

December 10, 2018

To: His Worship the Mayor
and Members of City Council

Re: 2019 General and Utility Operating and 2019 - 2023 General and Utility Capital Plan

RECOMMENDATION

1. That the 2019 tax-supported General Operating Budget as outlined in Appendix A be approved, including the following details:
 - a) gross expenditures of \$460,554,100 and a net property tax levy requirement of \$250,143,600;
 - b) 2019 mill rate of 8.13685 representing a 3.70% increase for all programs and services plus a 1% increase for the Residential Roads Renewal Program;
 - c) funding request for the Provincial Capital Commission, Economic Development Regina Inc. (EDR) and Regina Exhibition Association Limited (REAL); and
 - d) that \$92,460,100 be allocated to the Regina Police Services (RPS) budget.
2. That the 2019-2023 General Capital Budget with total gross expenditures of \$127,153,000 in 2019, as summarized in the City of Regina 2019 Budget, attached as Appendix A, be approved.
3. That the General Capital Budget outlined in Appendix A for multi-year tax-supported capital projects underway in 2019 with gross expenditures of \$89,178,000, as described on page 15 of this report, be approved as follows:
 - a) 2020 - \$40,793,000
 - b) 2021 - \$14,095,000
 - c) 2022 - \$21,290,000
 - d) 2023 - \$13,000,000
4. That a transfer of \$9,700,000 from the previously approved Hawkstone Land Development project to the Regina Revitalization Initiative (RRI) Railyard Renewal project be approved.
5. That the following penalties for non-payment of property taxes be approved effective January 1, 2019:
 - a) where taxes remain unpaid 30 days after the date shown on the tax notice, the penalties imposed are 1.5% of all taxes and charges unpaid after the tax deadline and 1.5% of the total amount owing calculated on the first day of each month that the taxes, charges and penalties remain unpaid until the end of the year in which the taxes were imposed; and
 - b) where taxes remain unpaid after December 31 of the year in which the tax was imposed, the penalties imposed are 1.75% of all taxes, charges and penalties unpaid after December 31 and 1.75% of the total amount owing calculated on the first day of each month that the taxes, charges and penalties remain unpaid.
6. That the City Solicitor be instructed to prepare amendments to Bylaw 2003-69, being *The Regina Administration Bylaw*, to implement the tax penalty increases outlined in recommendation 5.

7. That the following changes to parking permits be approved:
- a) that a fee category of \$5,200 per year be established effective for 2019 permits for the Privilege Parking Permit, which permits parking at meters without coin deposit for up to 24 hours; and that the following people be placed in the new fee category: Saskatchewan School Trustees and Members of the Legislative Assembly of Saskatchewan with constituency boundaries in the City of Regina or who are cabinet ministers; and
 - b) that the following people eligible for City Parking Permits be moved to the \$1,040 fee category effective for 2019 permits: Elected Government Official, consular Corps Representative, Saskatchewan Health Authority Board member, Government Agency or Crown Corporation and Press/Media.
8. That the City Solicitor be instructed to amend Bylaw 9900, being *The Regina Traffic Bylaw, 1997* to reflect the parking permit changes outlined in recommendation 7 as well as to update organization references in the Bylaw.
9. That the following fees for the provision of the following maps and other documents be approved effective January 1, 2019:

Description	Format	Previously Approved Fee	Proposed Fee Effective January 1, 2019
Orthophoto by Section	Paper or PDF		\$20.00/ map
Infrastructure Maps by Section	Paper or PDF		\$20.00/ map
Street Wall Map - 27 inches	Paper or PDF	\$2.00/map	\$10.00/map
Street Wall Map - 42 inches	Paper or PDF	\$42.00/map	\$35.00/map
Zoning Map - 36 inches by 48 inches	Paper or PDF		\$25.00/map
Downtown Map	Paper or PDF		\$20.00/map
Schools Map	Paper or PDF		\$15.00/map
Orthophoto Maps of the City	Paper or PDF		\$70.00/map
Community/Neighbourhood Map	Paper or PDF		\$10.00/map
Hydrology Map	Digital file		\$100.00/map
Road Network Map	Digital file		\$150.00/map
Aerial Photos of Special Areas	Paper or PDF		\$20.00/map
Back of Walk Maps of Specific Location	Paper or PDF		\$15.00/map
Special Custom Requests for Maps/Data	Paper or PDF or Digital file		\$60.00/map
Web Map/Services of Base Datasets for Sale by Subscription	Web map services		\$100.00/year

10. That the City Solicitor be instructed to prepare amendments to Bylaw 2003-69, being *The Regina Administration Bylaw*, to implement the map and document fees outlined in recommendation 9.

11. That amendments to the Mobile Food Vending Permits (temporary street use permit) be approved effective January 1, 2019:

Description	Previously Approved Fee	Proposed Fee Effective January 1, 2019
Temporary Street Use Permit (miscellaneous)		
Mobile Food Vending - with Meter Bag	\$1,680/year/unit	\$1,680/year/unit
Mobile Food Vending - without Meter Bag		\$1,300/year/unit

12. That the City Solicitor be instructed to prepare bylaw amendments to Bylaw 9900, being *The Regina Traffic Bylaw, 1997*, and Bylaw 9881, being *The Clean Property Bylaw*, to reflect the amendments and permit fee changes relating to Mobile Food Vending outlined in recommendation 11.
13. That the funding request for the Provincial Capital Commission, Economic Development Regina Inc. (EDR), and Regina Exhibition Association Limited (REAL) be approved with funding provided by the funds described in recommendation 1 of this report.
14. That the Regina Public Library Board approved budget and mill rate request of 0.73285 for the Regina Public Library be approved.
15. That the City Solicitor be instructed to prepare and bring forward any property tax bylaws needed to implement the above approved mill rates for the City and the Regina Public Library in the spring of 2019 once the City receives the education mill rate from the Government of Saskatchewan and approves of the mill rates for the business improvement districts.
16. That the 2019 fee-supported Utility Operating Budget as outlined in Appendix A beginning on page 97, with total revenues of \$139,048,900 and total gross expenditures of \$83,769,300, a transfer to the General Utility Reserve of \$41,219,700 and debt repayments of \$14,059,900 be approved.
17. That the 2019-2023 Utility Capital Plan with total gross expenditures of \$58,542,000 in 2019, as summarized in the City of Regina 2019 Utility Budget, highlighted beginning on page 97 of Appendix A, be approved.
18. That the 2019-2021 water rates and fees and charges as described in the following table be approved:

Water Rate Schedule	Approved Rate Schedule (\$)	Proposed Rate Schedule (\$)			
	2018	2019	2020	2021	
Daily Base Fee:	0.81	0.83	0.85	0.88	
15 mm/18 mm water meter	1.13	1.16	1.19	1.23	
25 mm water meter	1.46	1.49	1.53	1.58	
40 mm water meter	2.35	2.41	2.47	2.55	
75 mm water meter	8.91	9.13	9.35	9.68	
100 mm water meter	11.34	11.62	11.90	12.32	
150 mm water meter	17.01	17.43	17.85	18.48	
200 mm water meter	23.49	24.07	24.65	25.52	

Volume Charge:				
Charge per m3	1.92	1.98	2.04	2.10

19. That the 2019-2021 wastewater charges as described in the following table be approved:

Wastewater Rate Schedule	Approved Rate Schedule (\$)	Proposed Rate Schedule (\$)		
	2018	2019	2020	2021
Daily Base Fee:				
15 mm/18 mm water meter	0.62	0.64	0.66	0.68
25 mm water meter	0.87	0.90	0.92	0.95
40 mm water meter	1.12	1.15	1.19	1.22
50 mm water meter	1.80	1.86	1.91	1.97
75 mm water meter	6.82	7.04	7.26	7.48
100 mm water meter	8.68	8.96	9.24	9.52
150 mm water meter	13.02	13.44	13.86	14.28
200 mm water meter	17.98	18.56	19.14	19.72
Volume Charge:				
Charge per m3	1.71	1.76	1.81	1.86

