



August 28, 2018

City of Saskatoon Standing Policy Committee on Finance (“SPC on Finance”)
222 Third Avenue North
Saskatoon, SK S7K 0J5

RECOMMENDATION - That the information be received by the SPC on Finance.

Dear Members of the SPC on Finance (by way of Diane Kanak, Deputy City Clerk):

At its meeting held on February 12, 2018, the SPC on Finance considered our report on the Revenue Generation Internal Audit and resolved that:

- 1) 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) The matter be referred to the Administration for further reporting.

Further to the meeting of the SPC on Finance on February 12, 2018, we provide this letter outlining the Executive Summary of our assessment of potential options with respect to additional revenue generation.

Yours truly,

A handwritten signature in black ink, appearing to read "Jesse Radu", written over a light blue horizontal line.

Jesse Radu, CPA, CA

Cc: Kerry Tarasoff, Chief Financial Officer
Cc: Nicole Garman, Director of Corporate Risk



Executive summary: Assessment of potential options with respect to additional revenue generation

Municipalities in Canada are required by their respective provincial government to provide a variety of services to their residents. These requirements vary from province to province, and in Saskatchewan, the broad requirements are detailed in the *Cities Act*. Municipalities must also comply with other Acts for specific services, such as protective services; these Acts outline the authority bestowed on the municipality and in some cases, the allowable source of funding for each service. Funding to provide services is commonly derived from three main sources: property tax, transfers from other levels of government, and user fees.

Pressure on cities to provide high levels of service is coupled with the public sentiment that property tax rates should remain low. Saskatoon has seen a period of significant growth over the past five years, which places further pressure on the City of Saskatoon (the “City”) to provide services to a larger number of residents, and in some cases build new infrastructure. As required by the *Cities Act*, the City’s operating budget must balance each year, meaning the City must have identified revenue sources to cover all of its operating expenses for the year.

The objective of this project was to identify options from which the City could generate revenue from new streams or increase revenue from current ones. Each option identified was compared to other Canadian municipalities that have wholly or partially implemented the idea, and for each option certain benefits and/or drawbacks were identified for consideration. Finally, the project assessed the current process in place to capture revenue generation ideas across the City.

We identified thirteen subject areas that represented potential sources of incremental revenue that would draw from different sub-sets of the general population, as follows:

- Snow storage fee;
- Amusement tax;
- Parking services;
- Off-site levies;
- Water leakage;
- Secondary, garden and garage suites;
- Leisure centres;
- Animal licenses;
- Photo speed enforcement;
- Motor vehicle registration tax;
- Alcohol beverage tax;
- Tobacco tax; and
- Tourism accommodation levy/tax.

Some options are known as consumption taxes – the level of tax a resident pays would be relative to the amount they spend on the commodity being taxed; for instance, a tax on tobacco.



Over the past few years municipalities across Canada have been lobbying their respective provincial government for changes to their legislation, including more revenue-generating powers. Before approaching the Saskatchewan government regarding potential amendments to current legislation, it is important that the City makes use of all of its taxation options (where relevant and appropriate) that are already within current legislation to potentially lessen provincial government resistance. To that end, the Administration has also been exploring alternate revenue generating activities (and cost reduction opportunities), and has escalated those activities since the 2017 provincial budget was announced.

Through results of a survey and interviews conducted with the Administration, we found that the primary process for revenue generation ideas is including the topic as part of the annual budget discussions. Successful and sustainable new revenue generation options need to meet both criteria of supporting the City in achieving its strategic objectives while enhancing contribution to the Administration's budget.

The report also captures ideas noted during the project with respect to revenue generation ideas that do not directly impact the City's operating budget, but which positively impact the City's overall funding in other ways. For example, the benefit of some of the options presented in the report could materialize through reduced capital contributions from the operating budget, or through the opportunity to receive increased dividends from related entities, or through the implementation of a new, economically more beneficial operating model.

In July 2017, the Administration conducted a 30 Day Challenge with staff across the City to submit ideas regarding solutions to maximize efficiency, reduce costs, and generate incremental revenue. More than 600 ideas were submitted during the 30 days. Building off the 30 Day Challenge, we have recommended that the Administration develop a comprehensive, integrated approach to revenue generation ideas. In addition to looking at the City's process, we researched good practices and processes in place at other Canadian municipalities. Based on good practice, the City would benefit from having a more formal, year-round approach to exploring revenue generation ideas in order to maximize the effectiveness of those efforts.

By introducing new revenue sources, the City would be more able to fund essential programs and services from own-source revenues. Further optimization of current revenue sources could take minimal investment, and could be implemented relatively quickly in some cases. While the need to address any current operating budget shortfall is most crucial, there is also a need to secure long term funding solutions for the City. Investment of time and resources would be needed to move forward on some options; however, over time these options could generate meaningful incremental revenue to help lessen the need for higher property tax rates. Introducing a corporate wide program focused on collecting, assessing, and implementing revenue generation ideas on a continuous basis could also assist in alleviating the City's reliance on property tax.