

February 27, 2018

To: His Worship the Mayor  
and Members of City Council

Re: 2018 General Operating and 2018 - 2022 Capital Budget

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## RECOMMENDATION

1. That the 2018 tax-supported General Operating Budget as outlined in Appendix A be approved, including the following details:
  - a. With gross expenditures of \$443,085,200 and a net property tax levy requirement of \$235,937,400;
  - b. The 2018 mill rate of 7.81033 representing a 3.86% increase for all programs and services plus a 1% increase for the Residential Road Renewal Program;
  - c. The funding request for the Provincial Capital Commission, Economic Development Regina (EDR), and Regina Exhibition Association Limited (REAL); and
  - d. The Regina Board of Police Commissioners recommendation of \$87,869,000 be allocated to the Regina Police Services (RPS) budget.
2. That the 2018-2022 General Capital Budget as outlined in Appendix A be approved as follows:
  - a. With total gross expenditures of \$132,422,600 in 2018; and
  - b. multi-year tax-supported capital projects underway in 2018 with gross expenditures of \$40,866,000, as described on page 11 of this report, be approved as follows:
    - i) 2019 - \$31,065,000;
    - ii) 2020 - \$12,400,000;
    - iii) 2021 - \$120,000; and
    - iv) 2022 - \$0.
3. That the Regina Public Library's Board approved budget and mill rate request of 0.71989 for the Regina Public Library be approved.
4. That the City Solicitor be authorized to prepare all necessary bylaws to implement the above recommendations.

## CONCLUSION

The recommended General Operating and Capital Budget (2018 Budget) maintains programs and service levels provided in 2017. Further, it 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 copy of the 2018 General Operating and General Capital Budget (2018 Budget) is presented as Appendix A to this report.

The financial impact of the recommended plan is a total mill rate increase of 4.86%, comprised of a 3.86% increase focused on maintaining programs and services at current levels while continuing to advance our community vision plus a 1% increase for increasing the level of local roadway infrastructure renewal work in 2018. For a typical home assessed at \$350,000, the total annual cost of the recommended budget produces a \$7.70 per month or \$92.40 annual increase (\$73.44 from property taxes and \$18.96 for the residential roads program) compared to 2017 municipal taxes. Actual financial impacts may vary subject to Council's deliberations of the recommendations contained in this report.

The total recommended General Operating Budget in 2018 is \$443.1 million, an increase of \$7.3 million from 2017. Property taxes are the largest single revenue source for the City, representing 53% of 2018's forecast revenues. Increased costs included in the General Operating Fund are due to increases in service delivery costs due to inflation, population growth, and uncontrollable cost increases. These increases have been offset by over \$9 million in reductions and savings in all areas of the organization resulting in an overall increase to City Operations of 0.6% (\$1.6 million). Investments in Capital and Regina Police Service operations make up the balance of the increased costs.

## 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 following report provides Council with a summary of the Administration's recommendations for the General Fund 2018 Operating and 2018-2022 Capital Budgets. The detailed budget plans are included in the City of Regina 2018 Budget attached as Appendix A to this report.

The City's budget is developed in phases and begins with department and branch level planning which identify service priorities, alignment of resources to expected service requirements and the identification of potential gaps and/or risks. In the second quarter of 2017, the Executive Leadership Team directed the development of 2018 budgets that anticipated no changes to approved 2017 expenditure, revenues and staffing levels without the preparation of a business case to support any change. 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. Executive review, two Council updates and public engagement activities that included the use of online tools to gather feedback occurred up to the point where the Budget was released for public comment on February 1, 2018. Details of the budget process are provided in the City of Regina 2018 Budget.

*Design Regina: The Official Community Plan* (OCP) established direction for the City of Regina based on extensive consultation with the community. Considering the decisions of the community within this plan, the work underway to support its goals and objectives, as well as our four-year strategic plan and our longer term master plans, the 2018 Budget sets the fiscal foundation to meeting the needs now and in the future. The 2018 Budget demonstrates Administration's commitment to reasonable, affordable property tax and fee changes that support planned, sustainable growth and maintenance of the City.

