



November 19, 2019

NSBA Submission Regarding 2020/ 2021 Business Plan & Budget

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His Worship the Mayor and City Council
233 3rd Ave N.
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Re: 2020/21 Preliminary Corporate Business Plan & Budget

Dear Mayor Clark and Members of Council,

In an effort to assist the City of Saskatoon Council in preparation for deliberations on the City's first multi-year budget, the NSBA has reviewed Saskatoon's 2020/21 Preliminary Detailed Operating and Capital Budget.

While property tax increases still exceed the expected rate of inflation for 2020/21, the NSBA commends the City for recognizing that larger relative increases (larger relative to the rate of inflation) are not sustainable in our city as many industries in Saskatoon face a level of economic uncertainty – regardless of whether that uncertainty is regulatory, political, or market-driven.

We have compiled a series of observations about the preliminary budget document. Many of these observations and recommendations build on the commentary provided by the NSBA in prior years and retain a focus on expense reduction and operational efficiency. We expect the City to be good stewards of taxpayers' money and to make the most effective use of it as is possible. With the nature of these recommendations, we understand that they may not have a direct impact on this budget but hope that they can help the City address systemic issues around how budgets are created, how decisions are made, and how success is evaluated.

Performance Metrics & Fulfillment

In recent years, the NSBA has seen great improvement in the budget document with the inclusion of performance metrics for each department. The City deserves credit for including these metrics, which help evaluate how each department is performing. However, we have noticed a trend across many departments where these metrics are stagnant in terms of year-over-year improvement and therefore are lagging behind the long-term target. For example, Urban Planning and Development uses Residential Infill Development as a performance metric – with a target of a 5-year average of 25% of development in the city being classified as infill – but results from the last four years consistently indicate a lack of progress on this goal.

The trend of a consistent lack of progress is problematic. The NSBA encourages the City to evaluate these metrics in depth to ensure that they are the correct metrics to be used to evaluate each department and to ensure that these metrics are operationalized (i.e. all staff understand these goals and actively work towards them as part of the strategic decision-making in the department). If action is required by Council to help Administration reach these performance targets, we also encourage such action to be taken.

Technology Implementation & Efficiency

The NSBA commends the City for the steps taken across multiple departments to implement technology and automation as a means of improving the City's processes and efficiency. We strongly believe that full



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implementation of these solutions will have a great benefit to the City (e.g. the cost savings realized on use of GPS on the City fleet).

The NSBA sees a potential red flag in the future. The City has hired/is hiring new FTEs to implement these technologies and while we are comfortable with the logic behind this (i.e. hiring experts with the proper skill sets to lead implementation without sacrificing overall service levels) the NSBA is concerned that expenses, including staffing, will continue to rise even after the technological solutions are fully implemented. Our expectation is that the investments into these technologies – which in some cases represent significant capital costs – will result in demonstrable savings once they are fully implemented. For instance, we would expect future budgets to show how these investments have saved the City money whether through requiring fewer FTEs, savings on procurement of goods, or re-purposing existing FTEs to deliver a higher service level in current problem areas (i.e. doing more with the same staffing levels).

Year-Over-Year Budgeting

The NSBA recognizes that the size of civic operations and the timelines for the reporting of Actuals make preparing the Civic Budget a difficult task and that many decisions must be made on projections. Nevertheless, we find that some of the decision-making is hard to follow. For example, in many cases, 2018 actual expenditures were significantly less than 2018 budgeted figures. However, for these same line items, the 2019 budgeted figures were set higher than the 2018 budgeted figures and similarly the 2020 budgeted figures were set higher than the 2019 budgeted figures. As such, it can appear that some 2020 budget amounts were determined by simply taking the 2019 budget amounts and grossing them up by some inflationary factor. Preferably, the departments should practice zero-based budgeting, in which all expenditures must be analyzed for their needs and costs and justified for each new period. There also does not appear to be much indication that prior year actual to budget variances have been adequately considered when setting the budgeted figures for the upcoming year.

Capital Project Prioritization & Borrowing Capacity

City Administration have forecast the City's borrowing (debt) to reach \$439m in 2025, coming short of the \$558m debt limit that the City has been approved for by the Municipal Board. The primary increase forecast to borrowing in this budget is the \$87.5m included for a new \$154m (total cost) Central Library project – a total amount that the NSBA's membership has large concerns about relative to the needs of the city and the costs of similar projects in other municipalities. With the City nearing its debt limit and many other large capital projects under consideration, the NSBA and its members are worried that approval of borrowing for the library will potentially impede future borrowing for higher-priority projects (in the eyes of NSBA members). The NSBA strongly encourages the City to create and communicate a plan around borrowing and capital project priorities so that the City and stakeholders alike know that the City will have funding for desired projects when needed.

Asset Lifespan and Replacement

In general, the City does a good job of assessing the lifespan and replacement schedule for City assets (e.g. City fleet, street cleaning equipment, etc.). As such, we generally have confidence that capital spending to replace these assets is appropriate. Our concern in this area is with non-budget plans being put into place, such as the Low Emissions Community Plan that calls for upgrades to civic assets to reduce carbon emissions, that could result in the City replacing assets before the end of their assessed lifecycle. The NSBA cautions the City against this. Unless such pre-emptive replacements can be shown to actually



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save the City money, the NSBA believes that rushing to replace these assets will ultimately cost more for taxpayers than necessary – particularly if the City must cancel a lease or contract to do so.

Explanatory Information in Budget

The NSBA greatly appreciates the level of detail and explanatory information that the City has included in the budget, with regards to both notes on 2018 actuals and changes for the upcoming years' budget. This has improved year-over-year and this additional information greatly helps with understanding the numbers and the decisions behind them. The Access Transit section of the 2020/21 Budget is a good example of this. As the City further refines this approach to the budget, the NSBA notes that the consistency of this information could be improved to ensure the same level of information is included in all sections.

We appreciate the time and effort Administration has put into the budget, and the time spent by Mayor and Council deliberating and approving the final budget. This is a significant undertaking, and we are happy to help provide insight where we can.

Sincerely,

Keith Moen
Executive Director



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