20. That the 2019-2021 storm drainage charges as described in the following table be approved:

Storm Drainage Rate Schedule	Approved Rate Schedule (\$)	Proposed Rate Schedule (\$)		
	2018	2019	2020	2021
Daily Base Fee:				
0 to 1,000 m2	0.53	0.55	0.57	0.59
1,001 to 3,000 m2	1.06	1.10	1.14	1.18
3,001 to 5,000 m2	2.12	2.20	2.28	2.36
5,001 to 7,000 m2	3.18	3.30	3.42	3.54
7,001 to 9,000 m2	4.24	4.40	4.56	4.72
9,001 to 11,000 m2	5.30	5.50	5.70	5.90
11,001 to 13,000 m2	6.36	6.60	6.84	7.08
13,001 to 15,000 m2	7.42	7.70	7.98	8.26
15,001 to 17,000 m2	8.48	8.80	9.12	9.44
17,001 to 19,000 m2	9.54	9.90	10.26	10.62
19,001 to 21,000 m2	10.60	11.00	11.40	11.80
21,001 to 23,000 m2	11.66	12.10	12.54	12.98
23,001 to 25,000 m2	12.72	13.20	13.68	14.16
25,001 to 27,000 m2	13.78	14.30	14.82	15.34
27,001 to 29,000 m2	14.84	15.40	15.96	16.52
29,001 to 31,000 m2	15.90	16.50	17.10	17.70
Over 31,000 m2	16.96	17.60	18.24	18.88

21. That the rates and charges set out in these recommendations be effective January 1 of

each year in 2019, 2020 and 2021.

22. That the City Solicitor be instructed to prepare amendments to Bylaw 2016-24, being *The Wastewater and Storm Water Bylaw, 2016* and Bylaw 8942, being *The Water Bylaw*, to amend the rates and charges as set out in recommendations 3 to 6.
23. That the Utility Capital Budget as outlined in Appendix A beginning on page 97, for multi-year tax-supported capital projects underway in 2019 with gross expenditures of \$17,832,000, as described on page 20 of this report, be approved as follows:
 - a) 2020 - \$14,832,000
 - b) 2021 - \$3,000,000
24. That the City Solicitor be authorized to prepare any other necessary bylaw amendments not mentioned above to implement the above recommendations and the approved budgets.

CONCLUSION

The recommended 2019 Budget continues the commitment for an increased road maintenance program and invests significantly in asset management and renewal to reduce the risk of asset failure and/or service interruptions. The 2019 Budget also reflects Administration's commitment to managing in an efficient and effective manner with a further \$2 million in savings in addition to the \$9 million saved in previous budgets. The 2019 General Fund Budget is presented as Appendix A to this report.

The financial impact of the recommended plan is a total mill rate increase of 4.70%, comprised of a 3.70% increase plus a 1% increase for increasing the level of residential roadway infrastructure renewal work in 2019. For the homeowner with a home assessed at \$350,000, the total annual cost of the recommended mill rate increase is an additional \$93.24 per year. Actual financial impacts may vary subject to Council's deliberations of amendments identified during the public review period and decisions made on service changes carried forward from various committee meetings throughout 2019, as described in the motions of this report.

The total recommended General Operating Budget in 2019 is \$460.6 million, an increase of \$17.7 million from 2018. Property taxes are the largest single revenue source for the City, representing 54% of 2019's forecast revenues. The largest expenditure changes relate to costs associated with maintaining existing service levels and continued increased investment in infrastructure renewal.

The City of Regina uses a separate utility fund to support the water, wastewater and drainage services it provides to its 72,000 residential, commercial and industrial customers in the City and the surrounding area. It operates on a full-cost recovery, user-pay basis through utility rates. Utility rates are established such that they are sufficient based on long-term projections contained in the 25-year Utility Model to fully fund operating costs, interest costs and debt repayments, capital requirements and transfer payments to meet the service goals of the utility.

Development of the Utility budget includes a detailed analysis of investment in capital plans. Capital submissions are reviewed and evaluated to identify the benefits of the investment and the prioritization of proposed projects and programs that support water, wastewater and drainage service goals, aligned with corporate objectives. This information is entered in the 25-year

Model to reflect short, medium and long-term expenses. Various alternatives are reviewed in order to develop the proposed budget and recommended rate increases.

Based on the 25-year Utility Model, rate increases of 3% per year for 2019, 2020 and 2021 are recommended. These rate increases will fund operations, maintenance, and capital related to providing water, wastewater, and drainage services. Utility rates are the primary revenue source for the corporation's water, wastewater and drainage services, representing 98% of 2019's forecasted utility revenues. The additional 2% is made up of Administrative Fees and Other Charges. The 2019 Utility Budget projected revenue is \$139.0 million.

Expenses will total \$139.0 million. The revenue from rates and fees is allocated as follows:

- An estimated \$83.8 million for the Utility Operating Budget; an increase of \$7.6 million from 2018
- \$41.2 million will be transferred to the General Utility Reserve, which supports capital funding requirements as defined in the 25-year Utility Model
- A debt repayment of \$14.1 million, which is an increase of \$6.6 million from 2018.

In 2019, \$58.5 million will be invested in capital for infrastructure maintenance, renewal and growth in water, wastewater and drainage systems. The five-year Utility Capital Plan totals \$414.2 million.

BACKGROUND

Section 128(1) of *The Cities Act* states that “a council shall adopt an operating budget and a capital budget for each financial year”.

The report provides Council with a summary of Administration's recommendations for the General Fund 2019 Operating and 2019-2023 General Capital Plan. The detailed budget plans are included in the City of Regina 2019 General Fund Budget as attached as Appendix A to this report.

The report provides City Council with a summary of Administration's recommendations for the 2019 Utility Fund Operating and 2019-2023 Utility Capital Plan. The detailed budget plans are included in the City of Regina 2019 Utility Budget beginning on page 97 of Appendix A to this report.

DISCUSSION

The direction for the City established in *Design Regina: The Official Community Plan Bylaw 2013-48* (OCP) along with the four-year strategic plan and longer-term master plans are used to guide the development of the budget. The City's budget is developed in phases as follows:

1. Reviewing the current environment in which the City is operating;
2. Developing department and branch level plans to support the goals and objectives outlined in the plans identified above; and
3. Developing an operating and capital budget to address the plans.

To understand the environment the City is operating in as it relates to the 2019 Budget, the City of Regina undertook an environmental scan of the conditions that provided the context for financial decision-making. These included:

- Saskatchewan and Regina's economy is slowly recovering after no growth in 2015 and 2016. However, the impact of the economic downturn is still being felt in provincial and municipal budgeting.
- According to the Conference Board of Canada the average gross domestic product (GDP) growth for 2019 is expected to be 2.2% and 2% in 2020, considerably lower than the 5.9% growth the City experienced in 2013.
- Regina's Consumer Price Index is forecast to be 2%, which is slightly higher than previous years which will continue to impact operating budgets.
- The average year-to-date unemployment rate has risen slightly to 5.9% in August 2018, up from 5.3% in August 2017. The unemployment rate is forecast to be slightly higher than recent years at approximately 5.1% which is signalling a more flexible labour market.
- Housing starts and building permit data are showing declines. In July 2018, total year-to-date housing starts are down by 369 units or 31.8%. 2016 and 2017 building permits were below the five-year average. However, these results are above the ten-year average. In 2018, building permits are down 33% over the same period in 2017. This has the potential to impact natural tax growth if the trend continues.
- In 2018, the federal government announced a \$180 billion investment in infrastructure over a 12-year period. It was important for the City to consider priority projects and ensure funding is available to leverage this third party funding if it becomes available.
- The Revenue Sharing Grant will remain unchanged for 2019.
- The following mill rate increases for 2019 have been allocated through previous Council decisions:
 - 1% to Residential Roads Renewal Program – 2019 is the final year of the five-year Council-approved dedicated mill rate increase
 - 0.45% to Mosaic Stadium

The City's budget is developed in phases and begins with department and branch level planning which identify service priorities, alignment of resources of expected service requirements and the identification of potential gaps and/or risks. These plans are used as the basis to request changes in the budget using business cases for consideration through the budget development. Business cases were expected to be based on the need to sustain existing service levels and to describe the short and long-term costs, benefits and implications of investing or not investing in a particular service, piece of equipment or infrastructure.