The 2018 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 community growth require increased funding to maintain current service levels.
- The slowed economy impacts the fees and charges collected through the use of our recreation facilities and has also produced a decline in the grants received from other levels of government.

The 2018 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 has proactively identified opportunities to improve or maintain services, while reducing costs.

## DISCUSSION

The 2018 Budget recommends an increase in the mill rate of 4.86%. It maintains existing services and service levels provided in 2017.

	Mill Rate Increase (%)	
2017-18 Provincial Budget (annualized)	1.19	
Elimination of Education Tax Collection Fee	0.90	
Provincial Revenue Sharing (economic impact)	0.90	
<b>Total Provincial Impact</b>		<b>2.99</b>
Residential Road Renewal Program	1.00	
Mosaic Stadium	0.45	
<b>Total Council Commitments</b>		<b>1.45</b>
Regina Police Service	1.06	
City of Regina (includes Service Partner funding)	(0.64)	
<b>Total City</b>		<b>0.42</b>
<b>2018 Recommended Mill Rate Increase</b>		<b>4.86%</b>

The table above shows that the mill rate increase is comprised of three components:

- i. *Provincial Impact* – as a result of provincial decisions in 2017, the City of Regina received considerably less funding than in previous years. This amount (2.99%) represents the Budget increase required by the City of Regina to fully account for the lost provincial revenue.
  - The 2017-18 provincial budget made some immediate impacts to our 2017 budget that need to be annualized in 2018.
  - Included in the provincial budget was the decision to eliminate the fee paid to the City for the collection of the education tax on behalf of the provincial government beginning in 2018.

- In addition, the slowdown in the economy has meant a reduction to the Provincial Sales Tax (PST) collected and a reduction to the amount of that revenue distributed to the City based on a revenue sharing agreement.
- ii. *Council Commitments* – this is funding where City Council has made decisions in the past (1.45%) that carry into this Budget and the future. The 2018 Budget includes a mill rate increase to support the continuation of the Residential Roadways Renewal Program and funding for Mosaic Stadium.
- iii. *City Requirements* – this increase represents the funding required (0.42%), net of the savings found in 2017 and planned for 2018 to support service for the community. This represents the City’s operating and capital requirements, including Regina Police Service.

For a typical home assessed at \$350,000, the total annual cost of the recommended budget produces a \$92.40 increase (\$73.44 from property taxes and \$18.96 for the residential roads program) compared to the 2017 municipal portion of property taxes. Regina’s property taxes remain relatively low compared to other large Western Canadian cities (Appendix A provides comparisons).

The bylaws to formally levy the mill rate will be brought forward in the spring of 2018 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.

### **2018 Budget Process**

The development of the annual budget is anchored to the outcomes decided by members of the community and identified in the OCP. The OCP sets the stage for business planning and is supported by the City’s four-year strategic plan. In addition to these, Administration has developed longer term master plans in specific areas to guide the direction and sequence activities that ensure financial and resource management.

The 2018 Budget process included:

- b) A structured approach to making service level choices – To support a clear understanding of the services provided by the City and the cost associated with those services, a standard business case template used to describe the service, service level and required change to capital and/or operating costs required to maintain existing service levels. The Executive Leadership Team (ELT) established goals for the 2018 Budget were to maintain services and service levels, manage growth in the community, ensure sustainability of the assets and maintain affordability. Business cases were reviewed, endorsed or denied based on the merit of the case presented.
- c) Council Budget Workshops – The 2018 Budget reflects Administration’s best advice on how to achieve Council’s policy and service priorities, given current resources. Ultimately, Council determines the programs and services to be included in the 2018 Budget. Administration is committed to improving the level of consultation with Council during the budget development process in order to ensure the recommendations meet Council’s needs. This was done through workshops with Council during the development of the 2018 Budget to receive feedback. The first workshop was the beginning of the

process to receive Council's advice on direction and the second is an overview of the draft budget and a review of the corporation's financial condition.

- d) Enhanced reporting – The 2018 Budget presents information in a way that will provide increased 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 2018 Budget book provides details about the General 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. *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.

