



Phone: 306.242.3060
Fax: 306.242.2205
Email: info@nsbasask.com
Website: www.nsbask.com

#9-1724 Quebec Avenue, Saskatoon, SK S7K 1V9

November 22, 2016

His Worship the Mayor and Members of City Council
222 3rd Avenue North
Saskatoon, Saskatchewan S7K 0J5

Re: 2017 Preliminary Civic Budget Analysis

In an effort to assist the City of Saskatoon Council in preparation for the 2017 budget deliberations, the NSBA Taxation Committee has reviewed Saskatoon's 2017 Preliminary Detailed Operating and Capital Budget.

Property tax rate increases for Saskatoon have far exceeded the growth in our economy and inflation; this has increased the cost of living and doing business in Saskatoon. At a time when many businesses are having to work hard to manage costs and find efficiencies, our council and administration are focusing on doing the same. Our goal in providing you with the information in this report is to help you identify ways to manage civic costs, while ensuring our city continues to be a great place to live and work.

We encourage you to raise questions with administration and share with them any concerns you may have from your review of this document. In addition, as we have expressed, we hope you will reach out to us with any questions you may have throughout your deliberations.

General observations:

- We recommend all city councillors familiarize themselves with a 2014 C.D. Howe Institute report, (Commentary No. 397), entitled, *Baffling Budgets: Canada's Cities Need Better Financial Reporting*. This document reinforces several observations that our committee made during our budget review.
- Like many civic budgets, our city's is a complex document which can be challenging for the average taxpayer to understand. Summary documents and commentary in each section are an excellent move towards making the document easier to understand for community members; we would encourage further progress in this area in the future.
- The respective opening summaries for each section of the budget includes various departmental performance measures/targets for the 2017 year. However, there appears to be no indication of whether the departments were successful or unsuccessful in meeting prior year targets.
- The budget presents 2015 actual and 2015 budgeted figures. However, there are no explanations for significant discrepancies between the actual and budgeted figures. The budget document should include an explanation of these differences if they exceed a



Phone: 306.242.3060
Fax: 306.242.2205
Email: info@nsbasask.com
Website: www.nsbask.com

#9-1724 Quebec Avenue, Saskatoon, SK S7K 1V9

certain threshold. This would provide useful information on historical effectiveness of the budgeting process and highlight potentially significant issues and areas of concern.

- In some cases, 2015 actual expenditures were significantly less than budgeted. However, for these same line items, the 2016 and 2017 budgeted figures were set increasingly higher than the 2015 budgeted figures. This appears to result from the use of budgeting based on prior year budgets; better budgeting would be accomplished through comparison to prior period actual results.
- In most departments, labour costs are significant, particularly when compared to similar jobs in the private sector. Therefore, whether through attrition/retirement, employee-sharing between departments, technological advancements or other general efficiencies, our recommendation is to keep this in mind when looking at how to reduce expenditures.
- We understand that the city's budget does not utilize accrual accounting. We believe that this necessitates improved transparency in how funds transferred from each area of the budget (to reserves/stabilization/capital) are tracked and spent in the corresponding areas of the capital budget, and the current reserves on hand for each area of the budget. This helps citizens understand the city's ability to fund current and future capital projects and operating shortfalls, and helps administration justify budgetary "surpluses" to be used for planned future spending. Being that accrual accounting is not being utilized, we recommend a more detailed breakdown of how transfers to reserves are calculated to make it abundantly clear for taxpayers to understand the process in how their tax dollars are being utilized.
- There are many sections of the budget with discussion of items not in the budget. For those which are largely unavoidable, we recommend including them in the budget. While excluding them may help keep the budget increases low, it is a disservice to those approving the budget and those using it as a reference tool.
- And finally many, if not all, questions being posed in this document are rhetorical. It's more important that city council and administration know the answers to these questions and have plans in place to address them in the future. Their presence is a mere indication that the budget document lacks clarity in some circumstances.

Police and Fire Services

- There are lots of metrics within the budget showing the justification for increased expenditures (particularly staffing). However, there is not a lot indicating the current effectiveness of the resources currently utilized by the police and fire services. A review of the most important key metrics is warranted, and those metrics should be reported upon within the budget.
- Metrics should be set for key indicators (such as response time), and where goals are detailed in the budget, the past performance on those metrics should be reported (ex.