The 2019 Budget process included:

- a) A structured approach to making service level choices – Budget goals were communicated throughout the organization and senior leadership developed the proposed budget based on information provided by departments.
- b) Enhanced reporting – The 2019 Budget presents information in a way that will generate understanding for the reader about the economic environment in which the City provides its programs and services, the City's financial condition and the relationship between planned service levels and the costs required to support them. Following guidance from the Government Financial Officers Association (GFOA) on the presentation of clear, understandable and complete budget documents, the 2019 Budget book provides details about the General Fund, Utility Fund, and the Costing Fund:

- i. *General Fund* – is used to fund the operating and capital costs for the majority of the City programs and services;
 - ii. *Utility Fund* – the utility is operated on a full cost-recovery, user-pay basis to manage the Water, Wastewater, and Drainage Utility;
 - iii. *Costing Fund* – is a mechanism used to track the full cost of providing services by allocating various costs between departments to match costs with the services they are intended to support. This includes costs such as vehicles, equipment and other indirect administrative support that are managed by one department but funded by the departments using the equipment or service throughout the year.
- c) Council Budget Approval – The 2019 Budget reflects Administration’s best advice on how to achieve Council’s policy and service priorities, given current resources. Ultimately, City Council determines the programs and services to be included in the 2019 Budget.

Considering the direction established in the OCP, the work underway to support its goals and objectives, as well as our four-year strategic plan and our longer-term master plans, the 2019 Budget sets the fiscal foundation to meeting the needs now and in the future. The 2019 Budget demonstrates Administration’s commitment to reasonable, affordable property tax and fee changes that support planned, sustainable growth and maintenance of the City.

The 2019 Budget is not without risk:

- The lack of diversity in other revenues results in significant reliance on property taxes and grants to support the majority of our costs.
- Aging infrastructure and asset condition have the potential to create risks to the quality or consistency of services.
- Almost one-quarter of the City’s work force is eligible to retire in the next eight years. Not only will the City need to recruit replacement workers, but it will also lose significant experience and service knowledge.
- Slower economic growth impacts City revenues in the form of lower taxation revenues, lower participation in recreation services as well as potential reduction in funding from other levels of government.

The 2019 Budget continues to recognize the need to balance service commitments with expectations of affordable taxation. A historic priority for the City of Regina has been to maintain affordable tax rates. While the reduction in revenues and the cost of delivering service adds some pressure on this goal, the City continues to identify and invest in key spending priority areas identified by residents.

2019 General Fund Operating Budget

The General Fund Operating Budget represents the majority of programs and services provided by the City and is tax-supported. These services include:

- Public Safety and Security - such as policing, fire protection and bylaw enforcement;
- Public Health and Well-being - such as solid waste collection and recycling;
- Management of Assets - such as roads, bridges, transit and traffic control; and
- Quality of Life - such as parks, recreational services, grants to community service organizations, and urban planning and development oversight.

General Operating Revenues

Property taxation is the major source of revenue for the City of Regina, accounting for 54% of the total revenue. The City’s ability to access other forms of taxation is limited by legislation, resulting in challenges to balance increasing costs to provide services with the desire to keep property taxes affordable. The 2019 General Fund Budget does not contain any increases in government funding except for the Multi-Material Stewardship Western (MMSW) outlined below.

The overall increase in revenues projected in 2019 is \$17.7 million reflected in the table below and is made up of the following:

- Taxation \$15.4 million
- Government Grants \$917,000 due to Multi-Material Stewardship Western (MMSW) funding for our recycling program.
 - MMSW is a not-for-profit stewardship agency established under the *Saskatchewan Non-Profit Corporations Act* to discharge stewards’ obligations under *The Household Packaging and Paper Stewardship Program Regulations*. Businesses selling or distributing packaging or printing paper materials must share the responsibility to finance the collection and recycling of household packaging and paper with municipalities that provide recycling waste services. In 2019, Administration will undertake a review of the recycling fee charged to residents that receive City-provided curbside recycling.
- Licenses & Levies \$98,900
- Fees & Charges \$822,300 mainly due to:
 - Transit Revenue – Council has previously approved a transit fare incentive and with the increased ridership, revenues are expected to increase.
 - Additional Parking Fee revenue is expected for the elimination of discounted privileged parking passes and the installation of parking meters around the General Hospital.
- Other \$381,400 mainly due to an increase in the penalty rates for non-payment of property taxes.

Revenue (\$000s)	2016 Actuals	2017 Actuals	2018 Budget	2018 Forecast (Sept)	2019 Budget	Budget Change	
						Dollar Change	Per Cent Change
General Fund							
Taxation	206,340.2	223,634.1	234,768.4	235,045.4	250,143.6	15,375.1	6.5
Government Grants	45,161.8	46,010.7	41,134.3	41,921.7	42,051.3	917.0	2.2
Licenses & Levies	13,908.4	14,612.9	13,708.3	13,654.8	13,807.2	98.9	0.7
Fees & Charges	75,288.4	80,863.0	82,201.1	79,456.6	83,023.4	822.3	1.0
Other	78,230.2	64,797.6	61,192.5	55,949.0	61,572.9	380.4	0.6
Civic Operational Total (General Fund)	418,928.9	429,918.4	433,004.6	426,027.6	450,598.3	17,593.7	4.1
Police Total	9,788.1	9,676.1	9,880.6	9,880.6	9,955.8	75.2	0.8
Total General Operating Revenues	428,717.1	439,594.5	442,885.2	435,908.2	460,554.1	17,668.9	4.0

General Operating Expenses

General Operating Expenses that fund the majority of the City’s programs and services is reflected in the table below and totals \$460.6 million, an increase of \$17.7 million from 2018.

Operating Expenses are impacted by a number of factors. The majority of the proposed increase in operating expense is the result of costs associated with increases in salaries and benefits costs, step increases or employees moving up in their salary range and increases to employer contributions to Canada Pension Plan (CPP) costs. In addition, current contributions to capital have increased from \$45 million in 2018 to \$49 million in 2019 to continue increasing the investment in infrastructure renewal.

The City's services can be significantly impacted by increasing costs of commodities (fuel, electricity, etc.); other contractual obligations (insurance premiums, banking services); and exchange rate increases associated with equipment and supplies purchased from the United States. These uncontrollable price increases cannot necessarily be managed by doing less, renegotiating a different price or going to a different supplier.

The cost of maintaining services is also affected by the growth of the City. As the City continues to grow, so does the inventory of assets that must be maintained. Services like winter road maintenance, concrete/road maintenance, street sweeping, and parks require incremental resources to ensure that service levels are maintained in accordance with Council policy and resident expectations.

The City is committed to providing services in an efficient and fiscally responsible manner. To offset increasing costs, more than \$9 million in savings were achieved in the past two years and an additional \$2 million in cost reductions were identified through the 2019 Budget development process. The efficiencies are from a number of areas across the organization and include, but are not limited to continued collaboration with the Lawn Bowling Club to transition the operations of the facility, realignments of programs to existing facilities and bi-weekly garbage pick-up during the winter months.

With the pressure aging infrastructure places on the City's budget, a goal of increasing the current contribution to capital by 3% each year to continue investing in infrastructure renewal was established in 2012. Infrastructure exists to provide services to residents, therefore there is a need to maintain and renew infrastructure to deliver quality services to residents.

