

## DECISION REPORT

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### Land Development Business Line 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 Land Development 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 GPC 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 Land Development business line.

### **OPTIONS**

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

**Option 1** – Increase Lease Revenue

**Option 2** – Reductions to Land Maintenance Expenditures

**Option 3** – Additional Billboard Locations

### **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 1 – A \$200,000 increase to the City's Land Lease Revenue Budget to account for signed but potentially temporary lease revenue.

### **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 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**

Any direction from Committee on this report will be incorporated into the 2024/2025 Business Plan and Budget process. Decisions for 2024/2025 Business Plan and

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Budget will be made by City Council during the budget deliberation meeting which will be held on November 28 to 30, 2023 where the budget implications of all business lines will be deliberated.

### APPENDICES

1. Land Development Business Line

### REPORT APPROVAL

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Reviewed by: Frank Long, Director of Saskatoon Land  
Clae Hack, Chief Financial Officer

Approved by: Jeff Jorgenson, City Manager

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**Land Development Business Line**

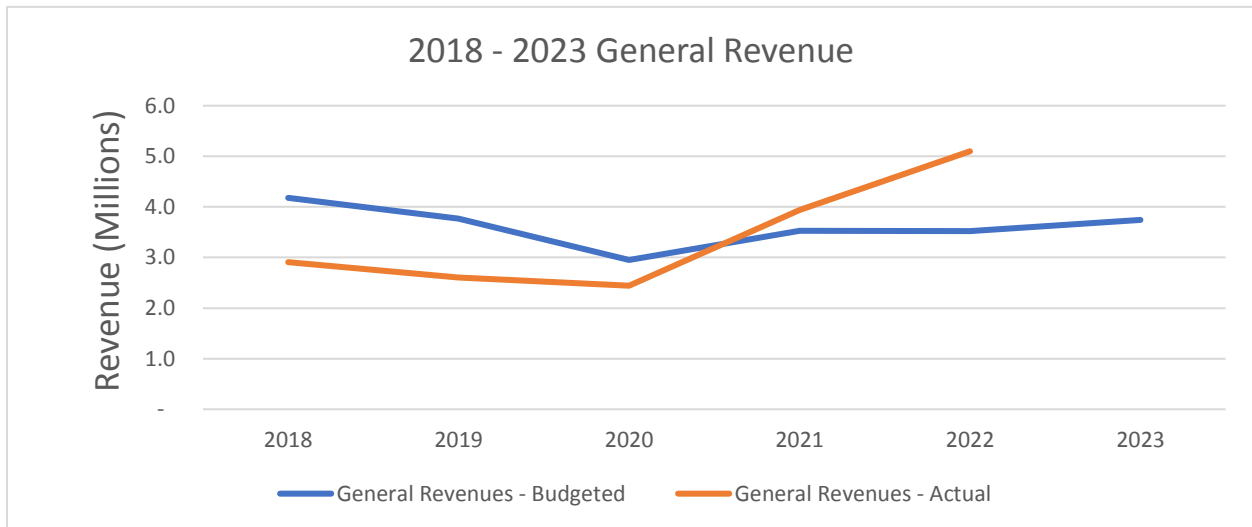
The 2023 Budget for the Land Development Business Line is comprised of Saskatoon Land Operations and City-Owned Property. The Business line is self-balancing and has \$7.07 million in expenditures and \$7.07 million in operating revenues for a net nil property tax impact but does transfer net income from City-Owned Property to General revenues.

**Revenue Overview**

In 2023 the Land Development Business Line was budgeted to generate \$7.07 million in operating revenue which is due to \$3.33 million from User Fees (Lease Revenue) and 3.74 million from General Revenues (admin fees on land sales).

