

Implications and Risks of User Fee Increases

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User Fee Description	2021 Budgeted User Fee Revenue	5% increase on rate (formula)	Mill rate increase (or decrease) - net of offsets	Increase already in 2022 budget	Potential additional mill rate impact	Business Impact of the rate increase
Transit	8,424.0	213.0	43.1	-	43.1	<p>A 5% user fee increase in Transit would result in approximately \$213.0 in revenue. With the high price elasticity associated with transit user fee increases (consumers being very sensitive to price increase), it is estimated the 5% user fee increase would decrease ridership levels by 3.75%, resulting in an actual net revenue increase estimated at \$43.1. COVID-19 has had a significant impact to ridership and Transit revenues (\$6.7M decrease in revenues in 2020 and a \$5.8M budget reduction for 2021). Budgeted revenues are being increased as ridership levels slowly start to increase, which may take 5-7 years before returning to pre-pandemic levels.</p> <p>Risks: Some of the rates are locked into contracts and would be difficult to adjust at this time (e.g. UPass). An increase in fees at this time may extend the time to restore pre-pandemic ridership levels.</p>

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Rentals (Leisure Centres)	6,557.9	347.3	64.9	24.4	40.5	<p>Leisure Centre Rental Revenues include external and internal hourly rentals, leases, sponsorships, lockers, equipment rental and Terry Fox Track Revenues. Amounts excluded from the mill rate impact of a 5% increase include negotiated leases and sponsorships, along with the hourly rentals that have an equal offset in expenditures. These include internal, accessibility, and school rentals, and the portion of rentals eligible for the Youth Sport Subsidy.</p> <p>Already included in the indicative budget is a 2% rate increase in external rentals and a 2.5% increase in Terry Fox Track Admissions. Rental rates effective to August 31, 2022 have previously been approved with the rate increases effective September 1, 2022 subject to Council approval.</p> <p>A rate increase of 5%, net of rate changes already included in the proposed budget, would result in the following mill rate revenue increases: \$36.8 external hourly rental revenue; \$3.4 locker revenues; and \$0.3 from Terry Fox Track.</p> <p>Risks: The estimate is based on increasing fees January 1 (typically rental rates are set to change annually on September 1). The implications of increasing fees January 1 is that a majority of rental contracts are already established based on the rates previously approved. The applicable expense increase for this service line is 0.8% when adjusted for COVID and \$150.0 in expenditure increases directly relating to sponsorship and parking lot revenues. The recommended rates, included within the indicative budget, are also set to be within the market rates. Lockers in some locations take coins and are set at 25 cents per use; it would not be feasible to change those rates without converting to tokens.</p>

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Parking	5,259.7	423.2	138.4	-	138.4	<p>Parking Revenues include revenues from parking terminals, temporary reserved parking, parking ticket late fees, residential parking and other permits, billboard revenue and administrative fees. Amounts excluded from the mill rate impact of a 5% increase include billboard revenue (as it is a negotiated amount) and 50% of revenue increases that would flow to the Streetscape BID Reserve as per the approved parking revenue distribution formula. Parking ticket late fees have also been excluded as these rates are set by the Province.</p> <p>There are no rate increases included in the proposed budget.</p> <p>A rate increase of 5% would result in the following mill rate revenue increases: \$129.8 parking terminals; \$5.2 temporary reserved parking; \$0.2 administrative fees; and \$2.8 residential parking permits.</p> <p>Risks: A 5% increase in street parking increases the hourly rate from \$2.00 to 2.10. The financial estimate was based on this 5% increase, but this rate would be operationally problematic as, for example, the machines currently do not accept dimes or nickels. Rate increases to parking are typically done on a strategic basis in consultation with the BIDs, so if a parking rate increase is desired, the Administration would work with the BIDs to develop an operationally feasible fee increase and approach.</p>

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Programming (Leisure Centres)	3,873.2	325.6	280.4	130.5	149.9	<p>Leisure Centre Program Revenue includes admissions and program registrations at the six leisure centres. Amounts excluded from the mill rate impact of a 5% increase, include revenues that have an equal offset in expenditures, specifically accessibility and school usage.</p> <p>The effective rate increases included in the proposed budget are 2.4% for admissions and 2% for registered programs.</p> <p>A rate increase of 5% would result in the following mill rate revenue increases: \$109.6 admissions and \$40.3 registered programs.</p> <p>Risks: Registered program rates for winter 2022 (January to March programs) are already advertised and there is not sufficient time to make changes prior to registration starting on December 5, 2021. The proposed rates are set to align with rates of other service providers; higher rates may run the risk that some customers seeking less expensive alternatives, with potential resulting impacts on admission and program revenues. The Administration could further report on a comprehensive rate strategy starting April 1, 2022.</p>

