

Options for Inclusion of the Transit Service Model within Indicative Budget

ISSUE

In previous business plan and budget meetings, additional Saskatoon Transit routes for new development areas and existing neighbourhoods were not included within the indicative rate and instead included within the options sections of the budget deliberations.

BACKGROUND

At the November 29, 2022, 2022/2023 Preliminary Business Plan and Budget meeting, City Council resolved:

“That the Administration report on how transit services could be included in the indicative rate during future business planning and budget processes.”

CURRENT STATUS

The presentation of the indicative rate for each budget cycle includes the costs of inflation and growth on the same levels of service that have already been approved by City Council. During past budget deliberations, the addition of transit services for new development areas and existing neighbourhoods was not included within the proposed indicative budget, and instead were provided to City Council as an optional addition to the operating budget.

Historically growth costs included in the indicative budget presentation have consisted of mostly linear type growth. Linear growth is best defined as costs that increase in correlation to an increase in infrastructure. This is typically a direct relationship and these cost increases happen more gradually as infrastructure networks grow. For example, increases to road maintenance expenditures as more kilometers of roadway are added and Parks maintenance expenditures as more hectares of park space are added to the City.

However, step growth typically has not been included in the indicative budget presentation. Step growth is best defined as cost increases that do not directly correlate to incremental increases in infrastructure but instead become required at a point in time as the City's overall population and infrastructure networks reach a certain size. These increases result in no increases in expenses in some years, but significant increases in expenditures in other years when the steps are required. Transit Service being introduced, introduction of new fire halls and introduction of a leisure centre are all examples of step growth.

Saskatoon Transit has service standards which outline when transit service will be introduced to new developments and existing neighbourhoods. As detailed on pages 5

and 6 of Appendix 1, transit routes will be introduced to new developments and existing neighbourhoods based on a three-tiered transit service model once the built form (roadway network) is transit supportive, and population and ridership thresholds are met.

While Transit Service Levels are relatively well-defined it is still somewhat discretionary, as introduction of service are typically based on projections. Similarly, the introduction of new firehalls and corresponding operating budgets should be tied to Saskatoon Fire's response time service level targets and other metrics. Step style expenditure growth impacts typically have large financial impacts as well as less certain growth indicators as opposed to linear growth, due to this, these have been left up to the discretion of City Council during budget deliberations in the past.

OPTIONS

Option 1 - Inclusion of the Step Growth of Transit Service within the Indicative Budget in the Year Required. Other step-growth impacts remain presented as an option to City Council.

The approved service standards in Appendix 1 identify what would trigger the establishment of transit service. These increases are not additional service levels but instead are due to growth and could be included within the future indicative budgets. These service levels could be used as the trigger for administration to include the cost estimates within the indicative budget. Including the entire amount in the year the service is required could have large fluctuations in the expenditures and ultimately contribute to a large fluctuation in the property tax increase required in that year. Even if the amount is included in the indicative budget, City Council can still resolve to delay the inclusion of the service until a future year. Other forms of step growth such as Fire Services, Leisure Centre Funding, etc. would continue to be presented as an option at the discretion of City Council.

Option 2 –Inclusion of a Phased-In Transit amount be included within the Indicative Budget in each Budget Year. Other step-growth impacts remain presented as an option to City Council.

A consistent smaller increase in the operating expenditures could be included within future indicative budgets. This would result in required funding being built into the base operating budget over time and the funding being readily available when the service is required. An example of this could be a consistent amount of \$50,000 is added each year into the indicative budget. In the years where the step increases are not required the additional funding could be used for the Saskatoon Transit Asset Management Plans or other Saskatoon Transit capital funded programs. This would smooth out the effect of the amount required in each year and help to ensure consistent funding is available when the service is required, it would also provide a temporary source of funding to address the previously presented asset management funding gaps. The timing for when transit routes will be introduced into new developments and existing neighbourhoods is not on a set schedule and is dependent on neighbourhood build-out and transit ridership, additionally, there may be years when City Council chooses not to add the incremental amount to the budget. If the expected annual step increases are

not approved, or the timing of expansion of the transit routes is quicker than anticipated, there could be years where service expansion is required but sufficient funding is not available. In a year where sufficient funding has not been added but expanded transit routes are required, a larger amount would need to be added into the indicative budget to ensure there is sufficient budget for the expanded transit routes. Other forms of step growth such as Fire Services, Leisure Centre Funding, etc. would continue to be presented as an option at the discretion of City Council.

Option 3 – Inclusion of a Phased-In Transit and other Step Growth amounts be included within the Indicative Budget in each Budget Year.

This option, similar to option 2, would expand the scope to include other step related growth items utilizing a phased-in model, such as the funding of future firehalls and associated staffing. Amounts would be phased-in over time to smooth the operating budget impact that is required in the year step growth is experienced. As previously outlined, this would also provide a valuable source of temporary, interim funding to asset management plans until the year step related growth is required.

Option 4 – Step Growth Increases Continue to be Presented as Options for City Council Consideration in the Year Required.

Consistent with the current status, Administration could continue to include the Transit service increases into new developments and existing neighbourhoods as an operating option. The costs would not be presented as part of the indicative budget and City Council could choose to approve the addition in the year that the growth service is required. Similar to Option 1, the addition could have large fluctuations in the expenditures and ultimately add to a larger fluctuation in the property tax increases in the year the service is required. Additionally, because the approved standards are set in Appendix 1, including this as an option would not follow these standards.

RECOMMENDATION

That the Governance and Priorities Committee recommend to City Council that **Option 3 – Inclusion of a Phased-In Transit and other Step Growth amounts be included within the Indicative Budget in each Budget Year.**

RATIONALE

A phased-in consistent amount being added to each year's indicative budget will smooth out the impact of the increases required to expand transit routes into new developments and existing neighbourhoods. The amounts phased-in will be available for use for Asset Management Plans and capital projects providing extra funding in the years that new service is not required.

FINANCIAL IMPLICATIONS

If Option 3 is approved, Administration will calculate and include a phased-in amount for transit services and Fire services as well as any other step growth pressures starting in the 2024/2025 Multi-Year Indicative Budget process. Each budget year, Administration will review to determine the funding amount required and will also determine if sufficient funding has been accumulated for the upcoming expected expansion of the service

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levels. Additionally, if it is estimated the expansion of the services occur in the second year of a multi-year budget, but the standards are not actually met in that year, Administration will not implement the expanded service until such time as the standards have been met. If Option 3 is approved, the funding for that year will be adjusted during the second-year budget process and will be used for contributions to reserve, until such time as the standards are met.

ADDITIONAL IMPLICATIONS/CONSIDERATIONS

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

APPENDICES

1. Saskatoon Transit Service Standards

REPORT APPROVAL

Written by: Kari Smith, Director of Finance

Reviewed by: Terry Schmidt, General Manager, Transportation and Construction
Clae Hack, Chief Financial Officer

Approved by: Jeff Jorgenson, City Manager

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