

Saskatchewan Municipal Financing Tools

The following is a list of financing tools currently available to Saskatchewan municipalities. Authority for a municipality to use any of these tools is provided through legislation, including *The Local Improvements Act, 1993* (LIA), *The Cities Act* (CA), *The Municipalities Act* (MA), *The Northern Municipalities Act, 2010* (NMA), and *The Planning and Development Act, 2007* (PDA). For each financing tool, a brief definition and the legislative authority is provided. The onus is on the municipality to identify all requirements necessary to make use of any one of these financing tools.

Disclaimer: This tool is intended to be a high level overview of the many financing tools available to a municipality. It is for general information only and has no legal authority. In the interests of brevity and/or simplifying language, details may have been omitted or minimized. It is always good practice to refer to the actual wording of the Act and to consult with a solicitor, where necessary.

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1. Government Service Partnerships (S. 4, 42-43 MA, S. 4, 63-64 NMA and S. 4, 33-34 CA)

Service partnerships are a form of regional service delivery that can take on the form of inter-municipal, municipal-first nation, provincial-municipal, or federal-municipal partnerships. A regional agreement can be entered into by a group of municipalities for provision of some good or service on a regional basis. This requires research to determine the strategic advantages and efficiencies of such an approach. Provision of a regional service is typically found in solid waste, transit, fire and emergency services, and water and wastewater management.

2. Strategic Budget Allocation (S. 160, 317.1, 317.2 MA, 182, 336 NMA and S. 132, 281.1, 281.2 CA)

A portion of a tax or rate bill is collected for a special purpose fund. The special fund is then invested and interest earned is reinvested, with the goal of having a special-purpose reserve of capital for a specific future need. Typically used for current operation and maintenance capital, but can be used for a wide range of services and applied in all sizes of municipalities. Often used for capital replacement costs or expansion of infrastructure and by all sizes of municipalities.

3. Utility Fees (S. 8-9, 22, 23, 312-315 MA, S. 8-9, 22, 24, 331-334 NMA and S. 8-9, 17, 275-278 CA)

Utility fees are charged to the person/entity using a utility at a per-unit charge. Typically the service is managed separate from other municipal services. Utility fees should be set up as full cost-recovery models. A council may, by bylaw, set any rates for the service including the lease/sale of equipment, fittings, equipment, meters or other things needed to deliver the service to consumers. Each municipality sets its own rates based on its cost of providing the service. The funds generated by utility fees are used solely for the service being provided. In a municipality other than a city, bylaws relative to water consumption or use of the sewer must be approved by the Saskatchewan Municipal Board (SMB).

4. User Fees (S. 8-9, 22, 23, 312-315 MA, S. 8-9, 22, 24, 331-334 NMA and S. 8-9, 17, 275-278 CA)

A person/entity using or benefiting from a municipal good or service pays for it through a per-unit charge. Each municipality may set its own rate based on the cost of providing the good or service and may be cost-recovery. The funds generated by the user fees should be used for the service being provided. Typically the service is managed separately from other municipal services. User fees are useful in all sizes of municipalities and for many different types of goods and services including public transit, solid waste, recreation facilities and parking.

5. Local Improvement Charges (S. 16-21 LIA)

Under *The Local Improvements Act, 1993*, a municipality may recover all or part of the cost of local infrastructure extension, renewal or rehabilitation from benefiting property owners. Owners can pay the cost in a lump sum or amortized over a period of time, as set in bylaw. Municipal councils must approve all local improvement projects through bylaw and obtain approval through the SMB.

6. Capital Reserves (S. 155-158 MA, 175-179 NMA and S. 128-131CA)

A portion of current revenue is set aside in a special account (often annually) to accumulate and used to finance a specific capital project in the future. Capital reserves should be used for a specific major expenditure and not for operation or maintenance expenses. Capital reserves are often best used with infrastructure or assets with a shorter lifespan and require regular replacement. This mechanism is typically used by larger municipalities.