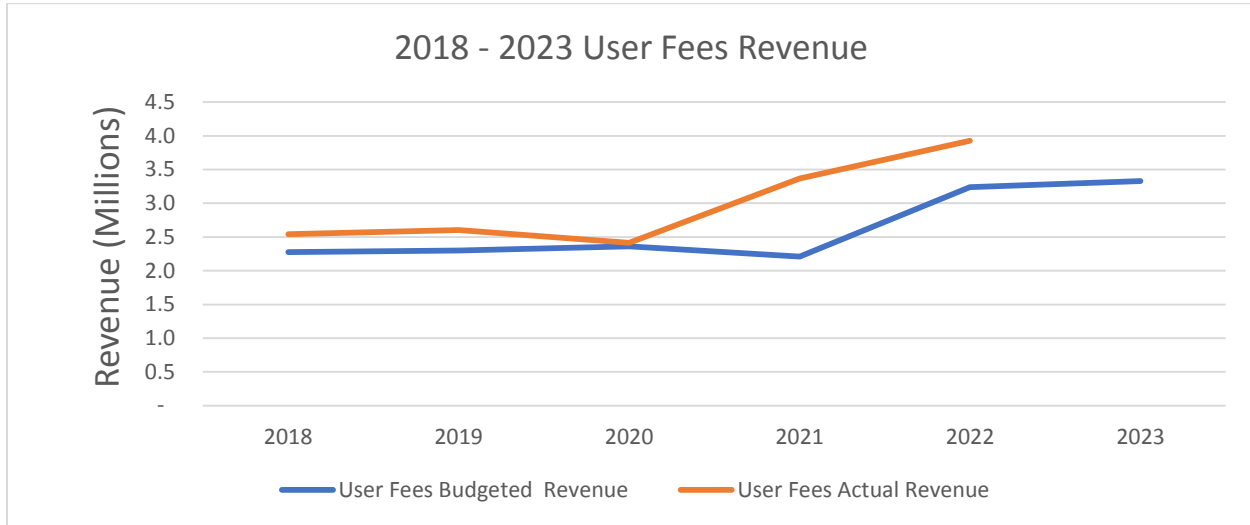
<b>Service Line</b>	<b>2023 Op Rev (in millions)</b>	<b>% of Overall Op Rev.</b>
Saskatoon Land	\$7.07	100.00%
<b>Land Development Business Line</b>	<b>\$7.07</b>	<b>100.00%</b>

As outlined above there are two revenue streams in this Business Line, General Revenue and User Fees, both of which have mostly remained quite stable over the last five years. General Revenues historically have been the larger contributor to overall operating revenue and an overview of budget to actuals can be seen below:



Although 2018-2020 showed an unfavorable variance from budget due to land sales targets not being fully achieved, Saskatoon Land has been able to continue to see growth in general revenue and surpassed budget in 2021 and 2022 due to higher than anticipated single family and Industrial land sales.

The other operating revenue source for this business line is User Fees Revenue. Like General Revenues, this revenue source has not been impacted by the pandemic and has maintained steady revenue growth over the last five years. A five-year history of this revenue source can be seen below:



It is important to note that only the net amount of user fees is transferred to General Revenue out of the Land Development Business Line from the City-owned Property cost center. General revenues exist within a self-balancing cost center and excess funds are transferred to reserves at year end.

### **Expenditure Overview**

The only service line in this Business Line is Saskatoon Land. As it is a self-balancing service line total expenses budgeted equal total revenues and no variance is expected.

