# FINANCING GROWTH STUDY

City of Saskatoon

HEMSON Consulting Ltd.

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# EXECUTIVE SUMMARY

In recent years, Saskatoon has been experiencing substantial growth, a pattern that is forecast to continue into the future. Growth provides many benefits but the service requirements that come with growth such as new roads, a supply of serviced land and new community facilities are substantial. The City plays the key role in addressing these requirements which have both operational and financial implications. As part of the City's strategic planning work, this study of the funding and financing aspects of growth has been undertaken to better understand these implications.

The report describes the results of the study. It addresses the following aspects.

- Growth forecasts for the City.
- How the City currently funds growth related infrastructure.
- Methods available to the City to fund growth-related costs.
- Municipal infrastructure funding: Principles & Practices.
- How municipalities across Canada recover growth-related capital costs.
- Alternative funding options in the context of the City's current and future growth-related capital requirements.

The final section of the report provides conclusions regarding current arrangements. Suggested approaches that the City could consider as it continues to grow are identified.

The report also contains two important appendices.

Appendix A: A review of the characteristics of alternative forms of growth and in particular their capital and operating cost implications for the City.

Appendix B: Analysis of the amount and composition of the increase in the residential tax rate between 2009 and 2015.

The key points from each section are summarized below.

## GROWTH FORECASTS

- The current population forecast for the period to 2033 is for the City to grow by approximately 159,000 people (59%) from 249,000 (2013) to 408,000 people.

- This growth will result in household growth of about 64,000 and employment growth of 96,000.

## CITY FUNDING OF GROWTH-RELATED CAPITAL

- The City has three principle funding sources for new infrastructure:

    - Development Levies – Per provincial legislation
    - Property Taxes and Utility Rates – Residual amounts not-funded through Levies and Other Sources
    - Other Sources – Grants, Fees, Transit Fares, Land Development Surpluses etc.

In addition, developers pay for the cost of local infrastructure.

Saskatoon's Development Levies potentially account for an estimated 90% of total growth-related infrastructure costs. Long term replacement costs are funded through property taxes.

## PRINCIPLES & PRACTICES REGARDING MUNICIPAL INFRASTRUCTURE FUNDING

- Five key principles should guide the allocation of responsibility for funding infrastructure:

    - Benefit
    - Equity/Fairness
    - Accountability/Transparency
    - Ease of administration
    - Revenue reliability/Security

- Development Levies are widely used in Canada. Saskatchewan legislation permits charges for a comparatively full range of services. Only in Ontario do municipalities have significantly greater scope.

- Other funding approaches include:

    - Developer contributions, development agreements, front-ending and financing, density bonuses, value capture etc.
    - Senior government Grants and subsidies.
    - Property taxes and utility rates.

## SASKATCHEWAN'S INFRASTRUCTURE FUNDING RELATED LEGISLATION

- The *Planning and Development Act* provides the authority to impose development levies and servicing fees.

- Municipalities are permitted to recover costs relating to:
    - water
    - wastewater
    - storm water
    - roadways and related infrastructure
    - parks and recreational facilities
- Municipalities may also impose agreements and fees in relation to services relating to subdivisions.
- Of particular note notwithstanding the legislation, Saskatoon currently does not include as part of its development levy an amount for water and wastewater plant capacity.

**DEVELOPMENT CHARGES COMPARISONS**

- Development Charges vary widely across Canada in terms of their scope, method of calculation and application.
- As the components that make up the development charges vary from city to city and as costs of infrastructure also differ by location, there is significant range in the rates that apply.

**FUTURE FUNDING OPTIONS**

- Saskatoon is likely to face an ongoing need for new growth-related infrastructure especially in transit and for infill and redevelopment projects. Growth in the form of new greenfield neighbourhoods will also continue.
- Should the City wish to reduce the burden of financing growth, consideration could be given to:
    - greater use of Public-Private Partnerships
    - Front-end financing agreements with developers
- Alternative funding tools that are used in other jurisdictions include:
    - Transportation oriented fees and charges
    - Value Capture Fees
    - Land Transfer Taxes
- In terms of the calculation of the City's Development Levy consideration could be given to:
    - including in the levy the cost of water and wastewater plant

- examining the unit structure of the levy ( e.g. using building area rather than frontage)
- providing full details of the cost allocation between growth and non-growth related infrastructure
- providing details of the calculation of the development levy

**APPENDIX A: MUNICIPAL FINANCE ISSUES AND DEVELOPMENT FORMS**

- Three forms of development have been considered: minor infill projects, major infill projects and greenfield developments.

- Currently, infill projects represent about 20% of growth but are targeted to expand to 30%. Greenfield development will nevertheless continue to be the dominant form of new housing in Saskatoon.

- Minor infill projects have generally positive financial impacts for the City. They seldom require additional infrastructure and can be accommodated within the existing service structure. They seldom pay development levies.

- Major infill projects also have positive impacts in many instances. However where existing infrastructure capacity is insufficient, the cost of new infrastructure can be very high. While it is difficult to generalize about impacts of major infill projects, it is normally the case that such projects enhance the surrounding area. Most projects pay development levies.

- Greenfield projects generally require a full range of infrastructure. Local service infrastructure is paid for by the developer. Development levies fund most of the costs of other infrastructure.

- Only a part of the non-residential development that results from population and employment growth is likely to be located within greenfield developments. Accordingly, development specific financial impacts do not capture the overall effect on the City's finances.

**APPENDIX B: WHAT HAS BEEN DRIVING RESIDENTIAL TAX RATE INCREASES**

- Between 2009 and 2015 residential tax rates rose by 32.8%.

- For the same period the rise in the Municipal Price Index which tracks the cost of key items that influence municipal finances rose by 20.1%.

- Over the 2009-15 period, the differences between the actual residential tax rate increase (32.8%) and the increase that would be anticipated given the Municipal Price Index (20.1%) is attributable to two major factors:

    1. Greater than MPI increases in the cost of specific types of expenditures

2. Relatively low growth in non-tax revenues and non-residential assessment

- With regard to costs, there are two sources of spending that had a particular impact.
    - The Council initiated enhanced Roadways program with its associated tax levy. This had the effect of increasing the tax rate by 6.6%.
    - Capital Spending. While not attributable to a single program, overall capital related costs accounted for the bulk of the spending over and above the level of MPI cost increases.
- In relation to the distribution of revenues two factors account for a shift onto the residential tax rate.
    - Non-tax revenues did not keep pace with growth. As a result a greater share of city expenditures had to be raised through property taxes.
    - In 2009, for every household there was $74,600 of non-residential assessment, the taxes from which helped pay for the cost of city services. However between 2009 and 2015, the increase in non-residential assessment per added household has been $39,100. As a consequence the contribution from the new non-residential assessment towards the cost of new services has been less than before. This has contributed to the need for a higher residential tax rate and in turn higher residential taxes. In 2015, this added amount is estimated to be approximately $2.6 million.

# I INTRODUCTION

In recent years, the City of Saskatoon has enjoyed a sustained period of population and economic growth due to the effects of strong demand and high prices for the commodities that underpin Saskatchewan's economy. The City's GDP continues to expand at a faster pace than many other Canadian metropolitan centres, growing at 2.9% in 2012 and projected at 3.7% for 2013. Between 2001 and 2011, the population of the City increased by nearly 24,400 people, well over twice the growth in the previous ten years. In the same 2001-2011 period, employment rose by 21,900. In the context of the national and world economies, Saskatoon is booming.

This pattern of sustained growth is expected to continue well into the future. Based on current rates, the City has forecasted the population of Saskatoon will rise to nearly 407,500 by 2033. This trend would in turn "result in a need for the equivalent of about three new neighbourhoods in the next five years and 15 new neighbourhoods in the next 20 years". Under a more aggressive 4% growth rate, Saskatoon's Census Metropolitan Area (CMA) would reach a population of over 500,000 by 2033.

Growth certainly brings benefits. Whereas in the past Saskatoon's younger generation have often had to move away to find good jobs, today there are more and better opportunities in the City. The increased economic activity is also good for local businesses as new residents and employment are bringing additional spending power, which in turn is spurring new development. The additional activity created by new residents and employment provides an environment that can support a broader range of goods and services.

From a municipal perspective growth is beneficial. As the city grows its revenues (taxation, user fees and potentially Provincial grants) increase which enables the municipality to improve existing services for all residents as well as providing the additional services required to meet the needs of new residents and businesses. The increased size of the City in combination with appropriate planning choices may

help achieve better economies of scale for services such as transit. This in turn can help support sustainability objectives.

Growth does not however come without challenges. Infrastructure needs increase, more roads must be built if traffic congestion is to be avoided. Adequate amounts of serviced land to meet housing and employment requirements must be planned for in a timely manner in order to keep real estate price rises in check. Growth also puts pressure on the natural environment. The greatest challenge for the City is to construct the necessary infrastructure to support new development while at the same time continuing to maintain and replace existing infrastructure. The main focus of this report is on new infrastructure and how it should be paid for.

The City has been taking steps to address the new reality in which strong sustained growth is becoming the norm. A ten year Strategic Plan has been developed. It includes specific strategies and priorities relating to Asset and Financial Sustainability. Among the priorities for the coming four years is the completion of "an assessment of the costs and revenues related to growth".

The Strategic Plan also established city planning goals relating to transportation and sustainable growth. A key document that will guide the process is the recently prepared *Growth Plan to 500,000*. The detailed implementation process associated with the *Growth Plan to 500,000* commenced in July 2012. Among the specific aspects which are addressed in this process are rapid transit, nodes, corridors and infill plans, and employment areas. Sustainability, in part through intensification, will be a key guiding principle in the way Saskatoon grows and develops in the future.

The study which this report addresses focuses on the funding of growth related infrastructure. The study is being conducted in four phases:

- **Phase 1.** Reviewing the existing system for funding services.
- **Phase 2**. Examining alternative funding options.

- **Phase 3.** Developing communication material for a wide, non-technical audience.

- **Phase 4.** Determine the Extent and Cause of Property Tax Increases

This report addresses Phases 1 and 2 and 4 of the Study. After this introductory section there are seven more sections:

- **Section 2** discusses the growth forecasts for the City.

- **Section 3** provides an overview of how the City of Saskatoon currently funds growth related infrastructure; included is a summary for each City service on the impact of growth and the current funding tools used.

- **Section 4** discusses the range of tools both currently and potentially available to the City to fund growth-related costs.

- **Section 5** reviews Saskatchewan's *Planning and Development Act, 2007 (PDA)*

- **Section 6** includes a comparison of how municipalities across Canada recover growth-related capital costs.

- **Section 7** describes and evaluates a number of alternative funding options in the context of the City's current and future growth-related capital requirements.

- **Section 8** provides conclusions regarding the current growth funding arrangements together with a number of suggested approaches that the City could consider as it continues to grow and to invest in additional infrastructure.

- **Appendix A** provides commentary on municipal finance issues relating to various forms of development.

- **Appendix B** determines the extent and cause of tax increases from 2009-15

The Study is not intended to guide decisions related to specific development applications or to guide future capital infrastructure investments. Instead it is designed to assist City Council and in turn staff to evaluate and make decisions about infrastructure investments using a transparent, policy based approach.

# II GROWTH AND DEVELOPMENT IN SASKATOON

To put this study in context, it is important to understand the magnitude of the amount of growth forecasted for Saskatoon. This section discusses the long-term growth outlook for Saskatoon in the context of historical growth and development trends.

## A. POPULATION FORECAST

As Figure 2 illustrates, prior to 2014 the City of Saskatoon has experienced three periods of high growth since 1906. From 1991-2006, based on Statistics Canada Census data, the City grew on average 0.56% per annum. From 2006-2013, the City has grown an average of 3.00% per annum which is one of highest rates of growth amongst Canadian cities. In total, the City has grown by about 60,000 people over the past 20 years.

Based on these recent trends, population and housing forecasts were prepared by the City of Saskatoon's Planning and Development Branch. Figure 1 shows that using an annual growth rate of 2.5%, the City's population will reach 407,500 in 2033. This would represent a total population growth of approximately 159,000 or 64% from the 2013 population of 248,700. This will require an enormous investment in infrastructure to ensure that both current and future residents of Saskatoon enjoy the range and quality of services that the City currently delivers.

**Figure 1**
**Historic and Forecasted Population (1906-2036)**

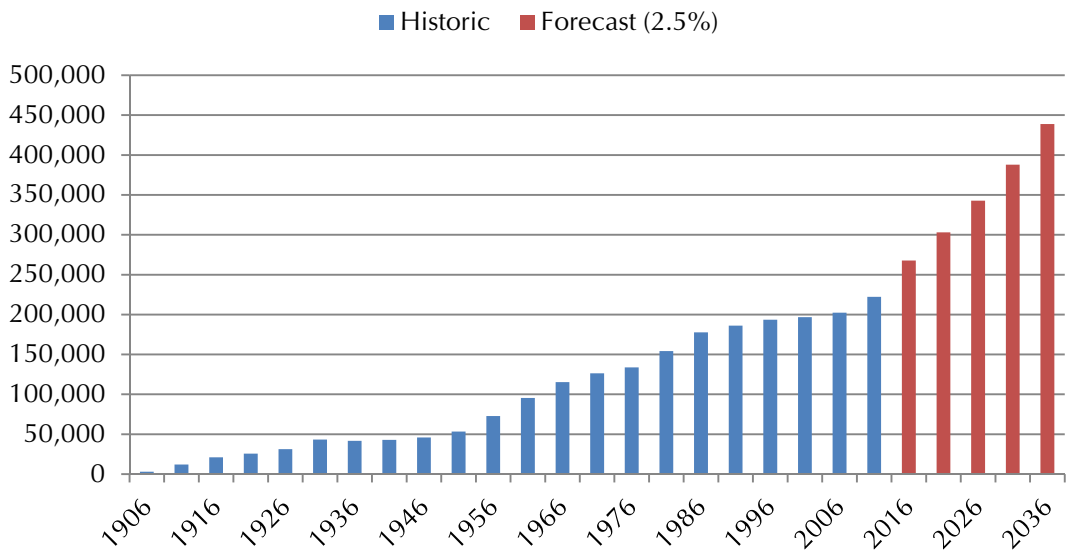
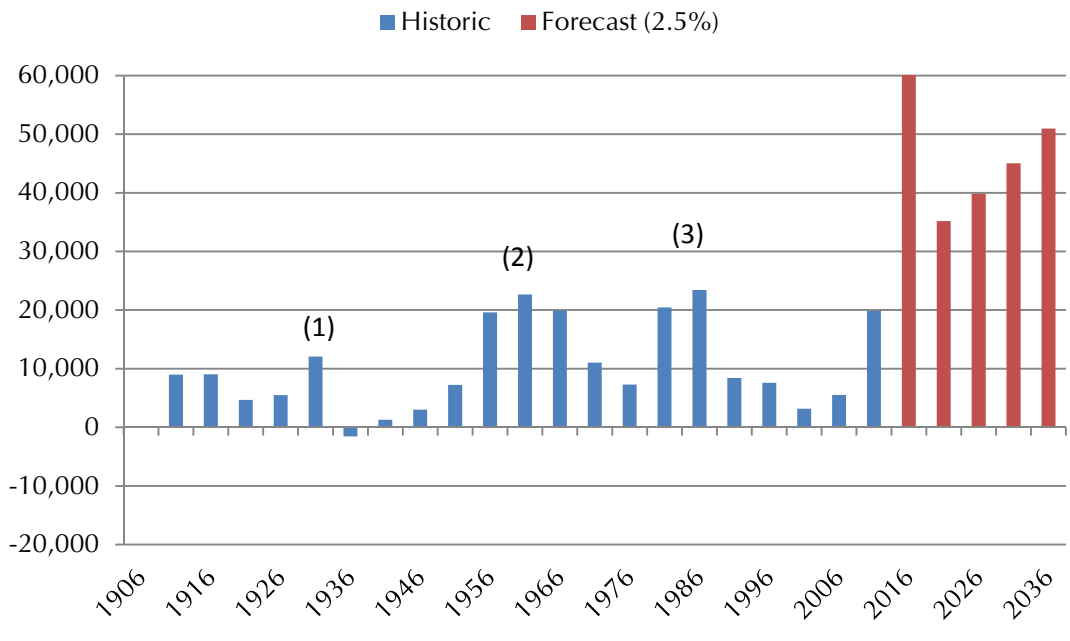



**Figure 2**
**5-Year Population Growth (1906-2036)**



## B. HOUSING FORECAST

Table 1 below shows that using the 2.5% population growth per annum and based on an average household size of 2.5 people per household, housing growth is forecasted to add 63,500 new units by 2033. Using the current neighbourhood template of approximately 10,000 people or 4,000 homes, this would equate to an additional 16 neighbourhoods in this time frame.

**Table 1**
**Forecasted Household Growth**

| | 2014-2018 | 2019-2023 | 2024-2028 | 2029-2033 | Total | # of New Neighbourhoods |
|---|---|---|---|---|---|---|
| Low | 10,354 | 11,432 | 12,621 | 13,935 | **48,342** | 12 |
| Medium | 13,072 | 14,790 | 16,734 | 18,933 | **63,530** | 16 |
| High | 15,845 | 18,368 | 21,294 | 24,685 | **80,192** | 20 |

**Assumptions:**

Households: 2.5 people per household

Neighbourhoods: 10,000 people or 4,000 homes per neighbourhood

## C. EMPLOYMENT FORECAST

Table 2 outlines the employment forecast using the City's current Labour Force percentage and Participation Rate. Currently, Saskatoon's Labour Force is 83% which represents the percentage of the population that is 15 or older. The current Participation Rate is 71.5%. This is the percentage of the City's labour force that is working. Under these assumptions, there will be approximately 96,000 new jobs in the City by 2033.

**Table 2**
**Forecasted Employment Growth**

| | 2013-2017 | 2018-2022 | 2023-2027 | 2028-2032 | Total |
|---|---|---|---|---|---|
| Low | 20,175 | 16,628 | 18,358 | 20,269 | **75,430** |
| Medium | 23,330 | 21,408 | 24,221 | 27,404 | **96,364** |
| High | 26,533 | 26,458 | 30,672 | 35,557 | **119,219** |

**Assumptions:**

Labour Force = 83% of City's Population

Participation Rate = 71.5% of the City's labour force participates or has a job

With an estimated increase of 159,000 residents, 63,500 additional households and 96,000 new jobs over the next 20 years, it is safe to say that the City of Saskatoon is going to be a very different city in 2033. A very significant capital investment is going to be required in order to provide municipal services to the new development that will be built. The next section will discuss how the City currently funds growth-related capital and how each service is affected by growth.

# III SASKATOON'S EXISTING SYSTEM FOR FUNDING SERVICES

This section describes how the City of Saskatoon currently funds growth-related capital. The first part provides an overview of the City's current practice and the four principle funding sources it uses. They are summarized in Table 8. The second part of the section considers the impact of growth on municipal expenditures and the current funding tools, on a service by service basis.

## A. CURRENT PRACTICE

As growth occurs, the need to provide capital infrastructure (facilities, land, vehicles and equipment, etc.) for the wide range of services provided by a municipality generally increase. A myriad of factors influence the amount of capital investment required. Typically, the amount, type and location of development are of prime importance in determining the nature and amount of required capital investment. In addition are factors such as municipal standards and desired levels of service, the regulatory requirements of senior governments; geography (such things as river crossings, railway lines, airports). Also to be considered are the timing of development; the availability of existing capacity; and aspirations of municipalities related to such factors as providing equal access to services.

Having defined the capital requirements associated with development, a municipality must then determine how the infrastructure and facilities are to be provided and/or funded. This is a critical issue facing many of the faster growing municipalities across Canada. Who should pay for growth? The answer to this question is neither simple nor entirely objective. No single solution fits all local circumstances. However, while the answer may be influenced largely by political choices, legislative requirements and possibly constraints (e.g. debt limits), key principles assist in determining an appropriate approach.