The General Fund Operating expenses, including Regina Police Service (RPS), are projected to increase by \$17.7 million in 2019. The City continues to enhance efficiency while continuing to deliver reliable services to residents. Strategic choices were made after careful consideration. Specific increases reflected in the 2019 Budget include:

- \$4.5 million associated with negotiated collective agreement costs, step increases and increased benefit costs (e.g., Canada Pension Plan) for civic employees. For the past five years, salary costs have consistently made up approximately 55% of the City's annual operating costs.
- \$589,600 increase to office and administration, mainly due to increased telephone costs and software maintenance costs.
- \$113,500 net decrease to training and travel budgets.
- \$2.2 million increase to professional services, mainly due to:
 - \$1.5 million for increases to existing contracts with third parties.
 - \$50,000 for the Snow Angels program pilot.
 - \$100,000 for a master plan consultant for Regina Fire Department.
 - \$260,000 to expand the current residential organics depots from a 12 week program to a seasonal depot program (April - November) operating four days per week.
 - \$151,000 for extension of the Household Hazardous Waste Day Service.
 - \$80,000 for 2020 Municipal & School Board Election.
- \$183,000 increase to goods and materials used throughout the City.

- \$723,900 increase to other expenses including utility costs and preventative maintenance program costs.
- \$2.5 million increase to intramunicipal costs, mainly due to increased fuel costs (\$1.7 million and increased depreciation costs).
- \$373,100 decrease in community investments due to a decrease in funding for the Regina Exhibition Association Limited (REAL) and the removal of one-time event costs (i.e. Memorial Cup and LPGA) included in the 2018 budget.
- \$3.6 million transfer from General Operating revenues to tax-supported capital projects.
- \$753,800 net decrease to transfers to reserves.

Expenditures (\$000s)	2016 Actuals	2017 Actuals	2018 Budget	2018 Forecast (Sept)	2019 Budget	Budget Change	
						Dollar Change	Per Cent Change
General Fund							
Salaries & Benefits	157,078.1	157,226.1	166,563.9	158,137.4	171,085.3	4,521.4	2.7
Office & Administration	8,355.9	8,336.1	7,371.5	9,511.9	7,961.1	589.6	8.0
Training & Travel	1,771.5	1,141.2	2,259.4	1,758.7	2,145.9	(113.5)	(5.0)
Professional Services	25,442.3	25,350.9	28,299.5	27,533.3	30,506.5	2,207.0	7.8
Goods & Materials	6,302.8	5,911.8	6,153.1	6,093.0	6,336.1	183.0	3.0
Other Expenses	15,852.8	15,606.1	16,144.5	15,912.8	16,868.4	723.9	4.5
Intramunicipal	40,537.1	40,599.4	40,859.8	40,365.0	43,367.7	2,507.8	6.1
Civic Operational Total (General Fund)	255,340.6	254,171.6	267,651.8	259,312.0	278,271.0	10,619.3	4.0
Community Investments	10,670.7	10,109.6	11,699.6	11,304.6	11,326.5	(373.1)	(3.2)
Allocation to Capital	39,814.2	41,968.0	45,300.0	45,300.0	48,885.4	3,585.4	7.9
Debt Servicing	13,687.7	13,612.6	13,629.4	13,629.4	13,629.4	-	-
Transfers to Reserve Expenses	30,904.0	34,396.5	16,735.5	16,018.2	15,981.7	(753.8)	(4.5)
Civic Other Expenditures (General Fund)	95,076.6	100,086.8	87,364.5	86,252.2	89,823.0	2,458.5	2.8
Total Civic Operating Expenditures	350,417.2	354,258.4	355,016.2	345,564.2	368,094.0	13,077.8	3.7
Police Expenditures	81,469.8	85,336.1	87,845.1	87,869.0	92,460.1	4,591.1	5.2
Total General Operating Expenditures	431,887.0	439,594.5	442,861.3	433,433.2	460,554.1	17,668.9	4.0

Full-Time Equivalent Positions

The 2019 Budget includes an overall increase of 1.4 full-time equivalent (FTE) positions resulting in a budget of 2,869.0 FTEs for 2019.

The reported 2018 FTEs have been restated from 2,836.4 to 2,867.6 FTEs, an increase of 31.2 FTEs. In 2018, the City moved to a new budgeting system. A reconciliation of FTEs between the new system and the old system found the historical budgeting system had under budgeted the number of FTEs. The under reporting primarily related to budgeted FTEs for casual positions. The correction did not result in an increase to the number of employees (head count) or the salary budget.

2019-2023 General Capital Plan

Each year Administration submits a five-year Capital Plan to City Council in accordance with the *City Manager's Bylaw 2003-70*. The 2019-2023 General Capital Plan includes capital programs and projects.

- a) Capital programs are the on-going investments for renewal and rehabilitation work related to the City's major infrastructure that are needed to ensure that assets are functioning optimally and to prevent further deterioration.
- b) Capital projects are investments that result in new assets. They include the expansion of existing assets, such as roads, or the construction/acquisition of new assets.

The comprehensive 2019-2023 General Capital Plan, highlighted in the 2019 Budget, includes a total gross expenditure of \$534.6 million. Additionally, there are capital projects worth a combined \$40.3 million carried forward from previous periods. The majority of the capital funding is being used to address the maintenance and renewal of our infrastructure and other assets to extend their useful life. The five-year capital plan is fully funded but still does not fully meet the organization's needs and, like other municipalities, there is still an infrastructure gap to be addressed.

General Capital 2019-2023			
(\$000s)			
Year	General Capital	Police Capital	Total Capital Expenditures
2019	123,099	4,054	127,153
2020	100,709	6,681	107,390
2021	91,969	3,550	95,519
2022	97,745	4,501	102,246
2023	98,917	3,349	102,266
Total	512,439	22,134	534,574

The capital plan is funded by current contributions to capital, reserves, debt financing, federal and provincial funding agreements, deferred revenue and service agreement fees.

The Government of Canada, in its 2016 and 2017 Budgets, announced the Investing in Canada Infrastructure Program (ICIP). The ICIP will provide opportunities for the City of Regina to leverage funding for capital projects. In 2019, Administration plans to work with Council to identify a list of priority projects to be submitted for consideration. As a result, the 2019-2023 General Capital Plan does not include any specific ICIP projects. As projects are identified and approved under this program funding sources will be identified and brought to Council for consideration and approval.

Current Contributions to Capital

The City is continuing to dedicate more of its tax-supported budget to fund capital programs and projects. The 2019 Budget, attached as Appendix A, outlines the transfers from the General Operating Budget to capital. With an aging infrastructure, the condition of a number of the assets has deteriorated. Administration is continuing to document the condition of all of the assets to more fully understand the maintenance and replacement needs. In 2012, a strategic decision was made to begin to increase the annual investment in the renewal of infrastructure within the General Fund. At that time, funding sources from other levels of government were declining and

the gap in the funding available to replace or renew the assets could no longer be ignored. Administration has continued to increase the level of capital funding on an annual basis, however there continues to be a gap between the need and funding required, therefore strategic choices continue to guide the decisions that ensure the most pressing needs are met while living within the resources available.

As shown in the table below, of the \$48.8 million in 2019 current contributions to capital, \$32.8 million from the 2019 Budget will be spent on civic capital, \$12.0 million for Residential Roads (funded by the dedicated mill rate) and an additional \$4.1 million for RPS capital.

