

An aerial photograph of a park area. A paved path with a brick pattern runs through the center. To the left is a body of water. The path is lined with trees and greenery. In the foreground, a woman is pushing a stroller and walking a black dog, while another woman walks a yellow dog. Benches and a trash can are visible on the right side of the path.

Shaping Our Financial Future

**2018 PRELIMINARY CORPORATE
BUSINESS PLAN & BUDGET**

EXECUTIVE SUMMARY

SHAPING OUR FINANCIAL FUTURE `18

EXECUTIVE SUMMARY: RISING TO THE CHALLENGE

[1] INTRODUCTION

Time and again, the City of Saskatoon has demonstrated that it can rise to meet any challenge. Over the years, there have been countless examples of where the City's resolve has been tested. Here are just a few:

- ❖ When the economy started to boom in 2007, and people were moving to Saskatoon in droves, housing affordability and vacancy rates became a significant concern. In response, the City developed a unique and envious Housing Business Plan that would head-off a potential long-term housing crisis in the community. In its first five years, the plan help to build over 2,500 new housing units.
- ❖ When the global financial crisis struck in 2008 and the effects of it began to hit Saskatoon in 2009, the City made strategic infrastructure investments to help spur the local economy and minimize employment losses. A year later, economic growth in Saskatoon reached 6.5%.
- ❖ When the safe and efficient movement of people and goods were becoming a problem because more people were using our streets and bridges, in 2010, the City built a new bridge, so people could get from the east and west side of the city with ease. Thousands of vehicles per day use the Gordie Howe Bridge to move safely and efficiently in getting to their destinations.
- ❖ When citizens expressed concern that Saskatoon's roads were becoming impassable, the City introduced its Building Better Roads plan in 2012 and waged war on improving its streets and roads. And although much work remains, Saskatoon's transportation network has improved by leaps and bounds when compared to its state in the earlier part of this decade.
- ❖ Finally, when City expenditures were growing too quickly as a result of three and four percent annual population growth, and other cost pressures, the City, in 2013, adopted a Continuous Improvement Strategy, a corporate-wide approach to ensuring effectiveness and improving efficiencies in municipal services and operations. Today, this strategy has resulted in millions of dollars of cost savings or reallocations.

And yet, through it all, year after year, the City has been able to maintain its AAA/Stable Credit Rating. This is no small feat, considering that the City receives less than ten cents of every tax dollar collected by all orders of government and the fact it had to provide services and programs for the benefit of over 50,000 new residents in the last decade. This demonstrates the City's strong commitment to prudent financial management and fiscal discipline.

Despite these accomplishments, the City of Saskatoon's resiliency is being tested once again.

On March 22, 2017, the City of Saskatoon was dealt a serious blow to its fiscal framework with the release of the 2017-18 Provincial Budget, "Meeting the Challenge." The City already knew that its primary provincial transfer payment—called Municipal Revenue Sharing—was going to decrease by five percent over the previous year, simply because provincial sales tax (PST) revenues had decreased due to a slowdown in the economy. Right off the start, the City's revenues were going to be about \$2.1 million less than the previous year.

While the City expected that the province would need to make difficult decisions in the budget, it was not anticipating that some significant Crown Corporation payments to the City would be eliminated—in addition to the automatic reduction in revenue sharing. "Meeting the Challenge" thus abolished decades

old payments of approximately \$11.4 million annually (based on 2017 estimates) through the so-called “Grants-in-Lieu of Taxes” (GIL) that the City received from SaskPower and SaskEnergy.

To make matters even more challenging, the provincial budget also raised the PST by one percentage point, and more importantly, it also started taxing goods and services that used to be exempt from the tax. These tax changes increased City operating expenditures by about \$1 million in 2017.

Taken together as a partial year in 2017, these changes created a \$9.3 million (\$1.0 million PST impact plus \$8.3 million partial year GIL impact) hole in the City’s 2017 operating budget. As a result, the City of Saskatoon had to re-open its Council-approved 2017 Business Plan and Budget.

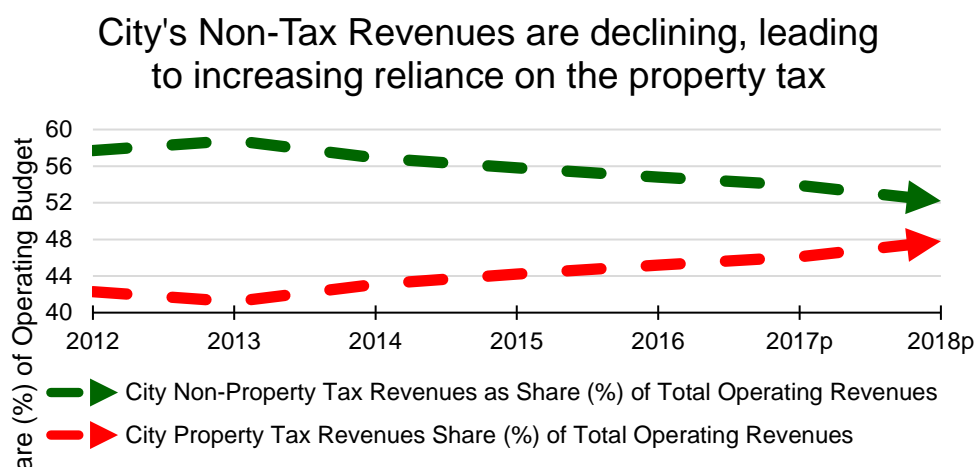
While this business plan and budget wasn’t completely tossed aside, the City did have to make some difficult decisions to address the large revenue hole in its operating budget and limit any potential property tax increases. Unfortunately, these measures would come to reduce the City’s financial flexibility for future budgets.

Well, the fiscal challenges that emerged in 2017, have re-appeared in 2018; making the 2018 budget as big of a challenge as 2017.

For example, for the second year in a row Municipal Revenue Sharing is expected to decline; this time by an estimated \$3 million. The so-called Grants-in-Lieu of Taxes that were once paid by SaskPower and SaskEnergy have not been replaced, resulting in a \$3.1 million negative impact on the City’s 2018 operating budget and the changes to the PST will now be in effect for a full calendar year, increasing the pressure on the operating and capital budgets.

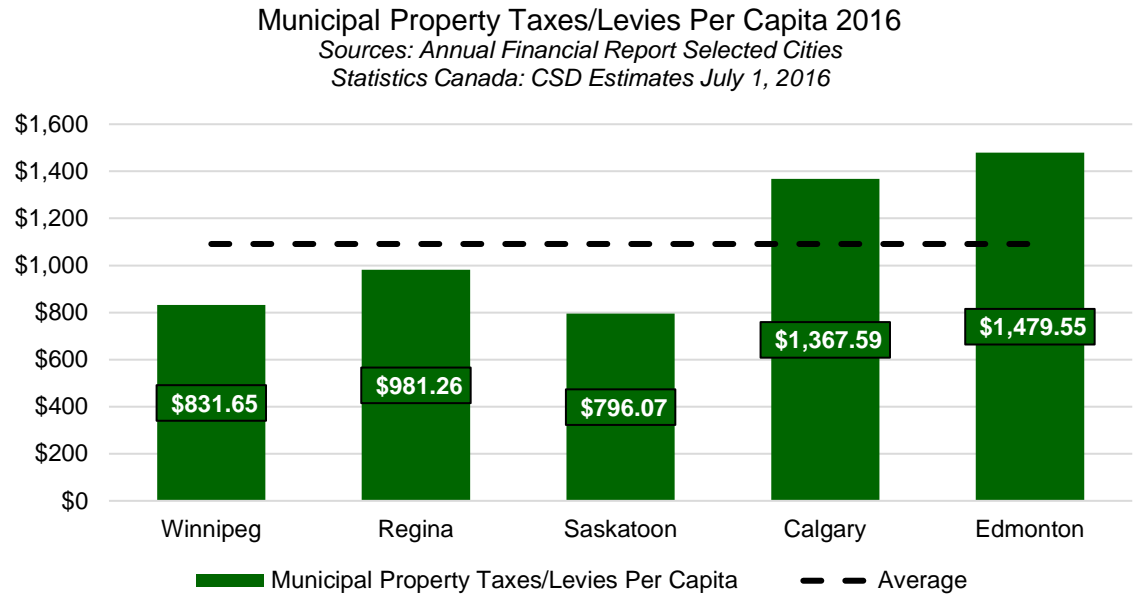
Unfortunately, the City’s fiscal challenges do not end there. The fact is the City’s non-property tax revenues are declining as a share of its operating budget and have been on a downward trend for several years. As illustrated in Figure 1.1, the City’s non-tax revenues as a share of total operating revenues have tumbled from almost 59% in 2012 to a projected 52% in 2018. This means that the City has to increase its reliance on the property tax to pay for the projects, programs and services that our citizens want and need.

FIGURE 1.1



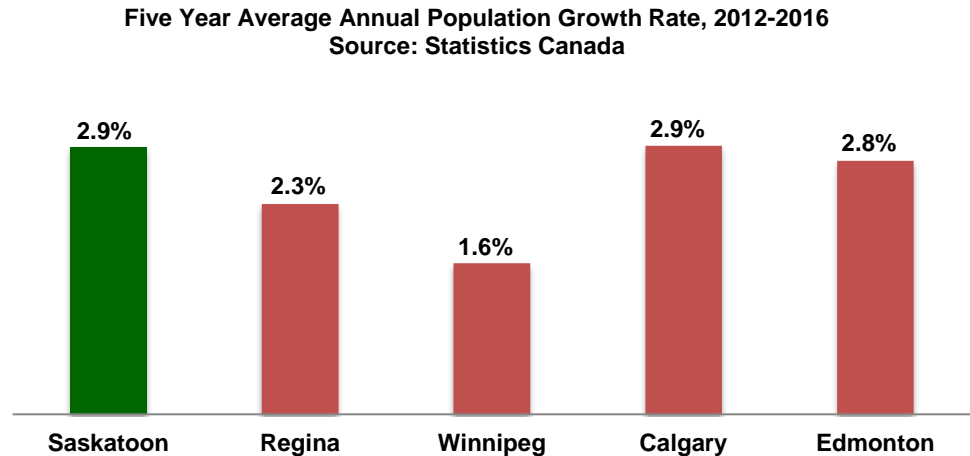
While this trend is concerning for the City's future financial sustainability, the fact is the City of Saskatoon collects the least amount of municipal property taxes per capita to pay for its programs, when compared to the five largest prairie cities. As Figure 1.2 shows, Saskatoon collects less than \$800 per person in municipal property taxes and related levies.