Phone: 306.242.3060
Fax: 306.242.2205
Email: info@nsbasask.com
Website: www.nsbask.com

#9-1724 Quebec Avenue, Saskatoon, SK S7K 1V9

what was the fire service response time in 2015/2016, compared to the 2017 goal of 6 minutes 20 seconds).

- Better tracking and reporting of metrics will help demonstrate the impact of increased allocation of resources to the police and fire services (such as hiring of new constable positions).

Library

- With respect to the new central library - what is the extent of stakeholder engagement regarding this project for spending, services to be offered, etc.?
- With many municipalities experiencing declines in library use, we recommend outlining with the budget what services the new facility will offer. For example, electronic services, computer access, meeting spaces for community events, etc. How will the new facility meet the needs of today's library users and the amenities they look for in a library?
- The purpose of libraries throughout the city should be based on demand and future market realities.

Environmental Health

- This section of the budget accounts for \$13M of the capital budget (5%). Of this, \$7M is for the first component of the recovery park.
- We recognize the reduction in landfill tonnage and note your long-term goal of 70% of waste from our landfill - this is a commendable goal, partially driven by the development of the recovery park.
- What is the plan for future staffing in the landfill and recovery park? Are there synergies which could be realized, or staffing cuts/transfers to be made within the landfill budget?
- Citizen engagement regarding the implementation of the recovery park will be key - will neighbourhood resources be shut down to eliminate service redundancy? Will this necessitate travel to the park, or will home pickup be available/implemented?
- The budget should include information about how the operating costs of the park will be covered/recovered once it is operational (user fees vs. tax increases).

Utilities

- 40% of the capital budget is allocated to utilities. Typically, increased capital costs will allow for a reduction in operating costs through technological advancements and other efficiencies, particularly in areas such as employment costs. We would encourage the city to look for a correlation between their capital spending and operating/employment costs. This could allow for cost savings which could be passed along in the form of decreased taxes or user fees. The city should be deliberate in quantifying and reporting



Phone: 306.242.3060
Fax: 306.242.2205
Email: info@nsbasask.com
Website: www.nsbask.com

#9-1724 Quebec Avenue, Saskatoon, SK S7K 1V9

on the savings associated with capital investment, and how these savings are impacting user fees or property taxes.

Transportation

- A significant funding shortfall has been identified with respect to our public transit system in terms of refurbishment and replacement of city buses and capital contributions to achieve fleet lifespan goals. We would encourage administration to outline the anticipated source of the additional revenues needed to close this funding gap.
- We commend the city's consideration of overtime vs. additional staff in this area when making staffing decisions.
- We recommend that administration outline historical and projected increases in transit usership to support the expenditures within this section of the budget. This metric is key in helping determine the spending that should take place on transit services.
- With respect to bridges and overpasses, we would recommend administration include in the budget some additional analysis/metrics with respect to the structures in the city, and how this data feeds into the operating and capital budget.

Urban Planning and Development

- A significant proportion of the land in core neighbourhoods is vacant or underutilized. Facilitating infill development will increase the tax base in these areas, which will help ease the property tax burden on taxpayers everywhere in the city.
- \$11.25M is proposed to be spent on implementing the growth plan. Given the magnitude of this investment, additional information on what this spending is made up of would be helpful.
- One of the most significant issues within this section of the budget is that the growth plan is not properly reflected and/or tied into the budget. This has resulted in the budget not reflecting spending that is in line with the growth plan.
- In order to realistically achieve the objectives of the growth plan, we would recommend utilizing a four-year budgeting cycle to ensure a consistent approach for the realization of the growth plan.

Recreation and Culture

- Salary levels were relatively high in an area where many entry-level employees are, or can be, utilized.
- In many departments, there were increased fees and decreased usership or services/facilities. How does administration decide which way to move fees in response to decreased demand for recreational services (ex. leisure facilities)? Have past trends in rates/usership been used in making these decisions?



Phone: 306.242.3060
Fax: 306.242.2205
Email: info@nsbasask.com
Website: www.nsbask.com

#9-1724 Quebec Avenue, Saskatoon, SK S7K 1V9

- This is one of many budget sections that warrants consideration of what services should be offered by the city, and which services could be outsourced at a reduced cost to taxpayers.

