

DECISION REPORT

Taxation and General Revenues Business Line Budgetary Information**ISSUE**

As the City of Saskatoon (City) heads into its planning for the 2024 and 2025 Business Plan and Budget Cycle, there continues to be several budgetary pressures the City is facing. This report will provide information and Administrative recommendations on the Taxation and General Revenues Business Line.

This process has been established so that City Council can provide early direction to the Administration, on what to include in the 2024/2025 Preliminary Business Plan and Budget which will be considered by City Council in November 2023 during the 2024/2025 Business Plan and Budget deliberation meeting.

BACKGROUND

At its March 15, 2023 meeting when considering the [2023-2025 Budgetary Pressures and Trends](#) Report, Governance and Priorities Committee (GPC) resolved in part:

“That Administration report back on a potential special budget meeting process to address some of the budgetary challenges and pressures for the upcoming two-year budget cycle. That this report include recommendations on using the existing Governance and Priorities Committee/Finance Committee meeting schedule vs. having special budget/Finance committee meetings and recommendations for organizing these special budget meetings based on departmental budgets or based on service lines or some combination.”

At its April 12, 2023 meeting when considering the [2024/2025 Business Plan and Budget Process Report](#), GPC resolved:

“That Option 3 be approved, and the City Clerk’s office be directed to schedule Special Budget Meetings for the presentation of Business Line-based reports if the Governance and Priorities Committee Capacity does not exist as outlined in the April 12, 2023 report of the Chief Financial Office.”

CURRENT STATUS

The multi-year business plan and budget process includes the following key steps:

1. Develop the cost to maintain existing services considering city growth, inflation pressures, and updated revenue estimates. This step is also used to present and discuss required corrections of base budgets and phase-in of funding plans.
2. Provide a summary of the information from Step 1 to GPC.
3. Use cross-divisional teams to discuss City Council’s strategic priorities and develop options to achieve these priorities.

4. Present a list of Business Plan Options to City Council for prioritization.

DISCUSSION/ANALYSIS

Each business line report presented through the Governance and Priorities or through the Special Budget Meetings will have the same general outline to provide information to City Council. The categories in each report will be:

1. Expenditure Overview
2. Service Level Review
3. Pandemic Challenges
4. 2024/2025 Pressures
5. Potential Options

Appendix 1 includes the information for the Taxation and General Revenues business line. The Taxation and General Revenues Business Line includes revenue from the Municipal Revenue Sharing Grants, grants-in-lieu, fines and penalties, property taxes as well as other general revenue.

OPTIONS

Appendix 1 provides the full information regarding the options available to Committee.

Option 1 – Interest Stabilization Reserve Transfer Reduction

Option 2 – Tax Certificate or Tax Search Fee Increases

Option 3 – Increases to Property Tax Penalties

Option 4 – Parking Ticket Penalty Amount Increases

RECOMMENDATION

That the Governance and Priorities Committee direct Administration to include the following options in the 2024/2025 Preliminary Business Plan and Budget:

1. Option 1B – Phase out of the \$100,000 Interest Stabilization support over two years;
2. Option 2 – An increase of \$5.00 for the Manual Tax Certificate/Tax Search Fees and a \$10 increase for the Online Tax Certificate/Tax Search fees;
3. Option 3 – A 0.25% increase in the City’s Current and Arrears monthly Property Tax Penalty Rates; and
4. Option 4 – An increase to Parking Ticket Penalty Amounts of \$50 to \$70 for late pay penalties and \$30 to \$40 for the reduced penalty rate for parking offences related to parking in a pay parking area where purchased time has expired.

RATIONALE

The provided recommendations aim to strike a balance in addressing the significant cost pressures the City is facing heading into 2024/2025 with a more reasonable property tax increase. While there are implications to the provided recommendations to

Taxation and General Revenues Business Line Budgetary Information

service levels and increases in user fees, the Administration believes it provides reasonable options to lessen the financial impact included in the 2024/2025 budget.

FINANCIAL IMPLICATIONS

The financial implications of this business line will be deliberated at the 2024/2025 Business Plan and Budget Deliberations meeting.

OTHER IMPLICATIONS

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

NEXT STEPS

The 2024/2025 Business Plan and Budget meetings will be held on November 28 to 30, 2023 to deliberate budget implications for all business lines.