7. Servicing Agreements (S. 168-176 PDA)

A servicing agreement is a legal contract that a municipal council may require with a subdivision applicant. With this agreement, council accepts responsibility for maintaining services in a new subdivision in exchange for the developer installing the services needed for the subdivision. A servicing agreement can provide services and facilities that directly or indirectly serve a subdivision. It may also provide for the payment of fees for the capital cost of providing, altering, expanding or upgrading sewage, water, drainage and other utility services, roads or park and recreation facilities which may be located within or outside the area being subdivided. An agreement can have performance guarantees, construction specifications, time limits and may include items such as liability insurance and termination provisions.

Where it is necessary to complete part of a capital work (such as a sewer main, major street or trunk water supply) before all the land-holders that will benefit from the work are ready to subdivide or develop, a servicing agreement allows the municipality to collect the capital costs from the first developer and then reimburse that developer as capital costs are collected from the later developers.

8. Development Levies (S. 168-176 PDA)

Similar to servicing agreements, development levies are a tool that allows a municipality to recover the costs associated with development. Development levies may be imposed to recover all or part of the municipality's direct or indirect capital costs of providing, altering, expanding or upgrading sewage, water, drainage and other utility services, roads or park and recreation facilities. Development levies may only be used when the development does not involve the subdivision of land and only if the municipality will incur additional capital costs as a result of the proposed development (i.e. no double-dipping for fees that were already collected through a subdivision servicing agreement). Levies may vary according to zoning districts, land uses, capital costs or the size or number of lots. In order to use this tool, a municipality must adopt a development levy bylaw approved by the Ministry of Government Relations.

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9. Exception to Development Standards (S. 70 PDA)

An exception to the development standards provides council the ability to relax certain provisions in its zoning bylaw where the developer provides certain facilities or services, or will address certain matters as set out in the zoning bylaw. For example, a building in a downtown zoning district may contain development standards (e.g. setbacks) that a developer may wish to exceed. The municipality's zoning bylaw may permit some relaxations to the development standards in exchange for the developer providing certain amenities. The end result of this tool is that the developer has greater flexibility for their development and the municipality will still achieve the desired specific development standard through the amenities provided by the developer.

10. Payment in Lieu of Parking Facilities (S. 61 PDA)

If a municipality's zoning bylaw requires the establishment of any parking facilities in association with a development, a municipality may allow a developer to be exempt from providing the required parking when a developer pays a set amount per parking stall instead. All money collected by the municipality must be held in a separate account and can only be used for the acquisition, construction, operation or maintenance of parking facilities or the capital costs of the transit system.

11. Fees for Development Applications (S. 51 PDA)

The Planning and Development Act, 2007 allows a municipality to collect fees associated with the application, review, advertising, approval, enforcement, regulation and issuance of development permits, discretionary use applications, minor variances and planning bylaw amendments. A municipality may outline the fees in a zoning bylaw or may adopt a separate fee bylaw. The fees must not exceed the cost to the municipality of processing, reviewing, advertising, approving, enforcing, regulating or issuing approval of the application.

12. Development Agreements in a Direct Control District (S. 65 PDA)

A direct control district allows a developer and municipality to negotiate the details, design and uses of a development based on a concept plan and criteria, for a specific part of a community through an agreement. This agreement can specify the provision of public amenities, access, landscaping, walkways, roads, sidewalks and utilities for the project. It may also contain provisions where the municipality would undertake construction or maintenance of the required improvements in exchange for payment.

13. Money in Lieu of Municipal Reserve and Revenue from the Sale of Municipal Reserve (S. 187, 197, 199, 205 PDA & *The Dedicated Land Regulations, 2009*)

Municipal reserve is land required to be dedicated at the time of subdivision by the owner and transferred to the municipality at no cost. Municipal reserve dedication ensures that, as land is developed, sufficient area is secured for the public good of the community, including parks and recreation space. Where it is determined that the dedication of land would be unnecessary or undesirable at the time of subdivision, the subdivision applicant may instead pay the municipality a sum of money equal to the value of the land. A municipality may also sell municipal reserve where there is a surplus or where it is no longer needed.