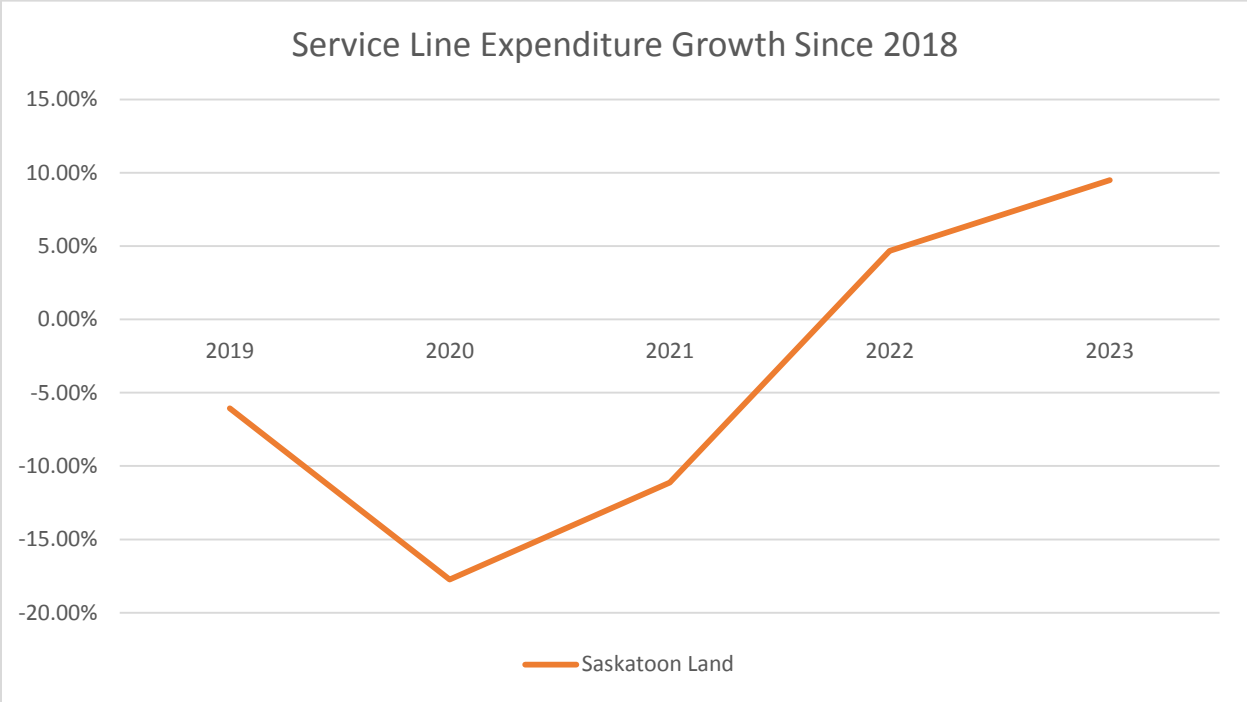
<b>Service Line</b>	<b>2023 Op. Exp. (in millions)</b>	<b>% of Overall Op. Exp.</b>
Saskatoon Land	\$7.07	100%
<b>Land Development Business Line</b>	<b>\$7.07</b>	<b>100%</b>

Another way to look at this information is by Budget Category. As seen below 55% of expenditures in the Land Development Business Line are for transfers to Reserves (32.39%) or Operating funds (22.77%), with the other largest expense relating to Wages and Benefits (28.43%).

<b>Budget Category</b>	<b>2023 Budget (in millions)</b>	<b>% of Overall Expenses</b>
Wages & Benefits	\$2.01	28.43%
Contracted & General Services	\$1.07	15.13%
Utilities	\$0.05	0.71%
Materials Goods & Supplies	\$0.06	0.85%

Transfers to Reserve/Capital	\$2.29	32.39%
Transfer to Other Operating	\$1.61	22.77%
Other Expenses	\$0.05	0.71%
Cost Recoveries	(\$0.07)	(0.99)%
<b>Land Development Business Line</b>	<b>\$7.07</b>	<b>100.00%</b>

The expenditures in the Land Development Business Line have grown by 9.50% over the past five years for an average of 3.89% 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. A graphical overview of Saskatoon Land’s service line expenditure growth can be seen below:



Saskatoon Land saw a decrease in overall expenses in 2020 and 2021 due to decreased sales projections and an offsetting decrease in transfer to reserves, however in 2023 it had grown by 9.50% mainly due to increased transfers to the Land Operations Reserve (due to increased revenue from leases and admin fees from the sale of land).

However, the increase in expenses is directly offset by the increase in revenues as this is a self-balanced service line, resulting in an overall nil net income.