APPENDICES

1. Taxation and General Revenue Business Line

REPORT APPROVAL

Written by: Kari Smith, Director of Finance
Reviewed by: Clae Hack, Chief Financial Officer
Approved by: Jeff Jorgenson, City Manager

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Taxation and General Revenues Business Line

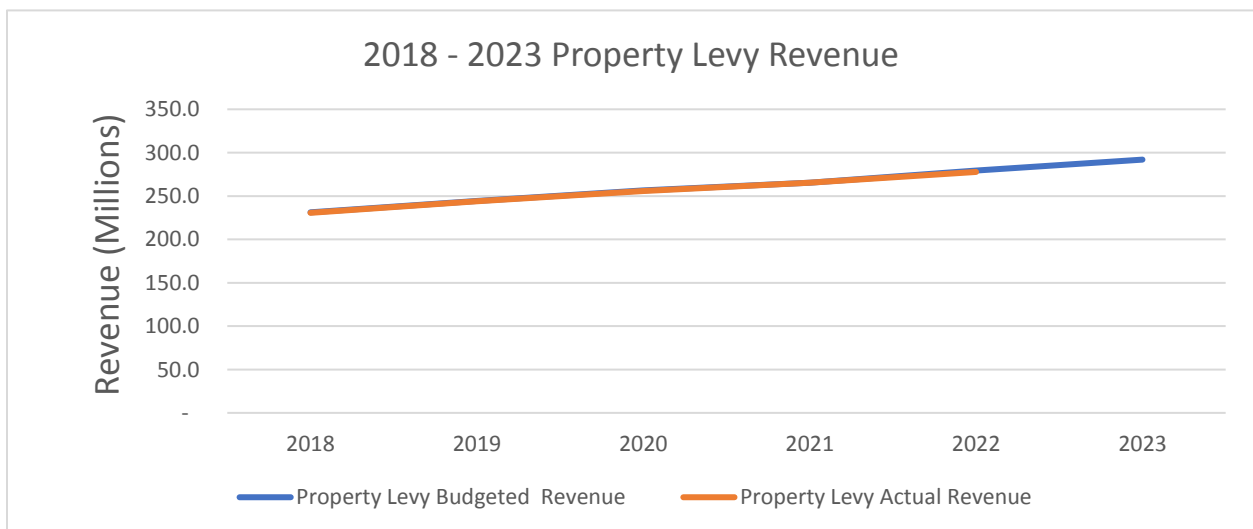
The 2023 Budget for the Taxation and General Revenues Business Line included \$5.85 million in expenditures and \$494.23 million in operating revenues.

Revenue Overview

In 2023 the Taxation and General Revenues Business Line was budgeted to generate \$494.23 million in operating revenue. \$292.0 million and \$83.6 million comes from Property Levy and General Revenue respectively, which makes up approximately 76% of all operating revenue in this Business Line. A full breakdown of operating revenue can be seen below.

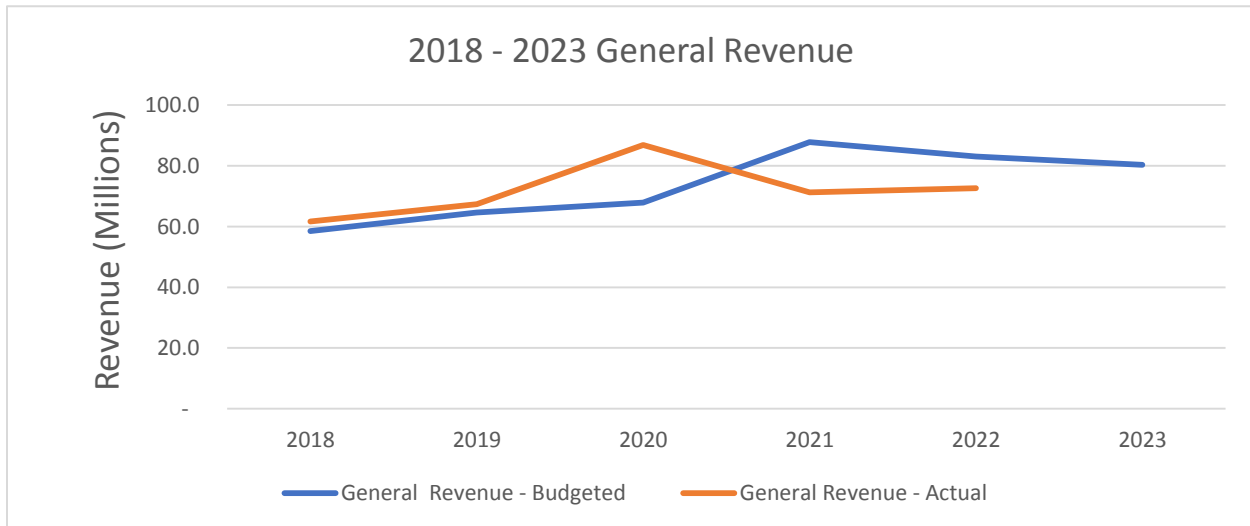
Service Line	2023 Op Rev (in millions)	% of Overall Op Rev.
Fines and Penalties	\$13.92	2.82%
General Revenue	\$83.62	16.92%
Grants in Lieu of Taxes	\$46.53	9.41%
Municipal Revenue Sharing Grant	\$54.67	11.06%
Other Levies	\$3.49	0.71%
Property Levy	\$292.00	59.08%
Taxation and General Revenues Business Line	\$494.23	100.00%