For this study it is important to clarify three issues at the outset. First, although this Study is called a *Financing* Growth Study, the main focus is on *funding* growth. The distinction is important:

- ***Financing*** refers to the means by which growth-related capital revenue is raised or secured. In general terms, financing is of two types: pay-as-you-go or borrowing (debt financing).

- ***Funding*** refers to who will provide pay-as-you-go funds or in the case of borrowing, who will repay the debt. While in practical terms there may be a continuum there are generally two sources of funds for capital investment: taxation (either local or from senior governments) and funds provided by the user or consumer of the investment.

Secondly, this part of the Study focuses on identifying how the initial or "first round" of growth-related capital infrastructure is paid for. To that extent, it does not address operating and maintenance costs that arise after growth has taken place or the eventual rehabilitation or replacement of the capital assets, although some discussion of infrastructure asset management using life-cycle costing is addressed.

Thirdly, a distinction is made between growth-related capital infrastructure that is internal to subdivisions ("on-site") and those that are external or "offsite" (or "on-site" but sized to also service development beyond the subdivision). This study focuses on the offsite or oversized components of growth-related capital. The distinction is made due to the fact that most municipalities in Canada, including Saskatoon, historically require developers to pay for and/or provide on-site infrastructure such as local roads, street lights, sidewalks, storm sewers and drains, local sewer mains, water mains and connections, hydrants, site grading, landscaping of parks and boulevards, and so on.

The following are the four primary funding tools that the City currently uses, how they are applied and the services that they fund:

### 1. Development Levies

The City of Saskatoon imposes development levies for local and offsite services required to service new development. The fees are administered under the annual Prepaid Service Rates (Direct and Offsite) adopted by Council. The levy is charged on a lot front metre basis for residential lots that have an area less than 1,000 square metres and commercial developments that are greater than 1,000 square metres. A levy is also imposed on a front metre basis for industrial lots. Developments outside of these parameters are charged on an area basis.

The levy is a city-wide charge and is not differentiated based on geographic area; all development pays the same rate regardless of location. However, development levies are not applied to infill and redevelopment projects that do not require a subdivision of land and therefore the infrastructure required for these projects is funded through either property taxes or utility rates.

The levy is calculated by determining all growth related capital required to service the forecasted growth areas. Costs of the capital projects are determined using the most recent tenders. The amount of growth in front metres that is expected is then determined using average front metres per hectare of development. The total cost for each category is then divided by the total front metres to determine the rate. The levy is reviewed each year by adding new growth related projects, removing completed projects, and updating the growth forecast and costs using the most recent tenders.

There is some major infrastructure that is excluded from the development levy that the City is legislatively eligible to collect for. The water and wastewater treatment plants and any expansions required to increase the capacity to support growth is not included in the levy. Secondly, bridge infrastructure, specifically the North Commuter Bridge Project which is partly required to support growth is also not included in the levy. Lastly, for major recreation facilities such as the aquatic centres and arenas, the inclusion of these projects in the development levy is left to council's discretion. A current example of a planned major facility not included in the development levy is the City Centre Area Indoor Leisure Facility, which is planned to be constructed between 2015 and 2017 for $20 million; this project therefore needs to be funded through other sources of revenue.

Outside of the above exclusions, all growth-related road and related, water, wastewater, storm, park and recreation infrastructure are included in the levy.

**2. Provincial and Federal Grants**

The City makes every effort possible to apply any available Provincial or Federal grants to growth-related projects that are not development levy funded. However, grants are not a predictable or reliable source of funding and therefore cannot be relied upon. Grant programs usually require a project to be "shovel ready"[1] to qualify

[1] *A project is considered "shovel ready" when all planning and engineering work is at a stage where construction could begin immediately.*

for funding. Therefore, the City attempts to have "shovel ready" projects to ensure they can take advantage of the available funding.

There are some Provincial and Federal grant programs that allocate funds to municipalities based on their share of population. Therefore, it is possible that as the City grows, the share of grants the City receives may increase.

### 3. Land Development Surpluses

The City of Saskatoon is unique and different from other Canadian cities in that a large portion of the development is undertaken by the City through the Land Bank Division. Surplus allocations from 2007 to the present have amounted to $119.3 million, which has helped fund a variety of City initiatives and programs including the Pleasant Hill Neighbourhood Revitalization, Mayfair pool reconstruction, affordable housing incentives, local area road upgrades, operating budget contributions, and designated future land purchases.

To date, only a small portion of the surpluses have been allocated to growth-related infrastructure. Table 3 identifies as of December 31, 2014 the projects and reserve contributions that have been funded through the surpluses have been for growth-related infrastructure.

| Table 3<br>Land Development Surplus Allocations (2007-Present) | | |
|---|---|---|
| | | **Growth-Related?** |
| Affordable Housing Reserve | $16,000,000 | |
| Blakeney Lane Paving | $100,000 | |
| Bridge Reserve | $2,500,000 | Partially |
| City Hall Flex Space | $1,650,000 | Yes |
| East Side Fire Hall | $562,000 | Yes |
| Facade Grant | $75,000 | |
| Fire Code Upgrades TCU | $500,000 | |
| Future Land Acquisitions | $13,000,000 | Yes |
| Infrastrucutre Surface Reserve | $2,275,000 | |
| Mayfair Pool | $5,000,000 | |
| Municipal Enterprize Zone | $500,000 | |
| Operating Budget | $8,129,000 | |
| Paved Street Rehabilitation | $15,595,200 | |
| Pleasant Hill Village | $1,737,000 | |
| Pleasant Hill Concept Plan | $2,705,000 | |
| Pleasant Hill Land Acquisition | $1,000,000 | |
| Prepaid Land Development Reserve | $28,294,000 | |
| Reserve for Capital Expenditures | $9,221,000 | Partially |
| Road Maintenance Equipment | $1,000,000 | |
| Station 20 West | $40,000 | |
| Storm Pond Enhancement | $525,000 | |
| Surface Deficiencies - LAP | $6,460,000 | |
| Transportation Infrastructure Reserve | $81,800 | |
| Urban Development Agreement | $1,500,000 | |
| 2010 Torch Relay | $50,000 | |
| 25th Street Landscape - Idylwyld Entrance | $800,000 | |
| **Total Allocation to Date** | $119,300,000 | |

In November 2012, staff provided Council with a report that included recommendations outlining the guidelines for the allocation of future Land Development Surpluses. These guidelines are to ensure that surpluses are appropriately allocated and growth-related infrastructure receives sufficient funding. The guidelines were as follows:

- 10% for future land development acquisitions;
- 65% to growth related infrastructure Capital Projects such as the City's share of new interchanges, the required fire halls; and

- 25% for general capital expenditure reserves.

**4. Property Taxes and Utility Rates**

Property taxes and utility rates represent the most controllable source of revenue for the City. Property taxes also represent the largest source of revenue in the 2013 property tax supported budget at 41.4%. Utility rates represent nearly the entire utility rate supported budget.

For projects that are not eligible for development levy funding, the City has prioritized that grants are applied to a project when available, then any land development surpluses and the remaining share will then be funded through property taxes or utility rates. Therefore, growth-related capital for the legislatively ineligible services of Fire, Police, Transit, Solid Waste, Public Works, Libraries and General Administration, and the infrastructure excluded from the development levy are to be funded through property taxes and utility rates. It is important to remember that the City of Saskatoon is also required to fund the maintenance and replacement of the aging existing infrastructure which also is funded through property taxes and/or utility rates.

Assessment will undoubtedly increase as the City grows. To determine the average assessed price of a new home in Saskatoon, staff compiled property values of two recently developed subdivisions in the City of Saskatoon. Willowgrove located in East Saskatoon and Hampton Village which is located in Northwest Saskatoon were used in the analysis because they are representative of the newest residential designs and both are nearly built-out. Neighbourhoods to be developed in the future will be similar to these two neighbourhoods and therefore similar assessment growth can be forecasted for the City. Tables 4 and 5 show the average assessments of each unit type in each neighbourhood:

**Table 4**
**Average Assessment – Willowgrove**

| Property Use | Total Assessment | Number of Properties | Average Assessment |
|---|---|---|---|
| Single Family Units | $841,130,000 | 1,760 | $477,900 |
| Multi-Residential | $44,100,000 | 147 units in 4 properties | $300,000 |
| Condominium | $209,974,900 | 786 | $267,100 |

| Table 5<br>Average Assessment – Hampton Village | | | |
|---|---|---|---|
| **Property Use** | **Total Assessment** | **# of Properties** | **Avg Assessment** |
| Single Family Units | $649,790,500 | 1,853 | $350,700 |
| Multi-Residential | $39,310,000 | 166 units in 5 properties | $236,807 |
| Condominium | $166,319,200 | 747 | $222,649 |

Also provided from staff was the assessment data of the Hudson Bay Industrial area. This area is one of the newer, most complete commercial areas in the City. Table 6 summarizes the assessment data:

| Table 6<br>Average Assessment – Hudson Bay Industrial | | | |
|---|---|---|---|
| **Property Use** | **Total Assessment** | **# of Properties** | **Avg Assessment** |
| Commercial | $567,958,200 | 380 | $1,494,626 |

Table 7 shows the amount of taxes per unit the City can expect to receive for future residential and commercial developments.

| Table 7<br>City Taxes Per Unit Type | | | |
|---|---|---|---|
| | **Willowgrove** | **Hampton Village** | **Hudson Bay Industrial** |
| Tax Rate | 0.006856 | 0.006856 | 0.0084786 |
| Average Single Family Unit Assessment | $477,900 | $350,700 | |
| Taxes per Single Family Unit | $3,276.48 | $2,404.40 | |
| Average Multi-Family Unit Assessment | $300,000 | $236,807 | |
| Taxes per Multi-Family Unit | $2,056.80 | $1,623.55 | |
| Average Condominium Assessment | $267,100 | $222,649 | |
| Taxes per Condominium | $1,831.24 | $1,526.48 | |
| Average Commercial Development Assessment | | | $1,494,626 |
| Taxes per Commercial Development | | | $12,672.34 |

As per the 2014 Preliminary Operating Budget, the current assessed value of a single detached home in Saskatoon is $325,000 which is lower than the average value in both of the new neighbourhoods. This means that new developments, if built using the same standards of Willowgrove and Hampton Village, will have higher assessment values than the current average assessment of existing developments which will generate higher property tax revenues.

**Table 8 - Page 1**
**Summary of Current Funding Sources**

| Service | Development Levy | Property Tax/Utility Rate | Other |
|---|---|---|---|
| **Direct Services** | The water, sewer, storm and road infrastructure required to directly service a development is 100% developer funded | | |
| **Roads and Related Infrastructure** | | | |
| Arterial Roads | Additional arterial roads required to support the growth | | Improvements on current arterial roads required to support growth (road widenings, turning lanes, intersection improvements) are included in the servicing agreements and funded by developers |
| Interchanges | The portion of the interchanges that are determined to be required due to growth | The portion of the interchange that is assumed to benefit the existing population | |
| **Water, Wastewater and Stormwater** | | | |
| Linear Infrastructure | Trunk Sewer and Primary Watermains are 100% funded through the development levy | | |
| Plant Infrastructure | | Both the water treatment and wastewater treatment plants are fully funded through utility rates. | |
| Infill Development | | Development that does not require a subdivision of land is not subject to development levies. The capital associated with these projects are not included in the development levy and are funded through the utility rates | |
| **Parks** | | | |
| Parkland | | | Parkland is provided by developers through parkland dedications |
| Park Amenities | 100% funded through the Parks and Recreation development levy | | |
| Fleet and Equipment | | 100% funded through property taxes | |

**Table 8 - Page 2**
**Summary of Current Funding Sources**

| Service | Development Levy | Property Tax/Utility Rate | Other |
|---|---|---|---|
| **Recreation** | Recreation facilities may be funded through development levies but it is up to the discretion of council | If council does not fund the facility through levies than it must be funded through property taxes | |
| **Transit** | | 60% of the budget is funded through property taxes | 40% of the budget is funded through fares |
| **Fire** | | All growth related capital (fire halls, trucks and related equipment) | |
| **Police** | | All growth related capital (fleet and related equipment) | |
| **Solid Waste** | | | |
| Landfill | | | Landfill operations and expansions are funded through tipping fees collected at the landfill |
| Fleet | | Additional trucks for collection are funded through property taxes | |
| **Libraries** | | 100% funded through property taxes | |
| **Public Works** | | All growth related capital (fleet, equipment, works yards and other facilities) | |
| **General Administration** | The costs associated with long range and regional planning and accelerated development review | 100% of growth-related capital | |

## B. EACH CITY SERVICE IS IMPACTED BY GROWTH DIFFERENTLY

Table 9 sets out our understanding, subject to confirmation, of the service characteristics, sensitivity to long-term growth and current funding sources for each service the City provides. The full impact of forecasted growth has yet to be determined. Currently, there are studies underway to determine the community needs for Parks, Recreation and Transit as the City enters this high growth period.

**Table 9 – Service Area Summaries**

| **Police** | |
|---|---|
| Service Overview | The Saskatoon Police Service (SPS) works in partnership with the community to develop collaborative strategies to reduce crime and victimization. The Police Service, in partnership with City Council and the community, continue enforcement with proactive prevention, education, and early intervention strategies.<br><br>SPS has 435.5 police officers, 58.5 special constables, and 131.61 civilians for a total of 625.61 staff members.<br><br>Assets include the Police Headquarters Building which was constructed in 2013, vehicles (mostly police cruisers), as well as furniture and equipment (including significant amount of communication equipment and software). |
| Impact of Growth | The need for police services is sensitive to population, socio-economic conditions, and the form and location of development. Needs are driven by the location of crime—proportionately higher in "stressed" neighbourhoods—as well as the public demand for police presence. Population growth and associated demographic change (e.g. changing age structure), as well as widening income disparity, are contributing factors that influence most crime.<br><br>82% of the Police operating budget relates to wages and therefore the costs of growth are primarily related to the need for increases to the police force. The current ratio of residents per officer is 540:1. The number of officers is not directly tied to this ratio but the department does maintain a ratio in this range due to the other factors discussed above.<br><br>Outside of cruisers (1 per every 4 officers added) and other minor equipment there is very little capital needed to service new development.<br><br>A Police sub-station may be required at a population of 400,000. The sub-station would be primarily used as a reporting centre but with the increased use of online reporting this may not be required. Capital costs could be avoided by using existing community space or leasing existing space within the City. |
| Current Funding Tools | Majority of funding comes from property tax with the remaining funding coming from provincial and federal grants. Police services are prohibited from development levy funding. |

| **Fire** | |
|---|---|
| Service Overview | The services provided include; Fire Suppression, Dangerous Goods response, Technical Rescue including both surface water and dive rescue, Emergency Medical Services, Inspection and Bylaw/Code Enforcement, and Community Relations. In addition the Department is also responsible for the Emergency Measures Organization, and prepares citizens and organizations for potential large-scale emergency situations.<br><br>Nine fire stations situated throughout Saskatoon have become community-based protection services centers. The department has twelve front line engines, two aerials, one heavy rescue truck, two tankers, two brush units, a host of auxiliary trucks, specialty trailers and a command bus, along with a rigid hull jet boat and two inflatable boats. The department has three reserve pumpers and one reserve aerial. Recently, four new rescue pumpers and a heavy rescue were put into service.<br><br>260 fire fighters and officers staff the nine fire halls in Saskatoon, in addition to personnel in Management, Fire Prevention, Staff Development and Training, Administration, Communications, Maintenance and Mechanical and Community Relations. |
| Impact of Growth | The need for service is driven almost entirely by response times between stations and incidents, so property built form and location are critical. Grid transportation system results in faster response times than irregular suburban street patterns and narrow roads/laneways in high density areas.<br><br>The City conducts computer mapping to determine the location required to meet response times to new growth areas. The department is currently planning for four new stations. The first station expected to be built is in the north-west corner of the city to service the Hampton Village and Kensington neighbourhoods. In the longer-term, a station is expected to be required in the South (Stonebridge, CN Industrial), East (Homewood), and the North (Evergreen, Aspen Ridge). The location of the longer-term stations may be adjusted based on the actual growth that occurs.<br><br>The cost to construct a new hall is estimated to be $8 million, which includes the land, required equipment and a front line engine. Each hall is estimated to cost $2 million/year to operate. |
| Current Funding Tools | Mostly property tax funded. The department does apply for any grant funding available and the City did allocate $562,000 of the Land Development surpluses to fund the East Side Fire Hall. Fire services are prohibited from development levy funding. |

| **Solid Waste** | |
|---|---|
| Service Overview | The City provides waste collection to all single family dwellings (weekly during the summer and bi-weekly during the winter) and some multi-residential and commercial developments in the City. Recycling collection to all homes began in 2013; it is operated as a contracted service.<br><br>The City owns and operates a landfill, which also includes recycling facilities.<br><br>The City's solid waste fleet (garbage trucks) includes side-bin trucks for single family homes and fork lift trucks for multi-residential and commercial pickup. Majority of the fleet is automated which allows for the trucks to be operated by only a driver. |
| Impact of Growth | The landfill is currently expected to have capacity for another 40-50 years if all required expansions and upgrades, which are expected to cost around $50 million are completed.<br><br>Beyond the level of growth the City experiences, the 40-50 year remaining useful life could be decreased if other landfills in the Saskatoon area were to close, which could expand the area that the Saskatoon landfill needs to service. The useful life could be extended through waste diversion programs such as increased recycling programs and the introduction of an organics program.<br><br>The amount of trucks required is dependent on the amount of homes that require collection. Currently, the City is adding one additional truck to the fleet each year. |
| Current Funding Tools | The operating costs relating to the collection from single family dwellings are funded through property taxes. Operating costs associated with multi-residential are funded partially from tipping fees collected at the landfill and from property taxes. Commercial waste collection is funded through tipping fees collected at the landfill.<br><br>Operating and capital costs related to the landfill are funded through tipping fees. Capital costs may have to be subsidized through property taxes if the tipping fee revenues are insufficient to fully fund the costs.<br><br>The contracted costs for the recycling program are fully funded through a utility rate.<br><br>All growth-related capital related to Solid Waste is prohibited from development levy funding. |

| **Recreation** | |
|---|---|
| Service Overview | The Leisure Services Branch supports individuals to participate in leisure activities of their choice. City-managed facilities include:<br>• Six Leisure Centres<br>• Fitness Circuit & Terry Fox Track<br>• Four Outdoor Pools<br>• Five Indoor Arenas & Clarence Downey Speed Skating Oval<br>• Sports fields<br>• Cross Country Ski Trails<br>• Three Golf Courses<br>• Kinsmen Park Rides & Play Village<br>• Saskatoon Forestry Farm Park & Zoo<br>• Gordon Howe Campground<br>• 44 Outdoor Tennis Courts at 13 Sites throughout Saskatoon |
| Impact of Growth | Need for service driven overwhelmingly by residential development.<br><br>A Facilities Master Plan is currently underway to determine the City's needs for additional facilities and is expected to be completed by early 2015. This plan will identify the required capital projects and the expected costs.<br><br>The only growth-related project identified in the 2014 Capital Budget is the City Centre Area Indoor Leisure Facility which is estimated at $20 million and currently does not have a funding source attached to it. |
| Current Funding Tools | The Community Centre Development Levy provides for a new community centre in all neighbourhoods. It is up to council's discretion whether or not major recreation facilities are included in the Community Centre levy. Some facilities have been funded through development levies in the past but the current levy does not provide funding for any planned facilities. |

| **Library** | |
|---|---|
| Service Overview | Services are provided at one city-wide serving central library and seven branch libraries that both provide integrated service across the city and meet local (neighbourhood) needs. |
| Impact of Growth | The need for service is driven almost entirely by residential growth. There are plans to expand the Central Library; the Library Board hopes to select a site in the near future. Current practice is to include a library branch in the local community centres when they are built. |
| Current Funding Tools | Library does not receive development levy funding and is entirely property tax funded. |