FIGURE 1.2



What's more, the city has continued to grow, despite an unstable economic environment in recent years. In fact, Saskatoon is tied with Calgary for the fastest growing city in Western Canada from 2012 to 2016, posting an annual average growth rate of 2.9 percent.

FIGURE 1.3



In 2018, Saskatoon is expected to add about 6,000 new residents, close to 20 new people per day. Moreover, our economy is anticipated to grow by almost seven percent since 2016.

TABLE 1.1

<i>Economic Indicators</i>	2016 Actual	2017f	2018f	2019f
<i>Real GDP (2007 \$ millions)</i>	17,195	17,810	18,159	18,596
<i>percentage change</i>	-0.8	3.6	2.0	2.4
<i>Total Employment (000)*</i>	168.5	169.8	171.8	175.1
<i>percentage change</i>	-0.7	0.8	1.2	1.9
<i>Unemployment Rate (%)*</i>	6.9	8.1	6.6	6.4
<i>Population (000)</i>	315.2	323.3	329.4	336
<i>percentage change</i>	3.2	2.6	1.9	2.0
<i>Housing Starts (units)</i>	1,909	1,662	1,779	2,085
<i>Retail Sales (\$ millions)</i>	7,150	7,524	7,630	7,851
<i>percentage change</i>	1.4	5.2	1.4	2.9
<i>CPI (2002= 100)</i>	132.6	134.9	137.9	140.9
<i>percentage change</i>	1.2	1.7	2.3	2.1

**Source Conference Board of Canada (Saskatoon CMA data)*

Of course, a growing population and a growing economy means an increase in demand for City services. New residents and businesses expect that the City will deliver affordable, yet high quality public services, since that is one of the reasons they are attracted to Saskatoon.

So, given this challenge of collapsing non-tax revenues, combined with a growing population, how does the City ensure that it's meeting the needs and wants of its citizens and businesses?

Well, as the City of Saskatoon has demonstrated so consistently in the past, it will rise to overcome this challenge. The 2018 Business Plan and Budget attempts to do so by:

- (1) Controlling our Expenditures;
- (2) Maintaining our Services; and
- (3) Investing in our Infrastructure

But before elaborating on how we are rising to overcome this challenge, it is first important to provide some context on the fundamental priorities that are the foundation of the 2018 Business Plan and Budget.

PRIORITIES FOR THE 2018 BUSINESS PLAN AND BUDGET

The City of Saskatoon is playing an important role in connecting its citizens to one another and to those things they enjoy. We know that our community is changing. As a City who delivers essential public services and programs every day, we know we need to change along with it. With careful investments in the beauty and function of our city, we are keeping up with this evolving civic identity.

In supporting one of Canada's strongest economies over the past decade, the City of Saskatoon will continue to deliver value to its citizens and businesses. With thousands of new people joining us every year, providing quality services, vital facilities, and properly maintained infrastructure is key to ensuring Saskatoon is a great place to live, raise a family, work, and invest.

In doing so, we are integrating new roads, bridges, and transit options to move citizens around our city. We are making environmental sustainability a priority by focusing on reducing greenhouse gas emissions and diverting waste. We are fostering a diverse and resilient economy that attracts talent and investment by continuing to invest in our infrastructure and keeping taxes competitive. Most importantly, we are continuously improving, by focusing value and innovation in the services we deliver.

The City's Vision and Strategic Plan are the starting points for our annual business plan and budget cycle. The Strategic Plan has seven goals that guide our activities and progress toward achieving the Vision. Saskatoon has a vision of being a great place to live, where sustainable growth enables the community to invest for the benefit of all. The City we see developing before us is a result of the progress we are making in achieving our long-term vision.

The City strives to demonstrate value for money and sound financial stewardship in the development of the annual business plan and budget. All business lines prepare individual business plans with the objective of achieving the City's Strategic goals, performance targets and most importantly, City Council's collective priorities.

In 2017, City Council adopted a new leadership model. As you will read later in this document, this model aims to empower each of its members in taking a leadership role in engaging citizens and stakeholders in finding potential solutions to key issues in the community like: increasing downtown development; reducing our environmental footprint; and improving the delivery of core services, to name a few. Of course, resolving these priority issues will require long term strategies and solutions. Despite the fiscal challenges facing the City in 2018, this Business Plan and Budget begins to invest in some of these strategic areas and sets the stage for potential future investments; including:

- Over \$61.9 million into Building Better Roads, including road maintenance, snow & ice programming and street sweeping;
- Over \$1.2 million to implement the Growth Plan to Half a Million;
- Over \$93.5 million in the renewal and expansion of the City's Utility Infrastructure (Water, Electric, Wastewater and Storm); and
- \$15.0 million in Energy Performance Contracting to create savings and efficiencies within Civic Facilities through retrofitting civic facilities to save on energy costs.

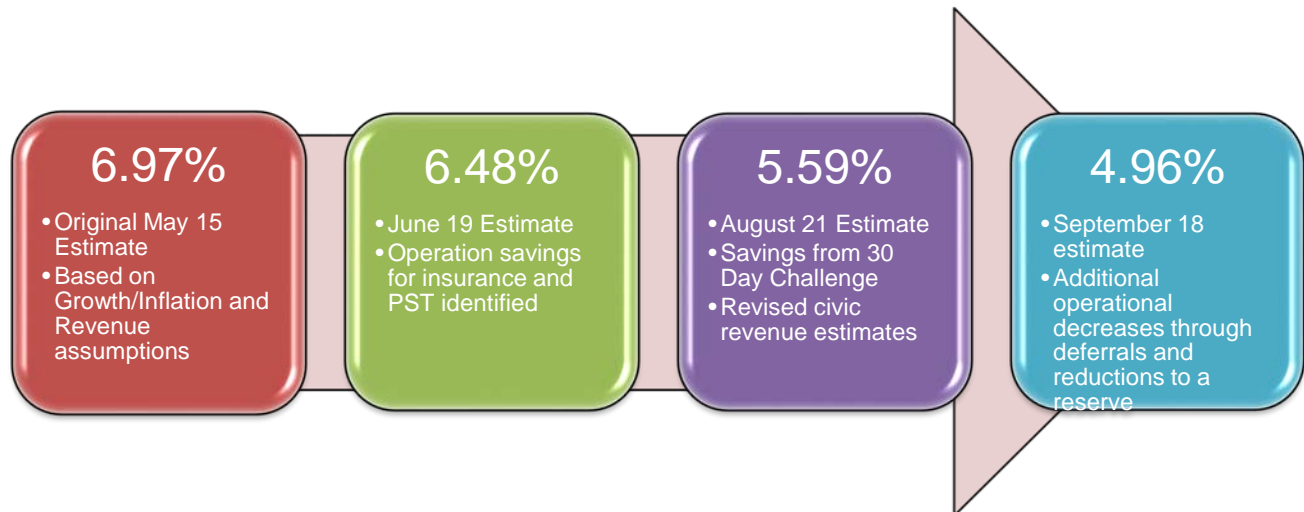
A PLAN AND BUDGET BUILT ON TRANSPARENCY

One of the fundamental goals of the City in preparing the 2018 Business Plan and Budget was to be as open and transparent as possible about how we arrived at our decisions. Specifically, our goal is to maintain a level of transparency that's meaningful and impactful to citizens. By taking such actions, we are accountable to the people we serve.

Thus, the planning and budgeting process is iterative and transparent. Meetings are open to the public and the Administration has presented budget updates to City Council throughout the year. In addition, we also engaged residents through surveys and an online budget tool to get their input on what's important to them in 2018. The 2018 Business Plan and Budget provides City Council and stakeholders with information about how their taxes and fees are being spent to provide City services.

To that end, Figure 1.4 illustrates the transparent changes the City has made to the 2018 Business Plan and Budget, with the aim of reducing any potential property tax increases while not compromising the delivery of public services. As the reader will note, since May 2017, various measures have been implemented to address this problem.

FIGURE 1.4
Transparent Budget Decisions



This transparent approach is helping the City to overcome its 2018 Budget challenges.

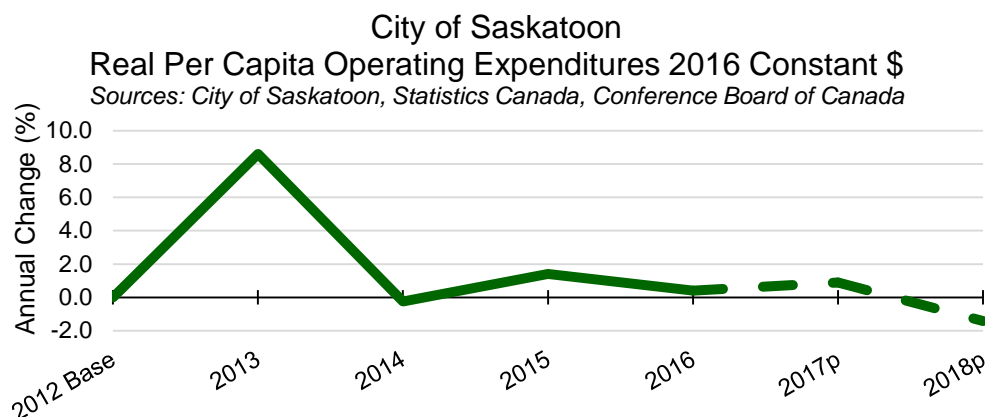
CONTROLLING OUR EXPENDITURES

Saskatoon, like other Canadian cities, provides a broad range of services and funds them from a limited set of revenue sources. Given this constraint, the City needs to be vigilant in managing its expenditures so that it can deliver affordable, yet high quality public services.