As outlined above, Property Levy Revenue is one of the biggest operating revenue sources in this Business Line. Actual revenue is equal to budgeted revenue, as this amount is based on actual known sources and the need to balance the budget, this graph has been included to show the constant steady growth of this vital revenue source:



Property Tax Levy changes are a direct result of changes to other areas of the operating budget, including growth impacts, inflation, and service level changes.

The other significant operating revenue source for this business line is General Revenue which includes returns on investments from City owned utilities, interest earnings and provincial utility franchise fees. Actual funding received in 2020 was higher than budget and higher than previous years due to unexpected Federal Safe Restart funding being received to assist the City with impacts due to COVID-19. The City used \$15.00 million in reallocated funding to offset the impacts of COVID-19 in 2020 and then utilized the Safe Restart funds in 2021 for ongoing COVID-19 impacts. The budgets for 2022 and 2023 include ongoing one-time funding from reallocated funding of \$13.85 million in 2022 and \$10.02 million in 2023 within revenues, but actuals will show them as a transfer within expenditures (negative expenditure) resulting in actuals appearing less than budget. A five-year history of this revenue source can be seen below:



General Revenue also includes Return on Investments (ROI), and Franchise Fees. ROI is funding received from Saskatoon Light and Power (SL&P), Water and Wastewater Utilities as well as Franchise Fees from the Provincial Utilities. An amount of \$36.95 million is budgeted in 2023 from the Utility ROI. Franchise Fees are funds received from the Provincial Utility and are budgeted at \$21.39 million in 2023.

The City has little control over several of the revenue sources in this business line such as Municipal Revenue Sharing, Franchise Fees, Grants-in-lieu and Supplementary Property Taxes. A summary of the projected revenue forecasts for significant areas (over \$1 million in 2023) heading into 2024/2025 can be seen below:

Revenue Source	2024 Forecasted Budget	Change from 2023	2025 Forecasted Budget	Change from 2024
Fines & Penalties	\$13.7 million	-\$200K (-1.44%)	\$13.8 million	\$50K (0.36%)
Interest Earnings	\$13.8 million	No Change	\$14.0 million	\$200K(1.45%)
Provincial Utility Franchise Fees	\$21.0 million	-\$1.1 million (-5.5%)	\$21.0 million	No Change
Civic Utility Return on Investments	\$34.5 million	-\$2.4 million (-6.51%)	\$35.5 million	\$1.0 million (2.87%)
Other Revenue	\$331K	-\$10.0 million (-96.8%)	\$331K	No Change
Grans-in-Lieu of Taxes	\$49.7 million	\$3.2 million (6.79%)	\$51.1 million	\$1.4 million (2.88%)
Municipal Revenue Sharing	\$62.5 million	\$7.9 million (14.4%)	\$65.5 million	\$3.0 million (4.80%)
Other Taxation Levies	\$3.8 million	\$300K (8.71%)	\$3.8 million	\$50K (1.32%)

Overall, these revenue forecasts are showing an overall decrease from \$201.8 million in revenue in 2023 to \$199.3 million in 2024 (1.23% decrease) and an increase in 2025 to \$205.3 million (3.01% increase over 2024).