| **Transit** | |
|---|---|
| Service Overview | Transit services includes both a fixed route component that operates 24 bus routes along approximately 276 km of streets and a special needs service (Access Transit), which is a door to door service for citizens who cannot use the fixed route service with safety and dignity. Saskatoon Transit has a fleet size of 188 buses including 52 conventional buses, 110 low-floor buses (which include 9 articulating buses, 8 hybrids and 6 twenty-one passenger shuttle buses) and 26 Access Transit buses. |
| Impact of Growth | Transit services are currently growing not only to support an increased population but also to provide a higher level of service.<br><br>Through the Saskatoon Growing Forward process there are two projects being undertaken that will outline the future for Transit in Saskatoon. The first is the Rapid Transit Business Case, which will focus on preparing a business case outlining corridor alignment(s), station locations, and technology alternatives to create a functional rapid transit system plan. The second plan is the Nodes, Corridors and Infill plan, which will direct the Rapid Transit Business Case by identifying the areas of the City that can support increased densities and become key corridors and hubs for transit.<br><br>The 2013, 5-year capital forecast is planning for 5 additional buses at $450,000 each. |
| Current Funding Tools | There is no formal policy identifying how growth related capital is to be funded. Transit revenues currently amount to approximately 60% from property taxes and 40% from passenger fares. Capital reserve contributions levels made from revenues are determined through the budgeting process. The capital projects are then determined based on availability of reserve funds. For example, the 2013 budget provided for 1 additional bus to the fleet even though it was determined that 6 additional buses should be purchased. The 5 other buses are then required to be delayed until there is sufficient funding.<br><br>Transit is excluded from development levy funding. |

| **Roads, Traffic & Related Works** | |
|---|---|
| Service Overview | The City of Saskatoon is responsible for providing services for the construction, preservation and operation of all roadway assets, which includes roads, sidewalks, interchanges, bridges and structures, lanes and pathways. |
| Impact of Growth | Direct services (Infrastructure related directly to the development) - grading, sidewalks and curbs, paving and street lighting<br><br>Indirect services - arterial roads, interchanges, signing and signals<br><br>A report to council dated September 13, 2013, Transportation Infrastructure Priorities, outlined the major projects required over the next 10 years. These projects included the North Commuter Parkway and other development related projects. |
| Current Funding Tools | Direct services are fully funded by the developer.<br><br>Indirect services are fully funded by the developer. It is important to note that if there is a benefit to existing share, specifically for interchanges, only the growth-related share is included in the levy.<br><br>Other growth related projects such as street widening, additional turning lanes and other road upgrades that are not included in the development levy are included in the subdivision agreement as works required to be funded by the developer.<br><br>The North Commuter Parkway, although partially related to development, is not included in the development levy and is funded through property taxes and Government Grants. |

| **Administration & Corporate Services/ Amenities (inc. Building and Planning)** | |
|---|---|
| Service Overview | These are the internal services that are vital to operating the City of Saskatoon. The departments include but are not limited to Human Resources, Planning and Development, Building Services and Finance. |
| Impact of Growth | Capital expenditures related to the Administration of the City are directly related to city-wide population growth. |
| Current Funding Tools | Overwhelmingly funded through property taxes.<br><br>The development levies include a Planning Levy and an Inspection Fee which recover costs directly related to subdivision and planning applications. |

| **Water, Wastewater, and Storm Water** | |
|---|---|
| Service Overview | There are two elements of water and wastewater infrastructure: linear and plant.<br><br>Storm Water Management is responsible for operating, inspecting, and maintaining the storm water management system and riverbank sub drain and monitoring systems. Infrastructure includes piping, manholes, catch basins, outfall structures, culverts and overland storm drainage systems, storm ponds, slope monitoring devices and the related engineering services. |
| Impact of Growth | All new development requires linear infrastructure. Direct servicing includes water, sewer, and stormwater mains. Indirect servicing includes trunk sewers, primary watermains and potentially lift stations.<br><br>Another important impact of growth is that all development, both greenfield and infill, decrease capacity of both water and wastewater treatment plants. To cope with the forecasted growth a variety of components within the water treatment plant will need to be upsized in the upcoming years. Assuming the components are upgraded, it is forecasted that the plant will require expansion or a second plant to be built in 20 years.<br><br>The wastewater treatment plant has less capacity constraints and will not need expansion for 20-30 years. |
| Current Funding Tools | The operations of the utilities are funded through utility rates.<br><br>The developers are responsible for all linear infrastructure, both directly and indirectly related to a development.<br><br>If lift stations are required for a development, the costs are included in the development levy.<br><br>All capital costs associated with the plant are funded through the Utility Rates. |

| **Parks** | |
|---|---|
| Service Overview | The Parks Branch is responsible for the maintenance and preservation of more than 1,000 hectares of the City of Saskatoon parks and civic open spaces. The types of parks are explained in more detail below. |
| Impact of Growth | The need for park development is driven almost entirely by residential development. Parkland dedication requirements are established by The Saskatchewan Planning and Development Act, 1983, amended 1993 and the overall guideline for dedicating park land between park types is as follows: Neighbourhood – 61%, District – 36%, other – 3%.<br><br>To service the Montgomery Development, Parkridge Extension, Stonebridge, Rosewood, Evergreen and Kensington neighbourhoods the 5-year capital forecast called for 9 new pocket parks, 3 new village squares, 17 linear parks, 6 neighbourhood parks and 1 district park. Amenities on each site such as sports fields (soccer fields, ball diamonds, basketball courts and tennis courts), playground equipment, splash pads, etc. are determined through community consultation and need. |

| | |
|---|---|
| | *Neighbourhood Core Parks* - Centrally located within a neighbourhood and serve approximately five to eight thousand people. Minimum 5.7ha.<br><br>*Neighbourhood Pocket Parks* – provide green space for residents close to the periphery of a neighbourhood which are some distance from the Core Park. Minimum 0.25ha, maximum 0.8 ha, maximum two per neighbourhood.<br><br>*Village Square Park (neighbourhood)* – an urban open space which is centrally located in the neighbourhood and is primarily used as an informal and formal meeting place. Minimum of 0.3ha to a maximum of 0.5ha.<br><br>*District Parks* - Intended to serve four or five neighbourhoods. Typically for setting parks and recreation levy rates, a district is assumed to have approximately 80,000 to 90,000 metres of collectable frontage. Average dedication of 5.2ha of per neighbourhood served, giving a total of 20.8-26.0ha.<br><br>*Multi-District Parks* (other) - As with District Parks, there is an emphasis on structured sports. Minimum of 16ha, one per suburban development area.<br><br>*Special Use Parks (other)* - The Special Use Park is a city-wide resource. Each park responds to unique site circumstances and/or provides unique programming opportunities. The Forestry Farm Park, the Gordon Howe Complex, and Diefenbaker Park are examples of Special Use Parks.<br><br>*Linear Parks* (other) - Intended to provide a safe and aesthetically pleasing connection between parks and other destinations through non-motorized means of travel. Linear Parks allow for the preservation of both heritage and natural features. Width may vary but a minimum of 20m and an average of 30m. |
| Current Funding Tools | Parkland is provided by the developers as a Parkland Dedication on the ratio discussed above. Park facilities (sports fields and other park amenities) are fully funded through development levies as per Parks and Recreation Policy – C03-011. |

So, is growth paying for growth in the City of Saskatoon? Growth will not fully pay for growth so long as there are services excluded from development levies whether they are legislatively excluded or excluded as per City policies. There are two major exclusions from the development levy that the City could legislatively include. The first is the costs associated with the water and wastewater treatment plants; these costs can be quite significant. Second, the inclusion of recreation facilities in the levy is dependent on Council decisions.

What share of growth costs does growth pay for? This question cannot be answered in terms of quantum since given the scope of this assignment, not all growth-related costs have been identified. It is however possible to make a reasonable estimate of the portion of total growth-related costs that the City is permitted to recover for. To do so, a comparison was made with municipalities in Ontario since they are permitted to apply charges relating to a very comprehensive range of services. Six municipalities were considered in the analysis. They vary in size and location. For each municipality, the share of their total that each service represents was calculated and then assigned to two groups; one for offsite levy service for which Saskatoon levies a charge and a second group of services for which Saskatoon does not apply a charge. The results of this analysis are provided in Table 10 below. It shows that the services for which Saskatoon levies a charge would account for 90% of the total average charge of the six Ontario municipalities. Conversely, the various other services for which the City does not levy a charge represent only 10% of the average Ontario charge.

A number of points need noting regarding this analysis:

- In the case of water and wastewater services, Saskatoon is not currently collecting for the plant component which is not the case in Ontario.

- In Ontario charges for "soft services" are subject to a 10% statutory reduction. As well, some services are excluded entirely (notably Civic Headquarters and landfill facilities).

It is also important to emphasise that in the absence of more detailed City specific information, the analysis is intended to provide an indication of the degree to which Saskatoon is recovering the growth-related costs of infrastructure. The analysis indicates that the percentage share of total costs that are being levied is very high. This is not however to suggest that the City should be expanding its levy. Such a decision would depend on many other factors, including most importantly, practices in communities other than in Ontario.

**Table 10**
**Share of Service of Ontario Development Charges**

| | Barrie | Ottawa | Sudbury | Markham* | Guelph | London | Average |
|---|---|---|---|---|---|---|---|
| **Offsite-Levy Services:** | | | | | | | |
| Roads and Related Infrastructure | 41% | 33% | 61% | 35% | 13% | 47% | |
| Wastewater | 14% | 9% | 3% | 26% | 23% | 19% | |
| Water | 21% | 9% | 4% | 15% | 32% | 4% | |
| Storm Water Management* | 4% | 0% | 1% | | 0% | 21% | |
| Parks and Recreation | 14% | 26% | 17% | 15% | 22% | 6% | |
| General Administration | 1% | 1% | 0% | 1% | 1% | 1% | |
| **Sub-Total Offsite-Levy Services:** | **95%** | **77%** | **86%** | **92%** | **91%** | **98%** | **90%** |
| **Excluded Services** | | | | | | | |
| Protection (Police and Fire) | 2% | 3% | 5% | 1% | 3% | 1% | |
| Libraries | 1% | 2% | 3% | 1% | 2% | 0% | |
| Paramedic | 0% | 0% | 0% | | 0% | | |
| Child Care Facilities | | 0% | | | | | |
| Public Works (Works Yards and Vehicles) | | 2% | 2% | 1% | | | |
| Affordable Housing | | 1% | | | | | |
| Transit | 1% | 15% | 2% | 3% | 2% | 1% | |
| Parking | | | | 0% | 3% | | |
| Other | | | 1% | 2% | | | |
| **Sub-Total Excluded Services** | **5%** | **23%** | **14%** | **8%** | **9%** | **2%** | **10%** |

* Markham is a lower tier municipality, the shares shown include the Region of York Development Charges

Further to this point, the next section provides a discussion on the best practices of funding growth-related capital elsewhere in Saskatchewan and other parts of Canada.

# IV FUNDING MUNICIPAL GROWTH RELATED INFRASTRUCTURE - PRINCIPLES AND PRACTICES

Thus far, this report has described Saskatoon's future growth and its current system for funding growth related infrastructure. Section II summarized to what extent Saskatoon will grow by 2032. Section III provided an overview on how the City currently funds growth-related capital.

This section begins to turn to the question of how best to finance Saskatoon's expected growth. First, key guiding principles that may be used to address the question of who should pay for growth is explored. Second, a variety of growth-related capital funding tools being used by Canadian municipalities are reviewed — with benefits and drawbacks identified for various approaches.

## A. KEY PRINCIPLES

There are a number of key principles that guide municipal best practices in Canada when addressing the question of how to fund growth-related capital infrastructure.

**Benefits Received** – the benefits received principle states that those who benefit from the services in question should pay for them. This principle provides the underlying rationale for development levies. The direct and offsite services clearly confer direct benefits to the residents or businesses in developing or redeveloping areas.

**Economic Efficiency** – this principle is concerned with the allocation of resources (taxes and user fees) to produce or deliver the largest bundle of services that society desires. Theoretically, economic efficiency is achieved when the user fee or tax per unit of output (marginal benefit) equals the extra or marginal cost of the last unit consumed.

**Equity or Fairness** – this principle is again linked to the benefits received principle in that those who require services should pay for them. Three issues do require attention when considering equity:

1. Service standards are of critical importance. The initial round of growth-related capital infrastructure and facilities should be of roughly equal

quality and quantity to that provided across the municipality. It would not be equitable or fair for higher standards to be required in new areas than are generally available in the existing community (recognizing that new areas may be required to conform to higher health, environmental or other best practice standards than in the past).

2. Inter-generational equity should be considered; inequity would occur of one generation were to contribute to costs while another enjoys the benefits.

3. Equity does not necessarily imply that an *equal* charge is to be paid by all development. Various classes or locations of development may require higher or lower initial capital costs for certain services. These should be accounted for in achieving equity, since to do otherwise would imply a cross-subsidization of one development by another.

**Accountability or Transparency** – under this principle, the process for determining the amount of a fee, charge or tax should be clear and understandable by all stakeholders. There should also be certainty in the amount of fee, charge or tax and there should be a clear linkage between the source of funding and the expenditure.

**Ease of Administration** – the need to provide funding tools that can be applied with reasonable time and cost is addressed by this principle. Further, compliance on the part of taxpayers or user charge payers should be relatively simple.

**Revenue Security or Reliability** – ensuring that the City receives sufficient revenue to fund services on a reliable basis is critical. Ideally, the revenue should be stable and predictable so that it aligns with financial budgets and funding plans and avoids the risk associated with funding sometimes very sizable capital investments.

## B. GROWTH-RELATED CAPITAL FUNDING TOOLS

A range of approaches to funding growth in municipalities are used across Canada; different approaches carry with them important implications for how growth-related costs are allocated among urban residents. This section will discuss some of the funding tools used in these approaches including their performance against the principles reviewed above.

### 1. Development Levies

Most municipalities in Canada have historically required land developers to provide or pay for on-site services. It is assumed in this review that those arrangements will continue in Saskatoon. Within the last 40 to 50 years, however, there has been an increase in the use of charges that are imposed by municipalities to pay for offsite or oversized, on-site works related to growth-related infrastructure. Depending on provincial jurisdiction, these charges are referred to by varying names (e.g. development levies, development charges, development cost charges, and servicing agreement fees). These will all be referred to here as development levies.

Development levies are based on the benefits principle, i.e. the increase in need for services necessitated by development must be estimated and all or a portion of the net capital cost (gross cost less other contributions such as grants or subsidies) of providing particular services may be included in the levy. The projects required to provide various services over specified time periods are generally set out in municipal capital budgets or in other long-range financial plans.

The following is a discussion of the permitted services in each province, how the charge can be differentiated for different forms and locations of development, items to be considered when calculating the levy, accounting considerations, the required public consultation process and the share of growth-related projects that benefit the existing:

- **Permitted Services** - Development levies are imposed by municipalities in most provinces, including British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Nova Scotia. Ontario is the only jurisdiction with separate development levy legislation. In other provinces, municipal or planning legislation provides the authority for the levies. In most cases, the applicable provincial statutes dictate the services for which development levies may be imposed. It is noted that municipalities do not necessarily impose levies for all of the services that are allowed. The use of development levies is permissive not mandatory.

Table 11 indicates the range of services permitted to be included in development levies for each of the aforementioned provinces. In most jurisdictions the allowable services are the so-called hard services, including water, wastewater, stormwater and roads. Only British Columbia, Saskatchewan and Ontario municipalities are permitted to impose levies for park development and recreation facilities. In Ontario, virtually all services are eligible for inclusion in development levies, although services related to general administration buildings, cultural or entertainment facilities, tourism and convention centres, hospitals, waste management facilities and the acquisition of land for parks are specified as ineligible (land acquisition for indoor recreation facilities is eligible; land for parks is provided under Ontario planning legislation). Land will not be discussed further since municipal and planning legislation in most provinces requires dedication or cash-in-lieu payments for general municipal purposes, road widening, easements and park land.

**Table 11 – Spectrum of Services in Development Levies**

| | British Columbia | Alberta | Saskatchewan | Manitoba | Ontario | Nova Scotia |
|---|---|---|---|---|---|---|
| Water (linear and plant) | ✓ | ✓ | ✓ | | ✓ | ✓ |
| Wastewater (linear and plant) | ✓ | ✓ | ✓ | | ✓ | ✓ |
| Stormwater | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Roads | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Recreation | | | ✓ | | ✓ | |
| Parks | ✓ | | ✓ | | ✓ | |
| Transit | | | | | ✓ | ✓ |
| Police & Fire Protection | | | | | ✓ | |
| Library | | | | | ✓ | |
| Childcare | ✓ | | | | ✓ | |
| Housing | ✓ | | | | ✓ | |
| Other | | | | | ✓ | |

- **Levy Differentiation Based on Location and/or Built Form -** Clearly, the main rationale for development levies is that growth should pay for growth and not require existing residents and businesses in the community to fund the growth-related capital necessary to service development. In all jurisdictions, the municipality has the discretion to calculate and impose the levies for either all developments in the municipality for all services; only part of the municipality for all services; different amounts in different municipal service areas (so called area-specific development levies reflecting cost differences in different locations); or a combination of municipality-wide and area-specific levies. Again, the levies imposed require a clear relationship between the planned growth and the services necessitated by that growth.

  While municipality-wide levies based on average costs are most prevalent in Canadian municipalities, there are numerous municipalities that combine that approach with an area-specific levy for select services. Area-specific approaches may be calculated and applied quite differently depending on local circumstances. Some municipalities apply differential development levies by individual development community; others are based on zones such as the central city, suburban or greenfield areas and rural areas; while others are applied with reference to water pressure zones and sewage drainage areas. This approach refines the benefits received principle and also provides greater equity and economic efficiency into the development levy regime than the average cost municipality-wide approach for all services. In redevelopment areas, it may also reflect the availability of servicing capacity that already exists and the associated reduction in need for various services.

  The basis for imposing development levies is also generally discretionary. Most municipalities differentiate development levies payable between residential and non-residential development thus reflecting the different demand for and benefit from various services required by these two sectors. Further differentiation is often reflected in levies by housing unit type, reflecting the different occupancy levels and resulting service demands in, for instance, single family versus higher density housing forms. The non-residential levies are sometimes differentiated between industrial versus commercial uses, typically reflecting different traffic generation between these two land uses. However, with increased differentiation comes a decrease in the ease of administration of development levies. In Saskatoon, an average cost levy is imposed on a lot front metre basis that could be refined, through using area-specific approaches and imposition policies related to land use types or sub-types, in pursuit of a closer relationship between benefits and costs, greater equity and greater economic efficiency.

- **Calculating the Levy** - Ontario's legislation is the most prescriptive in that it sets out specific rules for calculating the permissible levies including the requirement to base the levies on the average level of service provided in the municipality over the previous ten years. Portions of projects that benefit the existing community must be identified and excluded from the levies and reductions are required in respect of any uncommitted excess capacity in the system that is available to service development. In addition, portions of projects that may provide services to new development beyond the planning period, normally covered by the calculation must be removed from the levy. Less prescriptive provincial legislation in other jurisdictions also require that the relationship between planned development/redevelopment in the community and infrastructure and facilities required to service that growth be established. Generally, however, there are no references to service levels as in the Ontario legislation.

  Municipalities may at their discretion exempt certain developments from development levies. For instance, Saskatoon's Council may exempt specific land uses, classes of development, or development within defined areas from levies, and they may do so in order to attract more development to a given area or to encourage specific types of development. In addition, some of the provincial statutes in Canada mandate exemptions for certain property classes (e.g. places of worship). Generally, however, exemptions result in a revenue loss for the municipality and under the benefits principle may not be recovered from other development.

- **Accounting Considerations -** For the most part, development levy revenues are required to be deposited into one or more accounts that are separate from a municipality's other funds. The funds and any accrued interest are to be used only for the purpose for which they were collected, or for debt incurred by the municipality as a result of expenditures incurred or to reimburse an owner for payments from subsequent benefitting owners, although it is noted that there may be specific requirements related to flow-through of payments from subsequent benefitting owners.