To deliver true value, the City of Saskatoon is committed to constantly reviewing and improving its operations. As we grow and develop, the City needs to be more innovative and more efficient every year, keeping a close eye on our budget to make sure each dollar is stretched as far as it can. With this in mind, the 2018 Business Plan and Budget attempts to balance citizens' expectations with fiscal prudence.

In doing so, we have worked diligently to keep annual budgetary expenditure increases to a minimum. In fact, the 2018 Business Plan and Budget is proposing a 2.8 percent increase in operating expenditures. This is the lowest year-over-year operating expenditure increase in the last decade and, if we adjust for inflation and population growth, we see that the City's real per capita operating spending is expected to see negative growth in 2018, when compared to 2017.

FIGURE 1.5



To be sure, our approach to prudent expenditure management could not be accomplished without a strong commitment to innovation and efficiency.

Innovation and efficiency are fundamental values of the City of Saskatoon's City Council and Administration. In fact, we are so committed to these values, they have become enshrined in the City's Strategic Plan, through the Strategic Goal of Continuous Improvement. This goal has been brought to life by a Continuous Improvement Strategy that enables employees to bring forward innovative and bold ideas on how the City can serve citizens better, potentially reduce costs, or generate new revenues.

Our commitment to the Continuous Improvement Strategy was put to the test in preparation of the 2018 Business Plan and Budget. In June of 2017, the City launched a "30-Day Challenge" to push staff all across our organization to provide innovative and creative solutions to alleviate the financial pressures we are encountering for the 2018 budget and beyond. Over 600 ideas were submitted as part of this exercise, demonstrating our City employees have great ideas for moving the City forward and tackling this challenge. Some of these ideas have been included as expenditure reductions in the 2018 Budget, while others are being reviewed with possible implementation in future years.

Thanks to our Continuous Improvement Strategy, we are reducing waste and striving to increase efficiencies in all areas of the organization. Examples of continuous improvement initiatives are highlighted in section two of this report, the 2018 Corporate Business Plan. These initiatives help ensure affordable and sustainable services are delivered to citizens. This is reflected in the fact that our residential and commercial property tax rates are among the lowest in Western Canada.

MAINTAINING OUR SERVICES

In 2017, Insightrix Research surveyed a representative sample of Saskatoon residents regarding their satisfaction with City services. According to this survey, 88% of respondents indicated that they were satisfied with the services that the City of Saskatoon provides. Since 2013, overall satisfaction with the level of service provided by the City has significantly increased. These results affirm that the City is meeting citizen expectations in delivering the right mix of services.

During the City's 2018 Business Plan and Budget engagement process, citizens strongly told us that they would prefer the City maintain, and in some cases, increase the resources allocated to our essential public services. In fact, the combined engagement results from the Online Citizen Budget and Civic Services Survey shows that the citizens prefer to keep service levels and spending on those services at least the same as in the previous year. In other words, citizens said they were strongly against service reductions to help the City address its 2018 fiscal challenges.

Actually, citizens said they prefer that the City use a combination of user fee and property tax increases to pay for services and balance the operating budget. While other governments have had to implement service reductions to address their fiscal pressures, the City of Saskatoon has not adopted this approach. In fact, the proposed 2018 Business Plan and Budget maintains most services and even increases some, such as policing and snow and ice removal.

What's more, during our transparent budget process, the Administration presented service level reviews on various services for City Council's consideration. To date, City Council has directed the Administration to ensure that the service levels for most services are, at a minimum, maintained in the 2018 Business Plan and Budget.

INVESTING IN OUR INFRASTRUCTURE

The City of Saskatoon must take care of its public infrastructure to sustain our city's high quality of life and to ensure we remain competitive in attracting talent and investment. The value of Saskatoon's infrastructure is approximately \$4 billion. This includes the current replacement cost of our roads, bridges, underground water and wastewater pipes, City-owned buildings, transit systems, electrical systems and street and traffic lights, and other equipment.

To safeguard these assets, the City relies on sophisticated lifecycle management systems to monitor scheduled repairs, assessments, and replacements. A properly funded preventive maintenance and renovation program is less costly in the long term and significantly defers the need for emergency repair or complete replacement, which always costs more.

The good news is that some of the City's infrastructure is fairly new and in good shape. The not so good news is that it requires significant funding to keep it that way. On the other hand, some of the City's infrastructure is not so new—which often requires more rigorous maintenance and rehabilitation, or even replacement. This too, requires substantial funding to ensure that it is functional and reliable for citizens and business to use.

That is why the 2018 Business Plan and Budget is investing in our infrastructure. As one important example, we are investing approximately \$62 million in Saskatoon's road network, through the Building Better Roads program. This investment will help to improve the condition of Saskatoon's road network so that it can remain in good conditions for years to come.

In fact, a significant portion of the City's \$295 million investment being made through its Capital Budget is to rehabilitate or replace some ageing assets. We are upgrading our Water and Wastewater Treatment Plants and improving the reliability of our electricity network. We have partnered with federal and provincial governments to upgrade our ageing water and sewer lines, purchase new buses and upgrade our transit infrastructure. At the same time, this investment will also help to build new assets to accommodate our growing city.

CONCLUSION

In this unpredictable economic climate, the City is striking a balance by investing in key priorities while practicing good fiscal management and restraint. Because of this balanced approach, not all of the City's or the public's priorities can be funded right now.

That said, the City of Saskatoon's proposed 2018 Business Plan and Budget is achieving what the citizens want and need from their City. And while the City cannot satisfy the demands of all, it is very proud to say that it attempts to accomplish many of the important things that the citizens told us they cherish.

In the following pages of this document you will learn how the City of Saskatoon is rising to the challenge to overcome falling revenues, a growing population, and increasing demand for services and amenities. The 2018 Business Plan and Budget rises to the challenge by controlling expenditures, maintaining services, and investing in infrastructure. These three fundamental solutions will ensure that the City of Saskatoon provides everyday value to the over 265,000 people that it serves.

[2] THE 2018 CORPORATE BUSINESS PLAN

The Corporate Business Plan and Budget includes initiatives and projects that are aligned with the 2013 – 2023 Strategic Plan and City Council's most recent priority setting process. It will guide investments, projects, and service levels that the City will implement and achieve over the course of 2018. The budget provides financial plans to support the Business Plan and must consider competing requirements. Most importantly, the budget balances the increased costs of maintaining existing services and the requirements of a growing city with available funding and resources.

The Business Plan outlines City Council's priorities, strategic risks, performance measures, strategic and service outcomes, and planned initiatives for 2018 within the following 14 business lines:

- Arts, Culture and Events Venues
- Community Support
- Corporate Asset Management
- Corporate Governance and Finance
- Environmental Health
- Fire Services
- Land Development
- Library
- Policing
- Recreation and Culture
- Taxation and General Revenues
- Transportation
- Urban Planning and Development
- Utilities

The City's planning process ensures resources are provided to priority programs and services. Funding is tied to clear and achievable outcomes. The operating and capital budgets are integrated for effective resource management and to clearly show the total resources allocated for programs and services. In addition, this process provides a framework, which allows the City to quickly adapt and respond to the changing municipal, provincial, and federal environments.

[2.2] STRATEGIC DIRECTION OF THE BUSINESS PLAN AND BUDGET

The 10-Year Strategic Plan

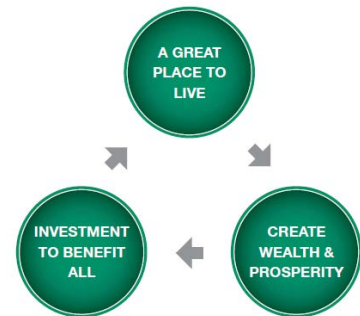
Developed with input from the Community Visioning process, the City's 2013-2023 Strategic Plan outlines what is important and where the City of Saskatoon needs to focus its energy. It includes an overarching Mission, Values, and Leadership Commitments which define how the City conducts business and empowers its employees to embrace change.

For each of the seven Strategic Goals included in the Strategic Plan, outcomes are outlined through the annual Corporate Business Plan and Budget process to ensure that the City is continuously progressing towards achieving the goals. The City will continue to monitor performance as it brings Saskatoon's collective community vision to life.

Our Vision

Saskatoon is a great place to live, where sustainable growth enables the community to invest for the benefit of all.

In 2030, Saskatoon is a world-class city with a proud history of self-reliance, innovation, stewardship, and cultural diversity. Saskatoon is known globally as a sustainable city loved for its community spirit, robust economy, cultural experiences, environmental health, safety, and physical beauty. All citizens enjoy a range of opportunities for living, working, learning, and playing. Saskatoon continues to grow and prosper, working with its partners and neighbours for the benefit of all.



Our Mission

The City of Saskatoon exists to provide excellent local government through leadership, teamwork, partnership, and dedication to the community. We will be innovative and creative in the efficient and effective delivery of public services for the economic, environmental, social, and cultural well-being of the community. Our mission statement describes why our corporation exists, who we serve, and what services we provide. The City's Business Lines link to the services we provide our citizens.

Our Strategic Goals

The purpose of the Strategic Goals, as identified in the 2013 - 2023 Strategic Plan, is to emphasize the areas that the community and City Council have identified to realize the vision and accomplish the mission over the next ten years.

Our Values

Our Strategic Goals will be achieved through the talent, creativity, and commitment of staff who demonstrate our five workplace values every day.