Expenditures (\$000s)	2016 Actuals	2017 Actuals	2018 Budget	2018 Forecast (Sept)	2019 Budget	Budget Change	
						Dollar Change	Per Cent Change
Current Contributions to Capital - Civic	31,595.2	32,293.0	27,325.4	30,789.8	32,789.4	5,464.0	20.0
Current Contributions to Capital - Residential Roads	5,472.0	7,532.0	9,672.0	9,672.0	12,042.0	2,370.0	24.5
Current Contributions to Capital - Police	2,747.0	2,143.0	4,970.6	4,970.6	4,054.0	(916.6)	(18.4)
Total	39,814.2	41,968.0	41,968.0	45,432.4	48,885.4	6,917.4	16.5

Reserves

The use of reserves to fund capital investments continues to increase. Reserves serve a number of purposes, including to set aside funds for future, planned capital expenditures and limit the impact on taxes in any given year. As noted in the 2019 Budget, all reserves, apart from the Land Development Reserve (LDR), Asset Revitalization Reserve (ARR), Planning and Sustainability Reserve (P&SR) and Regina Revitalization Initiative (RRI) Stadium Reserve are expected to remain in a positive balance in 2019. The Land and Development Reserve is projected to be in a negative balance at the end of 2018 and remain negative over the five-year projection due to the up-front cost requirements associated with land development. The Asset Revitalization, Planning and Sustainability and RRI Stadium reserves are each projected to move into a negative balance in 2019 due to planned activities in the year. While the RRI Stadium Reserve moves to a negative balance in 2019, this was anticipated and over the balance of the 30-year funding model is projected to be in a positive balance. The LDR, ARR and P&SR will continue to be managed in 2019 with a goal of moving them to a positive balance in the future.

Reserves provide financial sustainability and flexibility to address emerging issues, alleviate the effect of spending decisions on property taxations, and minimize the use of debt to finance capital projects. Determining the sufficiency and appropriateness of reserve levels is a matter of judgement. The amount of funding currently held in reserves is relatively low in comparison to the values of city-owned assets. Overall reserve balances are projected to increase over the five-year plan from \$70.9 million in 2019 to \$81.3 million by 2023.

Previously, City Council approved funding be transferred from the Land Development Reserve to fund the Hawkstone Land Development project. Due to market conditions and other City priorities the development of Hawkstone has not advanced at the pace originally planned. As a result, Administration is recommending a transfer of \$9.7 million from funding allocated to Hawkstone Land Development to fund initial work on the Regina Revitalization Initiative (RRI) Railyard Renewal Project. Administration will be completing a review of the land development priorities for the City and the transfer at this time will support the active RRI project.

Debt

The City's reliance on its own sources to fund capital investments has impacted the reliance on debt. While the issuance of debt can provide funds for increased capital investment, the amount owing plus the related interest must be paid in future years from operating funds. Debt is a trade-off between increased fiscal flexibility in the short-term versus reduced fiscal flexibility over the term of the repayment.

Debt charges include debt payments related to financing for the General Capital Program as well as Mosaic Stadium. Debt payments for Mosaic Stadium are funded by the 0.45% dedicated mill rate increase, any interest revenue earned by Mosaic Stadium, various other revenues received related to the stadium and by a withdrawal from the Regina Revitalization Initiative Stadium Reserve, if required.

Expenditures (\$000s)	2016 Actuals	2017 Actuals	2018 Budget	2018 Forecast (Sept)	2019 Budget	Budget Change	
						Dollar Change	Per Cent Change
Debt Servicing	13,687.7	13,612.6	13,629.4	13,629.4	13,629.4	-	-
Total	13,687.7	13,612.6	13,629.4	13,629.4	13,629.4	-	-

The City of Regina has an approved debt limit of \$450 million. The debt limit is approved by the Saskatchewan Municipal Board and is the limit established to cover the consolidated debt of the City. This includes debt for the General and Utility Funds as well as the debt taken on by the City's service partners. The December 31, 2018 outstanding debt balance for the City of Regina's General Fund is projected to be \$195.6 million and is projected to decrease to \$191.3 million at the end of 2019, as noted in the 2019 Budget.

In 2019, \$12.8 million in debt is coming due. Administration will be bringing forward a report to Council early in 2019 to discuss options on the how to address the cost of the required payment and the potential of a new debt issuance.

As noted earlier, the capital plan also includes the use of debt in 2020 (\$12 million) and 2021 (\$3 million) as the projected source of financing to build a new outdoor Destination Aquatic Facility that will be designed in 2019. A report will be taken to City Council in the new year for a decision on the funding source of the new facility.

Service Agreement Fees

The City of Regina enters into agreements with private developers to undertake greenfield development in the City. Developers have been required to provide upfront servicing of lots (water, sewer, roads, etc.) directly as part of their agreement with the City.

In addition to directly delivering basic servicing, developers also pay Service Agreement Fees (SAFs) to the City on a per hectare of land basis that is used towards the construction of infrastructure to support new development. These are costs of connecting to the City system including such things as adding traffic signals, widening roads, and increasing the capacity of water and sewer trunk lines to accommodate new development.

Residential Roads

Consistent with Council direction, Administration has included in its proposed 2019 Budget a dedicated mill rate increase of 1% for the renewal of residential roads. As part of the 2015 Budget, Council approved a long-term Residential Roads Renewal Program funded by a dedicated 1% mill rate for five years (2015 – 2019). This program will continue to improve the condition of residential roads within the ‘poor’ category and deliver a program of on-going preventative maintenance and rehabilitation for roads in ‘good’ and ‘fair’ condition.

Multi-Year Capital Projects

Recommendation 3 recognizes the multi-year financial commitments associated with capital projects that require more than one year to complete. Approving funds in 2019 through to 2023 for projects that commence in 2019 allows the City to commit the total cost of the project from tendering through to their completion.

Fund	Division	Department	Project/Program Name	Carry Forward	2019	2020	2021	2022	2023	5-Year Total
General	City Planning & Development	Development Services	Comprehensive Zoning Bylaw Review	501	400	-	-	-	-	400
			Wascana Parkway and Highway No1 Intersection Capacity Upgrades	-	550	-	-	-	-	550
		Planning	Saskatchewan Drive Corridor Plan	-	357	143	-	-	-	500
	Corporate Services	Facilities	Outdoor Destination Aquatic Facility	-	1,500	12,000	3,000	-	-	16,500
			Parks and Facilities Yard Development	-	5,400	5,200	-	-	-	10,600
			Regina Police Service New Headquarters Development	13,435	7,000	-	-	-	-	7,000
			Transit Fleet Maintenance Facility	11,605	12,375	1,900	-	-	-	14,275
			Waste Management Centre	-	11,600	8,300	-	-	-	19,900
		Land & Real Estate	Regina Revitalization Initiative (RRI) Railyard Renewal Project	-	1,500	3,000	3,000	3,000	3,000	13,500
			South East Lands Development Project	8,300	8,000	8,000	8,000	10,000	10,000	44,000
	City Planning & Development	Development Services	Ring Road Widening - Albert Street North to McDonald Street	-	800	-	-	8,100	-	8,900
	Transportation & Utilities	Roadways	Tandem Truck Upgrades complete with slide in sanders	-	190	-	95	190	-	475
		Roadways	Victoria Avenue Enhancement Project	-	1,500	1,500	-	-	-	3,000

Fund	Division	Department	Project/Program Name	Carry Forward	2019	2020	2021	2022	2023	5-Year Total
		Solid Waste	Landfill Gas Collection System Expansion	-	1,250	750	-	-	-	2,000
Total General Fund					52,422	40,793	14,095	21,290	13,000	141,600

By approving the commitment of these funds, the City increases the assurance among bidders that the corporation will fund the entire project. This should increase the attractiveness of the City’s bid calls for the work and facilitate more competitive bid pricing. It also maximizes the flexibility and accountability for managing the capital budget by matching the provision of funds with the year in which they are required, which is a best practice in capital budgeting. Council maintains the discretion to cancel any project at any time, following consideration of the costs associated with doing so.

Council Referred Items

Council referred items to the 2019 budget development process. These items are described below with additional detail on each included as Appendix B of this report.

Wascana Parkway to Prince of Wales Extension

- Council requested Administration review the Wascana Parkway to Prince of Wales extension land acquisition. The recommended budget includes advancing capital funding from 2036 to 2019. This project includes the purchase of the land in anticipation of the design and construction of intersection capacity upgrades at Wascana Parkway in the future.