The 2018 Utility Budget, fully supported by the Utility Fund, was approved by Council on December 18, 2017. It included an overall increase of 2% for water, wastewater, and water treatment services. The operational detail section in the 2018 Budget Book contains information about the 2018 utility budget. This is provided for transparency purposes and to present a consolidated view of the 2018 General and Utility Budget for the City of Regina.

### **Influencing Factors**

In anticipation of the 2018 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 picking up from the last two years, but the impact of the economic downturn is still being felt in provincial and municipal budgeting.
- Regina is forecast to have an economic rebound in 2017 with Gross Domestic Product (GDP) growth of 2.9% but it is expected to taper off slightly in subsequent years. From 2018 to 2021, the average GDP growth is expected to be 2.2%, considerably lower than the 5.9% growth in 2013.
- Regina's employment growth has slowed down over the last two years. Job growth is anticipated to be less than 1% for each of 2017 and 2018.
- Regina's unemployment rate in 2017 is forecast at 5.2% and to remain steady at about that level for the subsequent four years.
- Total housing starts in 2017 are forecast to increase significantly to about 1,800; from just over 1,500 in 2016. Starts are expected to remain between 1,700 and 1,800 annually for the foreseeable future.
- The following mill rate increases for 2018 have been allocated through previous Council decisions:
  - 1% to Residential Road Renewal Program
  - 0.45% to Mosaic Stadium
- Reductions in the 2017 – 2018 Provincial Budget have been annualized in the City's budget, which will result in lost revenue.
- Provincial Sales Tax (PST) revenues declined by 5%. This will have an impact on provincial revenue sharing for the City of Regina.

## Budget

The General 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, facilities, 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

The overall increase in revenues projected in 2018 is \$7.3 million as reflected in the table below and is made up of the following:

- \$11.9 million increase in taxation revenue:
  - \$11.2 million increase as a result of the proposed 4.86% mill rate increase
  - \$2.6 million increase in property tax revenues resulting from new homes being added to the assessment roll, consistent with previous periods
  - Loss of \$1.9 million due to the elimination of the fee paid to the City for the collection of the education tax on behalf of the province in the form of education tax collection
- \$1.8 million reduction in government grants that is mainly due to decline in Provincial Sales Tax (PST) revenue offset by an increase to transit and paratransit grants
- \$0.2 million reduction in Licenses & Levies is mainly due to adjustments to more accurately reflect actual revenues earned in the previous year
- \$0.4 million reduction in fees and charges mostly influenced by a decrease to transit revenue due to ridership offset by an increase in red light camera revenue
- \$3.1 million reduction in other revenues that is made up of:
  - \$2 million reduction in SaskPower and SaskEnergy grants in lieu
  - \$1.1 million reduction to various revenues to more accurately reflect actual revenues earned in the previous year
- \$1.0 million increase in fees and charges for Regina Police Service received from the province

Revenue (\$000s)	2015 Actuals	2016 Actuals	2017 Budget	2017 Forecast (Sept)	2018 Budget	Budget Change	
						Dollar Change	Per Cent Change
<b>General Fund</b>							
Taxation	195,926.2	206,340.2	224,050.1	223,791.0	<b>235,937.4</b>	11,887.3	5.3
Government Grants	44,294.3	44,856.7	42,630.7	43,592.0	<b>40,829.2</b>	(1,801.5)	(4.2)
Licenses & Levies	13,858.9	13,845.9	13,865.7	14,447.9	<b>13,645.7</b>	(220.0)	(1.6)
Fees & Charges	63,282.8	66,744.9	74,780.4	72,614.2	<b>74,333.2</b>	(447.2)	(0.6)
Other Revenues	94,211.6	90,311.2	71,562.0	69,440.4	<b>68,459.1</b>	(3,102.9)	(4.3)
<b>Civic Total (General Fund)</b>	<b>411,573.7</b>	<b>422,098.9</b>	<b>426,888.9</b>	<b>423,885.5</b>	<b>433,204.6</b>	<b>6,315.8</b>	<b>1.5</b>
<b>Police Revenues</b>							
Fees & Charges	9,334.1	9,788.1	8,849.8	8,849.8	<b>9,880.6</b>	1,030.8	11.6
Other Revenues	5.3	-	-	-	-	-	-
<b>Police Total</b>	<b>9,339.5</b>	<b>9,788.1</b>	<b>8,849.8</b>	<b>8,849.8</b>	<b>9,880.6</b>	<b>1,030.8</b>	<b>11.6</b>
<b>Total General Operating Revenues</b>	<b>420,913.2</b>	<b>431,887.0</b>	<b>435,738.7</b>	<b>432,735.3</b>	<b>443,085.2</b>	<b>7,346.6</b>	<b>1.7</b>