Trust — Integrity — Respect — Honesty — Courage



Our Leadership Commitments

The City of Saskatoon's Leadership Commitments are another critical ingredient that helps to accomplish the Vision and Mission. We value and need people who demonstrate our four Leadership Commitments throughout their daily activities and in a manner that helps to achieve the Strategic Goals:

- o *Reliable and Responsive Service* - As leaders, we are proud to serve the public.
- o *Strong Management and Fiscal Responsibility* - As stewards, we lead.
- o *Effective Communication, Openness and Accountability* - As leaders, we do what we say.
- o *Innovation and Creativity*- As leaders, we generate and value new ideas.

STRATEGIC PRIORITY AREAS OF CITY COUNCIL

The world is changing, and cities are at the forefront of navigating these changes. Saskatoon has to think and work differently in order to become a city that is able to address the challenges and opportunities of the modern world: the competition for economic investment, growing diversity, climate change, technological advancements, and income inequality. How will we grow, how will we provide necessary services to residents, and how will we ensure a high quality of life for all citizens?

To address these questions, City Council has identified 10 strategic priority areas that require coordinated and focused efforts from Council and the City's Administration. In April 2017, City Council created a new leadership model to empower all of its members to take a leadership roles—with support from Administration—in engaging citizens and stakeholders in these priority areas.

This leadership model is a new approach for our City. It is intended to address the pressures we are facing, get the most out of the opportunities in front of us, and unlock the full potential of our community through meaningful engagement.

The 10 priority areas and the Council leads for each are outlined below.

Community Safety and Wellness – Councillor Gough

City Council is prioritizing an integrated and effective system of services to promote community safety and well-being.

Challenges pertaining to safety, inequality, and housing accessibility remain considerable, and working towards a holistic community well-being requires multiple approaches and partnerships.

Core Services – Councillor Iwanchuk

City Council is prioritizing continued improvement on the delivery of core public services, including through the use of technology to ensure maximum benefit to citizens.

The work within this priority area is broad and intersects directly with daily lives of the citizens of Saskatoon.

Downtown Development – Councillor Block

City Council is prioritizing the development of the downtown as a neighbourhood, bringing more people, jobs, stores, restaurants, and amenities into the area.

A lively and energetic downtown is interconnected with other City goals, including infill, transit usage, economic development/diversification, and active transportation.

Economic Development – Councillor Hill

City Council is prioritizing strategic economic development that will position Saskatoon to succeed in a changing global economy.

Working collaboratively will allow us to identify opportunities, align infrastructure investments, and create a regulatory environment that fosters business growth and good jobs for Saskatoon citizens.

Environmental Sustainability – Councillor Gersher and Councillor Loewen

City Council is prioritizing the transformation of Saskatoon from one of the highest emitters of greenhouse gasses to a model city of innovation in energy conservation, renewables, and waste diversion.

City Council has set ambitious targets relating to environmental sustainability and we have the potential to make significant strides and show leadership in this area.

Information Technology – Councillor Jeffries

City Council is prioritizing using information technology as a means to improve services for the citizens of Saskatoon.

The world of IT is rapidly changing, and this impacts the expectations of citizens in terms of what services that are provided and how they are provided.

Reconciliation, Inclusion and Diversity – Mayor Clark

City Council is prioritizing work to foster an inclusive community and charting a new path of partnership, cooperation, and respect.

The goal of creating an inclusive community where all people are valued and feel a sense of belonging is key to establishing a strong and growing quality of life for all people in Saskatoon.

Recreation, Culture and Leisure – Councillor Davies

City Council is prioritizing the development of the right mix of recreation and culture amenities and programs to support our current and future citizens to be healthy, active, and have fun throughout all seasons.

Regional Planning – Councillor Donauer

City Council is prioritizing the development of a vibrant, competitive, and well-planned region built on partnerships with surrounding urban and rural municipalities and First Nations. Building strong relationships with our partners will create certainty, efficiency, and provide the best opportunity for sustainable regional growth in the years to come.

Transportation – Councillor Dubois

City Council is prioritizing the development of a mobility strategy that supports various transportation options and will serve our community for decades.

In support of these Strategic Priority Areas, the 2018 Corporate Business Plan and Budget is organized by business lines bringing together similar services which are identified as service lines. Individual business lines identify the Strategic Goal(s) which it serves, and incorporate the major initiatives planned for the coming year. Upon approval of the business plan and budget, action plans are developed and/or implemented to move the initiatives from planning to action.

Providing Efficient, Effective, Accountable and Transparent Civic Government

Modern cities need to be increasingly creative, innovative, and proactive in planning, problem solving and decision-making if they are to be successful in the new world economy. The pace of change is accelerating and the diversity of issues the city is facing are becoming more complex.

In response to this accelerated pace of change and increased diversity of complex issues, the City has been striving to become more goal-oriented, responsive, and adaptive in our approach to municipal governance; continuing to look for new and innovative ways to provide the existing and emerging programs and services to our citizens.

The launch of the City's Continuous Improvement (CI) Strategy in 2013 and Service Saskatoon in 2016 are two key programs helping the City go beyond conventional approaches to meet the changing needs of our City.

The City is committed to providing the services that matter most to citizens and to high standards of performance. The CI Strategy supports the long-term strategy to focus on the use of innovative and creative means to identify and implement workplace efficiencies resulting in higher levels of service and reduced costs.

CI is a formalized approach to identifying opportunities to improve the overall efficiency and effectiveness of the organization and includes three key components: Annual Civic Service Reviews (CSR), Internal Process Reviews (IPR), and Capacity Building.

In 2017, Performance Improvement Coordinators (PIC) began working in partnership with the Roadways and Operations, Water and Waste Stream and Parks divisions to provide a more focused effort on:

- Defining service levels,
- Mapping out operational processes with a focus on streamlining processes and reducing waste,
- Establishing key performance indicators, and
- Building capacity through internal training for employees in these divisions.

In addition to the PIC Partnerships and Service Level Reports, reviews of the following services and/or programs began in 2017:

- | | |
|-----------------------------------|--|
| • Waste Management Business Model | • Engagement |
| • Internal Communications | • Optimization of Scheduling of Facilities Staff |
| • Claims Process | • Fire Prevention Services |
| • Graffiti Remediation | • Development – Greenfield and Infill |
| • Corporate Payroll | |

In June of 2017, the City launched an internal “30 Day Challenge” as a new approach to solicit ideas from all City staff regarding solutions to maximize efficiency, cost savings and alternative revenue opportunities. Employee uptake in this engagement was unprecedented as over 600 ideas were received during the 30 days.

The ideas were reviewed and grouped into various categories, including:

- Ideas that the Administration will implement in 2018;
- Ideas requiring City Council direction for possible 2018 implementation; and
- Those that are not implementable for 2018 and require further investigation or analysis.

Several ideas were brought forward that require the direction of City Council to implement but could impact the property tax increase for 2018. These ideas include:

- Removal of the dedicated snow and ice levy
- Reintroduction of an Amusement Tax
- Reduce the annual allocation to RCE
- Billboards on City rights-of-way
- Bi-weekly garbage collection
- Waste as a utility
- Discontinue printing and mailing the collection calendar
- Decreased watering of park/green space

Additionally there were over 130 ideas submitted during the Challenge that were of an operational nature and do not require the direction of City Council to implement in 2018. The City will continue to review and implement these ideas on an ongoing basis, where they make operational and financial sense. These include:

- Adjustments to the City’s Local Travel Policy (Car Allowance)
- Voluntary unpaid days off
- Enhanced cell phone management program
- Require applicants to pay for criminal record checks.

The City will continue to review and analyze these ideas and implement where savings, efficiencies, or

improvements can be realized and ongoing opportunities for new ideas to be identified are encouraged. With a goal of being the best-managed city in Canada, the City of Saskatoon's focus on continuous improvement means continuously exploring and implementing new ways to improve service, increase savings, and grow our city in a sustainable way.

Since 2009, the City has been taking measures to find creative and innovative ways to reduce or defer spending of tax dollars and find new sources of revenue; identifying over \$300 million in reduced expenditures, savings, and additional revenues across the organization. Examples include:

- Reduced expenditures by \$144 million through creative infrastructure solutions such as a rainfall flooding collector tank solution to residential flooding and improved GIS mapping to optimize current and future fire hall locations.
- Identified savings of \$145 million through operational efficiencies and technology such as process optimization at the Water Treatment Plant and automation of several manual processes.
- Increased revenue of \$12 million through existing and new sources such as landfill gas that is drawn out of the landfill and sent to a power generation station and the installation of Smart Meters which has led to improved billing services.

Our Coordinated Approach to Service Delivery

Service Saskatoon is a City-wide shift in how we deliver front line service, and connect citizens to the answers and information they need from us – quickly, simply, and seamlessly. This new customer service model is built on four pillars: Citizen Input, Staffing, Systems, and Standards.

Excellent service delivery includes taking a citizen-centered approach, providing personalized access, having skilled people committed to service excellence, and engaging citizens to improve service outcomes. Over the past year, Service Saskatoon has worked on developing and documenting internal processes for many core services, to ensure there is consistency and standardization when implementing a one-stop shop and corporate call centre for all citizen-facing service interactions.

A Customer Relationship Manager (CRM) system allows citizens to track and see status updates for requests they have submitted to the City. Best practices for how to effectively use a CRM system were collected from other cities and have been considered in Service Saskatoon's permanent solution. A pilot program tested a temporary CRM allowing citizens to submit requests such as to report a pothole. This pilot provided a great learning experience for staff and citizens, structuring a program for success across all divisions.

Service Saskatoon isn't just about a single division or department; it's about working cooperatively to provide better service and improve services into the future. Customer Service Representatives and the CRM system require an extensive knowledge base in order to be effective resources. This knowledge base is currently being developed by divisions through documenting their current state processes and defining service levels. A standard service level format was developed and approved in 2017 to ensure consistency and assist council in understanding our current levels of services. Service levels were defined for eight key core services, which included determining customer performance measures, funding gaps, and unit costs to help Council make informed decisions. This was a critical step to helping build the knowledge base.