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Solid Waste Management	3,798.9	217.6	189.9	-	189.9	<p>Solid Waste Management revenues include those collected at the Saskatoon Landfill and Compost Depots, as well as through commercial garbage collections. Amounts excluded from these estimates include any revenues that are collected from other Civic departments as their related expenditures would also have to increase.</p> <p>There are no rate increases included in the preliminary budget.</p> <p>A rate increase would result in the following revenue increases: Commercial Garbage Collections \$16.7, Landfill \$170.0 and Compost \$3.2.</p> <p>Risks: Solid Waste Management does face competitive pressures and increased prices could lead to a slight reduction in customers.</p>
Golf Courses	3,910.8	192.6	-	-	-	<p>Golf Course revenues include green fees, lockers and carts, lounge, driving range and concession lease. The Golf Courses operate on a full cost recovery basis, with any revenue in excess of expenditures included in the transfers to the Golf Courses Capital Reserve and Golf Course Stabilization reserve, then used to fund future capital needs and absorb any operating losses.</p> <p>The effective rate increases included in the preliminary budget are 3.9% for green fees, 3.85% for liquor sales and 3.0% for lockers and carts.</p> <p>A rate increase of 5%, net of rate increases already included, would result in the following revenue increases: \$22.5 green fees; \$19.2 lockers and carts; \$17.2 liquor sales and \$10.2 driving range.</p> <p>Risks: Golf Courses rates are set to achieve the objective of 100% cost recovery while remaining affordable and accessible to the public and are set considering market rates.</p>

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Skating Rinks	2,102.3	99.0	61.0	22.0	39.0	<p>Indoor Rinks revenues include external and internal hourly rentals, leases and concessions, admissions and board advertising. Amounts excluded from the mill rate impact of a 5% increase include negotiated leases, along with the hourly rentals that have an equal offset in expenditures. These include internal, accessibility, and school rentals, and the portion of rentals eligible for the Youth Sports Subsidy.</p> <p>Included in the proposed budget is a blended rate increase between prime and non-prime rentals of 3.9% and an admissions rate increase of 4.3%. These rate increases are effective October 1, 2022.</p> <p>A rate increase of 5% effective January 1, 2022, net of rate changes already included in the budget, would result in the following mill rate revenue increases: \$34.9 external hourly rental revenue and \$0.8 admissions. A 5% increase effective October 1, 2022, would result in a mill rate revenue increase of \$13.0 with \$6.0 recognized in 2022 and \$7.0 in 2023.</p> <p>Risks: Implementing rental rate changes to be effective January 1, 2022 is challenging as many contracts are already established (rental rates are set to change October 1). By policy, the budgeted cost recovery for external rentals is set to recover at least 100% of defined recoverable costs and is currently at 106%. (Note the cost recovery calculations remove public skating and the CBCM contribution.)</p>

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Cemetery	1,531.3	64.8	56.6	34.5	22.1	<p>Cemetery revenues include interments, grave sales, monument installations, vault lowering, perpetual care fees, donations, perpetual care earnings and a lease. Amounts excluded from the mill rate impact of a 5% increase included negotiated leases, donations, perpetual care earnings and perpetual care fees as they are transferred to the perpetual care fund.</p> <p>Included in the proposed budget is a 3% rate increase on services.</p> <p>A rate increase of 5% would result in a mill rate revenue increase of \$22.1.</p> <p>Risks: A rate increase may have a negative impact on market share.</p>
Forestry Farm Park & Zoo	929.6	76.9	57.3	49.3	8.0	<p>The Forestry Farm Park & Zoo revenues include admissions, rentals, parking and a lease. Amounts <u>excluded</u> from the mill rate impact of a 5% increase include school access as there is an offsetting expenditure increase.</p> <p>Included in the indicative budget are admission increases of 3.7%, daily parking of 14.3% and season pass parking of 10%. Rental rates have increases ranging between 7% and 17%.</p> <p>A rate increase of 5% on admissions would result in a mill rate revenue increase of \$15.2. If the parking and rental increases were reduced to 5% there would be a \$7.2 decrease in revenues.</p> <p>Risks: A higher admission increase may result in the Zoo being less affordable for individuals and families.</p>