Note: Police Revenues are external funding received from provincial and other third parties to support various programs.

### General Operating Expenditures

The General Operating Expenditures fund the majority of the City's programs and services as reflected on the table below and totals \$443.1 million, an increase of \$7.3 million from 2017.

Operating Expenditures are impacted by a number of factors. The majority of the proposed increase in operating spending is the result of costs associated with maintaining existing programs and services at their current level, such as increases in staff salaries and benefits. These costs have been limited to a 0.6% increase. In addition to these operating costs, incremental funding has been allocated to capital to support the renewal and maintenance of assets used to provide services.

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 community expectations.

Work began in 2017 and continued as part of the development of the 2018 Budget to find \$9.4 million in savings over the last two years. This budget includes permanent, ongoing savings that offset the increased cost of delivering services and limits the impact of a mill rate increase. These savings include:

- \$2.3 million in costs associated with the increase to the PST rate in 2017. Departments within the City have absorbed these costs within their existing budget.
- \$1.7 million savings for the elimination of vacant positions. This change has not resulted in the layoff of permanent staff.
- \$1.6 million reduction in the transfer to reserves. This reduction has been achieved largely because of federal funding received through the Public Transit Infrastructure Funding Program in 2017 that resulted in a number of new and replacement buses being purchased resulting in a reduction in the age of the transit fleet. Administration also undertook a review of the useful life of its civic vehicles fleet. Both of these items have resulted in lowering the annual funding required to plan for future replacement without impacting service levels.
- \$3.8 million in savings identified across the organization that have reduced costs, while maintaining services to residents. Savings include:
  - administrative cost savings including reductions to tuition, seminars, and conference costs
  - reduction in professional service expenditures (e.g. financial, consulting services, etc.)
  - changing the way services are delivered that result in maintaining service levels but reducing costs such as using the systematic plough route to reduce haul times and overlap, implementing a consignment agreement for vehicle repair parts (only pay for parts when pulled from inventory/used), and reducing costs of winter road maintenance by implementing the liquid salt program
  - reducing budgets to reflect historic levels of actual expenditures

The General Operating expenditures, including the Regina Police Service are projected to increase by \$7.3 million in 2018. The highlights of the table below are as follows.

- \$1.6 million (0.6%) increase to support the cost of service delivery, including:
  - salary and benefit increases associated with negotiated collective agreements. For the past five years, salary costs have consistently made up approximately 55% of the City’s annual operating costs;
  - decrease in a number of other operating expenses as a result of the more than \$9 million in savings described above.
- \$2.4 million increase in the transfer from General Operating revenues to tax-supported capital projects. This increase includes a \$3 million increase in Current Contributions to Capital, offset by a \$938,000 reduction in debt charges.
- \$3.4 million increase in funding to Regina Police Service that is mainly salary and benefit costs.

