

Impact of Increase to User Fees

ISSUE

Can the City of Saskatoon (City) increase user fees to help reduce the mill rate impact on programs and services?

BACKGROUND

At the Special Standing Policy Committee (SPC) on Finance meeting on October 15, 2021, the Committee resolved the following items be reported back to the November budget deliberations:

1. That Administration report on the possibility and impact of reducing the 2022 and 2023 proposed budget for all business lines by 0.5%;
2. That Administration report on the possibility and impact of reducing the 2022 and 2023 proposed transfer to reserves by 0.5%;
3. That Administration report on the possibility and impact of increasing all individual user fees by 5% for 2022; and
4. That Administration report further on the SAVE budget process in Calgary, and also Edmonton's recent cost savings exercises over the last several years and identify the similarities and differences with the City of Saskatoon's Continuous Improvement efforts. In particular, identifying how savings were identified as well as how decisions were made with regards to FTE's.

CURRENT STATUS

The City has established a schedule on which to review user fees and cost recoveries supporting various operations to ensure appropriate revenues are generated to support various programs and services.

There are also many policies, bylaws, and guiding principles the City follows when determining what amount a user fee should be. Some of those considerations are as follows:

- Ensuring those who benefit from City services pay a fair and equitable share of the cost of such services.
- Ensuring that the City's fees and charges do not discourage the delivery of services by outside organizations.
- Providing affordable and accessible services for residents.
- Ensuring fees and charges are not counter-productive to program objectives.
- Ensuring there are no barriers to participation in and access to programs and services by all residents, including the economically disadvantaged and individuals with special needs.
- Encouraging customers to utilize the services.
- Ensuring that fees are adjusted to reasonably reflect a fair market value.

DISCUSSION/ANALYSIS

At the Special SPC on Finance on October 15, 2021, a [User Fee Guideline and Cost Recovery](#) report was presented that included a summary of the top user fees categories as a percentage share of the total user fees.

Appendix 1 details the possibility, impact, and risks of increasing the 2022 user fees by 5% for the top nine categories which make up approximately 87% of total user fee revenue. Appendix 1 also includes the impact and risks of utility user fee increases.

The total potential mill rate impact is listed for each type of user fees. The Utility programs are not mill rate funded and the rates are established to offset all operating expenditures, therefore, an increase in these rates may result in revenue that could be transferred to the mill rate through a Return on Investment.

Due to the significant impact and established framework already in place, Saskatoon Transit has estimated what the dollar impact to decreased ridership would be as a result of a user fee increase; however, all remaining categories have not quantified the reduction in attendance, usage, or consumption, and instead have that noted as a risk. Therefore, the amounts in Appendix 1, apart from Transit, do not reflect the potential reduction in attendance, usage, or consumption, that may happen if a fee increase is approved, which could partially offset the increase in revenue.

The potential decrease in attendance, usage or consumption is due to many factors that were detailed in the October 15, 2021 report, most notably that price sensitivity and human reaction are a main impact to consider when proposing adjustments to the user fees. In addition, often the increase in revenues would necessitate increases in expenditures such as transfers to reserves, which could be addressed by further reporting to ensure any additional revenue is actually directed to general revenues.

Given the relatively small percentage increase in rates for most categories, if City Council chose to increase any rates, the Administration would adjust the 2022 and 2023 budget as shown in the Attachment and then monitor and report on actual revenues and expenditures. Budget adjustments can be made in future years to account for the actual realized positive and negative revenue or expense impacts.

In the proposed 2022 Budget, there are already increases to some user fee revenues, and the potential mill rate impact (as shown in Appendix 1) is the estimated additional revenue impact to the 2022 budget.

This report does not include potential impacts of an increase to user fees at the Saskatoon Police Service (SPS), as the SPS reports to the Board of Police Commissioners for oversight. City Council will have an opportunity to inquire on the Saskatoon Police Service's budget during the budget review meeting.

FINANCIAL IMPLICATIONS

The financial implications of the increase to the user fees is detailed within Appendix 1.

OTHER IMPLICATIONS

There are no privacy, legal, social, or environmental implications identified.

NEXT STEPS

The Administration will continue to review the user fees periodically and present to City Council as appropriate for changes to user fees.

APPENDICES

1. Implications and Risks of User Fee Increases

Report Approval

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