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Utilities - SL&P	169,308.5	8,465.4	-	2,920.3	-	<p>Saskatoon Light & Power revenues include both fixed service charges and volumetric sales of power to all residential and commercial customers within its service area. Amounts excluded from these estimates include all city paid electrical accounts, including street lighting as expenditures in those areas would also increase, and the proposed increase for the Federal Carbon Charge</p> <p>Included in the proposed budget is an estimated 0.75% rate increase for the Federal Carbon Charge expected in Jan/22. The budget also includes an estimated 2% power rate increase for 6 months of 2022 for a total of \$2,920.3 included.</p> <p>A rate increase of 5% would result in an additional increase for the Utility of \$4,920.1 above the current level and includes power charges, service connections and various pole and duct rentals charges. An increase to the Return on Investment (ROI) paid to the City would be required to transfer any benefit from the Utility to the Mill Rate.</p> <p>Risks: Establishing rates different from SaskPower rates would cause inequities between citizens of Saskatoon as SL&P has historically matched rates set by SaskPower to ensure that all citizens of Saskatoon pay the same rate regardless of their service provider. Increased pricing could also lead to reduced volumetric sales, negatively impacting the impact of a rate increase. Realigning rates with SaskPower at some point in the future would further erode SL&P's funding for asset management issues unless the ROI was also realigned with current amounts as well but that would negatively impact the mill rate at that time. Other revenue increases are largely fixed based on a contract and have been set to industry standards in recent years.</p>

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Utilities - Water	86,108.6	4,853.4	-	2,356.5	-	<p>The Water Utility revenues include both fixed and volumetric charges to all its residential and commercial customers. Amounts excluded from these estimates include any revenues that are collected from other Civic departments as their related expenditures would also have to increase. Increases to reseller rates are also not included.</p> <p>Included in the 2022 proposed budget is a 2.5% rate increase totalling \$2,356.5 intended to offset all the operating expenditures of the Water Utility.</p> <p>A rate increase of 5% would result in an additional revenue increase for the Utility of \$1,753.0 above the current level and includes total water charges, Infrastructure Levy, service connections and meter testing fees. An increase to ROI of an equal amount would be required to transfer the benefit from the Utility to the Mill Rate and a change to current practice, as current ROI is based on 10% on water sales revenues as previously approved by Council.</p> <p>Risks: The water rates, including the current 2.5% proposed rate increase, are set based on expected sales volume levels in order to cover all costs associated with the Utility.</p>

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Utilities - Wastewater	78,853.8	3,942.6	-	885.8	-	<p>The Wastewater Utility revenues include both fixed and volumetric charges to all its residential and commercial customers. Amounts excluded from these estimates include any revenues that are collected from other Civic departments as their related expenditures would also have to increase.</p> <p>Included in the proposed budget is a 2.5% rate increase totalling \$885.8 intended to offset all the operating expenditures of the Wastewater Utility.</p> <p>A rate increase of 5% would result in an additional revenue increase for the Utility of \$2,955.4 above the current level and includes total wastewater charges, Infrastructure Levy, wastewater surcharge and various dumping charges. An increase to ROI would be required to transfer the benefit from the Utility to the Mill Rate and a change to current practice, as current ROI is based on 10% on wastewater sales revenue, as previously approved by Council.</p> <p>Risks: The wastewater rates, including the current 2.5% proposed rate increase, are set based on expected sales volume levels in order to cover all costs associated with the Utility.</p>

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Utilities - Storm	13,782.9	689.1	-	1,862.7	-	<p>The Storm Water Utility revenues includes all fees related to Storm Water Management including charges per Equivalent Runoff Unit (ERU). Amounts excluded from these estimates include any revenues that are collected from other Civic departments as their related expenditures would also have to increase.</p> <p>Included in the proposed budget is a previously approved ERU rate increase totalling \$1,862.7.</p> <p>The current rate increase is beyond the proposed 5% increase, therefore not identified within this analysis. An additional 5% increase above the current approved levels would result in additional revenue increase to the Utility. Storm Water does not currently pay an ROI to the City therefore the creation of an ROI would be required to transfer the benefit from the Utility to the Mill Rate.</p> <p>Risks: Further increases in future years to a ROI that permanently supports the Mill Rate would have to be supported through additional rate increases.</p>

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Utilities - Waste	8,904.5	445.2	-	-	-	<p>The Waste Utility revenues include the collection of fees related to the Recycling and Green Cart programs. Amounts excluded from these estimates include any revenues that are collected from other Civic departments as their related expenditures would also have to increase.</p> <p>There are no rate increases included in the proposed budget.</p> <p>A rate increase of 5% in the Recycling and Green Cart programs would result in an additional revenue of \$445.2 for the Utility. The Waste Utility does not currently provide an ROI to the City therefore the creation of an ROI would be required to transfer the benefit from the Utility to the Mill Rate.</p> <p>Risks: Increasing costs for the voluntary green cart program could result in a slight reduction in customers, or a reduced growth rate as the program has seen increased subscription volumes each year. This program will come to an end after next year with the move to the Curbside Organics program.</p>

All amounts in '000