Outcomes and initiatives supporting Service Saskatoon's four pillars have been included within the business lines in the 2018 Corporate Business Plan and Budget. A few key Strategic Outcomes related to Service Saskatoon include:

- Define service levels and develop funding strategies for key civic assets and services.
- Civic facilities, programs, and services are accessible to all demographics.
- Consolidation and integration of business processes allows the City to monitor the progress of citizens service request, communicate with citizens directly on the progress of their request, ask for feedback, and provide real time data for costing of services.

Several accomplishments relate to all four pillars of Service Saskatoon in 2017 and 2018 is shaping up to be another great year following on the heels of the successes in 2017.



PILLAR

Citizen Input

We will take a "citizen first" approach to the design and delivery of services.



PILLAR

Staffing

We will ensure dedicated customer service staff are trained, equipped and ready to respond.



PILLAR

Systems

We will make it easier for citizens to access information, request services and track our progress from start to finish.



PILLAR

Standards

We will strive to deliver quality and consistent service to every citizen, every time.

Our Performance Improvement Plan: *Making Strides towards the Strategic Goals*

The City's *Performance Improvement Plan – Making Strides* aims to improve transparency by providing citizens with an overview of the City's progress and performance toward our strategic goals and targets. The *Our Performance* webpage on the City's website has three components:

1. Performance Dashboard - provides a snapshot of progress towards our measures. It also gives citizens a look at how the City is progressing - where we are making strides, areas where improvement is needed, and strategies to help us achieve our goals.



2. City Spotlight – highlights progress and achievements of divisions, teams, and individuals in helping the City reach greater efficiency, savings and improvements to service.

A Fresh Face at the Saskatoon Forestry Farm Park & Zoo

Tim Sinclair-Smith's focus on animal welfare doesn't stop at training. He talks about showcasing a new way of thinking within the zoo industry.

June 28, 2017 - 4:26pm



3. Latest Strides – outlines successes and progress toward our goals.



The Roadways and Operations division is piloting a thermal patcher to lengthen the permanent pothole repair season. #BuildingBetterRoads

The City's 25 Corporate Performance Measures include 19 targets it is working to achieve and six indicators that it is watching to evaluate progress towards corporate goals. Of the 19 targets, 13 are long-term targets and six are annual targets. These targets and indicators, developed from citizen, stakeholder, and staff feedback are used as inputs to guide decisions in the business planning and budget process and help to ensure investments are making a difference.

Detailed information on City Council's priorities, outcomes, and initiatives to achieve these measures, are highlighted in the business line overviews in the 2018 Preliminary Operating and Capital Budget.

The *Strategic Plan Performance Scorecard*, highlights the City's progress and trends with performance targets. Trends are reflective of actual performance from 2014 to 2016 and 2017 projected year-end performance measures. Progress towards achieving the targets are monitored so that areas that need improvement can be identified. For example, a Waste Characterization Study followed by a 30 Day Waste Challenge was conducted to improve performance on diverting 70% of waste from our landfill by 2023.

Strategic Plan Performance Scorecard

Continuous Improvement - Vision: Saskatoon is the best-managed city in Canada							
Measures	Target	2014	2015	2016	2017 Projected	Year Over Year Progress	Long Term Progress
Overall Satisfaction with Civic Services	≥ 90%	83%	81%	86%	88%* *actual	Improvement	On-Track
Representative Workforce (Gap)	Aboriginal = 9.3%	Aboriginal = 8.4%	Aboriginal = 8.4%	Aboriginal = 8.5%	Aboriginal = 8.4%	Neutral	Neutral
	Visible Minority = 11.0 %	Visible Minority = 10.5%	Visible Minority = 10.5%	Visible Minority = 10.6%	Visible Minority = 10.5%	Neutral	
	People with Disabilities = 5.0%	People with Disabilities = 3.7%	People with Disabilities = 3.7%	People with Disabilities = 3.8%	People with Disabilities = 3.7%	Neutral	
	Women = 39.5%	Women = 37.4%	Women = 37.4%	Women = 38.0%"	Women = 37.4%	Neutral	
Lost time injury frequency	Zero	4.5	3.6	2.43	2.25	Improvement	On-Track

Asset & Financial Sustainability - Vision: Saskatoon Invests in what matters							
Measures	Target	2014	2015	2016	2017 Projected	Year Over Year Progress	Long Term Progress
Municipal Property Tax per Capita	Indicator	\$633	\$677	\$719	\$766	Decline	Watching
Municipal Property Tax/ Total Revenues	Indicator	41.6%	43.6%	44.8%	45.1%	Decline	Watching
Annual Municipal Property Tax Increase	≤ MPI	3.14%	3.19%	1.81%	2.89%* *actual	Improvement	On-Track
Long-Term Tax-Supported Debt/Capita	≤\$1,750	\$648	\$767	\$966	\$1189	Decline	On-Track
Key Civic Infrastructure Status	B Service Level	C	B	B	B	Neutral	On-Track

Environmental Leadership - Vision: Saskatoon grows in harmony with nature							
Measures	Target	2014	2015	2016	2017 Projected	Year Over Year Progress	Long Term Progress
Waste Diverted From the Landfill	≥70%	22.5	21	21.7	22%	Neutral	Needs Improvement
Reduce the City of Saskatoon's greenhouse gas emissions	≥-40% from 2014 levels by 2023 and 80% by 2050	11%	N/A	N/A	N/A	Neutral	Neutral

Quality of Life Vision: Saskatoon is a warm, welcoming people place							
Measures	Target	2014	2015	2016	2017 Projected	Year Over Year Progress	Long Term Progress
Perceived Quality of Life	Indicator	88%	86%	85.5%	88%	Improvement	Watching
Number of New Attainable Housing Units	≥500 new units annually across attainable housing continuum	542	560	525	390	Decline	On-Track
Vacancy Rates for Rental Housing	Long-term Target: Average of 3% Vacancy Rate Over Last 10 Years	2.6%	2006-2015 2.8%	2007-2016 3.51%	2008-2017 4.0%	Improvement	On-Track
Participation at City Recreation Facilities	≥6,600/1000 population	6,216	6,634	6,959	6,760	Improvement	On-Track
Annual Decrease in Crime Rates	≥-5.0%	-9.3%	-5.6%	5.8%	N/A	Decline	Needs Improvement
Fire Response Time	≥90% (6.2 mins)	83%	80%	81%	80%	Neutral	Neutral

Sustainable Growth -Vision: Saskatoon is known for smart, sustainable growth							
Measures	Target	2014	2015	2016	2017 Projected	Year Over Year Progress	Long Term Progress
Population	Indicator	247,034	253,374	262,900	265,300	Improvement	Watching
Population Growth Rate	Indicator	3.0%	3.0%	1.9%	1.9%	Neutral	Watching
Residential Infill Development (5 Yr Avg)	Average of 25% Infill Development Over Last 5 Years	16.3	2011-2015 15.3%	2012-2016 15.0%	2013-2017 14.8%	Decline	Needs Improvement

Moving Around Vision: Saskatoon is on the move

Measures	Target	2014	2015	2016	2017 Projected	Year Over Year Progress	Long Term Progress
Transit Rides Per Capita	≥62	31.9	32.6	32.1	34.2	Improvement	Neutral
Km of Cycling-Specific Infrastructure	10% increase, for a total of 188 km by 2023	171 km	173 km	175 km	182 km	Improvement	On-Track
Transportation Choices	20% of people using cycling, walking or transit to get to work	12.5% (2011 actual)	12.5% (2011 actual)	12.5% (2011 actual)	N/A - Data only available through census - 2016 data coming November 2017	Neutral	Neutral
Annual Decrease in Traffic Collisions	≥-5.0%	-3.80%	3.10%	-7.30%	1.0% increase from June 2016 to June 2017 from SPS data	Improvement	On-Track

Economic Prosperity Vision: Saskatoon thrives thanks to a diverse local economy

Measures	Target	2014	2015	2016	2017 Projected	Year Over Year Progress	Long Term Progress
Number of Building Permits	Indicator	4,996	4,327	3,950	3,500	Decline	Watching
Value of Building Permits	Indicator	\$878M	\$1,020M	\$723M	650M	Decline	Watching
Business Growth	Indicator	1.9%	2.0%	1.32%	4.5%	Improvement	Watching
Supply of Residential Land (Units)	1-2 Year Supply	4,958	5,384	5,150	4,825	Neutral	On-Track
Supply of Industrial Land (Acres)	2 Year Supply	178	180	197	191	Neutral	On-Track

The City will continue to keep citizens informed of the progress it is making towards achieving the targets and whether the City's investments are achieving their intended objectives through the *Our Performance* webpage at www.saskatoon.ca/strides.

Risk-Based Management Framework

Growth and development involves risk. Providing services to citizens also involves risks. It is important to ensure risks are managed. As a result, the City has implemented a Risk-Based Management Program that assists the Administration in enhancing intelligent risk performance in all areas of

operations, and ensuring continuous improvement in the way the City is managed.

Saskatoon, like all municipalities, faces both operational and strategic risks which can negatively impact the successful delivery of services and achievement of corporate goals. Operational risks are generally the result of adopting the wrong strategy, failing to execute a well thought out strategy or not modifying a successful strategy over time to reflect changes in the business environment. Strategic risks, on the other hand, result in a lack of achievement of strategic goals or overall objectives and are associated with initial strategy selection, execution or modification over time.

Risks must be recognized in any organization before they can be managed. Risk registers, developed in 2016 and updated annually, involved the standardized collection and reporting of key characteristics of risks, including root causes, impacts, current mitigation activities, and planned mitigation strategies. Understanding these factors for each significant risk ensures the development and adoption of an effective risk response. The business line overviews highlight strategic risks that may impact successful completion of strategic and service outcomes as well as initiatives to help mitigate the risks.

Risk also drives our internal audit function – the internal audit plan focuses on the strategic risks that have been identified by the Administration and prioritized by City Council. The internal audit plan is updated each year for changing circumstances, emerging issues and shifting priorities and will be tabled with City Council in January 2018. The table below summarizes the currently approved internal audit plan, including the status of each audit from 2015 to 2018 (2018 audits are planned, subject to change).