The biggest changes included in the original forecast is the removal of the one-time pandemic funding of \$10 million in 2024 as well as a \$2.4 million reduction in Saskatoon Light and Power’s Return on Investment (6.51% reduction). These decreases are offset by revenue growth in other areas such as:

- Since the June 14, 2023 report [2024 and 2025 Budget Status Update](#) where the Administration had included an estimated Municipal Revenue Sharing amount of \$60.41 million, or an increase of \$5.74 million over 2023, the Province finalized their yearend results and the revised estimate of the 2024 Municipal Revenue Sharing is now \$62.55 million or an additional \$2.14 million over the original 2024 estimate. The 2025 estimate is also being revised to be an increase of \$3.00 million over 2024 (the original estimate was \$2.10 million increase over 2024) for total estimated revenue of \$65.55 million in 2025. Administration will make these changes for the 2024/2025 Budget book that will be presented at the November 28, 2023 budget deliberation meeting.
- Grant-in-lieu of taxes are received from Federal and Provincial governments for properties they own but are exempt from taxation as well as from the civic utilities such as SL&P, Water and Wastewater Utilities. The amount expected to be received in 2023 is \$46.53 million with expected increases of \$3.4 million in 2024 and \$1.67 million in 2025.

As shown in the information report from the special Standing Policy Committee on Finance on August 31, 2021 when discussing the [2022 and 2023 Indicative Budget – Additional Information](#), the revenues from User Fees, Government Transfers, Grants-in-

Lieu of Taxes and General Revenues have stayed consistent or decreased from 2013 to 2020. Property taxes have increased from approximately 40% of Operating Revenue to approximately 50% for 2023, while non-tax revenue has correspondingly decreased from approximately 60% in 2013 to 50% in 2023.

Expenditure Overview

The largest amount of budgeted expenditures comes from the Fines and Penalties Service Line, with expenditures of \$5.98 million which is mostly used to cover contracted costs for Automated Speed Enforcement Cameras as well as maintenance and transfers to the Traffic Safety Reserve from Red Light Camera proceeds. General Revenue transfer from other operating is -\$1.57 million and is related mostly to the transfer from the Saskatoon Land Operating Surplus (\$1.85 million) which is partially offset by finance charges for interest earnings transferred to various reserves. An overview of all the service lines 2023 operating expenditures can be seen below:

Service Line	2023 Op. Exp. (in millions)
Fines and Penalties	\$5.98
General Revenue	\$(1.57)
Grants in Lieu of Taxes	\$ -
Municipal Revenue Sharing Grant	\$ -
Other Levies	\$0.77
Property Levy	\$0.67
Taxation and General Revenues Business Line	\$5.85

Another way to look at this information is by Budget Category. As seen below approximately 82% of total expenditures in the Taxation and General Revenues Business Line are for Contracted Services (\$4.79 million).