Expenditures (\$000s)	2015 Actuals	2016 Actuals	2017 Budget	2017 Forecast (Sept)	2018 Budget	Budget Change	
						Dollar Change	Per Cent Change
<b>General Fund</b>							
Salaries & Benefits	150,135.6	157,079.8	163,581.6	158,499.6	<b>166,743.9</b>	3,162.3	1.9
Office & Administration	6,860.4	8,480.1	7,685.5	7,129.2	<b>7,881.7</b>	196.2	2.6
Professional Services	25,703.0	26,516.4	31,689.9	28,829.6	<b>29,610.7</b>	(2,079.2)	(6.6)
Goods & Materials	7,792.4	7,024.8	7,226.7	6,774.5	<b>6,676.0</b>	(550.7)	(7.6)
Other Expenses	15,669.9	15,704.1	13,905.6	16,747.8	<b>16,079.7</b>	2,174.1	15.6
Intramunicipal	39,421.4	40,535.4	42,207.5	40,397.5	<b>40,859.8</b>	(1,347.7)	(3.2)
<b>Civic Operational Total (General Fund)</b>	<b>245,582.6</b>	<b>255,340.7</b>	<b>266,296.8</b>	<b>258,378.2</b>	<b>267,851.8</b>	<b>1,555.0</b>	<b>0.6</b>
<b>Community Investments</b>							
Community Investments	10,764.3	10,670.7	11,717.6	10,402.6	<b>11,699.6</b>	(18.0)	(0.2)
Allocation to Capital	48,165.9	53,501.9	56,535.3	55,597.5	<b>58,929.4</b>	2,394.1	4.2
Transfers to Reserves	39,014.3	30,904.0	16,679.2	20,055.1	<b>16,735.5</b>	56.3	0.3
<b>Civic Other Expenditures (General Fund)</b>	<b>97,944.4</b>	<b>95,076.6</b>	<b>84,932.1</b>	<b>86,055.2</b>	<b>87,364.5</b>	<b>2,432.4</b>	<b>2.9</b>
<b>Total General Operating Expenditures</b>	<b>343,527.1</b>	<b>350,417.3</b>	<b>351,228.9</b>	<b>344,433.4</b>	<b>355,216.2</b>	<b>3,987.3</b>	<b>1.1</b>
<b>Police Expenditures</b>							
Salaries & Benefits	67,840.0	71,729.6	74,427.8	74,427.8	<b>77,922.0</b>	3,494.2	4.7
Office & Administration	2,030.1	2,370.4	2,683.0	2,683.0	<b>2,618.8</b>	(64.2)	(2.4)
Professional Services	2,444.7	2,700.3	2,435.5	2,435.5	<b>2,527.3</b>	91.8	3.8
Goods & Materials	2,531.6	1,957.7	1,895.3	1,895.3	<b>2,034.3</b>	139.0	7.3
Other Expenses	1,550.8	1,704.9	2,072.9	2,072.9	<b>1,824.9</b>	(248.0)	(12.0)
Intramunicipal	878.4	958.3	990.1	990.1	<b>936.5</b>	(53.6)	(5.4)
Community Investments	5.2	5.2	5.2	5.2	<b>5.2</b>	-	-
Transfers to Reserves	105.2	43.5	-	-	<b>-</b>	-	-
<b>Police Expenditures</b>	<b>77,386.1</b>	<b>81,469.8</b>	<b>84,509.8</b>	<b>84,509.8</b>	<b>87,869.0</b>	<b>3,359.2</b>	<b>4.0</b>
<b>Total General Operating Expenditures</b>	<b>420,913.2</b>	<b>431,887.1</b>	<b>435,738.7</b>	<b>428,943.2</b>	<b>443,085.2</b>	<b>7,346.5</b>	<b>1.7</b>

Note: Police Expenditures are offset by external funding received from provincial and other third parties to support various programs.



### Request for Full-Time Equivalent Positions

The 2018 Budget includes an overall reduction of 27.2 full-time equivalent (FTE) positions in the General fund (including the general fund, costing fund, and general capital, excluding the Regina Police Service). Regina Police Service increases by 12 FTEs, mainly funded by the provincial government and other third parties to support various programs.

Administration's budget development included the analysis of the staffing needs to meet service levels. By balancing the staffing needs with the available resources, the staffing allocations were made to meet the need and bring the total general operating budget staffing complement (permanent and casual) down to 2,564.9 FTEs while the overall complement is reduced by 10.8 to 2,836.4 FTEs (including Utility Operating and Utility Capital).