Arcola Corridor Study

- Council requested Administration review the timing of the Arcola Avenue Corridor Study. Funding for the study is included in 2021 of the capital plan, advanced from 2024. This timeline advances the timeline of the study while still enabling the traffic flow impact of the Regina By-Pass to be factored into the Arcola Corridor Study.

Arcola Intersection Improvements

- Council requested Administration review the Arcola Intersection Improvements. Administration is not recommending this be included in the 2019-2023 capital plan as the Arcola Corridor Study will inform the requirements and timing of this initiative.

Community Investment Grants Program

- Council requested Administration review the option of an increase in funding to the Community Investment Grant Program. It is estimated that a minimum of \$1 million is required to substantially impact programming and therefore no increase is included in the 2019 Community Investment Grants Program.

Detailed Design for Parking Improvements Downtown

- Council requested Administration review the Detailed Design for Parking Improvements Downtown. The proposed budget includes accessing deferred revenue funding in the 2019 capital plan for this project.

Snow Angels

- Council requested Administration review the inclusion of funding for a Snow Angel Program in the 2019 budget. The 2019 Budget includes \$50,000 in funding to implement and evaluate a pilot volunteer-based snow removal program.

Mobile Food Vending Permit Fees

- Council requested Administration review the Mobile Food Vending Permit Fees. The 2019 Budget includes an option for mobile vendors to reduce their annual permit fees by providing an alternative permit that allows vendors to not receive a meter bag resulting in a lower permit fee.

Condominium Waste Rebate Program

- Council requested Administration to review the reinstatement of the Condo Waste Rebate Program. Administration is recommending a decision on the reinstatement of these fees be deferred and be part of the Solid Waste Curbside Collection Services Funding Policy Report anticipated early in 2019.

Open Space Pathway Snow Clearing Service

- Council referred consideration of snow clearing of all open space pathways city wide to the 2019 budget process. The 2019 proposed budget includes an additional four kilometers of pathways cleared from within existing resources. The proposed budget does not include additional funding to snow clear all open space pathways. The additional cost to do so is estimated at \$49,000 in annual operating expenses and an additional \$136,000 capital investment in fleet.

Other Considerations

Appendix C to this report includes detailed information on the City's five outdoor pools operated by the City. These pools were built between 1946 and 1962, resulting in an average age of 64 years. The City also has three indoor pools, which are an average of 34 years old. The average life span of a pool is 30 to 40 years. The development of a new outdoor Destination Aquatic Facility will enable Administration to manage the end of the useful life cycle of the Maple Leaf and Wascana outdoor pools.

2019 Utility Operating Budget

The Utility rates support four service areas:

1. Water supply and distribution – the water system provides water for residential, institutional, commercial and industrial customers, as well as for fire protection.
2. Wastewater collection and treatment – the wastewater system collects wastewater from residential, institutional, commercial and industrial customers in the City and treats wastewater in accordance with the federal and provincial government's environmental regulations and industry standards.
3. Storm water collection and flood protection – the drainage system controls water runoff from rainfall and melting snow in and around the City.
4. Customer service including utility billing and collections functions in an efficient, accurate and timely manner. It also includes the communication function of responding to customer inquiries and needs.

A Utility rate increase of 3% per year for three years (2019, 2020 and 2021) is recommended and will result in average monthly billing increases of approximately \$4.14 in 2019, \$4.14 in 2020

and \$4.44 in 2021. Detailed water, wastewater and storm drainage rates are provided in the City of Regina 2019 Utility Budget, attached as Appendix A.

While the recommended rates support the ongoing services provided by the Utility, they are not without risk. As work continues on master plans, the model includes assumptions for recommendations. As the master plans are completed, the amount and/or timing of funding requirements may change. Any changes to Council priorities or federal and provincial environmental regulations will also impact future costs.

The Utility is structured on a full-cost recovery, user-pay basis. Utility billing, and licences and levies, are used to maintain daily operations and maintenance requirements. Money is transferred to the General Utility Reserve which funds capital projects. The General Utility Reserve is based on a long-range financial model for water, wastewater and drainage services and allows for full cost recovery. At the recommended rate increase of 3% for each of the next three years, the General Utility Reserve is projected to remain at a positive balance, although it would drop below the recommended level of \$25 million for several years starting in 2023 due to larger planned capital investments. While there is some risk associated with this lower projected reserve balance, the model is reviewed each year, allowing an opportunity to adjust if required.

These recommended rates ensure the City can meet the needs of the present without compromising the ability to meet the needs of future generations. The Utility Model considers various implications and financial impacts; taking into consideration capital plans, maintenance and operating costs. The current rate structure is easy to understand and supports the goals of sustainability and affordability.

The 2019 Budget maintains the existing utility services and service levels provided in 2018.

There will also be continued progress on water and wastewater infrastructure renewal projects, pumping station upgrades and equipment replacement, rehabilitation and replacement of cast iron and lead pipes, and continued investment in drainage infrastructure, including detention facilities and related piping.

Utility Revenues

Revenue (\$000s)	2016 Actuals	2017 Actuals	2018 Budget	2018 Forecast (Sept)	2019 Budget	Budget Change	
						Dollar Change	Per Cent Change
Utility Fund							
Water	62,601.7	68,462.5	65,349.8	69,536.8	68,335.3	2,985.5	4.6
Wastewater	48,251.3	51,653.8	48,999.8	52,956.6	51,850.9	2,851.1	5.8
Drainage	15,421.9	15,994.4	16,480.6	16,503.2	17,224.9	744.3	4.5
Administrative Fees and Other Charges	3,378.8	1,591.9	1,989.8	1,191.0	1,637.8	(352.0)	(17.7)
Utility Total (Utility Fund)	129,653.7	137,702.6	132,820.0	140,187.6	139,048.9	6,228.9	4.7

The user-pay structure of the Utility Fund means that fees paid by customers support the cost of providing the service and maintaining the assets required to provide the service. An overall Utility rate increase of 3% in 2019 is recommended and will result in an average increase in monthly billing of approximately \$4.14 for a typical household. The rate increases will be effective January 1, 2019.

Revenues from Utility rates are estimated to total \$139 million, an increase of \$6.2 million over 2018. The increase includes the proposed 3% rate increase, additional revenue projections for the Hauled Wastewater Station operated by EPCOR and increased consumption and growth based on the historical three-year average.

Rate increases recommended in 2020 and 2021 will provide reliable revenues for the City based on assumed growth rates for the future as well as predictable future cost for customers.

Utility Operating Expenditures

Expenditures (\$000s)	2016 Actuals	2017 Actuals	2018 Budget	2018 Forecast (Sept)	2019 Budget	Budget Change	
						Dollar Change	Per Cent Change
Utility Fund							
Water Purchase	9,366.3	13,321.9	12,224.0	15,224.0	15,994.5	3,770.5	30.8
Water	13,141.9	17,067.4	17,691.1	18,363.3	16,694.7	(996.4)	(5.6)
Wastewater	8,920.5	9,004.8	9,575.3	8,518.1	9,041.0	(534.3)	(5.6)
Wastewater Treatment	7,990.5	7,656.1	8,842.0	8,307.5	12,605.8	3,763.8	42.6
Drainage	2,895.1	2,665.1	3,655.2	2,834.0	3,601.9	(53.3)	(1.5)
Customer Services	9,194.8	9,855.7	9,860.2	9,860.2	10,386.2	526.0	5.3
Civic Operations Total	51,509.3	59,571.0	61,847.7	63,107.2	68,324.0	6,476.3	10.5
Access Fee	12,507.2	13,489.7	14,271.6	14,239.9	15,445.2	1,173.6	8.2
Debt Payment	1,402.3	6,278.9	7,478.6	7,478.6	14,059.9	6,581.3	88.0
Transfer to Reserve	64,235.0	58,363.0	49,222.0	49,222.0	41,219.7	(8,002.3)	(16.3)
Civic Other Expenditures	78,144.4	78,131.6	70,972.3	70,940.6	70,724.9	(247.4)	
Utility Operational Total (Utility Fund)	129,653.7	137,702.6	132,820.0	134,047.7	139,048.9	6,228.9	4.7

Like the General Operating Fund, the Utility Fund operates with a view of continuous improvement to ensure services are provided in an efficient and effective manner. The recommended Utility Operating Budget for 2019 totals \$139 million; an increase of \$6.2 million from 2018. Substantial increases reflected in the 2019 Utility Budget include:

- A projected increase of \$3.8 million for planned maintenance at the Wastewater Treatment Plant as outlined in the agreement. This maintenance is scheduled to keep the plant in good running condition.
- An increase of \$3.8 million for water purchases, which reflects the 2018 rate increase that was not included in last year’s budget in error and a projected rate and volume increase for 2019. The 2018 water rate increase was included in the calculation of the 2018 utility rate increase and does not impact the 2019 rate increase.
- \$6.6 million increase in planned debt payments, offset by an \$8 million reduction in the year-end transfer to the Utility Reserve.

