
Administrative Response – Revenue Generation Report

Recommendation

That the report of the CFO/General Manager, Asset and Financial Management Department, dated September 4, 2018, be received as information.

Topic and Purpose

The purpose of this report is to provide the Administration's response to the internal auditor's overall findings in their report "Executive Summary – Assessment of potential options with respect to additional revenue generation."

Report Highlights

1. The internal auditor's assessment resulted in the identification of fifteen potential incremental revenue options. Five of these options would require legislative changes in order to implement and six would require careful consideration of price elasticity before pursuing change.

Strategic Goal

The identification, evaluation and implementation of alternative revenue generation ideas supports the City of Saskatoon's (City) long-term strategy to increase revenue sources and reduce reliance on residential property taxes under the Strategic Goal of Asset and Financial Sustainability.

Background

An audit of the City's process for capturing revenue generation ideas and an assessment of potential options for additional revenue was included in the approved 2016 Internal Audit Plan. The Statement of Work for this project was approved by the Standing Policy Committee on Finance at its November 7, 2016 meeting.

At its meeting on February 12, 2018, when considering the internal auditor's report "Assessment of potential options with respect to additional revenue generation," the Standing Policy Committee on Finance resolved:

- "1. That the reports dated December 21, 2017 and January 8, 2018 be received as information and the discussion remain *In Camera* under Sections 16(1)(a)(b) and (e), 18 and 19 of *LAFOIPP*; and
2. That the matter be referred to the Administration for further reporting."

Report

The internal auditor's assessment included an analysis of 13 potential sources of incremental revenue and resulted in the identification of 15 potential incremental revenue options. Attachment 1 provides the Administration's overall assessment of the options and can be summarized as follows:

- City Council does not support further analysis of two options;
- five options would require legislative changes in order to implement;
- two options would not directly affect the operating budget and mill rate; and
- the Administration would want to carefully consider the effect of price elasticity and the potential impact to incremental revenue before pursuing six of the options.

Due Date for Follow-up and/or Project Completion

There is no anticipated follow-up required.

Public Notice

Public Notice pursuant to Section 3 of Policy No. C01-021, Public Notice Policy, is not required.

Attachment

1. Overall Assessment of Revenue Options

Report Approval

Written by: Nicole Garman, Director of Corporate Risk
Approved by: Kerry Tarasoff, CFO/General Manager, Asset & Financial
Management Department

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Overall Assessment of Revenue Options

Revenue Option Considered by Internal Audit	Within City's Current Authority per Internal Audit	Administration's Overall Assessment of Revenue Option
Snow storage fee (establish new user fee)	Yes	The Administration continues to evaluate the feasibility of this revenue option.
Amusement tax (reinstate tax on amusement and/or entertainment activities)	Yes	<p>The Administration prepared a report regarding the Amusement Tax for consideration by the Standing Policy Committee on Finance on October 30, 2017.</p> <p>No further action is anticipated at this time.</p>
Parking services – new parking service model (create parking authority)	Yes	The Administration is of the opinion that this is a governance issue, not a revenue generation option.
Parking services – user fees (increase current rates and/or hours requiring payment)	Yes	<p>Although this revenue option is possible, the Administration would want to carefully consider the effect of price elasticity and the potential impact to incremental revenue before pursuing change.</p> <p>The Administration also notes that the objective of enforcement activities is to encourage compliance, not to increase revenue.</p>
Develop off-site levy (establish new levies)	Yes	<p>Although this revenue option is possible, the Administration would want to carefully consider the effect of price elasticity and the potential impact to incremental revenue before pursuing change. The effect this levy would have on demand for new developments and the achievement of infill development objectives would also have to be examined.</p> <p>This revenue option would not directly affect the Operating Budget, although it could affect the funding required for the Capital Budget.</p>
Water leakage (monitor and repair leaks)	Yes	<p>The Administration is already working on this and through the new automated meter infrastructure (AMI) system, data will be available to analyze consumption compared to pumpage outflows. This will help isolate losses which will either reduce leaks and/or increase revenue through identifying unbilled consumption.</p> <p>This revenue option would not directly affect the Operating Budget.</p>
Secondary suites fee (establish new fee)	Yes	<p>City Council considered implementation of a Secondary Suite Fee at its meeting on August 28, 2017 and resolved not to proceed with further investigation.</p> <p>No further action is anticipated at this time.</p>

Revenue Option Considered by Internal Audit	Within City's Current Authority per Internal Audit	Administration's Overall Assessment of Revenue Option
Leisure centres – regional cost recovery (increase cost recovery from non-resident users)	Yes	<p>Although this revenue option is possible, the Administration would want to carefully consider the effect of price elasticity and the potential impact to incremental revenue before pursuing change.</p> <p>Much effort has been invested to strengthen regional relationships. Implementing cost recoveries or differential fee structures may affect those relationships and could create administrative and logistical challenges.</p>
Leisure centres – programming and user fees (increase current rates)	Yes	<p>Although this revenue option is possible, the Administration would want to carefully consider the effect of price elasticity and the potential impact to incremental revenue before pursuing change.</p>
Animal licenses (increase current rates and/or enforcement levels)	Yes	<p>Although this revenue option is possible, the Administration would want to carefully consider the effect of price elasticity and the potential impact to incremental revenue before pursuing change.</p> <p>The Administration also notes that the objective of enforcement activities is to encourage compliance, not to increase revenue.</p>
Photo speed enforcement (increase number of cameras)	Partially	<p>Expansion of the program requires legislative change.</p> <p>The Administration also notes that the objective of enforcement activities is to encourage compliance, not to increase revenue.</p>
Motor vehicle registration tax (establish new tax)	No	<p>Implementation of this tax requires legislative change.</p> <p>The most efficient method would be to leverage SGI's existing systems. There could be an opportunity to target funds to transportation infrastructure.</p>
Alcoholic beverage tax (establish new tax)	No	<p>Implementation of this tax requires legislative change.</p> <p>There could be an opportunity to target funds to public safety (policing).</p>
Tobacco tax (establish new tax)	No	<p>Implementation of this tax requires legislative change.</p>
Tourism accommodation tax (establish new tax)	No	<p>Implementation of this tax requires legislative change.</p> <p>The Administration would want to carefully consider the effect of price elasticity and the potential impact to incremental revenue before pursuing change.</p>