### 2018-2022 General Capital Budget

Each year Administration submits a five-year Capital Plan to City Council in accordance with the *City Manager's Bylaw 2003-70*. The 2018 – 2022 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 2018-2022 General Capital Plan, highlighted in the City of Regina 2018 Budget, includes a total gross expenditure of approximately \$583.6 million. 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.

General Capital 2018-2022 (\$000's)			
	General Capital	Police Capital	Total Expenditures
2018	127,452	4,970	132,422
2019	126,919	6,253	133,172
2020	97,697	3,840	101,537
2021	92,573	3,325	95,898
2022	117,165	3,415	120,580
<b>Total</b>	<b>561,806</b>	<b>21,803</b>	<b>583,609</b>

The proposed 2018 total Capital Budget is \$132.4 million. Additionally, there are capital projects worth a combined \$18.5 million carried forward from previous periods.

In general, the capital plan is funded by current contributions to capital, reserves, previously approved debt financing, and service agreement fees.

### Current Contributions to Capital

The City is continuing to dedicate more of its tax-supported budget to fund capital programs and projects. The City of Regina 2018 Budget, attached as Appendix A, outlines the transfers from the General Operating Budget to capital.

Expenditures (\$000s)	2015 Actuals	2016 Actuals	2017 Budget	2017 Forecast (Sept)	2018 Budget	Dollar Change	Per Cent Change
General Fund							
Current Contributions to Capital - Civic	31,666.8	37,067.2	39,825.1	39,825.0	<b>40,861.8</b>	636.7	1.6
Current Contributions to Capital - Police	2,763.7	2,747.0	2,143.0	2,143.0	<b>4,438.2</b>	2,695.2	125.8
Debt Charges	13,735.4	13,687.7	14,567.3	13,629.5	<b>13,629.5</b>	(937.8)	(6.4)
Total General Operating Expenditures	48,165.9	53,501.9	56,535.4	55,597.5	<b>58,929.5</b>	2,394.1	4.2

As shown in the table above, the City is increasing its contribution to capital by \$3 million to support civic and police capital needs in 2018. Debt charges are declining in 2018 and include debt payments related to financing for the General Capital Program as well as Mosaic Stadium. Debt payments for Mosaic Stadium are funded by dedicated revenue sources, including a 0.45% mill rate increase, any interest revenue earned by Mosaic Stadium and by a withdrawal from the Regina Revitalization Initiative Stadium Reserve, if required.

### Reserves

The use of reserves to fund capital investments is continuing to increase. Reserves serve a number of purposes, one of which is to set aside funds for future, planned capital expenditures and limit the impact on taxes in any given year. As noted in the budget book, all reserves, with the exception of the Land Development Reserve are expected to remain in a positive balance in 2018. Based on current information and assumptions, the future projected draws on the reserves result in a fluctuation in the balances of individual reserves over the next five years (positive and negative ending balances). All reserves will continue to be managed to find ways to maintain 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 value of our assets. Reserves are projected to decrease to \$63.4 million by the end of 2019 and then increase to approximately \$101 million by 2022. This decrease from the projected 2017 balance of \$85.3 million is caused by the City investing in more capital projects over the next couple years.

### Debt Financing

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.

The City of Regina has an approved debt limit of \$450 million. The December 31, 2018 outstanding debt balance is projected to be \$201 million and is projected to decrease to \$195.6 million at the end of 2019, as noted in the City of Regina 2018 Budget. Total City of Regina debt is projected to be around \$320 million when Utility debt is included.

While no new debt is required in the 2018 Budget, the five-year Capital Plan will require the City to analyze various sources of financing to meet the future projected capital requirements. Debt will not be issued without City Council approval.

Service Agreement Fees

The City of Regina enters into agreements with private developers to undertake green field 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 a Service Agreement Fee (SAF) 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 2018 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 Road 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 2. b., if approved, recognizes the multi-year financial commitments associated with capital projects that require more than one year to complete. Approving funds in 2018 through to 2022 for projects that commence in 2018 allows the City to commit the total cost of the project from tendering through to their completion.

The table below details the new multi-year projects to begin in 2018 and the existing Council approved multi-year projects.

