

Policy Updates Required – Council resolutions – 1996 to 2011 – Contact Kerry Tarasoff – 975-2449

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| POLICY TITLE <i>Cross-Charges Levied on Civic Utilities and Boards</i> | ADOPTED BY: <i>City Council</i> | EFFECTIVE DATE <i>December 7, 1992</i> |
| ORIGIN/AUTHORITY <i>City Commissioner Report No. 10-1987; Works and Utilities Committee Report No. 26-1992</i> | CITY FILE NO. <i>4140-5 and 1905-2</i> | PAGE NUMBER <i>1 of 8</i> |

1. PURPOSE

To ensure fiscal accountability by levying cross-charges on certain utilities and boards in order to reflect the operating costs that would be incurred if each was a separate and autonomous entity.

2. DEFINITIONS

2.1 Cross-Charges - accounting charges that are levied on one program by another program without the transfer of cash or the issuance of cheques.

2.2 Customer Billing and Collection Charge - a cross-charge levied by the Treasurer's Department on certain utilities in recognition of their share of the cost of those activities performed by the Treasurer's Department for the utilities.

2.3 Administrative Cross-Charge - a cross-charge levied through the General Services Program on certain utilities and boards in recognition of the cost of activities performed for them by various support service departments. The administrative cross-charge shall be based on "proportional expenditures served".

2.4 Grants-in-Lieu of Taxes - a cross-charge levied through the General Services Program on certain utilities in recognition of the municipal taxes that they would incur if they were a private entity (not owned by the City of Saskatoon).

3. POLICY

Administrative cross-charges shall be levied on civic utilities and boards where doing so serves to:

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- Establish utility rates that reflect the total cost of operations;
 - Establish mill rates other than the municipal mill rate; and
 - Secure eligible senior government cost-sharing grants.
- 3.1 Administrative Cross-Charge - an administrative cross-charge shall be levied on the Electrical, Sewage and Water Utilities, the Transit System and the Saskatoon Public Library for support services provided by the following:
- Central Purchasing and Stores - purchasing services only;
 - City Clerk - general departmental services;
 - Commissioner - general departmental services;
 - Comptroller - budgeting, accounting, payroll and benefits services;
 - Audit Services - policy and program overview development and assistance, program evaluation and comprehensive audit services;
 - Personnel Services - all personnel services;
 - City Solicitor - legal and risk management services;
 - Treasurer - general services (i.e. telephone and mail). Excludes Customer Billing and Collection Services which are charged directly to the Water, Sewage and Electrical Utilities.

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- a) The formula for calculating the administrative cross-charge levied on Electrical, Sewage and Water Utilities shall be:

$$a = (b/c) \times d$$

Where a = the amount to be cross-charged to the particular utility.

b = the utility's total approved operating expenditure estimates for the five-year period immediately preceding the budget year (excluding the bulk power estimates for the Electrical Utility, all grants-in-lieu of taxes, all transfers to reserves and all debt charges).

c = the total approved corporate operating expenditure estimates for the five-year period immediately preceding the budget year. Total approved corporate operating expenditure estimates shall include all municipal operations, utilities, and the Saskatoon Public Library Board but shall not include the administrative support service departments' operating estimates, the cost of bulk power for Electrical, all transfers to reserves, all debt charges, all grants-in-lieu of taxes nor the City's contributions to Transit.

d = The support services departments' total approved operating estimates for the year immediately preceding the budget year.

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- b) The formula for calculating the administrative cross-charge levied on the Saskatoon Public Library shall be:

$$a = (b/c) \times (.70) (d)$$

Where a = the amount to be cross-charged to the Library.

b = the Library's total approved operating expenditure estimates for the five year period immediately preceding the budget year (excluding all transfers to reserves and all debt charges).

c = the total approved corporate operating expenditure estimates for the five-year period immediately preceding the budget year. Total approved corporate operating expenditure estimates shall include all municipal operations, utilities, and the Saskatoon Public Library Board but shall not include the administrative support service departments' operating estimates, the cost of bulk power for Electrical, all transfers to reserves, all debt charges, all grants-in-lieu of taxes, and the City's contributions to Transit.

d = the support service departments' total approved operating estimates for the year immediately preceding the budget year.

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- c) The administrative cross-charge levied on the Transit System shall be equal to 1% of the Transit System's previous year's total approved operating expenditure estimates.

3.2 Grants-in Lieu of Taxes - grants-in-lieu of taxes shall be levied on the Electrical, Sewage and Water Utilities and the Transit System.

- a) Grants-in-lieu of taxes shall be calculated as follows:
 - i) Electrical Distribution: 13.64% of metered revenue.
 - ii) Sewage Utility: 5.0% of metered revenue, excluding revenue designated for transfer to Sewage Capital Projects Reserve.
 - iii) Transit: application of the total property tax mill rate on the assessed value of Transit's property.
 - iv) Water Utility: 10.85% of metered revenue, excluding revenue designated for transfer to the Waterworks Capital Projects Reserve.
- b) For those cross-charges which are levied as a fixed percentage of a revenue base, the realized grants-in-lieu of taxes for each civic utility shall be based on actual revenues for each year.

3.3 Customer Billing and Collection Charge - the Customer Billing and Collection charge shall be levied on the Electrical Distribution, Water, and Sewage Utilities in order to fully allocate the associated operating costs (includes meter reading, billing, payment processing and collection costs) of the Treasurer's Department.

- a) The allocation of the customer billing and collection costs among the utilities shall be based on the following formula for each utility:

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$$U_i = \frac{(C_i^R \times M_i^R) + (C_i^B \times M_i^B)}{(C_T^R \times M_T^R) + (C_T^B \times M_T^B)}$$

Where U_i = percentage share of total customer billing and collection costs allocated to civic utility i.

C^R = average cost per meter read (= total cost incurred by the Treasurer's Department to read electrical and water meters divided by the combined total of electrical and water meters read).

C^B = average cost per meter billed (= total cost incurred by the Treasurer's Department to bill electrical and water meters divided by the combined total of electrical and water meters billed).

M_i^R = number of electrical or water meters read annually to determine the customers' utilization of the service provided by utility i.

(recognizing that $M_{Sewage}^R = 0$)

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$$M_{T}^{R} = \text{total number of electrical and water meters read annually where}$$

$$M_{T}^{R} = \sum_{i=1}^3 M_i^{R} \quad \text{and}$$

$$M_{\text{Sewage}}^{R} = 0$$

$$M_i^B = \text{number of meters billed annually for the service provided to customers by civic utility } i \text{ where it is deemed that:}$$

$$M_{\text{electrical}}^B = \text{number of electrical meters billed.}$$

$$M_{\text{water}}^B = \text{one-half of number of water meters billed.}$$

$$M_{\text{sewage}}^B = \text{one-half of number of water meters billed.}$$

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$$\frac{M^B}{M^T} = \text{total number of meters billed annually in accordance with the deemed definitions of}$$

$$M_i^B \text{ above where } M_T^B = \sum_{i=1}^3 M_i^B$$

- b) The values of the variables constituting the formula shall be determined each year by the Treasurer's Department and shall be based on the available data for the preceding year.

4. RESPONSIBILITIES

4.1 Director of Finance - recommend updates to the Policy.

4.2 City Comptroller

- a) Administer this Policy with respect to the City's accounting requirements for the Electrical, Sewage and Water Utilities, the Transit System and the Saskatoon Public Library.
- b) Administer this Policy with respect to the budget process.