Corporate Asset Management

- There are significant increases in operating costs, largely driven by the new gallery. Given the magnitude of these increases, additional detail regarding the nature of these costs would be useful.
- Significant funding shortfalls have been identified, but no solution to this shortfall has been identified.

Corporate Governance and Finance

- There are significant expenditures relating to the implementation of the new ERP system, and it will also require ongoing maintenance. While implementation of such a tool may be a warranted cost, is there a possibility to reduce/minimize staffing costs in this area once the service is implemented?
- If the new ERP system will cause the elimination of paperwork and various systems which do not interface, do you anticipate seeing future cost savings as a result of its implementation? Presumably, this was quantified before implementation was decided upon - could this information be included in the budget?
- The implementation of Service Saskatoon is meant to increase customer satisfaction. While we commend the city's focus on customer service and the strides that have been made in this area, this is a large expenditure given the already high current satisfaction level.

Land Development

- Budget info is either/or of difficult to track down, or else not provided along with all the other budget information, although it states on the cover page that the 2017 Preliminary Land Development Operating and Capital Budget is a companion document. With transparency being the goal, this information should not be so challenging to ascertain.
- We would like to reiterate our prior year comments about the city holding land and taking such an active role in land development within the Saskatoon. Significant taxpayer money is tied up in land, which carries significant risk, particularly given the current real estate market in our country. We ask that administration and council consider whether this is the most appropriate investment of taxpayer funds, or whether the city's land interests would be better divested and invested elsewhere.



Phone: 306.242.3060
Fax: 306.242.2205
Email: info@nsbasask.com
Website: www.nsbasask.com

#9-1724 Quebec Avenue, Saskatoon, SK S7K 1V9

- On this note, we would like to commend the City for its pending internal audit of Saskatoon Land. We believe this audit will go to great lengths in addressing our concerns regarding transparency and potential benefit to taxpayers.

In conclusion, our analysis repeatedly points to several key areas:

- Administration should continue to focus on enhancing the transparency of the civic budget. Ensuring sufficient information is available for council to make informed decisions during deliberations is critical. In addition, taxpayers should have the ability to track how their tax dollars will be spent. This can be accomplished through ensuring the figures are appropriately disaggregated, transfers are easily traced, and written discussion provides sufficient detail to explain large changes in spending.
- There also may be circumstances where information is 'available' via presentations or provided to council in other formats throughout the course of the year. Our recommendation is to provide the pertinent information (ie: applicable metrics, comparisons of budget figures to actual figures) within the budget document itself.
- It is of critical importance that the budget reflects the setting of measurable goals for key metrics (which administration has made great progress in doing), and also presents past data for those metrics so that progress can be measured.
- Managing staffing costs is of critical importance, as this is the single largest expenditure within the civic budget. We acknowledge that this is challenging in a unionized environment. This will have to be accomplished through a combination of improvements in efficiency and productivity, long-term salary planning and negotiations, and identifying opportunities for the implementation of technology.

We would like to note our sincere appreciation for the time and effort all civic employees and their respective departments contribute to the betterment of our community. An undertaking such as the civic budget requires the input of an incredibly large and talented team, and we appreciate the significant value civic employees bring to our city and business community.

In closing, as an organization of business owners, we would like to encourage Council and Administration to maintain an entrepreneurial mindset as they help build and shape the future of our city. We look forward to your questions, and hope to be a valuable resource to you through this year's deliberations.

Sincerely,

A handwritten signature in black ink, appearing to read 'Keith Moen'.

Keith Moen
Executive Director



Phone: 306.242.3060
Fax: 306.242.2205
Email: info@nsbasask.com
Website: www.nsbask.com

#9-1724 Quebec Avenue, Saskatoon, SK S7K 1V9

NSBA Taxation Committee contact information

Stephanie Rarog
Taxation Committee Chair
steph.rarog@gmail.com
(306) 715-1065

Stefan Koo
ssk466@mail.usask.ca
(306) 612-0580

Jenna Richards
jam806@mail.usask.ca
(306) 229-9192

Karl Roemer
krr420@mail.usask.ca
(306) 716-4826

Jeffrey Burgess
jeff@burgesslawsk.com
(306) 227-9642

James Kernaghan
j.kernaghan@mac.com
(306) 941-1305