All money collected, either from money-in-lieu of municipal reserve or from the sale of municipal reserve, must be placed in a dedicated lands account that can only be used towards the purchase of land to be dedicated for public use or the development, upgrading or replacement of public parks or public recreation facilities on park space within the municipality or any other municipality.

14. Business Improvement District (BID) (S. 38-39 MA and S. 25-26 CA)

A BID is a defined area where businesses may be required to pay an additional levy in order to fund projects within the district's boundaries. These projects are in addition to the services already provided by the municipality and may include capital improvements, branding and streetscape enhancements. A BID is established through bylaw.

15. Tax Increment Financing (S. 317.1, 317.2 MA, S. 336 NMA and S. 281.1, 281.2 CA)

Tax increment financing is used in areas of redevelopment. Property tax revenue is divided into two streams. The first stream is the amount equal to the assessed value prior to any development and the second stream is the amount equal to the increase in the assessed value after the development. For a set period of time, the first stream would be directed to general municipal use and the second stream would be directed to a special increment fund to help repay the costs of the redevelopment. Once the time period expires, the two streams are combined and all tax revenues may go into general revenue. This is often used for upfront purchase of land and installation of public infrastructure (such as streets, water lines, curbs, etc.). This is typically used by larger municipalities that anticipate high growth.

16. Special Tax (S. 8-9, 312-315 MA, S.8-9, 331-334 NMA and S. 8-9, 275-278 CA)

A municipality may pass a special tax bylaw to raise revenue for a specific service or purpose. The service or purpose must also be completed within the taxation year. Special taxes are added to the tax roll and collected with property taxes. A special tax can only be levied on a property that will benefit from the specific service or purpose stated in the bylaw.

17. Debt Borrowing (S. 161-180 MA, S. 183-203 NMA and S. 134-153 CA)

Any municipality may utilize debt borrowing, subject to debt limits. Long term debt must be approved by the SMB and a municipality may apply to the board to have their debt limit increased. Traditional debt financing where funds are borrowed from a bank or other finance entity, and in return pays back the funds with interest. Borrowing may be short or long term and used for capital expenditures or unexpected deficits in the operating budget. The Saskatchewan Municipal Financing Corporation offers extremely competitive interest rates and flexible borrowing terms to municipalities looking to borrow funds.

18. Debentures (S. 169-183 MA, S. 191-205 NMA and S. 139-153 CA)

Debentures are a type of debt borrowing where a certificate of loan is issued and signed/certified by the mayor and treasurer. In debentures, the municipality uses its own general revenue as collateral to back the loan from one or more financial institutions. The debenture outlines the amounts and timeframe for repayment. As with traditional debt borrowing, debentures are subject to municipal debt limits. Long-term borrowing must be approved by the SMB and a municipality may apply to the board to have their debt limit increased.

19. Municipal Bonds (S. 169-183 MA, S. 191-205 NMA and S. 139-153 CA)

An alternative to debt borrowing, bonds are typically used to finance new capital projects and are secured through property taxes or user fees. The borrower (municipality) promises to repay the purchase of the bond, the capital value of the bond, along with interest at a specific date. Bonds provide upfront funds and repayment is able to be shared over a longer period of time. Bonds may be preferred during periods of high interest rates. Bonds may be more beneficial for larger municipalities that can raise a large amount of capital and have credit ratings.

20. Public-Private Partnership (P3) (S. 4 MA, S. 4 NMA and S. 4 CA)

P3s are a long-term performance based financing arrangement between the public and private sector. P3s help to transfer some risk and reward to the private sector. There are various types of P3s that may include some combination of design, build, operate, maintain and/or finance. P3s are most often used for large new infrastructure such as transportation, water and wastewater, and recreation facilities.

21. Sponsorships (S. 4 MA, S. 4 NMA and S. 4 CA)

Private organizations fund a portion or all of a project in return for public recognition through advertising, signs or monuments, hospitality opportunities or on-site sales promotions. This is often used for recreational areas and facilities or when a sponsoring organization has a specific interest in the infrastructure. It can be used by municipalities of any size, but likely more applicable to larger urban centers that will generally have more commercial sources.

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