Operating expenditure increases for 2020 and 2021 have been factored into the Utility Model, which includes inflationary assumptions of operating costs. The increases are based on historical data and information regarding the Municipal Price Index.

2019-2023 Utility Capital Plan

Future capital investments and financial forecasts are reviewed and updated annually through the budget process, which includes a review of the changing conditions, the Utility's capital investment planning and the development of master plans. Over the last ten years, capital investment to fund projects and programs such as the wastewater treatment plan upgrade project, has closely matched projections that address service needs for continued deliver of safe, reliable services to customers.

The recommended comprehensive 2019-2023 Utility Capital Plan, highlighted on page 126 of Appendix A, includes a total expenditure of \$414.2 million. The proposed 2019 Utility Capital Plan totals \$58.5 million.

Utility Capital Plan 2019-2023 (\$000's)

2019	58,542
2020	69,557
2021	68,235
2022	99,735
2023	118,125
Total	<u>\$414,194</u>

Similar to general capital, utility capital utilizes various sources of funding to support infrastructure. The Utility Reserve supports the majority of the infrastructure costs ensuring that the infrastructure is maintained over the long-term through a full-cost recovery, user-pay model. The other major funding source to support assets within the Utility is Service Agreement Fees, The Utility Servicing Agreement Fee reserve, funds assets that support growth.

The 2019 Utility Capital Plan focuses investment in key areas:

- Linear Renewal Work - \$25.5 million investment in infrastructure renewal that will support the goal of providing ongoing reliable service of a suitable quality and capacity as outlined in the Water Master Plan.
- Drainage Upgrades - \$8 million investment to upgrade drainage systems in older neighbourhoods to reduce the risk of flooding.
- Water Meter and AMR Replacement - \$1.3 million investment in the City's water meters and Automated Meter Reading (AMR) system require upgrading to restore system reliability and reduce downtime costs. The work undertaken in 2019 will be primarily for planning the multi-year project.
- Infrastructure Growth - \$6.1 million for projects that support growth such as Creeks Wastewater Pumping Station Expansion funded from Service Agreement Fees.
- \$17.5 million for other projects such as pumping station upgrades, chlorine booster stations and equipment replacement.

Multi-Year Capital Projects

Recommendation 23 recognizes the multi-year financial commitments associated with capital projects that require more than one year to complete. Approving funds in 2019 through to 2023 for projects that commence in 2019 allows the City to commit the total cost of the project from tendering through to their completion.

Fund	Division	Department	Project/Program Name	Carry Forward	2019	2020	2021	2022	2023	5-Year Total
Utility	Transportation & Utilities	Water Works Services	Area 1 & 17 - Phase 3	-	1,000	8,500	-	-	-	9,500
			Water Control System Upgrades	-	64	-	-	-	-	64
			Chlorine Booster Stations	-	2,000	2,000	-	-	-	4,000
			Citywide Drainage Master Plan Update	-	200	600	-	-	-	800
			Drainage Control System Upgrades	-	48	32	-	-	-	80
			Fleming Road Pumping Station Screens	-	250	200	3,000	-	-	3,450
			Flow Meter Chambers for Transmission Piping	-	1,500	1,500	-	-	-	3,000
			Lift Station Radio Upgrades	-	9	-	-	-	-	9
			Wastewater Control System Upgrades	-	16	-	-	-	-	16
			Area 13 - Avonhurst Relief Trunk	-	3,000	-	-	-	-	3,000
			Trunk Relief Initiative	8,324	2,000	2,000	-	-	-	4,000
Total Utility Fund					10,087	14,832	3,000	-	-	27,919

By approving the commitment of these funds, the City increases the assurance among bidders that the corporation will fund the entire project. This should increase the attractiveness of the City's bid calls for the work and facilitate more competitive bid pricing. It also maximizes the flexibility and accountability for managing the capital budget by matching the provision of funds with the year in which they are required, which is a best practice in capital budgeting. Council maintains the discretion to cancel any project at any time, following consideration of the costs associated with doing so.

Utility Reserves & Debt

In 2019, \$41.2 million will be transferred to the General Utility Reserve to fund current and future capital projects. The reserve balance at the end of 2019 is projected to be \$95 million to fund the five-year capital plan. The reserve balance at year-end 2023 will be an estimated \$10.4 million.

In 2019, debt repayment is projected to be \$14.1 million. This is a \$6.6 million increase from 2018 and is largely due to the final payment of loan taken out in 2009. This payment will result in the retirement of that loan, leaving \$73.8 million in Utility debt at the end of 2019. Over the five-year forecast period, debt repayment is estimated at \$38 million, averaging about \$7.6 million per year.

Capital work is budgeted through a combination of reserves and debt. Debt is typically used to fund large, extraordinary work, while the ongoing capital plan is funded from the General Utility Reserve and the Utility Servicing Agreement Fee Reserves.

Service Partner Budgets

The City works with key service partners, including the Provincial Capital Commission, EDR, and REAL. Provincial Capital Commission, EDR and REAL each make annual requests to City Council for funding through the Executive Committee (EX18-24, attached as Appendix D). The table below reflects the actual funding to each agency in 2016 and 2017, the 2018 Budget, and the level of funding included in the proposed 2019 Budget.

Expenditures (\$000s)	2016 Actuals	2017 Actuals	2018 Budget	2018 Forecast (Sept)	2019 Budget	Budget Change	
						Dollar Change	Per Cent Change
General Fund							
Economic Development Regina	1,719.5	1,819.5	1,719.5	1,719.5	1,812.0	92.5	5.4
Regina Exhibition Association Limited (Executive Committee)	400.0	400.0	400.0	400.0	200.0	(200.0)	(50.0)
Provincial Capital Commission	2,719.0	2,912.0	2,719.0	2,719.0	2,719.0	-	-
Total General Operating Expenditures	4,838.5	5,131.5	4,838.5	4,838.5	4,731.0	(107.5)	(2.2)

Economic Development Regina

EDR is responsible for advancing economic development and tourism in the Regina region. The agency has an economic development division that develops strategies to attract investment in the region and promote business and career development. The tourism division works collaboratively with the tourism sector partners to promote Regina as a destination of choice.

EDR receives core funding from the City of Regina and also raises additional funds from other partnerships. EDR has requested a budget of \$1.8 million in 2019; the increase of \$92,500 is due to cost of living adjustment in City funding for the past four years.

Regina Exhibition Association Limited

REAL is a not-for-profit organization that is responsible for the stewardship, development, promotion and overall management of Evraz Place. Evraz Place is a large, multi-purpose event complex with over 1.2 million square feet of fully connected indoor space and over 30 acres of outdoor usable space.

The City of Regina became the owner of all issued Class A voting memberships of REAL in 2014 with the signing of the Unanimous Membership Agreement.

REAL is requesting \$200,000 in funding in 2019, which is a reduction of \$200,000 from 2018 approved funding. REAL is reducing the funding requested from the City as it develops a new strategic plan for the organization while concurrently performing a site-wide asset condition assessment. The intent is to gain a better understanding of future strategic needs as well as transparent assessment of current state of infrastructure. As such the funding is being requested to support improvements related to safety and critical business issues while due diligence is performed. The \$200,000 will be allocated based on building assessments with a focus on safety and critical business issues.