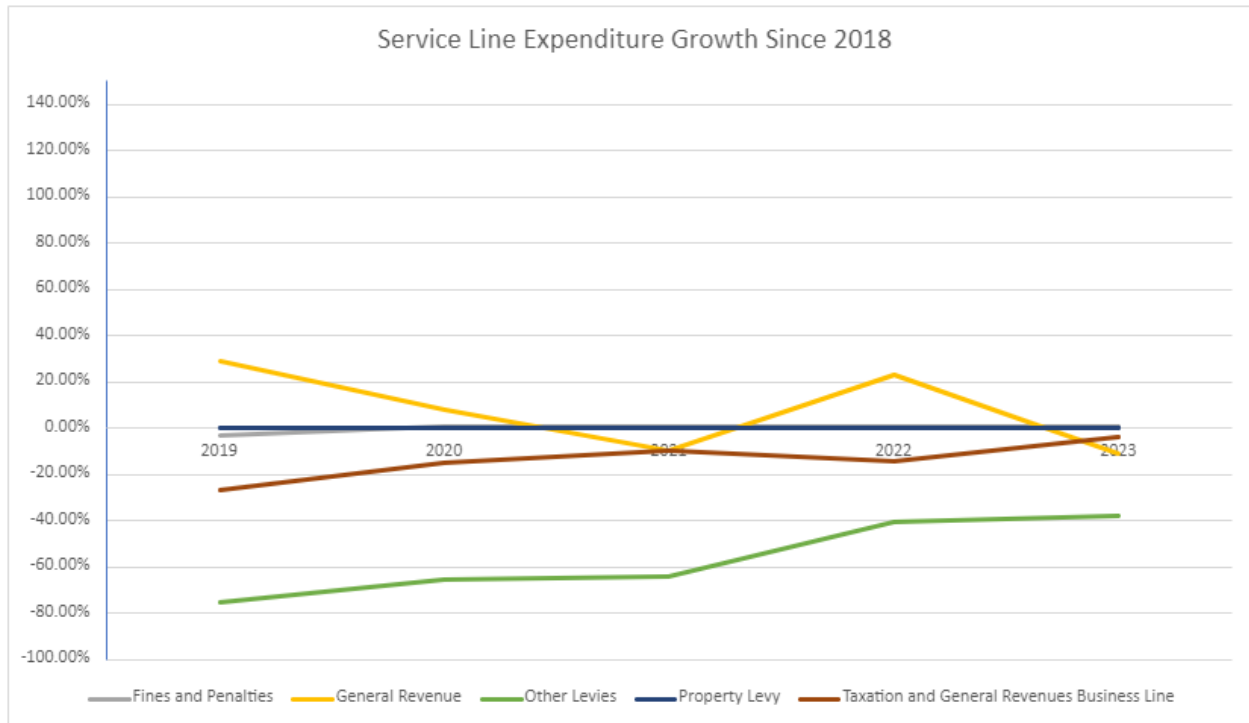
Budget Category	2023 Budget (in millions)	% of Overall Expenses
Other Expenses	\$0.66	11.28%
Contracted & General Services	\$4.79	81.88%
Utilities	\$0.00	0.00%
Finance Charges	\$0.39	6.67%
Transfers to Reserve/Capital	\$1.10	18.80%
Transfer to Other Operating	\$(1.09)	-18.63%
Taxation and General Revenues Business Line	\$5.85	100.00%

A couple of additional key observations are:

- The Contracted Services are for the Fines and Penalties Service Line. These are services required for programs such as traffic violations, automated speed enforcement and red-light camera.
- The transfers to reserve/capital of \$100,000 is a transfer from the Interest Stabilization reserve to help offset interest rate fluctuations and \$1.20 million

transfer to the Traffic Safety Reserve from the red-light camera and automated speed enforcement programs within the Fines and Penalties Service Line.

Overall, since 2018, the expenditures in the Taxation and General Revenues Business Line have decreased by 3.73% over the past five years or an average decrease of -0.75% per year. For context, Saskatoon's population growth ([Per Stats Canada Table 17-10-0142-01](#)) plus Consumer Price Index Inflation ([Per Stats Canada Table 18-10-0005-01](#)) over this same period was 26.69% or 5.34% per year.