- **Required Public Consultation -** All provinces require a public consultation process to be part of the development levy setting process. This provides for transparency in the process. Periodic review of development levies is generally mandated. In addition, there are also provisions in the various enabling statutes for appeal of the development levies.

- **Benefit to Existing Population -** Finally, to the extent that portions of growth-related capital projects may benefit the existing community or

development beyond the planning period covered by the calculation, funding from non-development levy sources would be required to support the capital program. While this is a remnant of the benefits received principle, it is important for municipalities to address this funding requirement to ensure that financial capacity is available to support the growth-related capital program as proposed.

In summary, development levies ensure that growth pays for growth in terms of the services prescribed in various provincial statutes. Municipalities generally have wide discretion in how the levies are imposed. Refinements to improve performance on the principles of equity and economic efficiency can be made to municipality-wide average cost approaches by the inclusion of area-specific approaches for selected services and greater differentiation between and within the residential and non-residential sectors. Such approaches may, however, require greater administrative effort. Reliability of the revenue stream may of course be subject to variations in the growth forecast or other factors, and periodic review and revision of development levy calculations may be required or mandated. Accountability or transparency is addressed through the public participation requirements of the various provincial statutes and through restrictions on the accounting for and use of development levy funds.

### 2. Property Taxes and Utility Rates

Property taxes and utility rates are the most significant revenue sources for most municipalities. In a very broad sense, property taxes can be viewed as being consistent with the benefits principle if one considers the societal benefits that are conferred by the delivery of municipal services. However, property taxes can also be problematic when tax payers do not recognize a clear connection between the amount they pay and the benefits they receive. This can lead to frustration on behalf of tax payers who feel that they pay for services that they do not benefit from, as well as inefficient use of services for which the actual costs of use are unclear. Utility rates reflect the benefits principle more directly.

Provincial legislation clearly gives municipalities the authority to raise all sums required to provide the full range of municipal services through property taxes and user fees and charges (net of senior government grants and subsidies). Therefore, all growth-related infrastructure and facility funding could be raised through these sources. However, a number of important considerations require attention.

As already reviewed, there is limited authority for the range of growth-related services that can be funded through development levy legislation in most provinces.

This means that there will be a requirement for non-development levy funding (i.e. property taxes) to be used by most municipalities to provide capital facilities for such growth-related as fire and police buildings, vehicles and equipment; library facilities and collections; transit vehicles and maintenance facilities; homes for the aged; and public works garages and fleets. The alternative is to let service levels generally deteriorate as growth occurs.

In addition, because development levy legislation is based on the benefits principle, the portions of growth-related capital costs that are deemed to be of benefit to the existing community, even for the services for which development levies are allowed, will require funding through the property tax or user charges (e.g. utility rates for water, wastewater and perhaps stormwater).

If property tax and user charges were used instead of development levies to fund growth-related services for which development levies are most generally allowed (e.g. water, wastewater, stormwater and roads), additional debt financing would likely be required. This is because these services generally require "lumpy" capital investments and are necessary to be built early in the development process in order to open-up development areas.

Because municipalities are generally facing significant funding gaps related to rehabilitation/replacement of *existing* infrastructure and facilities, significant tax and user charge increases will be required to avoid further deterioration of a municipalities' *existing* tangible capital assets. The inclusion of growth-related capital funding requirements would clearly exacerbate this situation.

Finally, because mill rates are typically higher for commercial and industrial property classes and sub-classes, the use of tax funds to fund growth-related capital would fall disproportionately on these properties.

In summary, while growth-related infrastructure and facility costs *could* be funded through property taxes and utility rates, this approach would clearly violate the principle that growth should pay for growth. It would add significant costs to the existing tax and utility rates that would be shared by existing rate payers.

### 3. Comprehensive Development Agreements

As noted above, there are a variety of growth-related capital facilities that are not generally covered by development levy legislation. Only Ontario includes the complete range of growth-related services. In British Columbia, the introduction of s. 176 in the *Local Government Act* provides local governments the authority to enter into agreements for the provision of local services. Under this authority, the City of Vancouver may enter into Comprehensive Development Agreements (CDAs),

which are agreements in which a developer or group of developers agree to provide amenities for the broader community in exchange for development approval. Services such as social housing, libraries, fire halls and transit stations may be included. The amenities would be over and above those covered through development cost charges (levies). The pursuit of CDAs is generally limited to large developments that would have a significant impact on such facilities. Additionally, developers would have to have the financial capability to fund the projects. These types of agreements are negotiated on a case-by-case basis.

Clearly, legislative authority for this type of agreement would be required in Saskatchewan. Such an approach could address the principle that growth should pay for growth in a more fulsome manner, and would help to ensure that service levels for community amenities would not deteriorate in the face of growth or fall on the existing community through property taxes.

### 4. Front-End Servicing and Financing Agreements

In the late 1970s, the Regional Municipality of Halton, a rapidly growing municipality in the Greater Toronto Area, would have exceeded provincially allowable debt limits to provide necessary growth-related water and wastewater capital through the tax base for large development areas in the Town of Oakville. To address this situation, two steps were taken. First, since this occurred prior to the adoption of development levy legislation, development levies were established under the authority of the Ontario *Planning Act* to provide a long-term funding source for these services. Further, in order to completely avoid the debt financing associated with early provision requirements for water and sewage treatment plants as well as the extension of trunk water mains and wastewater infrastructure to the different development areas, the Region introduced front-end servicing and financing policies that required developers to *provide and finance* the infrastructure (with appropriate development levy credits given in recognition of the developer provision of the works).

The approach was later incorporated into the development levy legislation to provide similar authority to municipalities across Ontario. It is noted that an area-specific development levy regime is most consistent with front-end financing approaches, particularly since flow-through of funds from subsequent benefitting owners is more closely aligned with the specific projects that have been front-ended.

A similar arrangement is currently being developed for the planned Seaton community to the east of Toronto. This agreement is between local and regional governments, private developers and the Province (a large land owner) for this significant new greenfield development that will accommodate nearly 30,000

residents and provide large industrial and commercial development sites. The developers and Province will require a cost-sharing agreement to fairly share the funding and financing requirements.

Again, legislative authority for such types of agreements would be required in Saskatchewan. Under this type of approach, in addition to ensuring that growth pays for growth, the risks related to the pace of development are shifted from the public to the private sector. As with the CDAs reviewed above, the application of such an approach would likely be limited to large development tracts, perhaps by sector plan area.

### 5. Density Bonusing

Density bonusing is an arrangement by which a municipality allows a developer to exceed densities set out in zoning bylaws in exchange for the provision of servicing additions or community facilities. The scenario is typically applied in redevelopment or infill situations and is intended to be mutually beneficial: the developer benefits from additional potential productivity of the land in question; the municipality benefits from higher tax revenues resulting from higher property assessment as well as amenities, which, in the absence of the arrangement would lead to a deterioration in service levels. Density bonusing is generally used in larger cities such as Toronto and Vancouver. A major criticism of its use in Toronto has been the inconsistent approach to calculating the bonus amount. It is noted that Vancouver also uses density bonusing to secure the provision of affordable housing.

The potential revenue from density bonusing is very high, particularly during construction booms when developers are willing to pay the bonus. In weaker real estate markets, when profit margins are thinner, density bonusing can act as a disincentive to development.

### 6. Land Value Capture

Land value capture approaches provide a funding source for redevelopment, infrastructure and other community improvement projects. Under these schemes, municipalities earmark incremental tax revenues derived from development in specified areas for the purpose of funding municipal capital improvements.

An example of such is provided by Community Revitalization Levies (CRLs) in Alberta. The intent of the CRLs is to overcome budgetary constraints prohibiting much needed revitalization in areas experiencing prolonged decline and under-investment from the public and private sectors. This is done by taking the incremental tax revenue from private sector developments (usually redevelopments) and utilizing it to provide public infrastructure improvements to further enhance the

designated area. For the private sector developer, this will lead to enhanced land values in the area over the long term. For the municipality, overall land value increases will provide additional tax revenues once the CRLs are finished.

A related financing tool is the Tax Increment Financing (TIF), which is a public financing method that is used for subsidizing redevelopment, infrastructure, and other community improvement projects.

TIF uses future incremental gains in taxes to either fund completely or to subsidize current improvements. The completion of a public project often results in an increase in the property value of surrounding real estate. The incremental increase in tax revenue is earmarked for a period of time to support the public project. TIF is often designed to channel funding toward improvements in distressed, underdeveloped, or underutilized parts of a jurisdiction where development might not occur otherwise.

To date, TIF arrangements are not widely used in Canada, but are more common in U.S. municipalities. However, there are financing arrangements in Canada that allow municipalities to use incremental tax gains to support development in specific areas or to offset specific impediments to development (e.g. soil contamination). In Ontario, municipalities can designate community improvement project areas and adopt community improvement plans (CIP) in order to facilitate the rehabilitation of a designated area. With the approval of the Province, a CIP allows a municipality to provide a range of incentives including grants or loans to registered or assessed owners of lands and buildings within the designated area. Among the financial incentive options available is a Tax Increment Grant program (TIG) under which property tax incentives can be provided to owners for specified periods when approved projects are undertaken.

Given the potential pre- and post-development tax increment, TIG amounts can be substantial. However, they are not without risk. Given that the value of a TIG is based on an *estimated* future tax increment, a municipality could be required to pay out a grant which has a value higher than the increment if the initial estimate is too high. From the developer's perspective TIGs are paid out only after development is complete and long after the risks of development are at their highest.

### 7. Public-Private Partnerships

Public-private partnerships (P3s) are arrangements under which municipalities and private sector entities collaboratively develop, or develop and operate, local infrastructure and community facilities. The variety of arrangements can be quite varied and complex. Generally, such P3s are applicable to significant new capital

infrastructure (water filtration plants, sewage treatment plants) or facilities (large recreation facilities or entertainment complexes); retrofits and maintenance and repair work on existing infrastructure are rarely funded under P3s. Saskatoon is currently involved in two P3s the Civic Operations Centre and the North Commuter Parkway & Traffic Bridge Replacement Project.

**8. Senior Government Grants and Subsidies**

Development in local communities can bring significant benefit to senior governments in the form of additional tax revenue. Cities across the country are playing an increasing role in provincial and national economies. As cities grow, however, increasing fiscal strain is being experienced in the municipal sector to provide the services necessitated by development. Further, regulatory requirements from senior governments have increased considerably. This combination of circumstances has exacerbated the existing capital funding gap that most municipalities presently face.

Various federal and provincial infrastructure funding programs have certainly emerged over recent years. This has been welcomed by municipalities. Nevertheless, the continuation of programs is not guaranteed. Municipalities have long argued for reliable and sustainable funding rather than program or project specific funding.

# V REVIEW OF THE LEGISLATION IN SASKATCHEWAN

This section provides a review of the current Provincial legislation that sets out which costs can and cannot be recovered through development levies, servicing agreements and fees, and then discusses the common elements between development.

## A. CURRENT LEGISLATION AND PRACTICE

In Saskatchewan, the statutory authority for development levies and servicing agreement fees is contained in *The Planning and Development Act, 2007 (PDA)*. Part VIII of the *PDA*, ss.168-176, covers the authority and requirements for imposing and administering development levies and servicing fees.

Section 168 of the *PDA* defines capital cost for both development levies and servicing fees as the "municipality's estimated cost of providing construction, planning, engineering and legal services that are directly related to the matters for which development levies and servicing agreement fees are established pursuant to sections 169 and 172, as the case may be..." (*PDA*, s. 168).

### 1. Development Levies

Sections 169-171 set out the requirements for the establishment and imposition of development levies. Establishment of levies is provided in *PDA*, s. 169. Councils may, by bylaw, establish development levies to recover the capital costs for development that does not involve the subdivision of land (*PDA*, ss. 169(1) and (2)). The development levy may be imposed for recovering all or a portion of the municipality's capital cost for "... providing, altering, expanding or upgrading..." the services and facilities associated with water, wastewater or stormwater, roadways and related infrastructure, parks and recreational facilities that are "...associated, directly or indirectly, with a proposed development of land..."(*PDA*, s. 169(2)). A development levy can only be imposed if, in council's opinion, the municipality will incur additional capital costs related to the development as determined by a study or studies setting out the capital costs and taking into account the future land use patterns and development and phasing of the required public works (*PDA*, ss. 169(3) and (4)).

The development levies may be varied as set out in the bylaw with regard to defined areas, land uses, capital costs related to different classes of development or the size and number of lots in a development (*PDA*, s. 169(5)). The bylaw must provide that similar levies be imposed for developments that require similar capital costs (*PDA*, s. 169(6)). Councils may choose to exempt land uses, classes of development, or defined areas from payment of the development levies (*PDA*, s. 169(7)). Finally, adoption of the bylaw must be in accordance with applicable public participation requirements (*PDA*, ss. 169(9) and (10)).

A development levy bylaw must be approved by the minister unless the municipal council has been declared an approval authority under *PDA*, s. 13(1) (*PDA*, s. 170). It is noted that Saskatoon Council has approval authority.

Where council has passed a development levy bylaw, it "...may require the applicant or owner of land to pay any applicable levies..." or to enter into an agreement with respect to the payment of levies subject to the condition that only one development levy is payable per development (*PDA*, s. 171). This provides that developers cannot be double-charged: once they have fulfilled the requirements associated with a development levy they cannot be asked to pay again for services related to that development.

**2. Servicing Agreements and Fees**

Section 172 sets out provisions for the imposition of servicing agreements and fees where there is a proposed subdivision of land. A municipality may require a subdivision applicant to enter into a servicing agreement to provide services and facilities that directly or indirectly serve the subdivision and may withhold a certificate of approval unless an executed servicing agreement is entered into (*PDA*, ss. 172(1) and (2)).

Servicing agreements may provide for the applicant's undertaking to install or construct specified works *within* the subdivision and the payment of fees established by council to pay for services located *within or outside* the proposed subdivision that directly or indirectly serve the proposed subdivision (*PDA*, ss. 172(3)(a)(b)).

Services within the subdivision may include: water, wastewater and stormwater mains and laterals; hydrants; sidewalks; boulevards; curbs; gutters; street lights; graded, gravelled or paved streets and lanes; connections to existing services; area grading and levelling of land; street name plates; connecting and boundary streets; landscaping of parks and boulevards; public recreation facilities or other works that council may require.

Services within or outside of the proposed subdivision would be subject to the payment of fees for the capital cost, in whole or in part, of providing, altering, expanding or upgrading water, wastewater, stormwater and other utility services, public highway facilities, or park and recreation space facilities that are directly or indirectly required to serve the proposed subdivision.

The servicing agreements may also provide for time limits for the completion of any work or payment of fees (*PDA*, s. 172(3)(c)), provision for the applicant and the municipality to share any of the costs (*PDA*, s. 172(3)(d)), and any performance assurances that the council may consider necessary (*PDA*, s. 172(3)(e)). In order to avoid double counting in the provision of services or payment of fees, the servicing agreement fees cannot include payments made or required for development levies under *PDA*, s. 171 unless additional capital costs are anticipated to be incurred as a result of the proposed subdivision (*PDA*, s. 172(4)). Finally, unless such time is extended by mutual agreement, an applicant for subdivision approval must enter into the servicing agreement within 90 days after the day that the municipality receives the subdivision application (*PDA*, ss. 172(5) and (6)).

### 3. Common Elements for Development Levies and Servicing Agreement Fees

*PDA*, s. 173 provides that development levy agreements and servicing agreements may contain provisions for:

- authorizing installment payments of levies or fees;
- applying a variable rate for phased development;
- performance assurances considered necessary by council;
- reimbursement of development levies or servicing agreement fees or the value of excess infrastructure capacity if any of these things benefit subsequent development or subdivision of land; and
- any other matter that council considers necessary to facilitate the agreement.

A municipality is required to deposit all development levies and servicing agreement fees into one or more accounts separate from other municipal funds (*PDA*, s. 174(1)). The funds and any accrued interest are to be used only for the purpose for which they were collected, or for debt incurred by the municipality as a result of expenditures incurred or to reimburse an owner for payments from subsequent benefitting owners (*PDA*, s. 174(2)).

A municipality may register an interest based on the development levy agreement or servicing agreement against the title of the affected lands in the land registry. The rights and privileges in the agreements take effect to the benefit of the municipality and are binding on the owner of land and the owner's heirs, executors, administrators, successors and assigns (*PDA*, ss. 175(1) and (2)).

An applicant may within 30 days after receiving a request in writing for the payment of a development levy or a servicing agreement fee appeal the request to the Saskatchewan Municipal Board regarding a number of factors related to the need for the capital works or the calculation of the charge (*PDA*, ss. 176(1) and (2)).

Finally, if the municipality and an applicant or owner have been unable to enter into a development levy agreement or a servicing agreement within 90 days after application for a development permit or proposed subdivision, the applicant or owner may apply to the Saskatchewan Municipal Board for a decision with respect to the need for the agreement and the proposed terms and conditions of the agreement (*PDA*, s. 174(4)). If council has been declared an approval authority (as is the case in Regina), any appeal in this regard must be made to the Development Appeals Board, with subsequent appeal, if necessary, to the Saskatchewan Municipal Board (*PDA*, ss. 176(5), (6) and (7)).

# VI COMPARISON OF DEVELOPMENT CHARGES IN CANADIAN MUNICIPALITIES

This section provides a comparison of the policies and rates of development charges imposed by municipalities throughout Canada. Table 12 includes a summary of how development charges are applied for nine different municipalities throughout Canada. Tables 13 and 14 provide a comparison of the development levies applied to the construction of a single family home for a range of municipalities in Saskatchewan and other Canadian municipalities respectively.

## A. POLICY COMPARISON

The services that a municipality recovers for is largely dependent on what the legislation allows for and most municipalities recover for the all eligible services. Ottawa recovers for the most services and Winnipeg recovers for the least which is reflective of the legislation in their respective Province. The three cities in Saskatchewan (Regina, Martensville, and Prince Albert) all recover for the same services as Saskatoon but the Water and Wastewater charge includes the recovery of the plant related costs.

Each municipality faces unique circumstances which dictate whether an area specific charge or city-wide charge is applied. For example, the City of Ottawa has a separate charge for development inside the Greenbelt, outside the Greenbelt, rural areas and rural areas that do not receive water and wastewater servicing; the City of Calgary has a separate charge for developments less than and greater than 400ha; whereas the City of Martensville and the City of Red Deer are the same as Saskatoon in that they impose a uniform charge no matter the location of development[2].

[2] *There may be instances when the City of Saskatoon charges additional off-site levies to a development based on the area to better reflect the services the development will require. These charges are negotiated with the developers and reviewed on a case by case basis.*

A municipality may also vary the charge based on the type of the development. Similar to the City of Saskatoon, the City of Ottawa and Vancouver vary the charge for residential, commercial and industrial development. The difference between Saskatoon, Ottawa and Vancouver is that Ottawa and Vancouver calculate the charge based on a per unit basis for residential development and then vary the rate for single family units, multi-residential and apartments to capture the different impacts on service each unit type has. The City of Saskatoon captures the impact of different unit types by calculating the charge based on the front metres of the home.

In Saskatchewan, the surveyed municipalities charge a uniform rate for all types of development. However, the City of Regina provides an exemption for the inner area of the City with the intent to promote growth in developed areas. Also, the City of Martensville applies a 50% reduction for non-residential developments to provide incentive for these types of developments. Other exemptions from the surveyed municipalities include affordable homes in City of Prince Albert, places of worship in the City of Ottawa and specific areas in the City of Vancouver to promote development.