Provincial Capital Commission

The Provincial Capital Commission is responsible for managing 2,300 acres of park land within the boundaries of the City. The Provincial Capital Commission is established through provincial legislation and is governed by a Board of Directors that make up the three principle funding partners – the Government of Saskatchewan, City of Regina and University of Regina. Funding to the Provincial Capital Commission supports the overall maintenance of Wascana Park. The City also contracts directly with the Provincial Capital Commission to provide improvements on City owned lands within the park.

Funding for the Provincial Capital Commission is legislated by *The Provincial Capital Commission Act* which prescribes the proportional shares of 55% to the Province of Saskatchewan, 30% to the City of Regina and 15% to the University of Regina. Over the next few months, it is expected representatives from the Province, City and University will discuss a new sustainable funding model for the Commission.

The Provincial Capital Commission has requested total funding of \$2.7 million in 2019 from the City of Regina, which is no change from the current level of funding.

Other Budgets

The Regina Police Service submits its budget request to the Board of Police Commissioners who, in turn, make their recommendation to City Council for approval. The Regina Public Library requests a separate mill rate approval from City Council.

Regina Police Service

The RPS budget included in Appendix A is considered draft until such time as the Board of Police Commission approved budget is presented to City Council on November 26, 2018.

Regina Public Library

The Regina Public Library (RPL) promotes and supports cultural, economic, educational and recreational development in the City through collections, programs and services. The Board of the RPL has approved the library's budget and has requested a mill rate of 0.73285 for 2019; an increase of 1.8% from 2018. There was no increase to the mill rate in 2018. If approved by Council, Administration will bring forward a bylaw in the spring of 2019 to formally levy the mill rate.

Summary

The 2019 Budget recommends an increase in the mill rate of 3.70%, with an additional 1% increase dedicated to the Residential Roads Renewal Program. It continues to deliver reliable service to meet resident expectations, increase investment in infrastructure and public safety. For the homeowner with home assessed at \$350,000, the mill rate increase amounts to an additional property tax increase of \$93.24 annually.

The bylaw to formally levy the mill rate will be brought forward in the spring of 2019 when the provincial government provides the City with the mill rates for the school divisions. At that time, City Council will also approve the mill rates for the business improvement districts, as well as the Regina Public Library and the City.

The recommended 2019 Utility Budget includes an overall Utility rate increase of 3% per year for three years (2019, 2020 and 2021), effective January 1 each year. This increase supports the necessary operations and capital expenditure requirements for the 2019 Budget as defined in the 25-year Utility Model. Regular, reasonable rate increase will be required in the future to support the 25-year Utility Model.

There are risks associated with current financial projections. These include:

- Changing regulatory and environmental standards – the Utility Model includes a long-range capital plan, which assumes the current regulatory environment will remain the same. The model offers some flexibility to accommodate capital upgrades that would be required from unforeseen regulatory changes. However, the capital plan would need to have amendments if regulation or environmental standards are changed such that a large capital investment were needed.
- Climate change may lead to more severe weather events – increased investment in drainage operations may be necessitated by future increased flooding events.
- Uncontrollable failure in the water, wastewater and drainage systems.

RECOMMENDATION IMPLICATIONS

Financial Implications

The financial implication of the recommended General Operating Budget is an increase in the property tax mill rate to 8.13685, representing a 4.70% increase from 2018.

Administration has committed to being efficient and effective with the resources received. To this end Administration has achieved more than \$9 million in savings in the last two years. Additional savings of almost \$2 million have been achieved through this budget across the organization.

The City of Regina has received an AA+ credit rating since its first rating was issued in 1989. According to Standard and Poor's (S&P Global), this consistently strong rating is reflective of the City's ongoing commitment to sound fiscal management. An "AA+" rating means that S&P Global believes the City has a very strong capacity to meet financial commitments and obligations that do not vary substantially from forecasts. Reasons for the rating include the City's ability to readily access funds and relatively low taxation levels, and a positive opinion about the City's financial management. It also reflects S&P Global's favorable opinion about the solid local economy. The "positive" outlook means S&P Global expects the City to continue to benefit from excellent liquidity position and strong financial management practices.

While the City of Regina currently has a relatively healthy financial condition and a strong credit rating, the Corporation relies heavily on its own sources of funding to finance its operating and capital needs. This reliance means that capital projects are financed through the use of reserves, debt and an allocation of funding from annual taxation revenue (current contributions to capital).

The 2019-2023 total recommended General Capital Budget represents a \$535.0 million investment over five years.

For a home assessed at \$350,000, the recommended 2019 mill rate increase of 4.7% will result in an approximate property tax increase of \$93.24 per year; an increase of \$7.77 a month.

The utility rate increase is reasonable and will support the current operating costs and the projected capital investments as planned in the Utility Model. The average household will pay an additional \$4.14 per month in 2019, \$4.14 per month in 2020 and \$4.44 per month in 2021.

Over the five-year forecast, the reserve balance is reduced from \$95 million in 2019 to \$10.4 million in 2023 for planned capital investments. This is a significant change and may impact the Utility's ability to react to unanticipated operational or capital needs in the future.

Environmental Implications

The work done by the Utility complies with environmental and regulatory requirements.

Policy and/or Strategic Implications

The recommendations in this report and the resulting 2019 Budget align to the strategic objective to "deliver reliable service" as described in the City of Regina's Strategic Plan while continuing to make some investments to advance our vision.

The recommendations in this report, and the resulting 2019 Utility Budget, support the Official Community Plan, specifically adhering to the benefits model based on a user pay system. They also support the objectives in the City of Regina's Strategic Plan, namely delivering reliable service and improving service financial sustainability.

Other Implications

None specifically related to this report.

Accessibility Implications

The recommended 2019 Budget continues to fund a variety of accessibility initiatives that were implemented in previous years.

COMMUNICATIONS

The objectives of communication activities related to the 2019 Budget are to communicate the City's long-term financial planning, investment in infrastructure renewal and service delivery as outlined in the proposed budget. Detailed information is available on Regina.ca/budget.

Administration actively engaged residents to understand their spending priorities as part of pre-budget planning. Between September 10 and 24, 2018, an online survey was promoted on Regina.ca to obtain feedback on the key spending priorities of residents. A total of 3,112 respondents came to the survey link and completed questions; 2,701 completed all questions. The 2019 Pre-Budget Survey Report can be found on Regina.ca/budget.

Survey respondents identified roads, infrastructure, and public safety as being their top spending priorities.

Although separate from the budget planning process, the *Conversation with the City* drop-in event held at City Hall on October 23, 2018, provided a valuable opportunity for residents to interact directly with members of Administration and to learn about City operations.

In conjunction with the release of the proposed 2019 Budget, detailed information will be available online at Regina.ca/budget, which will be promoted through a focused online and radio advertising campaign.

The objectives of communication activities related to the recommended 2019 Utility Budget are to inform residents of the three-year rate strategy and its anticipated impact on utility bills over the period. Work to help residents better understand how the Utility works, the services delivered and the capital investment over the period will be undertaken.

From November 19 to 30, the City will encourage residents to learn about the proposed 2019 Utility Budget on Regina.ca. Following City Council's approval of a 2019 Utility Budget, consumers will receive information in Utility bills to provide information on the rate increases and the Utility.

DELEGATED AUTHORITY

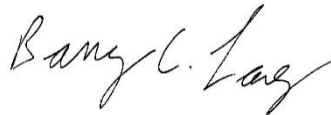
The recommendations in this report require City Council approval.

Respectfully submitted,



June Schultz, Director
Finance

Respectfully submitted,



Barry Lacey, Executive Director
Corporate Services

Report prepared by:
Roseann Anderson, Manager, Budget, Financial Analysis & Support