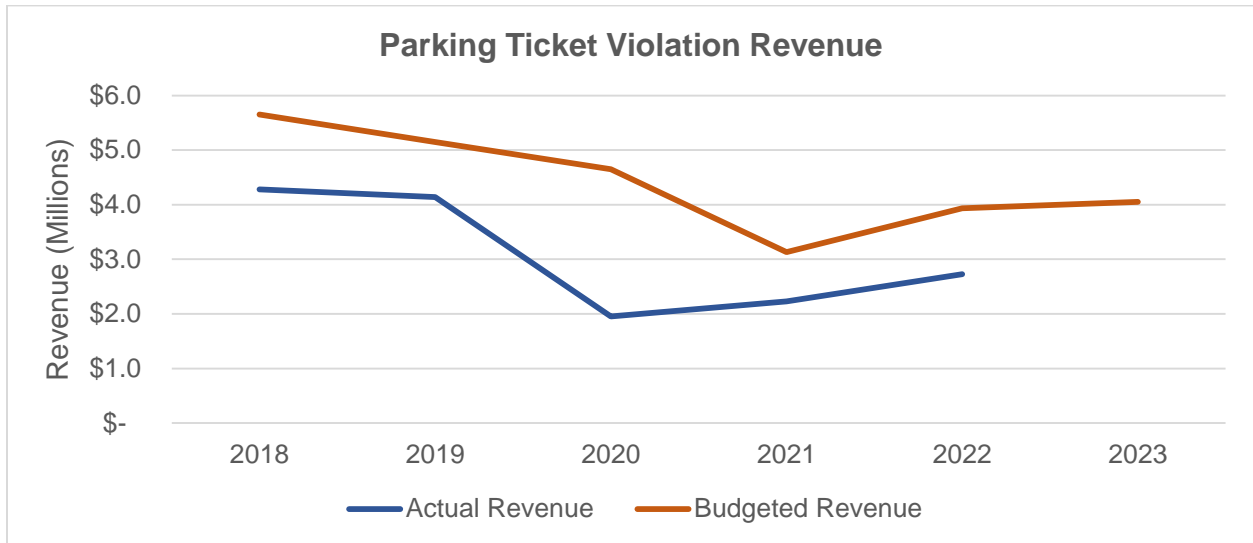


The decrease in expenditures is due in large part to a reduction in Other Levies from the expiration of the Clarence Avenue and Circle Drive Interchange loan repayment which was transferred to the Civic Facilities Funding Plan in the 2019 budget. General Revenue expenditures fluctuate based on the amount of support from the Interest Stabilization Reserve. The remaining expenditures have remained consistent.

Pandemic Challenges

One of the most significant impacts of the pandemic for this business line is related to the Fines and Penalties service line which experienced a \$1.80 million deficit in 2020 due to lower traffic violations revenue from officers moving from traffic duty to patrol and public safety, resulting in less tickets being issued as well as \$2.70 million reduced revenue from parking ticket violations due mostly to reduced parking from COVID-19 restrictions (42% of budgeted revenue). The 2021 and 2022 budgeted revenues were lowered from pre-pandemic levels for parking ticket violations, however actual amounts were still lower than budget by \$905,400 (71% of budgeted revenues) in 2021 and \$1.21 million (69% of budgeted revenues) in 2022. As shown in the five-year historical graph below, even prior to the pandemic there were base budget issues in the Parking

ticket violation revenue. The 2023, 2024 and 2025 budgets all assume that parking ticket violation revenue will recover to approximately 90% of pre-pandemic amounts.



2024/2025 Pressures Included in the Budget Status Update

This Business Line has one Financial Pressure that has been previously outlined and options provided in the June 22, 2023 Governance and Priorities Committee report entitled “2024 and 2025 Inflationary and Phase-in Decisions”.

- A reduction in the Return on Investment from Saskatoon Light and Power is expected in the budget in 2024 of \$3.3 million. This reduction is to help support the Saskatoon Light and Power (SL&P) asset management plan to retain existing buying power due to inflationary pressures where costs of materials and supplies increase by approximately 33%.

An overview of the remaining pressures that have not been included in previous reports include:

- An increased expenditure of \$100,000 for the transfer from the Interest Stabilization Reserve will be included in 2024 budget. This reserve is used to mitigate the fluctuations in interest earnings. As interest returns were decreasing in prior years a contribution from this reserve was being used to smooth out the impact to the property tax. As investment income has seen a significant increase amid rising interest rates, this contribution should be phased out to reduce the reliance on the reserve as the current reserve balance is \$315,521.

Potential Options:

If all of the options presented in this report along with the options previously presented in the [2024/2025 Budget Inflationary & Phase-in Decisions](#) report were approved it would reduce the Taxation & General Revenues Business Line by the following:

Taxation & General Revenues 2024/2025 Budget Options Impact		
	2024	2025
Options from the 2024/2025 Budget Inflationary & Phase-in Decisions Report	\$2,475,000	(\$495,000)
Options Included in this report	\$1,316,000	-
Total Options	\$3,791,000	(\$495,000)

Reductions recommended in the 2024/2025 Budget Inflationary & Phase-in Decision report impacting this Business Line include:

- Saskatoon Light and Power Return on Investment Inflationary reduction – Reducing the inflationary allocations to the Saskatoon Light & Power Return on Investment in 2024 by 75% (\$2,475,000 reduction) and phasing it back in over five years (\$495,000 increase in 2025 – 2029).