2018 to 2022 General Fund Capital Plan - Committed Projects (\$000s)

Division	Department	Project/Program Name	Carry Forward from Previous Years	2018	2019	2020	2021	2022	Five-Year Budget Total	Total With Carry Forward
City Planning & Development	Development Services	Comprehensive Zoning Bylaw Review	1,005	-	500	-	-	-	500	1,505
		Implementation of Planning and Building Software	-	250	-	-	-	-	250	250
		Pasqua Street South of Dewdney Ave Roadway Improvements	-	1,100	-	-	-	-	1,100	1,100
		Wascana Parkway and Highway No.1 Intersection Capacity Upgrades	-	-	450	-	-	-	450	450
	Planning	Saskatchewan Drive Corridor Plan and Coordination Initiative	-	-	500	-	-	-	500	500
<b>City Planning &amp; Development Total</b>			<b>1,005</b>	<b>1,350</b>	<b>1,450</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,800</b>	<b>3,805</b>

2018 to 2022 General Fund Capital Plan - Committed Projects (\$000s)

Division	Department	Project/Program Name	Carry Forward from Previous Years	2018	2019	2020	2021	2022	Five-Year Budget Total	Total With Carry Forward
City Services	Fire & Protective Services	Civic Radio System Replacement	-	569	-	-	-	-	569	569
	Transit	Transit Scheduling Software	-	200	-	-	-	-	200	200
<b>City Services Total</b>			-	769	-	-	-	-	769	769
Corporate Services	Facilities Management	Mosaic Stadium Decommissioning	-	1,337	-	-	-	-	1,337	1,337
		Neil Balkwill Renovations	-	1,300	-	-	-	-	1,300	1,300
		Parks and Facilities Yard Facilities Development	-	6,400	4,900	2,700	-	-	14,000	14,000
		Transit Fleet Maintenance Facility	3,776	12,415	12,375	1,900	-	-	26,690	30,466
		Waste Management Centre	3,558	11,900	11,600	7,800	-	-	31,300	34,858
	Land & Real Estate Management	South East Land Development	9,487	5,000	-	-	-	-	5,000	14,487
<b>Corporate Services Total</b>			16,821	38,352	28,875	12,400	-	-	79,627	96,448
Transportation & Utilities	Roadways & Transportation Services	Fleet Addition - Motor Graders	-	-	550	-	-	-	550	550
		Ice Control Equipment Upgrade	-	-	190	-	120	-	310	310
<b>Transportation &amp; Utilities Total</b>			-	-	740	-	120	-	860	860
Organization & People	Communications & Customer Experience	Regina.ca & CityApp Redesign	715	395	-	-	-	-	395	1,110
<b>Organization &amp; People Total</b>			715	395	-	-	-	-	395	1,110
<b>Total General Fund</b>			18,541	40,866	31,065	12,400	120	-	84,451	102,992

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.

**Service Partner Budgets**

The City works with key service partners, including the Provincial Capital Commission, Economic Development Regina (EDR), and Regina Exhibition Association Limited (REAL). Each organization makes an annual request to City Council for funding through the Executive Committee (EX17-40, attached as Appendix D). The table below reflects the funding for each of

these agencies included in the 2017 Budget, the amount requested in 2018, and the level of funding included in the proposed 2018 Budget.

Expenditures (\$000s)	2017 Budget	2018 Request	2018 Budget	Dollar Change	Per Cent Change
General Fund					
Economic Development Regina	1,819.5	1,719.5	1,719.5	(100.0)	(5.5)
Regina Exhibition Association Limited	400.0	400.0	400.0	-	-
Provincial Capital Commission	2,912.0	2,719.0	2,719.0	(193.0)	(6.6)
Total General Operating Expenditures	5,131.5	4,838.5	4,838.5	(293.00)	(5.7)

**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.

The Provincial Capital Commission has requested total funding of \$2.7 million in 2018 from the City of Regina, which is a decrease of \$193,000 from the current level of funding. The decrease is due to removal of one-time expenditure in 2017 for the upgrade of Candy Cane Park.

**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. In 2017, the City’s core funding totalled 57% of EDR’s total revenue.