Year	Audit Area	Risk Narrative	Scope Description	Status
2015	Road Maintenance	The City may not be investing enough money in its transportation infrastructure to maintain an acceptable condition and level of service.	Assess the economy, efficiency and effectiveness of road maintenance.	Complete
2015/2016	Snow and Ice Management	The City may not be investing enough money in its transportation infrastructure to maintain an acceptable condition and level of service.	Assess economy, efficiency and effectiveness of snow and ice management.	Complete
2016/2017	Revenue Generation	The City may be unable to adequately diversify its revenue sources.	Assess potential options with respect to additional revenue generation.	In-Progress
2016/2017	Asset Life Cycle Costs	The City may not be considering the total costs of asset ownership when making investment decisions.	Review current capital budgeting process and identify improvements to incorporate asset life cycle costs including future operating cost impact.	Complete
2016/2017	Transit Services Staff Scheduling	The City may not be investing enough money in its public transit	Assess economy, efficiency and effectiveness of transit services.	Complete

		infrastructure to maintain an acceptable level of service.		
2017	Human Capital Planning and Management	The City's existing strategies may not be attracting, hiring, managing, developing and retaining top talent to support existing and future operations.	Review process with respect to human capital strategies regarding attracting, developing & retaining talent.	In-Progress
2017	Business Continuity	The City may not be prepared to quickly and effectively resume operations in the event of serious incident, accident, disaster or emergency.	Review current disaster recovery and business continuity plans.	In-Progress
2017	C02 Reduction Initiatives	The City may fail to identify and pursue corporate C02 reduction initiatives.	Review current environmental strategy of the City including CO2 reduction initiatives and carbon tax implications.	In-Progress
2017/2018	Parks and Recreation	The City may not be investing sufficient funds in its parks infrastructure to maintain an acceptable condition and level of service.	Assess economy, efficiency and effectiveness of parks and recreation facilities.	In-Progress
2018	IT Security and Privacy	The City may not be adequately protecting information created by or entrusted to it.	Review current state of privacy of information and overall IT security policies, procedures and practices.	Planned (subject to change)
2018	Citizen Engagement Process	The City's engagement and communications initiatives and opportunities may not be effectively reaching its citizens.	Review current processes for engaging with citizens and their effectiveness including customer response.	Planned (subject to change)
2018	Sidewalks	The City may not be investing enough money in its transportation infrastructure to maintain an acceptable condition and level of service.	Assess economy, efficiency and effectiveness of sidewalk maintenance.	Planned (subject to change)

3. SUMMARY OF THE 2018 OPERATING AND CAPITAL BUDGETS

[3.1] INTRODUCTION

The City of Saskatoon provides the infrastructure and delivers several programs and services necessary to improve the city's high quality of life. Roads, bridges, pathways, and public transit that move people; police, bylaws, and fire services to keep people safe; parks, waste management, and drainage to keep neighbourhoods clean and healthy; and social programs and leisure activities to make Saskatoon a great place to live, work, and visit. These core areas reflect the top priorities of the City of Saskatoon and the public it serves.

To achieve these priorities, the City of Saskatoon prepares an annual business plan and budget that allocates the financial, human, and technological resources to infrastructure and various programs and services. In terms of the budget, the City of Saskatoon generally produces two distinct types of Budgets each year: (1) Operating; and (2) Capital.

The City of Saskatoon's Operating Budget allocates the costs for civic services and programs that the people of Saskatoon rely on each and every day. It also matches the sources of revenue to pay for those services, including property taxes, user fees, licenses, and government grants.

The 2018 Operating Budget is proposing:

- Total operating expenditures of **\$491.0 million**, an increase of \$13.3 million, or 2.79%, over the 2017 approved Operating Budget.

As required by *The Cities Act*, the City of Saskatoon must pass a balanced operating budget each year. In other words, the legislation mandates that the City cannot budget for an operating surplus or deficit, unlike federal and provincial governments. As a result, the City collects the necessary amount of property tax required to balance the budget after applying all other revenue sources. If a revenue gap exists, then the property tax increase fills this gap. This point is illustrated in Figure 3.1.1.

FIGURE 3.1.1 The Balanced Operating Budget Equation



To help pay for the City's operations and to ensure the budget is balanced, the 2018 Operating Budget is proposing a municipal property tax increase of 4.96%.

In 2018, 1.0% of the property tax is equivalent to \$2.2 million. Thus, the proposed property tax increase for 2018 will generate an additional \$10.9 million for the City of Saskatoon's Operating Budget. The additional property tax revenue that is collected will be distributed as follows:

- 0.55%, or \$1.2 million dedicated to snow and ice management
- 2.78%, or \$6.1 million in order to replace provincial revenue reductions.
- 1.63%, or \$3.6 million allocated to pay for the expenditure increases associated with all other programs and services, including police.

Replacement of reduced provincial funding account for 2.78% of the 4.96% proposed property tax revenue increase. This is a result of \$3.0 million in reduced Municipal Revenue Sharing based on a decrease in estimated PST revenue for the Province. As well as, \$3.1 million in eliminated grants-in-lieu from SaskPower and SaskEnergy as a result of the 2017-18 Provincial Budget.

In addition, the 4.96% includes 0.55% dedicated to the improvement of the City's Snow and Ice Management program with a goal towards city wide snow removal. This service level increase has been built into the 2018 Preliminary Business Plan and Budget based on previous direction from City Council.

The remaining 1.63% is the required amount to address inflationary and growth pressures as well as service level adjustments in other areas. The total increase related to these remaining items is similar to Consumer Price Index estimated increase for 2017 of 1.70%.

More details on the 2018 Operating Budget, including the proposed property tax increase, is provided in section 3.2 of this document.

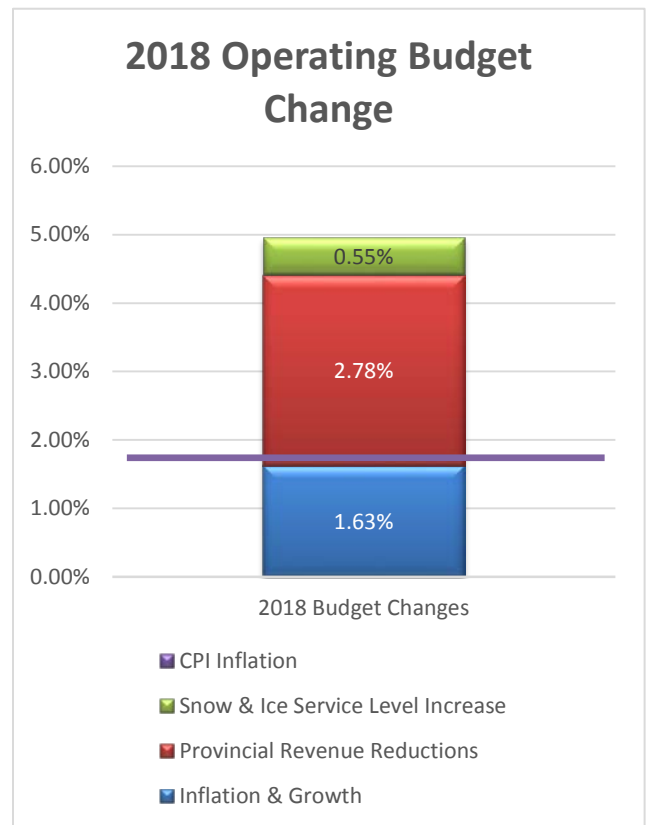
In contrast to the City's Operating Budget, the City of Saskatoon's Capital Budget provides the investments in hard infrastructure. This includes the construction of buildings (like recreation centres and libraries), transportation assets (like new roads and bridges), and neighbourhood infrastructure (like sidewalks and water lines).

For 2018, the City of Saskatoon is investing \$295.4 million in various capital projects. This is an increase of approximately \$33.4 million, or 12.8% over the 2017 approved Capital Budget.

The City utilizes a variety of revenue sources and tools to pay for the projects contained in the capital budget, such as borrowing, government grants, utility rates, and reserves to name the most prominent. Although the City's capital and operating budgets achieve different objectives, there is a relationship between the two.

For example, to pay for some of the capital projects the City of Saskatoon makes transfers from the operating budget to various reserves; these reserves are then used to help pay for the capital costs of various projects. Similarly, when the City borrows to pay for capital projects, the debt repayment comes from the City's operating budget.