## B. RESIDENTIAL RATE COMPARISON

A comparison of the residential development levies for municipalities in Saskatchewan are shown in Table 13 and for other Canadian municipalities in Table 14. When analyzing the comparisons provided in tables 13 and 14 it is important to consider the following:

- The rates may vary from municipality to municipality due to services included in the charge;
- The way in which municipalities calculate and apply development levies can vary significantly from one municipality to another and therefore high level assumptions were required to compare rates;
- There may be unique circumstances and costs which may impact the cost of servicing new development;

- The rates shown in the tables are at a point in time and development levies are frequently recalculated; more often than not the rates will increase if only due to inflation; and
- The comparison is not intended to guide policy decisions.

Table 12 - Page 1
Municipal Comparison

| | Saskatoon | Regina | Martensville | Prince Albert |
|---|---|---|---|---|
| Infrastructure Charge | | Servicing Agreement Fees | Development Levies | Development Levies |
| | | | | |
| Applicable Services | | | | |
| Water | * - excludes plant related costs | * - Recovers the trunk and plant related costs) | * - Recovers for the water reservoirs, pumping stations and plant expansions | * - Recovers for plant, reservoir, and trunk related costs along with required studies |
| Wastewater | * - excludes plant related costs | * - Includes the growth-related costs of the plants) | * - Includes a charge for Pumping Stations and Forecmains and a separate charge for Treatment | * - Recovers for the plant and trunk related costs along with required studies |
| Stormwater | * | * | * | * |
| Roads | * | * | * | * |
| Recreation | * - excludes major recreation facilities | * | * | * |
| Parks | * | * | * | * |
| Transit | | | | |
| Police & Fire Protection | | | | |
| Library | | | | |
| Childcare | | | | |
| Housing | | | | |
| Other | | | | |
| | | | | |
| Area Specific Charges | City-wide | Area specific charge for the Global Transportation Hub | City-wide | Varied rates for "Limited Service Area" and "Development Lands" |
| Landuse Specific Charges (Residential, Commercial, Industrial, Institutional) | Charges differentiated for residential, commercial and industrial. | Same rate applied to all types of development | Uniform charge for all residential development; 50% reduction for non-residential developments to provide incentive for these types of developments | Uniform charge |
| Timing of Charge | As a condition of subdivision (staged payments over the course of 14 months) | When land is subdivided | Building permit issuance | Building permit issuance |
| Exemptions | None | Inner area of the City; intent of the exemption was to promote growth in developed areas. | | Affordable Homes, Non-Profit Housing Agency |
| Comments | | Development Levies allow the municipality to impose development levies on those proposed developments that have not been subject to a servicing agreement and that are not located within the exempt area. The difference between a servicing fee and a development levy is that servicing fees are triggered where land is subdivided and development levies are triggered where a developer applies for a development permit or building permit. | The levy may be utilized to pay a debt incurred by the City as a result of expenditures related to growth | The levy may be utilized to pay a debt incurred by the City as a result of expenditures related to growth |

Table 12 - Page 2
Municipal Comparison

| | Saskatoon | Red Deer | Edmonton | Calgary |
|---|---|---|---|---|
| Infrastructure Charge | | Off-site Levy | See below | Development Levy |
| | | | | |
| Applicable Services | | | | |
| Water | * - excludes plant related costs | * | | * |
| Wastewater | * - excludes plant related costs | * | * - Permanent Area Contribution (PAC) - Sanitary Trunk Sewer. A uniform charge across the city is also applied per unit levied for sanitary sewers. | * |
| Stormwater | * | * | * - Permanent Area Contribution (PAC) - Storm Trunk Sewers and other stormwater management system related costs | * |
| Roads | * | * | * - Arterial Roadway Assessment (ARA) | * |
| Recreation | * - excludes major recreation facilities | | | * |
| Parks | * | | | * |
| Transit | | | | |
| Police & Fire Protection | | | | * |
| Library | | | | * |
| Childcare | | | | |
| Housing | | | | |
| Other | | | Inspection Fees | |
| | | | | |
| Area Specific Charges | City-wide | City-Wide | Payment Area Contribution - calculated for each development or subdivision<br>Arterial Roadway Assessment - determined for each of the catchment areas | Charges for Watershed Catchment Areas |
| Landuse Specific Charges (Residential, Commercial, Industrial, Institutional) | Charges differentiated for residential, commercial and industrial. | Uniform charges | Uniform charge | Uniform Charges |
| Timing of Charge | As a condition of subdivision (staged payments over the course of 14 months) | Following approval of a subdivision plan and prior to the issuance of a building permit. | Condition of a subdivision or development permit | Building permit issuance |
| Exemptions | None | | None | |
| Comments | | Developer and Customer contributions - The capital plan includes projects supported through fees. These projects do not have an impact on taxation. Continued growth creates new demands leaving The City to fund some new capital costs. These costs include upgrades and expansions and the additional tax revenue generated from the increased number of properties is not sufficient to cover these additional costs, leaving The City to find other revenue sources to fund infrastructure projects. | Permanent area contributions (PACs) are payments for storm and sanitary trunk sewers, storm water management facilities, and other cost-sharable drainage improvements within predefined drainage basins (land areas). It is based on the area of development or subdivision and is an up-front cost for the developer which is refunded over time.<br><br>Arterial Roadway Assessments (ARA) establish how developers will share the costs of arterial roadway infrastructure. Each development occurring within the catchment is required to pay an assessment based on a per hectare rate under the provisions of the Servicing Agreement. This is an up-front cost refunded to the developer over time.<br><br>Area Assessments are area specific charges for rural/ suburban areas in the city levied for the installation of trunk sanitary sewers in newly serviced areas. | Community and Recreation Assessment Levy - construction of emergency response stations, recreation facilities, libraries, police stations and large buses necessary to serve development for new growth areas, regardless of the location of the Development Area.<br><br>"Major Road Standard Oversize Assessment Levy - shall be used by the City towards the cost of Oversize for Major Road Standard within the City, regardless of the location of the Development Area within the City.<br><br>Utility Oversize Assessment Levy - shall be used by the City towards the cost of Oversize and water pressure reducing valve chambers within the City regardless of location of the Development Area within the City. |

Table 12 - Page 3
Municipal Comparison

| | Saskatoon | Winnipeg | Ottawa | Vancouver |
|---|---|---|---|---|
| Infrastructure Charge | | N/A | Development Charges | Development Cost Levies |
| | | | | |
| Applicable Services | | | | |
| Water | * - excludes plant related costs | | * | |
| Wastewater | * - excludes plant related costs | | * | * Region recovers a specific charge per household |
| Stormwater | * | | * | |
| Roads | * | | * | |
| Recreation | * - excludes major recreation facilities | | * | |
| Parks | * | | * | |
| Transit | | | * | |
| Police & Fire Protection | | | * | |
| Library | | | * | |
| Childcare | | | * | * |
| Housing | | | * | * |
| Other | | | Planning Studies, Public Works Vehicles and Works Yards | |
| Area Specific Charges | City-wide | | Inside the Greenbelt, Outside the Greenbelt, Rural, Rural - Unserviced | City-wide charge, Layered charges (these are in addition to the city-wide), Area Specific charges (these are exempt from the city-wide rate). These charges are based on a calculation of Floor Space Ratio (FSR), different rates are applied for uses greater than or less than 1.2 FSR. |
| Landuse Specific Charges (Residential, Commercial, Industrial, Institutional) | Charges differentiated for residential, commercial and industrial. | | Residential (Single and Semi Detached, Apartment 2+ bedroom, Apartment less than 2 bedroom, Townhouse/Multiple/Row/Mobile), Non-Residential (Commercial, Institutional, Industrial) | 1. Single Family Units, 2. Multi-family residential, 3. Commercial; 4. Industrial |
| Timing of Charge | As a condition of subdivision (staged payments over the course of 14 months) | | Building permit issuance | Building permit issuance |
| Exemptions | None | | Places of worship, non-residential buildings used for agricultural purposes | There are eight policy areas that are exempt because alternative public benefit strategies and funding mechanisms were established prior to the creation of the City-wide charge. |
| Comments | | Winnipeg is bound by the Winnipeg Charter, which restricts development fees only to the immediate infrastructure -- roads, sewers, sidewalks, drainage, intersection improvements -- directly connected to a new development. | | City-wide DCLs can be applied towards growth-related capital projects that are part of city-wide amenity system used by residents across the city. Levies collected within each DCL district must be spent within the area boundary, except housing projects which can be located city-wide. |

**Table 13 - Page 1**
**Comparison of Development Levies in Saskatchewan (2014)**

| | Saskatoon per front m | Regina per ha | Weyburn per ha | Martensville per front m | Prince Albert per ha | Yorkton per ha |
|---|---|---|---|---|---|---|
| **Offsite-Levy Services:** | | | | | | |
| Roads and Related Infrastructure | $656 | $79,523 | $34,434 | $267 | $28,768 | $14,414 |
| Wastewater | | | | | | |
| Distribution System | $540 | $65,532 | $76,563 | $193 | $13,570 | $17,218 |
| Treatment Plant | $0 | | | $320 | | |
| Water | | | | | | |
| Distribution System | $144 | $55,515 | $77,419 | | $19,625 | $22,112 |
| Treatment Plant | | | | | | |
| Storm Water Management | | $20,588 | $3,163 | $0 | $19,337 | $4,793 |
| Parks | $353 | $22,616 | $20,949 | $126 | $14,047 | $29,850 |
| Recreation | | | | $200 | | |
| General Government/Planning | $26 | $20,499 | | | $3,025 | |
| **Sub-Total Offsite-Levy Services:** | **$1,718** | **$264,273** | **$212,527** | **$1,106** | **$98,372** | **$88,387** |

| | Saskatoon per front m | Regina per front m | Weyburn per front m | Martensville per front m | Prince Albert per front m | Yorkton per front m |
|---|---|---|---|---|---|---|
| **Offsite-Levy Services Per Front Metre[1]** | | | | | | |
| Roads and Related Infrastructure | $656 | $432 | $187 | $267 | $156 | $78 |
| Wastewater | | | | $0 | | |
| Distribution System | $540 | $356 | $416 | $193 | $74 | $94 |
| Treatment Plant | $0 | | | $320 | | |
| Water | | | | $0 | | |
| Distribution System | $144 | $302 | $421 | $0 | $107 | $120 |
| Treatment Plant | $0 | | | $0 | | |
| Storm Water Management | $0 | $112 | $17 | $0 | $105 | $26 |
| Parks | $353 | $123 | $114 | $126 | $76 | $162 |
| Recreation | | | | $200 | | |
| General Government/Planning | $26 | $111 | $0 | $0 | $16 | $0 |
| **Sub-Total Offsite-Levy Services:** | **$1,718** | **$1,436** | **$1,155** | **$1,106** | **$535** | **$480** |

1. Assumes 170m of frontage per ha

**Table 13 - Page 2**
**Comparison of Development Levies in Saskatchewan (2014)**

| | Saskatoon per SDU | Regina per SDU | Weyburn per SDU | Martensville per SDU | Prince Albert per SDU | Yorkton per SDU |
|---|---|---|---|---|---|---|
| **Offsite-Levy Services:** | | | | | | |
| Roads and Related Infrastructure | $8,720 | $5,748 | $2,489 | $3,551 | $2,079 | $1,042 |
| Wastewater | | | | | | |
| Distribution System | $7,182 | $4,737 | $5,534 | $2,569 | $981 | $1,245 |
| Treatment Plant | $0 | | | $4,256 | | |
| Water | | | | | | |
| Distribution System | $1,909 | $4,013 | $5,596 | $0 | $1,419 | $1,598 |
| Treatment Plant | $0 | | | $0 | | |
| Storm Water Management | | $1,488 | $229 | | $1,398 | $346 |
| Parks | $4,696 | $1,635 | $1,514 | $1,675 | $1,015 | $2,158 |
| Recreation | | | | $2,660 | | |
| General Government/Planning | $347 | $1,482 | $0 | $0 | $219 | $0 |
| **Sub-Total Offsite-Levy Services:** | **$22,854** | **$19,102** | **$15,362** | **$14,711** | **$7,111** | **$6,389** |

*SDU (Single Detached Unit) - Assumed to be 13.3 front metres*

| | Saskatoon % | Regina % | Weyburn % | Martensville % | Prince Albert % | Yorkton % |
|---|---|---|---|---|---|---|
| **Offsite-Levy Services:** | | | | | | |
| Roads and Related Infrastructure | 38.2% | 30.1% | 16.2% | 24.1% | 29.2% | 16.3% |
| Wastewater | | | | | | |
| Distribution System | 31.4% | 24.8% | 36.0% | 17.5% | 13.8% | 19.5% |
| Treatment Plant | 0.0% | | | 28.9% | | |
| Water | | | | | | |
| Distribution System | 8.4% | 21.0% | 36.4% | 0.0% | 19.9% | 25.0% |
| Treatment Plant | 0.0% | | | 0.0% | | |
| Storm Water Management | 0.0% | 7.8% | 1.5% | 0.0% | 19.7% | 5.4% |
| Parks | 20.5% | 8.6% | 9.9% | 11.4% | 14.3% | 33.8% |
| Recreation | 0.0% | | | 18.1% | | |
| General Government/Planning | 1.5% | 7.8% | 0.0% | 0.0% | 3.1% | 0.0% |
| **Sub-Total Offsite-Levy Services:** | **100.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** | **100.0%** |

**Table 14**
**Comparison of Development Levies in Canadian Municipalities (2014)**

| | Saskatoon per front m | Edmonton per ha | Calgary per ha | Red Deer per ha | Vancouver per sq.ft | Winnipeg[4] Nil | Ottawa per SDU |
|---|---|---|---|---|---|---|---|
| **Offsite-Levy Services:** | | | | | | | |
| Roads and Related Infrastructure | $656 | $164,000 | $122,193 | $97,906 | | | $8,248 |
| Wastewater | | | | | | | |
| Distribution System | $540 | $18,620 | $17,047 | $21,642 | $0.63 | | $2,279 |
| Treatment Plant | $0 | | $28,028 | | | | |
| Water | | | | | | | |
| Distribution System | $144 | | $18,408 | $16,060 | $0.00 | | $2,268 |
| Treatment Plant | $0 | | $6,457 | | | | |
| Storm Water Management | | | $3,713 | $67,693 | | | $44 |
| Parks | $353 | | $75,644 | | $1.21 | | $2,703 |
| Recreation | $0 | | | | | | $3,859 |
| Emergency Service: Police, Fire & Paramedic Services | | | | | | | $760 |
| Library | | | | | | | $385 |
| Vehicles & Works Yards | | | | | | | $493 |
| Child Care | | | | | $0.15 | | $86 |
| Afford Housing | | | | | $0.94 | | $189 |
| Transit | | | | | $0.65 | | $3,850 |
| General Government/Planning | $26 | | | | | | $150 |
| **Sub-Total Offsite-Levy Services:** | **$1,718** | **$182,620** | **$271,490** | **$203,301** | **$3.58** | **$0** | **$25,314** |

| | Saskatoon per SDU | Edmonton[1] per SDU | Calgary[2] per SDU | Red Deer[2] per SDU | Vancouver[3] per SDU | Winnipeg per SDU | Ottawa per SDU |
|---|---|---|---|---|---|---|---|
| **Offsite-Levy Services Per Front Metre[1]** | | | | | | | |
| Roads and Related Infrastructure | $8,720 | $14,471 | $8,832 | $7,077 | | | $8,248 |
| Wastewater | | | | | | | |
| Distribution System | $7,182 | $2,983 | $1,232 | $1,564 | $945 | | $2,279 |
| Treatment Plant | $0 | | $2,026 | | | | $0 |
| Water | | | | | | | |
| Distribution System | $1,909 | | $1,331 | $1,161 | | | $2,268 |
| Treatment Plant | $0 | | $467 | | | | $0 |
| Storm Water Management | | | $268 | $4,893 | | | $44 |
| Parks | $4,696 | | $5,468 | | $1,815 | | $2,703 |
| Recreation | | | | | | | $3,859 |
| Emergency Service: Police, Fire & Paramedic Services | | | | | | | $760 |
| Library | | | | | | | $385 |
| Child Care | | | | | | | $493 |
| Housing | | | | | $225 | | $86 |
| Vehicles & Works Yards | | | | | $1,410 | | $189 |
| Transit | | | | | $975 | | $3,850 |
| General Government/Planning | $347 | | | | | | $150 |
| **Sub-Total Offsite-Levy Services:** | **$22,854** | **$17,454** | **$19,624** | **$14,695** | **$5,370** | **$0** | **$25,314** |

*Notes:*

*1. Edmonton includes a charge of $1,340/SDU for sanitary sewer which is in addition to the per hectare charge. The Roads charge shown for Edmonton includes costs for Roads, Water and Wastewater.*

*2. Assumes 184 front metres per hectare and a 13.3 metres of frontage per single detached unit.*

*3. Vancouver calculation based on an assumption of a 1,500 sq.ft house with an Floor Space Ratio equal or less than < 1.2.*

*4. Winnipeg is zero due to legislation preventing the municipality from having a charge, although charges may be levied through subdivision agreements (ie. stormwater infrastructure)*

# VII FUTURE FUNDING OPTIONS

The previous sections of this report have focussed on the manner in which growth-related projects are currently funded. This section is forward looking. It considers the funding implications of the City's approach to planning as it is evolving through the *Growth Plan to 500,000* process. It also considers a range of growth funding options that to varying degrees differ from the current funding model.

The first part of this section summarizes the various challenges that the City will face in the future in funding growth-related capital projects. The second part examines funding options in the context of the current approach and future needs.

## A. ANTICIPATED GROWTH-RELATED CAPITAL FUNDING ISSUES

Saskatoon is in the midst of an extended period of growth, the underpinning of which – energy, potash and agriculture show every indication of performing well for an extended period. Given these prospects, the City has begun to consider the long-term implications of the City reaching a population of 500,000 in the next 30 years. Were Saskatoon to grow this size following the current pattern of development, the required improvements to the transportation network alone would be extremely onerous and very costly.

### 1. Infill & Redevelopment

It is a basic tenet of the ongoing planning review process that new development needs to be intensified. This can be accomplished through infilling and redevelopment within existing urban areas and through the achievement of higher densities in new greenfield development.

This approach has the potential to achieve some savings both capital and operating costs. On the capital side, infill and redevelopment can be very cost effective if existing infrastructure has unused capacity. Water & wastewater collection and distribution systems, fire stations and EMS facilities, and parks and recreation facilities are among the types of infrastructure that may be underutilized in established areas. Additionally, although not a City service, schools in older areas often have space capacity. It should be noted however, that while infill and

redevelopment within existing areas can often make use of existing infrastructure this is not always the case and instead new, and often very costly, infrastructure expansions and or replacements will be required. It is also important to recognize that growth, whichever form it takes, will always impose an increased demand on some City services. Obvious examples include waste and wastewater treatment and landfill facilities.

**2. New Neighbourhoods**

In greenfield situations, the implication of more intensive development is largely restricted to linear infrastructure. With greater density the amount of roads, sidewalks, lighting and underground infrastructure is reduced. This can also have an indirect effect on other services such as fire protection and waste management which to some extent are affected by the density of development. On the other hand, infrastructure for services which are "people driven", will be largely unaffected by changes in density. Overall, barring a radical change in design, the effect on infrastructure requirements that would result from increasing neighbourhood densities is likely to be relatively limited since a significant share of the municipal services which have major infrastructure requirements are largely sized in relation to population rather than geography.

**3. Transit**

A very important aspect of the current thinking regarding long-range planning for Saskatoon is the role of transit. As in other cities where intensification is a planning objective, increasing the role of transit is very important. The extent to which this has implications for growth-related infrastructure depends upon the nature of the transit system. Additional bus requirements on existing routes can be scaled in a relatively even manner. However, where new routes are required the marginal costs differences are substantial. For more complex, higher order transit services (dedicated bus lanes with electronic signalling etc., or full BRT systems) initial infrastructure requirements are both significant and costly. This makes for both a financing and funding challenge. The challenge is further increased firstly because better transit involves by definition a higher level of service and than currently exists and secondly because at present the City does not levy a contribution towards transit capital from new development. Finally, transit services are costly to operate and any additional expenses not covered by fare box revenues must be paid for through property taxes. In short, improving transit in support of intensification objectives is expensive both from a capital and operating perspective.