EDR has requested a budget of \$1.7 million in 2018; the decrease of \$100,000 from 2017 is due to removal of one-time capital expenditure for Advantage Regina.

**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. Historically, REAL has received \$400,000 annually from the City. The revenues to support the ongoing business of

REAL are generated through the operation of world-class hospitality for trade, agri-business, sporting, entertainment and cultural events. Budget level remains unchanged for 2018.

### **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**

As described by the RPS within the January 29, 2018 report to Council (CR18-4) attached as Appendix C), the RPS 2018 budget continues to reflect the Regina Police Service 2015 – 2018 Strategic Plan. The 2018 operating budget anticipates a net operating budget of \$78 million, including revenues of \$9.9 million. Generally, this reflects the increased staffing costs and new provincially funded programs.

Recommendation 1.d. of this report, supports the approval of the Regina Police Service Board of Police Commissioners approved budget. As a result, those costs are included in the total General Operating Budget described in Recommendation 1.

### **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 0.71989 for 2018; no increase from 2017. If approved by Council, Administration will bring forward a bylaw in the spring of 2018 to formally levy the mill rate.

## **RECOMMENDATION IMPLICATIONS**

### **Financial Implications**

The financial implication of the recommended General Operating Budget is an increase in the property tax mill rate to 7.81033, representing a 4.86% increase from 2017. This provides 2.99% to address a decrease in third party funding, 0.42% to cover the City's operating and capital requirements, including Regina Police Service, 0.45% for funding the Mosaic Stadium financing plan and dedicates 1% to a Residential Road Renewal Program.

The City of Regina has received an AA+ stable credit rating since its first rating was issued in 1989. According to Standard and Poor's (S&P), this consistently strong rating is reflective of the City's ongoing commitment to sound fiscal management. An "AA+" rating means that S&P believes the City has a very strong capacity to meet financial commitments and maintain debt levels 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's favorable opinion about the local economy. The "stable" outlook means S&P expects the City to continue to benefit from strong budgetary performance and relatively low debt levels.

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 2018-2022 total recommended General Capital Budget represents a \$583.6 million investment over five years. There is no plan to utilize debt to fund capital in 2018.

For the typical residential customer with a home valued at \$350,000, the recommended 2017 mill rate increase of 4.86% will result in an approximate property tax increase of \$92.40 per year; an increase of \$7.70 a month.

#### Environmental Implications

None specifically related to this report.

#### Policy and/or Strategic Implications

The recommendations in this report and the resulting 2018 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.

#### Other Implications

None specifically related to this report.

#### Accessibility Implications

The recommended 2018 Budget continues to fund a variety of accessibility initiatives that were implemented in previous years.

### COMMUNICATIONS

The objectives of communication activities related to the recommended 2018 Budget are to help residents better understand the challenge of balancing service expectations with fiscal realities, to share information about the corporation’s financial condition and to encourage interested stakeholders to provide feedback. On September 14, 2017, an interactive, online budgeting tool was launched that invited residents to make choices involved in balancing a municipal budget. Submissions through the interactive tool were accepted until October 15, 2017. More than 200 provided feedback about how they would balance the City’s budget. While the response rate does not provide a representative sample, it does provide an opportunity for residents to express their opinion on the budget.

Respondents indicated that the City should maintain current funding for Roads & Transportation, Community Service, and Solid Waste, and decrease funding for Community Investment, Parks & Open Spaces, Planning & Development and Transit.

Other activities included two workshops with Council and a variety of communications through print, traditional media and digital channels. Further, a public review period from February 1 to February 26, 2018 preceded Council’s consideration of this report. This included a variety of communications through print, radio and digital channels directing residents to full details on the proposed 2018 Budget at [Regina.ca/budget](http://Regina.ca/budget).

DELEGATED AUTHORITY

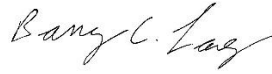
The recommendations in this report require City Council approval.

Respectfully submitted,



June Schultz, Director  
Finance

Respectfully submitted,



Barry Lacey, Executive Director  
Corporate Services

Report prepared by:  
Trevor Black, Manager, Budget & Financial Services