Once the projects in the capital budget are fully constructed or operational, the City is required to pay for the maintenance and/or the operation of the project. For example, when the City builds a new bridge

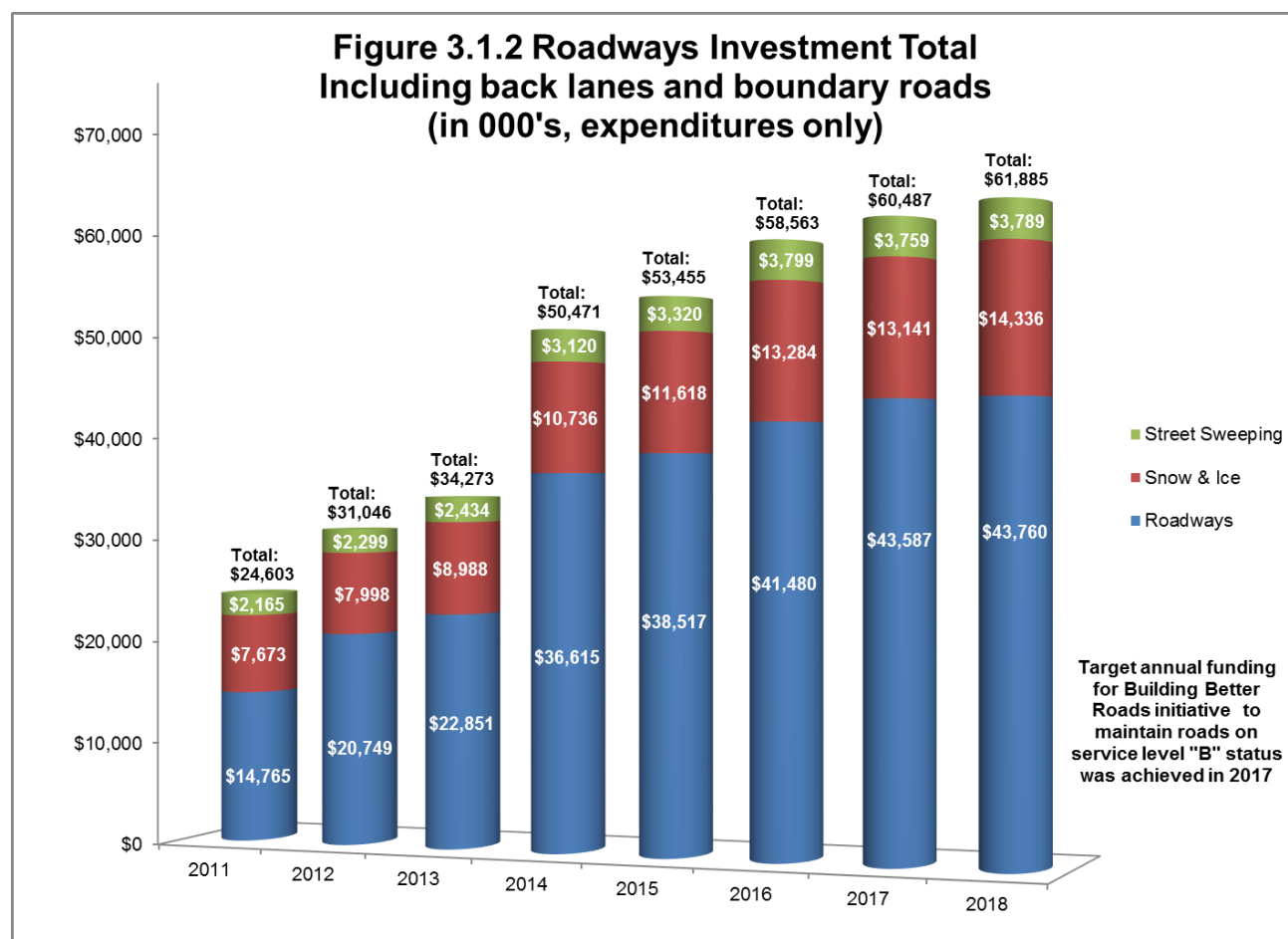


there is an obligation to ensure the bridge is maintained. When the City constructs a new recreation centre there is an obligation to ensure there is enough staff to operate the building. These obligations, therefore, will have an impact on the operating budget. This concept coined “operating impacts” (of capital projects) is addressed in more detail in Table 3.3.7.

The relationship between the Saskatoon’s Operating and Capital Budget are evident in 2018. The 2018 Operating and Capital Budgets are making a combined investment of approximately \$61.9 million to improve road conditions. This investment continues to build on the City of Saskatoon’s Building Better Roads program (which started in 2013) to allocate more resources to its road network and their related services, including snow and ice clearing and street sweeping.

In order to accomplish the objectives of the Building Better Roads program, the 2018 Operating Budget includes a property tax increase of 0.55% dedicated to snow and ice clearing.

As noted in figure 3.1.2 below, the 2018 investment is an increase of close to \$1.4 million over the 2017 Budget and over two and a half times the investment since 2011.



[3.2] THE 2018 OPERATING BUDGET

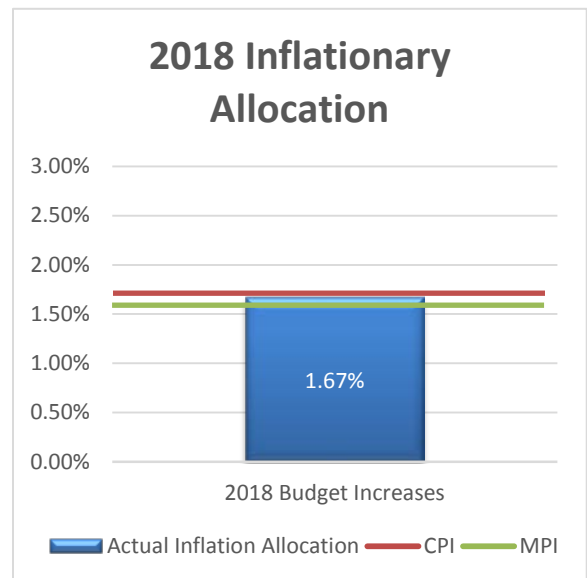
In preparation of the 2018 Operating Budget, many inputs were considered by the Administration when allocating the resources to specific programs, services, and projects. As noted in the Executive Summary, these inputs include the strategic plan, inflation, growth, service level changes and public input.

As part of the internal budgeting process, **City Departments were given a 0% expenditure increase as a starting point.** Any requests for increases were thoroughly reviewed on an individual basis by the Budget Committee which includes the City Manager, General Managers and select Finance Division staff. Through this review, the following considerations were made:

- (1) Reviews of historical results;
- (2) Opportunities for absorption and continuous improvement within existing budgets; and
- (3) Was the request a direct result of:
 - a. Contractually obligated inflationary increases; or
 - b. Growth in service area (roadways, park space, population, etc.)

This process resulted in an originally projected 6.97% property tax increase that was presented to the Governance and Priorities Committee (GPC) on May 15, 2017. Since this time the Administration has provided GPC and the public monthly updates on the budget process, implemented a 30 Day Challenge to City Staff to find efficiencies, and revisited estimates and financial plans. The result of this process has found over \$4.4 million in budget reductions and deferrals to lower the property tax increase from 6.97% to the current 4.96%

The City has developed a Municipal Price Index (MPI) using the City's "basket of goods" such as fuel, asphalt, electricity, facility/equipment repairs, and maintenance costs. MPI is a better estimate for the City than the Consumer Price Index (CPI) because the CPI is a measure of inflation for average households and measures items such as food, household expenses, and education. Other cities in Canada have also begun calculating MPI to help understand the rising cost of municipal purchases and also to assist in the forecasting of future expenditures. The City's MPI—or inflationary increase—for 2018 is estimated at 1.62%. A total of \$8.0 million in new base dollars have been added to the 2018 preliminary budget in order to address inflationary pressures, which equates to a 1.67% increase over the 2017 operating expenditure budget.



In addition to inflation, the 2018 Operating Budget includes increased growth expenditure estimates of \$2.5 million for:

- \$508,000 for growth within Recreation and Culture, most notably for maintenance of an additional 51 hectares of parks and greenspace that were added in 2018 in order maintain at the current service level
- \$395,000 as a result of the infrastructure growth from the Remail Modern. \$225,000 of which will be utilized for facility costs including utilities, custodial and trades services for the first full year of operations
- \$467,200 for growth within the Transportation Business Line, most notably for \$152,900 for an

additional 611 street lights that were expected to be added in 2018, bringing the total inventory to 32,769 and \$120,000 for Parking enforcement system integration services.

- \$450,000 growth within Corporate Support for licensing agreements and additional maintenance costs for a growing IT network.
- \$172,000 in growth expenditures related to the Local Immigration Partnership Initiative in order to coordinate community level formal and informal settlement resources, expand the scope of newcomer needs and improve awareness.
- \$107,000 in growth expenditures for Fire Services contributions to equipment and fire apparatus replacement and maintenance

Also included in the 2018 Operating Budget is \$2.9 million for increased service levels. The largest service level expenditure increases in 2018 is the dedicated increase of \$1.2 million to the Snow & Ice Management program and \$849,900 for Saskatoon Police Service Level changes funded by the Provincial and Federal Governments. This document now turns to address the City's 2018 operating expenditures.

EXPENDITURES

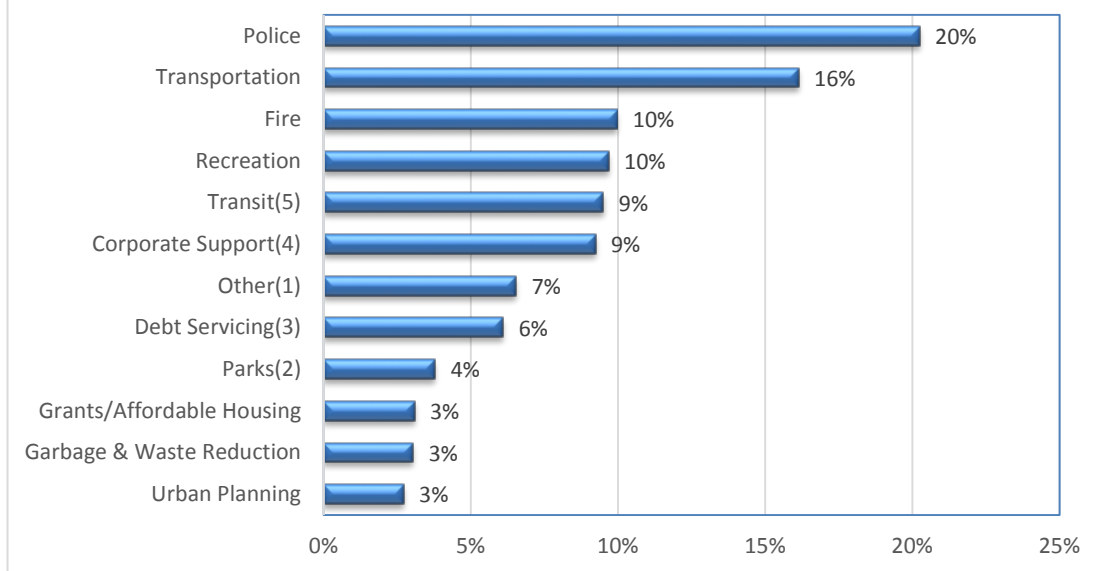
The City of Saskatoon's 2018 Operating Budget includes total expenditures of \$491.0 million. Schedule II of the 2018 Preliminary Detailed Operating and Capital Budget provides more details on the breakdown of these expenditures.