An overview of all recommended options as well as options that could further reduce the funding gap are provided below:

Recommended Options

Option 1 – Interest Stabilization Reserve Transfer Reduction

As outlined in the report, this business line includes the elimination either in full or partial of the \$100,000 transfer from the Interest Stabilization Reserve due to the depleting balance in the reserve (\$315,521) and the fact that investment income has been rising through increased interest rates. Reducing or eliminating the reduction would mean a further reduction from the Interest Stabilization Reserve and would only defer the impact to a future budget year when this would need to be fully removed once the reserve balance is depleted. There is risk by reducing this amount for future fluctuations to have to be managed through the Fiscal Stabilization Reserve. Sub-options and impacts that could be considered are outlined below:

Option	Impact
1A – Maintain the \$100,000 allocation in 2024	This option would keep the \$100,000 allocation from the Interest Stabilization Reserve and reduce the reserve balance to \$215,521
1B – Phase out the \$100,000 allocation over two years	This option would keep a \$50,000 allocation from the Interest Stabilization Reserve in 2024 and fully phase it out in 2025
1C – Fully remove the \$100,000 allocation in 2024	This option would fully remove the \$100,000 allocation from the budget as included in the 2024/2025 Budget Status Update

Option 2 – Tax Certificate or Tax Search Fee Increases

There is an option to raise fees for tax certificates or tax searches, which are currently lower in Saskatoon compared to other municipalities. As shown in Table 1, the City currently charges less than other major western Canadian cities for manual and online

tax searches and certificate. It is estimated that approximately \$282,000 of additional revenue could be generated if the fees were increased to match the City of Regina. By matching the City of Regina, the fees would still be lower than many other major western Cities.

Table 1 – Tax Search and Certificate Fee Comparison

City	Manual Tax Search	Manual Tax Certificate	Online Tax Search	Online Tax Certificate
Saskatoon	\$10.00	\$30.00	\$5.00	\$25.00
Regina	\$15.00	\$35.00	\$15.00	\$35.00
Winnipeg	\$27.00	\$60.00	\$23.75	\$47.00
Calgary	N/A	N/A	\$23.00	\$52.00
Edmonton	\$22.50	\$45.50	\$18.00	\$34.50

Option 3 – Increases to Property Tax Penalties

The City of Saskatoon currently charges a penalty rate of 1.25% per month for overdue taxes in the current year and 1.50% per month for property taxes in arrears. This option would include potentially increasing the City’s Property Tax Penalty rate which would generate increased revenue. As outlined below the City of Saskatoon has one of the lower penalty rates as compared to other Saskatchewan and Western Canadian Municipalities.

Penalty Rates Charged by Municipality		
City	Current	Arrears
Saskatoon	1.25% / month	1.50% / month
Regina	1.50% / month	1.75% / month
Prince Albert	1.90% / month	1.50% / month
Moose Jaw	2.00% / month	1.10% / month
Swift Current	1.00% / month	2.00% / month
Winnipeg	2.50% / month	2.50% / month
Edmonton	5.00% charged 3 times (July, Sept & Nov)	1.25% / month
Calgary	7.00% charged 2 times (July 1 & Oct 1)	1.00% / month

There are several options that could be considered for an increase to the City’s penalty rates. For every 0.25% increase, in the City’s current and arrears penalty rates, it is expected to generate an additional \$250,000 and \$174,000 respectively. It is important to note this projection does not include any potential increases in compliance which may be realized because of the higher penalty and decrease the revenue from this source.

Option 4 – Parking Ticket Penalty Amount Increases

Bylaw No. 7200, The Traffic Bylaw, outlines the penalties for parking-related offences. The most common parking-related offence relates to parking in a pay parking area where purchased time has expired. The current penalty amount for this offence is \$30 if payment is made within 14 days of ticket issuance or \$50 for tickets paid after 14 days.

Options exist to increase the penalty structure and a penalty structure comparison is provided below.

City	Specified Penalty	Early Payment Option(s)
Saskatoon	\$50	\$30 within 14 days
Regina	\$70	\$35 with 14 days
Moose Jaw	\$50	\$20 within 15 days \$30 after 15 days but within 30 days
Calgary	\$75	\$40 within 10 days \$50 after 10 days but within 30 days
Edmonton	\$35	No early payment options
Winnipeg	\$70	\$35 within 14 days
Halifax	\$45	\$40 within 7 days
Victoria	\$40	No early payment options
Vancouver	\$50	\$25 within 30 days

An increase to the late pay penalty of \$50 to \$70 results in a projected revenue gain of \$330,000. An increase to the reduced pay penalty of \$30 to \$40 results in projected revenue gain of \$230,000, for a combined projected revenue gain of approximately \$560,000. These projections are based on current parking ticket payment ratios for reduced and late pay options and it is noted that revisions to the penalty structure may have the potential to alter these assumptions.