In conclusion, as Saskatoon continues to grow and to intensify it will need to add a substantial amount of infrastructure. Efficiencies from fuller use of existing

infrastructure is possible within existing urban areas through infill and redevelopment. Some reductions in linear infrastructure requirements can be achieved in new neighbourhoods if development densities are increased. However, these efficiencies will be relatively small in relation to the overall requirements of new growth given the extent of the services which are primarily influenced by population and employment rather than geography. Requirements for increased transit service will potentially be very difficult to address as the infrastructure needs are likely to be significant and operating costs will be high.

The next part of this section examines a wide range of alternative funding options. They are considered within the context of both the City's current and future planning environment.

## B. EVALUATION OF ALTERNATIVE FUNDING OPTIONS

There are many funding options that the City could consider in order to pay for the infrastructure that it will be needed to service new development. At the outset it should be stated that there is no absolute requirement to adopt new approaches; the City could continue to pay for infrastructure using the current mix of funding mechanisms. However, given the outlook for significant growth, the City is likely to require more complex and expensive infrastructure and higher service levels especially for transit. Accordingly, the City's funding capacity will be tested. For this reason having additional ways of funding and or financing growth-related infrastructure and perhaps also operating costs could be advantageous.

The various options that are evaluated below are ordered from high to low according to the extent to which funding and/or financing responsibility would fall on the taxpayers and the City. For the purposes of context the evaluation starts with a discussion of property taxes the burden of which clearly falls on taxpayers.

### 1. Property Taxes

Property taxes are the basic and most reliable source of revenue for the City. They are applied across all parts of the City and to all types of property. The taxes are levied in relation to property values with non-residential properties being taxed at a rate approximately 24% higher than residential properties. Paying for growth-related infrastructure through property taxes spreads the burden very widely and clearly is at

odds with the concept of "growth paying for growth". Given that under the current development levy policy the large majority of growth-related costs are covered by the levy, at the moment the impact on property taxes is judged to be comparatively small.

As a funding tool the property tax is very reliable. It has a very wide base and, because it is set on an annual basis, can be depended upon to generate planned for revenues. In relation to growth-related capital cost, it clearly spreads the burden far wider than the direct beneficiaries which is new development. The main justification for using property taxes to pay for growth-related infrastructure is that it is akin to an intergenerational loan which is paid back over time through the future taxes paid by the benefitting development.

Given that currently the bulk of growth-related costs are paid for by development levies there is no compelling reason to significantly reduce the share being borne through property taxes. If in the future growth-related costs increase significantly and there is a reluctance to add these extra costs onto the development levy, raising property taxes would be a straightforward funding source. However, this approach would certainly give rise to a debate about the question as to who should pay for the cost of growth.

A second consideration relating to property taxes and growth costs is the issue of exemptions from development levies. Should the City for policy reasons choose to exempt certain types of development from paying levies it is important that the foregone levy amounts are recovered through property taxes rather and are not added onto the levy. In this way cost of the exemption program is borne by all taxpayers and not new development.

**2. Utility Rates**

The second funding mechanism to be considered is the utility rate model. Under the model, growth-related capital projects are paid for by the City either out of current revenues and reserves or through debt. The costs are then recovered through the utility rates. Like property taxes, this is a broad based approach that spreads out the costs across the whole city. However it differs in that instead of using the value of property to divide up costs, the utility approach uses water consumption which aligns well with the nature of the service. The arguments in favour of this approach are the same as those for property taxes. The key counter argument is also the same – growth should pay for required growth-related infrastructure. Under the current funding arrangements all or nearly all water and wastewater related capital costs are being recovered through the development levy. However, the levy currently does not include any provision for plant costs since, at present, the servicing needs of new

development are being met through existing plant capacity. This situation will be changing in the next few years as the current capacity reserve is used up. At that point the City will have to decide which approach it is going to use to pay for the potentially large capital cost of providing additional plant capacity.

### 3. Public-Private Partnerships

Public-Private Partnerships (P3's) are mechanisms for delivering large infrastructure projects. As the term implies the mechanism involves a partnership between a public sector entity (the City in the case of Saskatoon) and a private sector proponent. The proponent is usually responsible for designing, building and financing the project and, depending on the type, may also be responsible for long-term operation maintenance. There are a number of reasons why P3's are an attractive alternative to the way in which municipalities traditionally undertake major projects. From the perspective of this study the principle advantage is that with a P3, the City does not provide the funding but instead makes payments to the proponent for the facility over the term of the concession.

P3 arrangements are only suitable for a fairly narrow range of municipal projects. Primarily this is because of the complexity and cost of the agreements that P3 projects involve that begin when a P3 is first considered to the point of completion and into the operational period. A rule of thumb is that a P3 project should involve an investment of at least $100 million. The City does not provide financing but over time the full cost of the project will be borne by taxpayers through the annual payments that are made. These payments will be made either from property taxes or from utility rates depending on the type of project. As such under the P3 approach new development does not directly pay for any share of a project that is attributable to growth.

The City is currently involved in two P3 projects; the Civic Operations Centre and the North Commuter Parkway & Traffic Bridge Replacement Project. The Civic Operations Centre has a cost of $128 million. The federal government, through PPP Canada, is providing $42.9 million of the funding.

The North Commuter Parkway & Traffic Bridge Replacement Project has a cost of $252.6 million. Through PPP Canada, the federal government will contribute up to $66 million to the project, and the Province of Saskatchewan will contribute $50 million.

### 4. Installment Based Development Levy

An installment based development levy is an approach that clearly places the responsibility for all or part of the cost of growth-related infrastructure onto new development. However, rather than being paid by the developer or builder at the subdivision or building permit stage, the levy is spread out over a number of years and added onto the property tax bill. In this way, the responsibility for paying the levy is shifted onto the new property owner who benefits from the infrastructure that the levy pays for. From the general taxpayers' perspective, this approach has the advantage of keeping the cost of growth-related infrastructure off the tax levy. For the City, the approach is less desirable than the current development levy arrangement since the levy revenues would be received over a number of years rather than up-front as it is under the current approach. While interest on yet to be paid shares of levies could be added, the City would still have to finance uncollected levy payments. Additional administration costs would also be incurred. The approach would be popular with the development industry since it would shift the burden for paying levies onto purchasers. For the purchasers, the arrangement would have little appeal. On balance unless the City considered it necessary to reduce front-end costs for the development industry there is no compelling reason to consider moving to an installment based levy system.

### 5. Up-Front Development Levy

This is the funding tool that the City currently uses to pay for the majority of growth-related costs. The levy is calculated annually and is applied on a per metre of frontage basis or in some instances on a per hectare basis. In addition, a number of lump-sum fees are charged for various other services including utility connections and community centres. In Saskatoon, the development levy is collected at the subdivision stage.

There are a number of observations that warrant consideration; some relating to quantum and others to the timing and application of the levy:

- As discussed previously, the rates do not cover all services. Legislation does permit charges for some of these services. Most significantly, at present no charge is being made for water and wastewater plant capacity. As well, no amount is being collected for some of the City's large infrastructure projects.

- The way in which rates are calculated is well set out. While it is understood that discussions about the annual rates are held with the development industry the report addressing the rates does not explain how the rates are actually calculated.

- Collection of development levies at the building permit stage is a common approach. In Saskatoon the City currently collects them at the earlier subdivision stage. Should the City choose to lighten the impact of the levy on developers it could delay collection until either the building permit stage or until issuance of occupancy permits.

- The current rate structure is largely based on frontage. As a result, no allowance is made to the size of building or for use[3]. Since demands on services can vary significantly depending upon use and density of employees; consideration could be given to alternative ways of charging such as rates per metre of building for different uses (e.g. office, retail and industry).

- In instances where servicing costs for neighbourhoods differ significantly from the norm, consideration could be given to the use of area-specific rates that take account of particular conditions. In this way the rates in other areas would not be affected by atypical servicing costs in any particular area.

Development levies are very likely to continue as the primary funding source of growth-related capital. This is appropriate in terms of the principles of aligning funding source with application. However, as discussed previously there are a number of changes that could be made to the City's current approach both to increase(or possibly decrease) the amount of revenue the levies generate relative to the overall costs of growth-related infrastructure and to provide more transparency to the process through which the rates are set.

### 6. Front-End Financing

An additional approach that is used in other cities and that could reduce the City's financing needs is to shift the responsibility for financing growth-related costs onto developers. Often this is done if a developer wishes to advance a development ahead of the municipality's planned timing. In these situations the developer often also undertakes the construction. Credits are provided by the municipality in exchange for undertaking this work and are applied against levies when payable. This approach is probably less practical in Saskatoon given the fact that the City is so heavily involved itself in land development and takes such a lead role in servicing.

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[3] *However, it is understood that the interchange component of the rate is adjusted for retail centre developments.*

## C. OTHER FUNDING OPTIONS

The funding and financing options discussed above are all either those currently used by the City to pay for growth or are alternatives that are used in other places. There are however, many other tools that the City might wish to consider as alternatives to these more traditional growth funding and financing methods. Some of the alternatives are outlined below. Needless to say, should the City wish to pursue any of these alternatives, additional work would be required in order to validate the approach. Most importantly they have to be assessed in terms of the legislative requirements that would need to be met.

### 1. Transportation Oriented Options

Three funding tools that have specific relevance to the funding of transportation infrastructure are:

- **Parking Space Charge** – Applying an annual charge to parking spaces would generate a steady and predictable stream of revenue. It would be relatively easy to administer and could be incorporated into the property tax bill. While charges would naturally be unpopular, opposition could in part be mitigated if the revenues were specifically directed towards transportation capital project.

- **Tolls** – With advances in technology, it is increasingly practical to implement tolls. This approach could for example be applied to new sections of limited access arterial roads and to bridges. There is a clear linkage for this tool between source and application.

- **Vehicle Registration Fee** – A third potential transportation related potential funding tool is a vehicle registration fee. This would generate a predictable flow of revenue and, assuming the Province would be prepared to add it onto the vehicle licence fee, would be relatively easy to administer. As with any new fee or charge it would be unpopular but again this could to some extent be mitigated by committing the revenue to road related capital projects.

### 2. Value Capture Fee

Levying fees to capture a portion of increases in property values that arise as a result of City investments in infrastructure is feasible but not common. Usually, value capture fees are considered where a major project such as a subway or an LRT is built and where it is very clear that property values will rise as a result. The drawback to the funding tool is that it is difficult to apply and is unpredictable both in terms of

the revenues it can raise and the timing. Such a fee does however have a good linkage between source and application.

A variant on the value capture fee is a fee (or equivalent) that is liked to increases in the permitted amount of development for a property, over and above what is allowed under the existing zoning. For example, if permission is granted to allow additional units on a residential development site, the City could consider charging a fee to pay for local service upgrades. Alternatively, the developer could in exchange for the extra density, be required to provide an additional local amenity. The linkage between source of such a fee and its application is clear.

### 3. Land Transfer Tax

A City based land transfer tax is potentially a very significant additional funding source. This has been demonstrated in the City of Toronto where in the last four years the tax has generated nearly $1.3 billion. A particular advantage of the tax is that it is linked to property values and therefore tends to rise from year to year without the need for rate adjustments. While the tax is real estate related there is no particular relationship between the source of the revenue – real estate sales– and the use to which the revenues are put. From a practical point of view, the tax has the advantage, however since most people buy property very infrequently only a limited number would be affected in any given year. As well, while the tax may be quite substantial, in relation to the overall amounts involved in a real estate purchase the tax would be a relatively small share.

The revenue tools discussed above are a sample of the wide range of options that could be considered. While none of them are self-evidently appropriate to be implemented in Saskatoon, it is certainly the case that the City, like nearly all cities in Canada, is highly reliant on property tax and therefore some alternative revenue sources would be helpful especially if they are tied directly to a particular category of future expenditures such as to transit or roads.

In the final section of the report that follows, the overall conclusions that have been drawn from the study are set out together with a number of suggested directions that the City could take in relation to the funding of growth-related infrastructure.

# VIII OBSERVATIONS AND SUGGESTED FUTURE DIRECTIONS

This study has been undertaken in order to provide the City and more broadly Saskatoon's residents with a better understanding of the way in which the new services required to meet the needs of new development are being paid for. This issue is important since Saskatoon has been growing rapidly for some years and this trend is expected to continue.

## A. THE CHALLENGE OF GROWTH

While there are many advantages to a growing city there are also drawbacks. It is difficult to keep up with the growing pressure on road capacity and the need to provide better transit service to relieve some of the pressure at an affordable cost is a growing challenge. As well as demand for additional community facilities always seems to outstrip the rate at which new centres are added.

While thus far the City has managed its way through the recent period of expansion well, it is conscious of the need to think carefully about how growth is to be handled in the future. It has developed a strategic plan and is working through an *Integrated Growth Plan* process. A key element of this plan which is a response in part to the challenges posed by growth is the emphasis to be placed on intensification. This should see more residential units being developed within the City's existing urban envelope and a more units per hectare being achieved in new neighbourhoods.

Another aspect of the changes that will affect Saskatoon as it continues to grow is the increasing scale and complexity of its infrastructure needs. There is an approaching need to increase water and wastewater plant capacity and new river crossings will be needed. Major infrastructure projects such as these, the need for which stem largely from the growth-related demand lend themselves to P3 procurement arrangements. This approach is being used to develop the new Civic Operations Centre. However, tying P3 concession payments for projects of this type into development levies may be difficult.

### 1. Saskatoon's Land Division is Unique

A unique aspect of the City of Saskatoon is that it operates a highly successful land development business which in 2012 had land sale revenues of over $166 million. Operating as the Land Division, it reportedly has about a 50% share of Saskatoon's land market. The Land Division develops land for residential, multi-family, industrial, commercial and institutional users and since 1954 has been able to sustain itself through a long-term land bank program. Surpluses (akin to profits) from the Land Division are used by the City to fund civic projects notably the City's affordable housing program. Some of the projects that the surpluses help pay for are at least in part growth-related. The surpluses therefore help reduce costs that might otherwise need to be included in the development levy. Thus, the surpluses are in part being recycled to the benefit of the Land Division since lot prices are indirectly enhanced if development levies are kept low.

### 2. How does Saskatoon Fund Growth-Related Infrastructure

A key component of the work undertaken in this study has focussed on understanding how the City pays for the infrastructure that is required to meet the service needs of new development. The answer to this question is not clear cut. The City's development levy pays for the bulk of the required new infrastructure. However, other components are funded, not by new development, but through property taxes, utility rates, grants and Land Division surpluses. In the case of water and wastewater infrastructure, new development is making use of excess capacity that was built and paid for some time ago. The way in which infrastructure is funded is not consistent as some types of projects may be funded differently from project to project. Overall therefore, because the apportionment between existing and new development of the costs and benefits of capital projects does not follow a consistent approach, the extent to which costs attributable to growth are paid for by growth may vary from year to year.

### 3. Saskatoon's Levy Program is Comparable to Other Communities

A review of growth-related capital levy programs elsewhere in Saskatchewan and for communities in other provinces indicates that Saskatoon's approach is in the mid to upper end of the "growth pays for growth" spectrum. Ontario's legislation is very inclusive and as a result charges tend to be high. In contrast, Winnipeg recovers only a limited amount of growth-related costs from new development.

Saskatoon's rate structure is very simple and has only limited differentiation between land uses. As more infill, redevelopment and intensification occur, and in a greater variety of development results, the current rate structure may warrant review. As

well the provision of exemptions or discounts for specific types of development or locations may also be warranted.

## B. FACTORS FOR CONSIDERATION

Taking account of the discussion above and more the detailed issues that were examined during this study, a number of options designed to realign and or broaden the City's funding capacity for growth-related infrastructure have identified. These options have been grouped under three headings; Scope, Scale and Clarity.

### 1. Scope

The current system of funding growth broadly divides costs between development levies, utility rates and property taxes with the levy funding by far the largest share. Were the City to consider it desirable for new development to pay a larger share of growth-related costs there is scope within both the legislation and the services covered to increase the levy. For example shares of major infrastructure projects that are currently funded through taxes could be added to the levy. In the future as new water and wastewater plant investments are required, their costs could and perhaps should be recovered through the levy. If on the other hand the City is reluctant to raise levies or to place more of the burden on property taxes or rates, other funding approaches, some of which have been outlined in this report, could be considered. In particular, transportation infrastructure could be targeted using automobile based fees.

### 2. Scale

The current levy structure is very simple. Three sets of rates, one for residential development, another for for institutional, commercial, schools and residential lots with an area of over 1,000 metres and a third for industrial uses. While the structure has merit in that it is easy to understand and apply, it does not provide any differentiation for more specific land uses or building size, even though these factors have a significant bearing on the scale of service demands. For example, a multi-storey office building which has a high density of employees places a much higher demand on road capacity than a single story industrial building located on an equivalent sized site. The City might wish to consider making modifications to the structure of the development levy to take account of such additional factors that affect the need for services and infrastructure. Use of area-specific charges could also be considered if location-based factors are considered to have a significant influence on infrastructure costs.

### 3. Clarity

While it does not directly affect the way in which growth-related projects are funded, it is suggested that the City give consideration to making the funding structure and process clearer. At present it is difficult to identify exactly how much it is costing the City to provide the infrastructure required to meet the needs of new development. It is also difficult to clearly identify how the costs are funded.

A similar information challenge applies to the calculation process that is used to determine the development levy rates. In order to provide greater clarity so that both developers and others understand exactly how levy rates are derived, it is suggested that the methodology be spelled out together with details of the calculations.

Details of the funding structure and process lend themselves to being set out in a formal policy document. The preparation and adoption of a formal growth funding policy document of this type would provide a good framework within which to review how the City funds growth.

# APPENDIX A

## MUNICIPAL FINANCE ISSUES RELATING TO DIFFERENT FORMS OF DEVELOPMENT

# APPENDIX A

## MUNICIPAL FINANCE ISSUES RELATING TO DIFFERENT FORMS OF DEVELOPMENT

The following appendix provides commentary on the impact that minor infill projects, major infill projects and greenfield development has on City revenues, operating costs and capital costs. It also considers other aspects relating to each type of development. Today, infill projects represent approximately 20% of growth and greenfield development represents 80%. The City's target is to move to a 30/70 split between infill and greenfield development with longer term projections of 50/50.

## A. MINOR INFILL PROJECTS

Projects of this type consist of what the *Growing Forward* project refers to as Neighbourhood Level Infill. These are small scale (one, two and semi-detached dwellings and small condominium projects mainly) residential developments that utilize vacant lots or involve replacing a small house with a duplex on neighbourhood streets. While not strictly infill projects, major renovations and additions to existing units can also be considered in this category since they extend the lives of buildings and increase the amount of living space to accommodate additional residents. The level of activity for these types of infill development has increased dramatically in the last few years in Saskatoon.

*Figure 1 – Samples of Minor Infill Projects*

Typical semi-detached infill project in an established neighbourhood (left), and a new multi-family condominium project in an established mixed use neighbourhood (right).

The following is a summary of how these projects impact city finances:

- **Revenues –** given that these projects involve new construction, property taxes will be at least equal to and generally higher than for neighbouring houses. These projects are unlikely to pay Development Levies, unless there is a subdivision of land or a condo plan approved.

- **Operating Costs –** because of their small scale this type of development is able to utilize existing capacity in city services with only a marginal effect. Nevertheless over time as the collective number of units becomes more significant overall service levels could decline but not to the extent that the change is evident.

- **Capital Costs –** as with operating, because of their small scale there is seldom any need for new city funded infrastructure to be added when these developments are undertaken.

- **Other Impacts –** one of the key benefits of small infill projects is the halo effect they have on the surrounding area as they tend to stimulate additional investment.

