded to nearest Dollar]**

Year	Grants in Lieu of Taxes	General Revenues	User Fees	Government Transfers	Total Non- Tax Revenues	Taxation Revenues	Total Revenues
2013	\$ 143	\$ 399	\$ 234	\$ 295	\$ 1,101	\$ 747	\$ 1,849
2014	\$ 147	\$ 405	\$ 198	\$ 280	\$ 1,049	\$ 793	\$ 1,842
2015	\$ 149	\$ 409	\$ 197	\$ 281	\$ 1,052	\$ 834	\$ 1,886
2016	\$ 152	\$ 404	\$ 195	\$ 276	\$ 1,040	\$ 858	\$ 1,898
2017	\$ 154	\$ 384	\$ 198	\$ 258	\$ 1,003	\$ 876	\$ 1,879
2018	\$ 158	\$ 389	\$ 196	\$ 238	\$ 986	\$ 880	\$ 1,866
2019	\$ 159	\$ 393	\$ 196	\$ 231	\$ 980	\$ 895	\$ 1,876
2020	\$ 156	\$ 349	\$ 132	\$ 235	\$ 873	\$ 918	\$ 1,791
Percent Change (2020 over 2013)	8.8	-12.5	-43.5	-20.2	-20.7	22.8	-3.1



Thank You!

QUESTIONS?

email: mike.jordan@saskatoon.ca