**Service Level Overview**

Service levels are a key driver for the City’s expenditure requirements. Saskatoon Land is mandated to ensure an adequate supply of serviced land at competitive market values; provide innovation and leadership in design for new growth; and yield financial returns to the City for re-investment within the community. The division provides real

estate services and acquires/secures property for future development and other corporate needs as directed.

Land Development		
Service	Sub-Service	2023 Service Level
Land Supply	Single Family	One year supply of single-family lots.
	Multi-family	Two-year supply of multi-family units.
	Industrial	Two-year supply of industrial land.

**Pandemic Challenges**

While the pandemic did bring about some operational challenges in Administration’s ability to interact with customers, construction was deemed an essential service and continued through the pandemic. In respect to City-owned Properties, the pandemic had a negative impact on parking revenue with an average reduction of \$137,000 in 2020 and 2021 which in turn reduced the transfer to General Revenues from the Land Development business line.

**2024/2025 Pressures Included in the Budget Status Update**

While the Administration is still in the process of quantifying the exact pressures that this Business Line is expected to experience in 2024 and 2025, some of the known pressures today include:

- Higher construction costs could cause an overall slowdown in new home construction as the cost to develop the land and build new homes has increased significantly with inflation. Also, higher interest rates are increasing the cost of financing new homes and could also further slowdown the new home market. These issues could reduce revenue and increasing holding and maintenance costs of vacant land. Saskatoon Land is monitoring closely and will adjust servicing plans as required to ensure inventory levels remain at an acceptable level.
- Lease revenue is difficult to forecast and can fluctuate from year to year as new leases are negotiated and previous leases expire and/or not renewed. Over the last 10 years revenue has been stable but changing economic conditions may impact this going forward.

**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 Land Development Business Line by the following:

<b>Land Development 2024/2025 Budget Options Impact</b>		
	<b>2024</b>	<b>2025</b>
<b>Options from the <a href="#">2024/2025 Budget Inflationary &amp; Phase-in Decisions Report</a></b>	-	-
<b>Options Included in this report</b>	\$725,000	\$-
<b>Total Options</b>	<b>\$725,000</b>	<b>\$-</b>

### **Recommended Options**

#### **Option 1 – Increase Lease Revenue**

In the last two years, some larger leases were approved under the Industrial Land Incentive Program. These leases are anticipated to generate an additional \$500,000 annually, however they have not been added to the 2024/2025 budget as the option to purchase is expected to be exercised in the next couple of years.

An option could be to increase the lease revenue in the budget knowing that this would require a reduction and create future budget pressure when the options are exercised. As such the administration would recommend only a partial realization in the 2024/2025 budget (\$200,000) to avoid significant future budget impacts.

### **Options that Could Further Reduce the Funding Gap**

#### **Option 2 – Reductions to Land Maintenance Expenditures**

An option to reduce the budgeted maintenance program for City-owned land by \$25,000. This program maintains vacant City-owned property held for future development or sale in industrial and infill areas of the City and includes weed cutting, snow removal and other holding costs. The impact of reducing this budget may result in more complaints of noxious/poisonous weeds and issues around fox tail growth.

#### **Option 3 – Additional Billboard Locations**

Currently, the City limits the amount of billboards on rights-of-way (along Circle Drive, etc.). Many of the billboards that are erected around the city are on private land. Since many of the City's rights-of-way are on high traffic/volume roadways, it is believed that these locations would be in high demand for digital billboard advertisers.

To allow for billboards along rights-of-way, several bylaw and policy amendments would be required including changes to the zoning bylaw. It is estimated the City could receive upwards of \$25,000 per digital board. As the scope and magnitude of this program is yet to be determined, an estimated \$200,000 in additional revenue is assumed at this point, pending further direction. If selected by City Council as a viable option, future reporting would be required to determine maintenance, traffic safety impacts, and potential locations. This option is not being recommended at this point due to the fact it has been reported on as an option in the past but abandoned due to traffic safety/distracted driving concerns.