## B. MAJOR INFILL PROJECTS

Major infill projects can vary significantly but consist of what the *Growing Forward* project refers to as Intermediate Level and Strategic Level Infill.

- Intermediate Level Infill – these are larger sites, usually surplus land, which can be developed as additions to neighbourhoods, or along major corridors. The *Growing Forward* project is proposing to lift development rights to encourage a much higher mixed-use (residential and commercial) density mainly along proposed new high frequency and rapid transit routes, and key development nodes, like older shopping centres.

- Strategic Level Infill - these are large, redevelopment opportunities which exist on University surplus agricultural lands, North Downtown and within the City Centre.

*Figure 2 – Samples of Major Infill Areas and Projects*

The City Centre is a strategic infill area (left). The Pleasant Hill Village is a major infill/revitalization project (right).

The impact that these projects have on city finances can vary greatly from project to project:

- **Revenues** – given that these projects involve new construction it can be anticipated that the property taxes they generate will be equal to or higher than comparable newer properties. As these projects often involve plans of subdivision most will pay Development Levies.

- **Operating Costs** – existing roads, water and wastewater infrastructure, parks, recreation facilities and libraries may be capable of meeting part or all of the needs of these developments depending on the amount of underutilized capacity of each facility. However the impact on each service will vary from project to project. Large projects are understandably more likely to require additional services with attendant cost implications.

  These developments tend to improve transit utilization when they are located along or near existing routes assuming that the routes are not already operating and capacity and do not need to be extended.

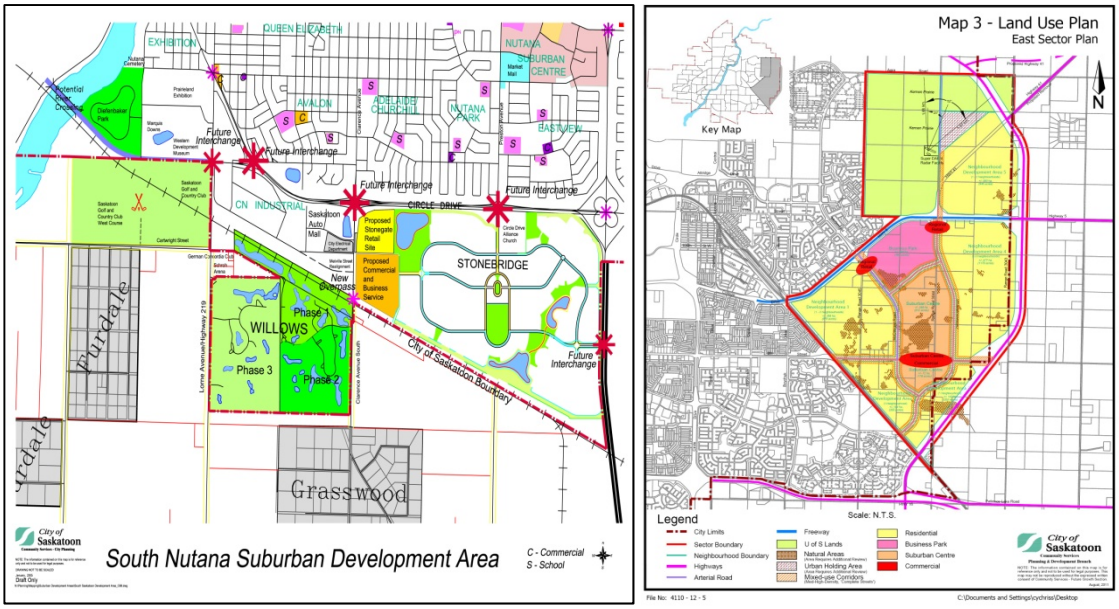
- **Capital Costs** – vary according to the particular characteristics of each project. Costs can be very low if there is available capacity. However should additional infrastructure be required it can be very expensive particularly if being integrated into a developed area. For example, should there be insufficient capacity in the water main or trunk sewer it can be very costly to replace pipes that are not at the end of their useful life.

  On the other hand, major infill projects that are able to leverage existing local roads and use capacity in the water and wastewater infrastructure can be cost effective.

## C. GREENFIELD DEVELOPMENT

Greenfield development refers to new suburban neighbourhoods generally constructed outside of Circle Drive.

*Figure 3 – Samples of Greenfield Development*




These developments generally have the following impacts on city finances:

- **Revenues** – given that these projects always involve new constructions it can be anticipated that property taxes will be equal to or higher than comparable new houses. However, it may be the case that new Greenfield units will have higher persons per unit than existing households and that therefore property taxes per capita may be moderated. These projects will pay Development Levies.

- **Operating Costs** – costs will increase according to the characteristics of each service. The characteristics/impacts of growth for each service is discussed in detail in Table 9 (page 19) of the main body of this report. There are generally few opportunities for cost savings.

- **Capital Costs** – Greenfield developments generally require new local infrastructure for all services. They also absorb capacity from city-wide infrastructure (e.g. bridges, water and wastewater treatment plants). This can lead to a need for large up-front investment. However once made the

repair/replacement requirements will be minimal in the short to medium-term as compared to infill projects that use existing infrastructure.

When analyzing the marginal costs and benefits of Greenfield developments there are a couple of key points to consider in addition to the above:

- While new neighbourhoods provide housing and many of the commercial and community amenities that residents require they are not designed to be completely self-sufficient. Most of the office, commercial, industrial and institutional space where residents work is located elsewhere. Accordingly, when considering the financial impacts of greenfield development it is important to take into account that there are additional city-wide impacts.

- Ground oriented units are likely to remain the form of housing most in demand in Saskatoon for the foreseeable future and greenfield development is the form most capable of delivering the required number of units. However it is realistic to anticipate that the density within new developments can be increased further and that a larger share of demand could be met through intensification within the existing urban envelope.

In summary, while it is helpful to understand the impact that each form of development has on city finances, it is typically market demand that has the greatest influence on the form of housing constructed. Notwithstanding this, the City does play an important role in influencing the pattern of growth through thoughtful urban planning and encouraging a range of choices for consumers. Accordingly, to ensure that "smart growth" is achieved the City will need to continue to keep this objective in mind in the strategic planning process.

# APPENDIX B

## SCALE AND COMPOSITION OF RESIDENTIAL TAX INCREASES (2009-2015)

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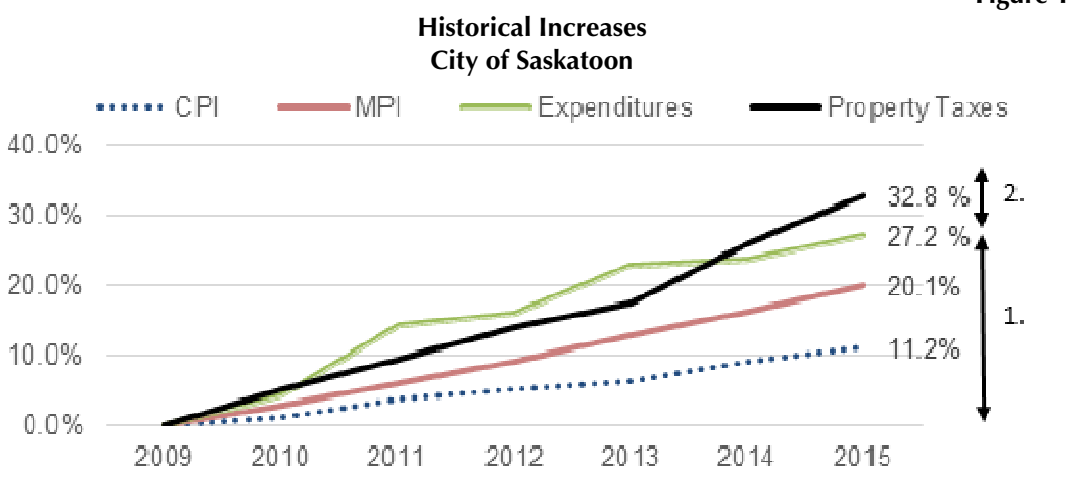
## SCALE AND COMPOSITION OF RESIDENTIAL TAX INCREASES (2009-2015)

### A. INTRODUCTION

Since 2009 the City has experienced both high growth and property tax increases. This appendix provides an analysis of city revenues and expenditures and identifies a number of factors which have contributed to the increase in taxes.

**Figure 1**




This appendix sets out to explain the following from Figure 2:

1. **The increase in city expenditures.** The increase in city expenditures at minimum would be expected to increase by CPI. However, the goods and services municipalities purchase tend to be more expensive than those used to determine CPI. Therefore while costs could be expected to increase by the Municipal Price Index (MPI), in fact city expenditures per household have increased slightly faster than MPI.

2. **Property taxes have increased faster than city expenditures.**

The appendix begins with an overview of key inflation and demographic metrics. The next section provides analysis on the changes in city revenues, both tax and non-tax, and the final section analyzes city expenditures by type and service.

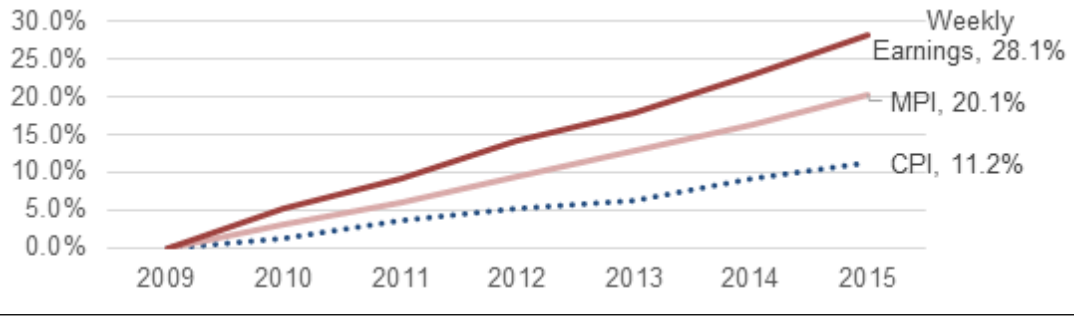
## B. KEY METRICS

There are a number of metrics that are important to consider when analysing factors influencing property tax increases. These metrics are used in order to isolate the specific contributory factors.

### 1. Inflation Measures

**Figure 2**

**Inflationary Measures**
**City of Saskatoon**




- Consumer Price Index (CPI)[1] - measures changes in the price level of a basket of goods and services purchased by an average household. CPI in the Province of Saskatchewan increased 11.2% or an average of 1.9% annually from 2009-2015.

- Municipal Price Index (MPI) – measures the changes in the price level of the basket of goods and service purchased by the City of Saskatoon. The City began calculating an MPI in 2013 and has calculated the MPI to be 3.3% in 2013, 3.2% in 2014 and 3.2% in 2015. Assuming an MPI of 3% for 2010-2012, the cumulative MPI from 2009-2015 was 20.1%.

- Weekly Earnings[2] – measures the increase in average weekly earnings in the Province of Saskatchewan. This measure increased 28.1%, or an average of 4.7% from 2009-2015.

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[1] *2009-2014 - Statistics Canada (http://www.statcan.gc.ca/tables-tableaux/sum-som/l01/cst01/econ09i-eng.htm); 2015 – average of CPI between 2009-2014*

[2] *2009-2014 – Statistics Canada (http://www.statcan.gc.ca/tables-tableaux/sum-som/l01/cst01/labr79-eng.htm); 2015 – average of changes in Weekly Earnings between 2009-2014*

## 2. Demographic Measures[3]

**Figure 3**

**Population, Households and Employment**
**City of Saskatoon**

| | Total Change | Total Change (%) | Average Annual Change |
|---|---|---|---|
| **Population** | 47,900 | 22.9% | 3.49% |
| **Households** | 15,875 | 18.0% | 2.79% |
| **Employment** | 25,901 | 20.4% | 3.15% |

There are two key observations from Figure 3:

1. **Population is increasing at a faster rate than households.** This can be attributed to new households having higher persons per unit (PPU) than existing households. According to Statistics Canada, the PPU in households built between 2006 and 2011 is 2.59 compared to 2.39 for all previously constructed homes.

   This is an important observation because some city services are population driven whereas the majority of revenues are household driven. Therefore when population increases faster than households it may translate to costs increasing at a faster rate than revenues.

2. **Population is increasing at a greater rate than employment**. This may be an indication that people are moving to Saskatoon but are working elsewhere. If this were to be the case, non-residential assessment would not rise in the same proportion as residential assessment which would result in the City receiving lower revenues per capita than in previous periods of growth.

[3] *Population – Statistics Canada 2011 Census; 2012-2015 annual staff estimates*

*Households – Statistics Canada 2011 Census; 2012-2015 calculated based on a PPU of 2.5*

*Employment - Statistics Canada 2011 Census; 2012-2015 calculated using the 2011 activity rate of 59.4%*

## C. ANALYSIS OF REVENUES

The revenue related aspect of the analysis first considers property taxes and the distribution of additional revenue between residential and non-residential development over the 2009-15 period. Next, the amount of non-tax revenues was examined to determine the extent to which these funds have changed.

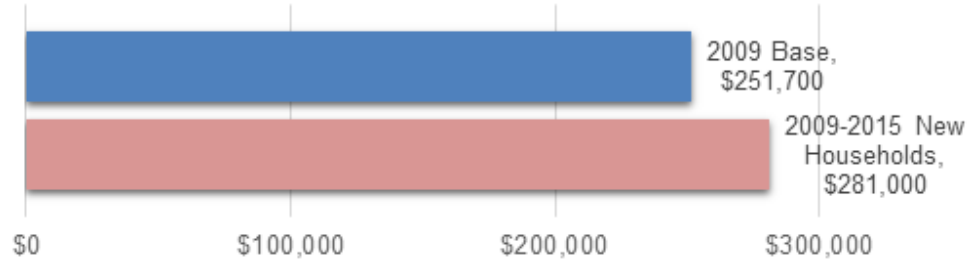
### 1. Property Taxes and Assessment

Three conclusions were made after analyzing the change in Property Taxes and Assessment:

1) **New households have generated higher assessments (11.6%) than existing households (Figure 4).**

**Figure 4**

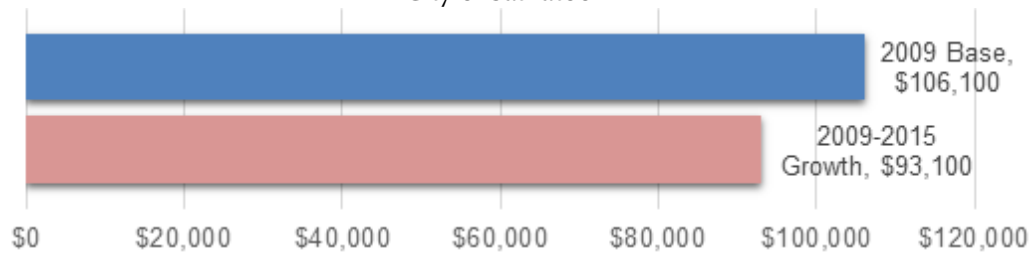
**Comparison of Average Assessment per Household**
**City of Saskatoon**




2) **Population is growing faster than households.** As a result new population (as a measure of growth) has generated relatively less assessment (12.3%) than the existing base (Figure 5).

**Figure 5**

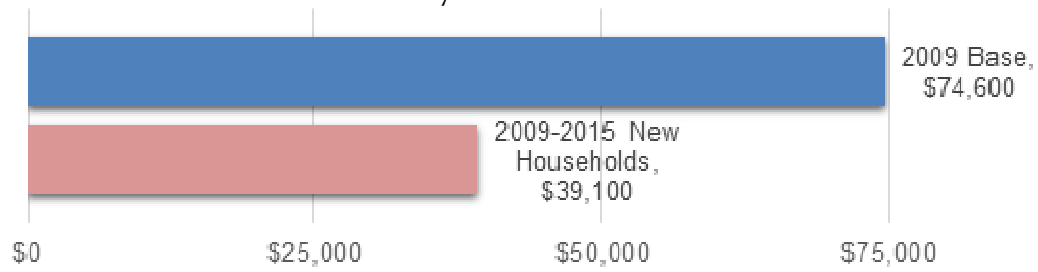
**Comparison of Average Assessment per Capita**
**City of Saskatoon**



3) **Non-residential taxable assessment has grown at a slower rate than residential assessment** Figure 6 illustrates that in 2009 there was $74,600 of non-residential assessment per household whereas there has only be $39,100 of residential assessment per household in the households that have been constructed between 2009-2015.. This means that the residential sector is now funding a greater share of city expenditures.

**Figure 6**

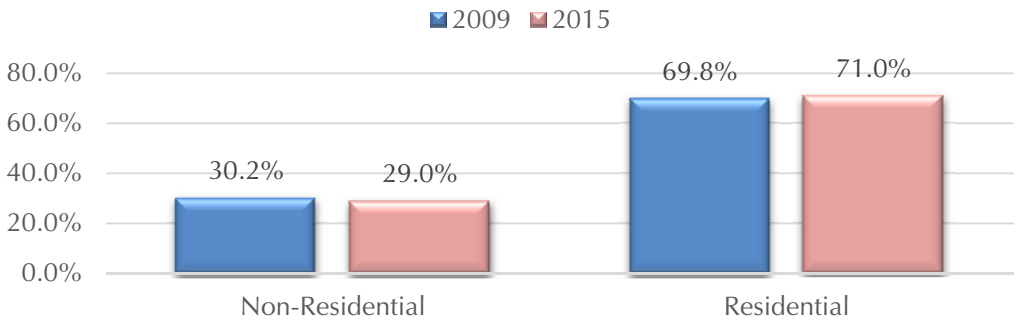
**Non-Residential Taxable Assessment per Household**
**City of Saskatoon**




- Figure 7 shows the impact that the slower growth of non-residential assessment has had on the share of taxable assessment. The residential share has increased by 1.2% and while this does not appear to be a very significant shift, in fact it is very material given that for 2015 1.2% of property tax revenue is equal to $2.55 million.

**Figure 7**

**Share of Taxable Assessment**
**City of Saskatoon**

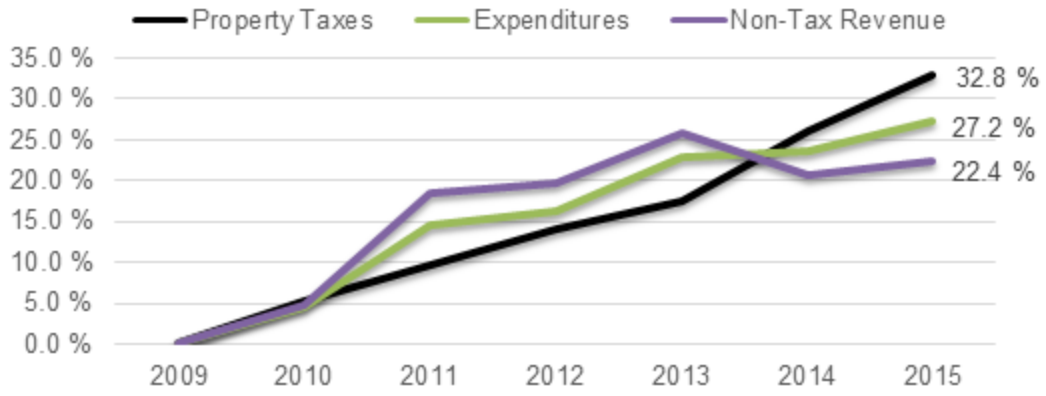


## 2. Non-tax Revenues

This section provides analysis on the City's Non-tax Revenues. Figures 8 and 9 compares the change in Non-tax Revenues and Property Taxes between 2009-2015 and then Figures 10 and 11 provide a detailed breakdown of the change of each revenue type over the same period.

**Figure 8**

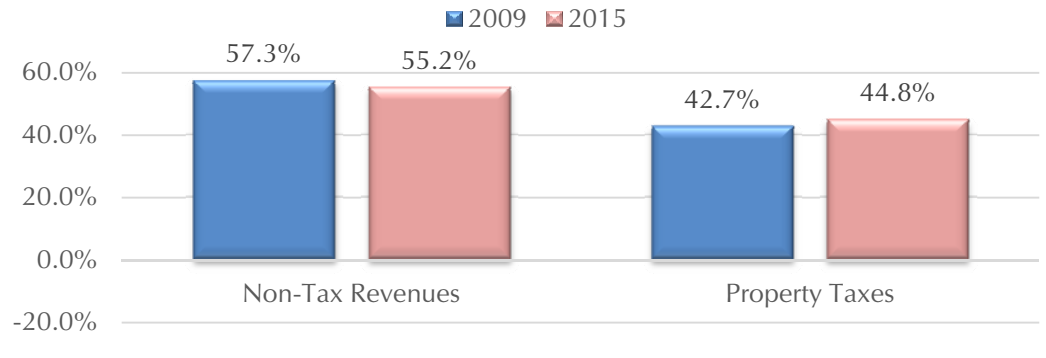
**Change in Non-tax Revenues per Household (2009-2015)**
**City of Saskatoon**




- Figure 8 shows that Non-Tax Revenues have not increased at the same rate of City Expenditures between 2013-2015; when this occurs Property Taxes increase and fund a greater share of the budget.

**Figure 9**

**Change in the Share of Total Revenues**
**City of Saskatoon**




- Figure 9 illustrates that the share of non-tax revenues decreased by 2.1% since 2009. This change results in the need for property taxes to fund $9.22 million more of the budget.

**Figure 10**

**Share of Revenues by Type**
**City of Saskatoon**

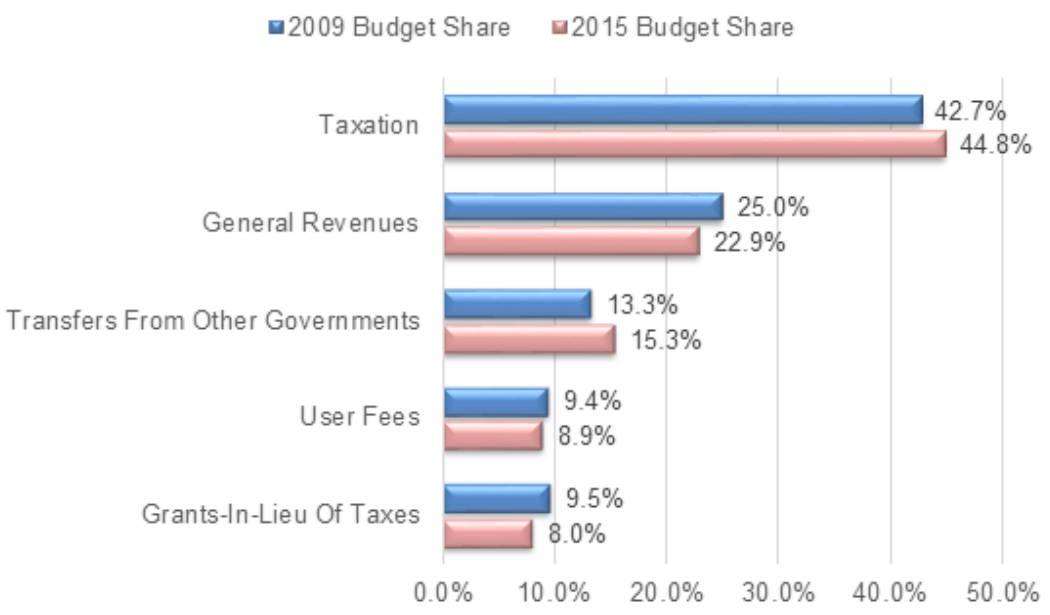
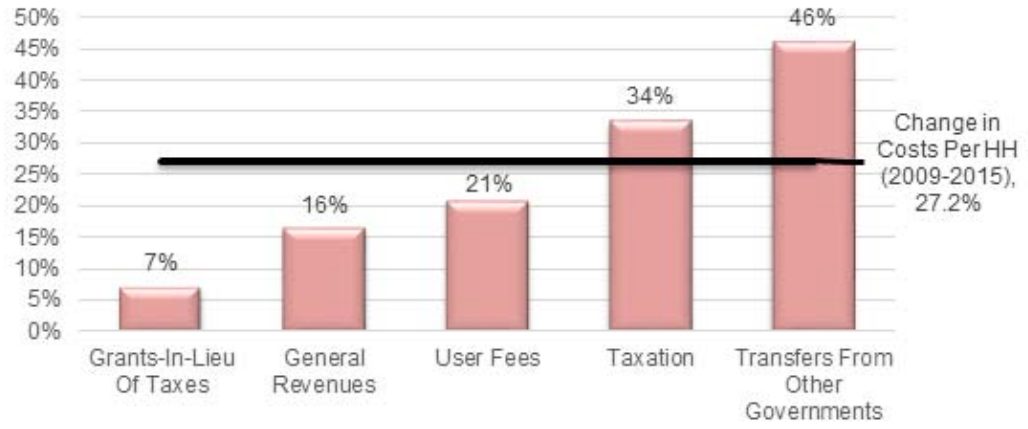



**Figure 11**

**Revenue per Household Change (2009-2015)**
**City of Saskatoon**




- Figure 10 provides a breakdown of the share of the City's revenue sources in 2009 and 2015. Taxation now funds a greater share of the budget because the Non-Tax Revenues (except for Transfers from Other Governments) have not grown at the same rate of City Expenditures.

- Figure 11 shows that Grants-in-Lieu of Taxes, General Revenues and User Fees did not keep pace with the change in city costs. These three revenue types are driving the need for property taxes to fund a greater share of costs.

    - General Revenues represents the largest type of non-tax revenue and did not keep pace because:

        1. Saskatoon Light and Power (SL&P) were required to increase their capital investment in order to maintain their assets. This increase prevented SL&P from increasing the annual Return on Investment to the City of Saskatoon at a rate that reflects consumption growth and inflation.

        2. The municipal payment from SaskEnergy decreased due to gas commodity rates substantially decreasing between 2009 and 2014.

    - Grants-In-Lieu-of Taxes represent grant payments from the federal and provincial orders of government in place of property taxes for government owned/managed properties. The small increase in this category indicates that few provincial and federal properties were added during this period.

## D. ANALYSIS OF EXPENDITURES

The analysis first examines expenditures by type (ie. salaries, materials, fuel, etc.) and then looks at the net expenditures by service in order to pin point the source of the increases.

**Figure 12**

**Share of Expenditures by Type**
**City of Saskatoon**

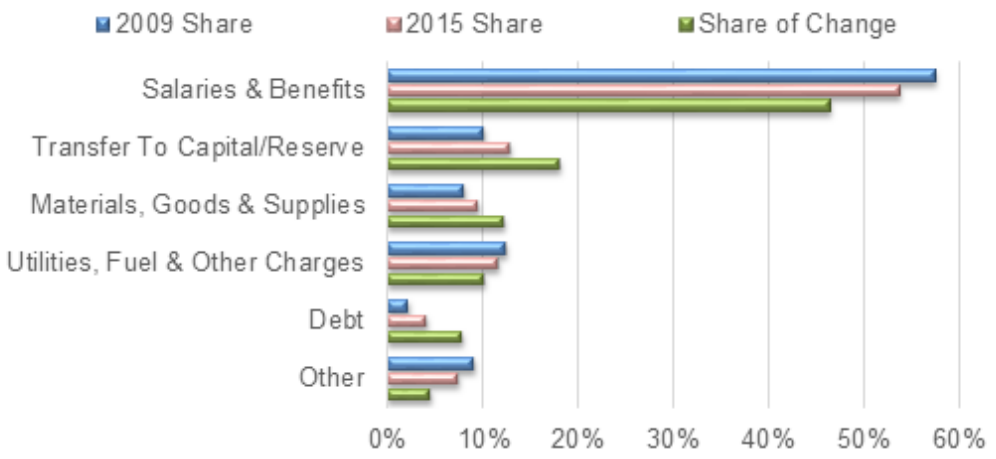
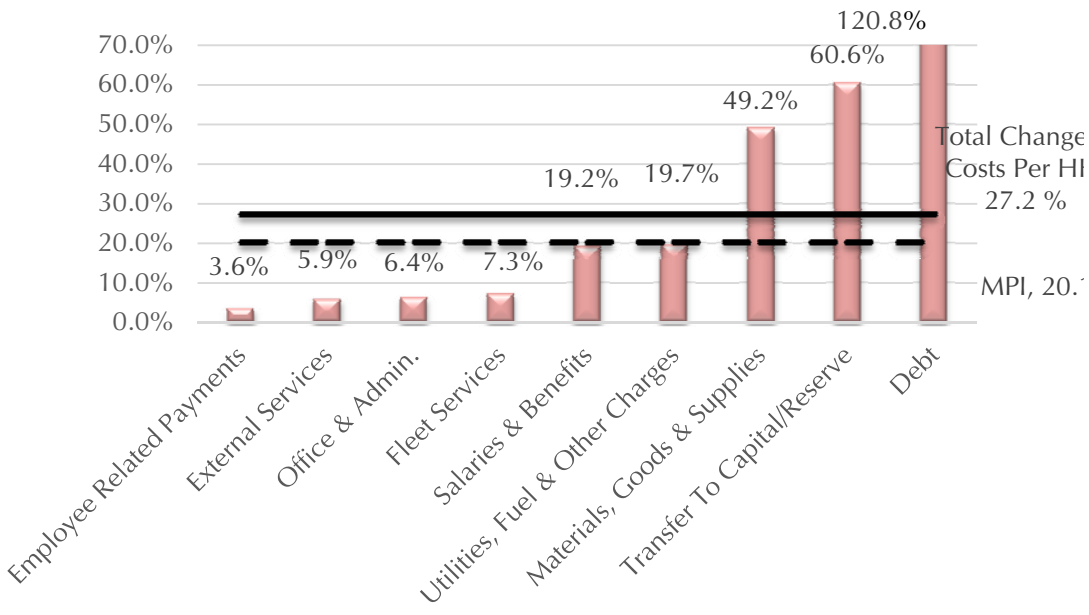



**Figure 13**

**Expenditure per Household Change (2009-2015) – By Type**
**City of Saskatoon**



- Figure 12 and Figure 13 show that Materials, Goods & Supplies, Transfers to Capital/Reserves and Debt Payments have been the main drivers of the cost increases over and above MPI.

    - Transfer to Capital/Reserve and Debt increases are related to the increase in capital expenditures in Roadways and projects such as the new Police Headquarters.

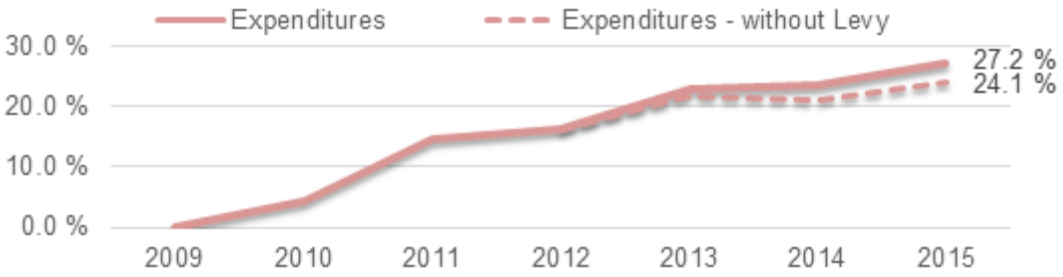
    - Materials, Goods and Supplies (MG&S) also attributed to the increase in the Roadways program given that the associated materials required for the maintenance of roads and sidewalks are included. Costs for the introduction of the compost program are also included in MG&S.

**Figure 14**

**Impact of Dedicated Tax Levy on Property Taxes**
**City of Saskatoon**


**Figure 15**

**Impact of Dedicated Tax Levy on Expenditures**
**City of Saskatoon**




- The increase in the City's Roadways program has provided residents with a service level increase. A portion of the increase has been funded through a Dedicated Tax Levy. Figure 14 shows that the Dedicated Tax Levy represents 6.6% of the 32.8% Property Tax increase.

- Figure 15 shows that the share of the Roadways investment that is funded through the Dedicated Tax Levy represents 3.1% of the expenditure increase.

**Figure 16**

**Share of Net Expenditures by Service**
**City of Saskatoon**

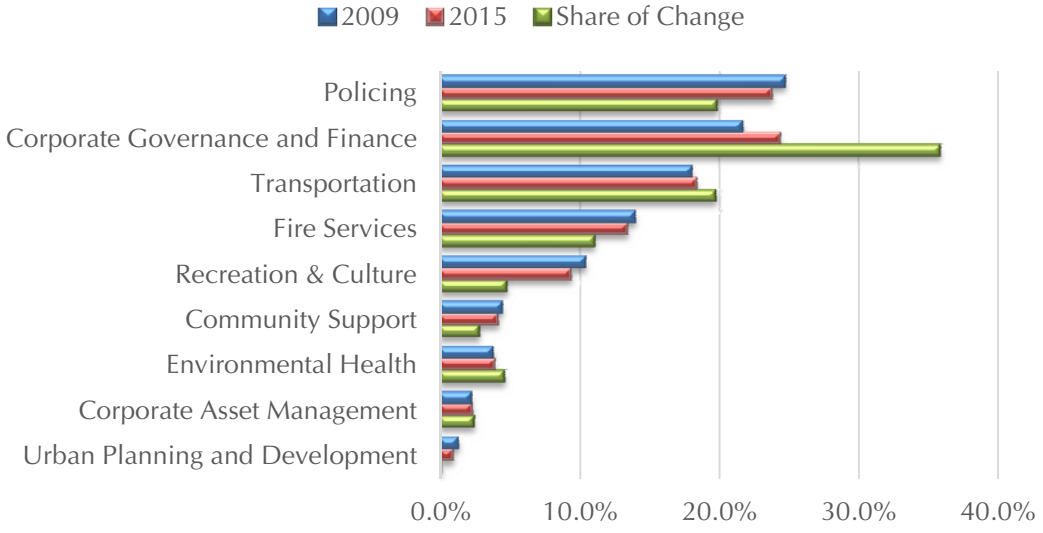
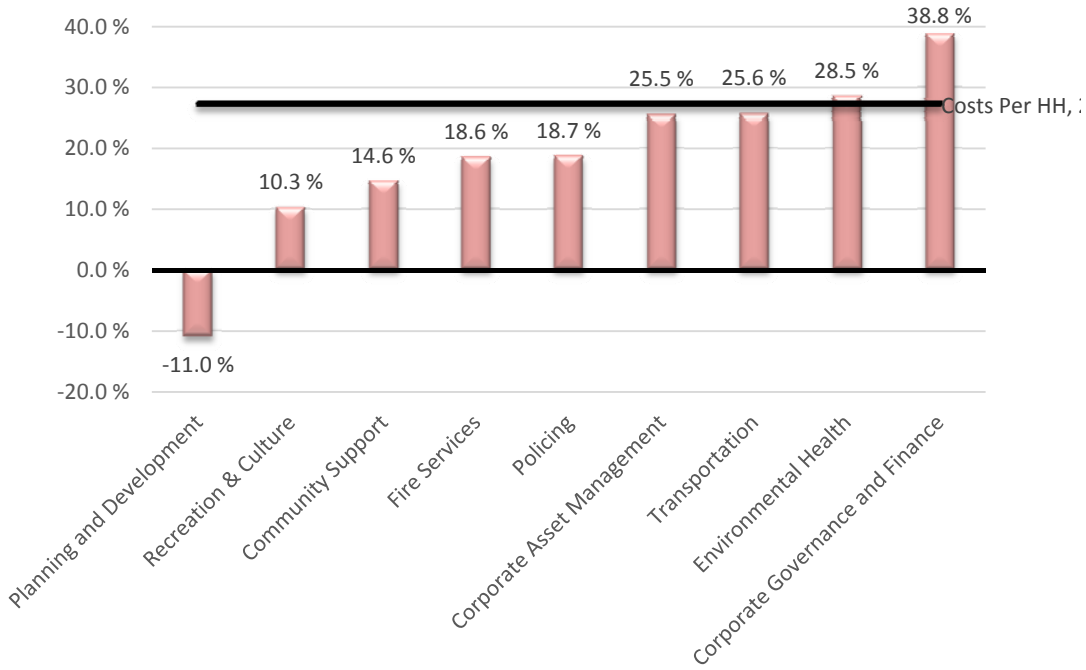



**Figure 17**

**Net Expenditure per Household Change (2009-2015) – By Service**
**City of Saskatoon**

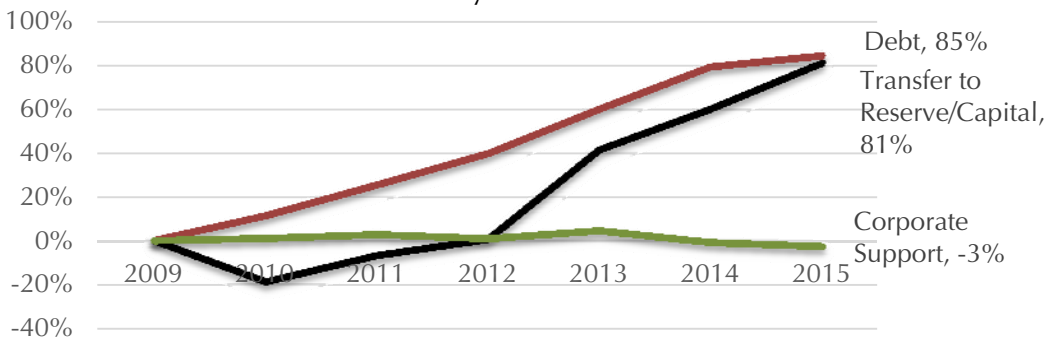


- Figure 16 and Figure 17 show the same results as the analysis by expenditure type. Corporate Governance and Finance, the largest share of expenditures for the City of Saskatoon, increased by 38.8%.

    - This service provides corporate support (administrative services, human resources, information technology, and finance support) for all other services. This is also where Transfers to Capital/Reserves and the Debt Payments are accounted for in the budget.

**Figure 18**

**Change in Corporate Governance and Finance Cost per Household from 2009 City of Saskatoon**




- Figure 18 shows that the "Corporate Support" portion of Corporate Governance and Finance on a net expenditure per household had a marginal decrease between 2009 and 2015 whereas Debt Management increased by 85% and Transfer to Reserve/Capital increased by 81%.

## E. CONCLUSION

Analysis of city revenues and expenditures has shown that the following factors have each played a role in the increase in property taxes:

1. Increase in City costs:

    - Inflation: The City experiences a higher rate of inflation than the Consumer Price Index (CPI). This is because the "basket of goods" the City pays for (fuel, asphalt, electricity, facility/equipment repairs, maintenance costs) is different than the average household's (rent, food, household expenses and education).

    - Increased Capital Expenditures – specifically roadways: The City has significantly increased the amount spent on road, sidewalk and bridge maintenance, snow and ice removal and street sweeping.

2. Property taxes have increased faster than City costs

    - Non-tax Revenues: Non-tax revenues have increased at a slower rate than expenditures, which has resulted in property taxes funding a greater portion of City expenditures.

    - Non-residential Assessment: Because non-residential assessment has not kept up with residential assessment, the residential sector is now funding a greater share of City expenditures.

While over the 2009-2015 period growth resulted in increases in both revenues and costs and because city services are so integrated, it is difficult to pin point exactly how much growth has impacted city finances as compared to the existing base. The study has shown that new units tend to have high assessments relative to existing units implying a higher than average revenue generation.

From an operating cost perspective, as is noted above, it is hard to isolate the increases related to growth. However it is the case that new subdivisions are well designed and contain new infrastructure that is unlikely to involve much maintenance or repair work. The one aspect of new growth which may result in higher than average costs is the unfunded infrastructure (i.e. infrastructure not paid for either through Development Levies and other capital funding sources such as Land Division surpluses).