For the 2018 Operating Budget, expenditures are increasing 2.79% over 2017. It is important to note that the increase in expenditures is made up of the following:

Item	2017 Budget	2018 Budget	\$ Increase	% Increase
Snow & Ice Service Level Increase	-	\$ 1.2M	\$ 1.2M	-
Saskatoon Police	\$ 95.8M	\$ 99.4M	\$ 3.6M	3.76%
All Other Civic Operations	\$381.9M	\$390.4 M	\$ 8.5M	2.20%
Total	\$477.7M	\$491.0M	\$13.3M	2.79%

Figure 3.2.1 shows the distribution of the tax-supported expenditures by service. Policing represents the largest portion of the City's operating expenditures at 20%, or \$99.4 million.

Figure 3.2.1 - Operating Expenditures by Service



(1) Other includes street lighting, animal services, cemeteries and facilities, court costs for traffic violations, Saskatoon Land, Impound Lot and property annexation costs

(2) Parks includes urban forestry and pest management

(3) Debt Servicing includes provisions for current and future debt servicing

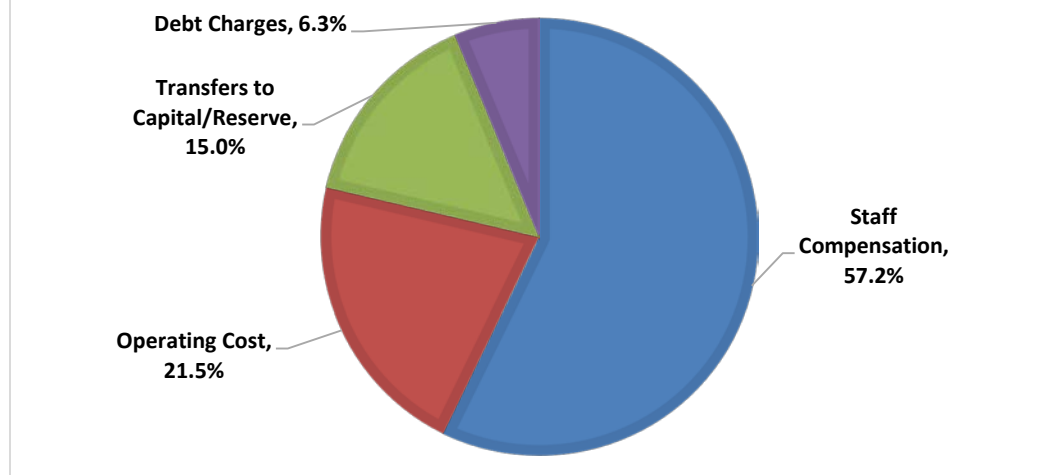
(4) Corporate Support includes the offices of the City Manager, City Clerks, City Solicitors, Legislative, Finance, Revenue, Service Saskatoon, Assessment & Taxation, Information Technology, Human Resources, and General Administration

(5) Transit includes Access Transit

Figure 3.2.2 shows the percentage share of major expense categories within the proposed 2018 Operating Budget.

- The majority of expenditures for the operating budget, \$281.0 million or 57.2%, are for staff salaries and payroll costs
- Transfers to Capital and Operating Reserve account for \$73.7 million or 15.0% of the operating budget (includes capital down payments for funding plans).
- Debt servicing costs (principal and interest) are \$23.9 million or 6.3% of the operating budget. These are funded by \$6.8 million of Federal Gas Tax and \$17.1 million from property taxation.

Figure 3.2.2 Operating Expenditures by Category



STAFFING

Table 3.2.1 below shows the total operating staffing requirements for the City in 2018 and the change over 2017. The 2018 Operating Budget includes an additional 29.7 FTEs over 2017 (a 0.8% increase). The increase of 0.8% is below the historical target of growth less 1.0% as recommended by the Saskatoon Chamber of Commerce. The 29.7 figure is net of all transfers redeployments and continuous improvement reductions that have been identified in the 2018 Budget. The 2018 FTE increase is distributed as follows:

- Corporate Asset Management includes 4.1 new FTEs of which 3.6 are related to supporting the Facility requirements of the new Remail Modern which will be open for a full year for the first time in 2018.
- Corporate Governance & Finance includes 4.3 new FTEs which relate to 2.0 graphic design positions to enhance efficiency and internal capacity while offsetting these costs with reduced external contracting costs. In addition, 2.0 positions for Community Engagement Consultant and a Truth and Reconciliation Coordinator to meet City Council's strategic priorities in these areas.
 - It's important to note that there was a total of 4.7 FTE's that were removed from the Revenue Services and Assessment & Taxation Service Lines as a result of continuous improvement initiatives such as advanced meter reading and a more efficient organizational structure.
- Transportation includes 4.1 FTEs, most notably 2.75 in order to effectively utilize the 0.55% allocation to enhance the Snow and Ice Management Program as the City moves towards a City wide snow removal program as previously directed by City Council. 1.0 FTE has also been included for a Performance Improvement Coordinator in order to lead the optimization of business processes, inter-team coordination, continuous improvement initiatives and service level monitoring within the Roadways and Operations Division.
- Urban Planning & Development (including non-tax supported business licenses) includes 8.5 FTEs. 5.0 of the positions are allocated to the Bylaw Compliance Service Line in order to deliver bylaw enforcement for the sewer use, drainage, and waste. 3.0 of these positions previously existed as Drainage Inspectors and Environmental Protection Offices that were transferred to this Business Line from various Utilities. The FTE increase within Bylaw Compliance are funded through the appropriate Utility. 2.0 FTEs are a transfer from capital, relating to the Local Area Plan and Neighbourhood Safety project, and are funded through a reduction in the transfer to the Reserve for Capital Expenditures. 1.0 FTE is a position to support the City Centre Development and leading the process to streamline the commercial permit process, funded through Building Permit fees. 0.5 FTE is a call-in Bylaw Inspector, with the cost for this positions offset by a decrease in external contracting expenses.
- Saskatoon Police Service includes 3.4 FTEs mainly related to 2.0 positions funded by the Provincial and Federal Government for a Victim Services Responder and a position within the Strengthening Families Program.
- The Remail Modern includes a 5.7 FTE increase for 2018. These positions are largely a result of prorated positions approved in 2017, with 2018 being the end load or first full year. These include:
 - 0.75 Special Events & Volunteer Coordinator
 - 0.63 Art & Design Store Staff
 - 0.75 Program Assistant – Exhibitions
 - 0.75 Program Assistant – Collections
 - 0.75 Assistant Curator – Live Programs
 - 0.42 Development Assistant
 - 0.33 Special Events & Volunteer
 - 0.20 Art & Design Store Assistant Manager; and
 - 1.15 Guest Experience Staff

Table 3.2.1 - Full-Time Equivalents (FTEs)

Full-Time Equivalents (FTEs)	2017 Budget	2018 New	2018 Redeploy	2018 Budget	FTE Net Change
<i>Tax Supported Services</i>					
<i>Civic Operations</i>					
Community Support	30.6	0.0	0.0	30.6	0.0
Corporate Asset Management	238.7	4.1	0.0	242.8	4.1
Corporate Governance & Finance	407.7	0.8	3.5	412.0	4.3
Environmental Health	108.1	2.5	(1.6)	109.0	0.9
Fire	335.0	0.0	0.0	335.0	0.0
Recreation & Culture	296.9	2.8	(1.2)	298.6	1.7
Transportation	617.2	3.8	0.4	621.4	4.1
Urban Planning & Development	40.6	3.5	4.5	48.6	8.0
Total Civic Operations	2,074.8	17.5	5.7	2,097.9	23.1
<i>Police</i>					
Police	653.1	3.4	0.0	656.5	3.4
Total Police	653.1	3.4	0.0	656.5	3.4
<i>Controlled Corporations</i>					
Remai Modern	39.3	5.7	0.0	45.1	5.7
SaskTel Centre	47.7	0.0	0.0	47.7	0.0
TCU Place	65.4 *	(2.8)	0.0	62.6	(2.8)
Total Controlled Corporations	152.4	3.0	0.0	155.4	3.0
Total Tax-Supported Services	2,880.3	23.9	5.7	2,909.9	29.5
<i>Non-Tax Supported Services</i>					
Building and Plumbing Permits & Standards	57.0	0.0	0.0	57.0	0.0
Business Licenses	9.1	0.0	0.5	9.6	0.5
Golf Courses	24.8	0.0	0.0	24.8	0.0
Impound Lot	0.8	0.0	0.0	0.8	0.0
Potash Corp Playland	4.3	0.0	0.0	4.3	0.0
Gordon Howe Campsite	2.7	0.0	0.0	2.7	0.0
Land Development	17.5	0.0	0.0	17.5	0.0
Total Non Tax-Supported Services	116.2	0.0	0.5	116.7	0.5
<i>Utilities</i>					
Utilities	357.8			357.8	0.0
New FTEs	0.0	3.2	0.0	3.2	3.2
Operating Transfer	0.0	0.0	0.4	0.4	0.4
Transferred from Capital (Utilities)	0.0	0.0	0.0	0.0	0.0
Total Utilities	357.8	3.2	0.4	361.4	3.6
Subtotal	3,354.3	27.1	6.6	3,388.0	33.6
<i>CAPITAL</i>					
New FTEs	0.0	2.7	0.0	2.7	2.7
Operating Transfer	0.0		(8.9)	(8.9)	(8.9)
Transferred from Operating (Utilities)	0.0		2.3	2.3	2.3
Capital	304.8	2.7	(6.6)	300.9	(3.9)
Total Full-Time Equivalents	3,659.1	29.8	(0.0)	3,688.9	29.7

* The decrease of 2.8 FTE was made in response to less event activity, and a shift in consumer preference toward online ticket purchasing.

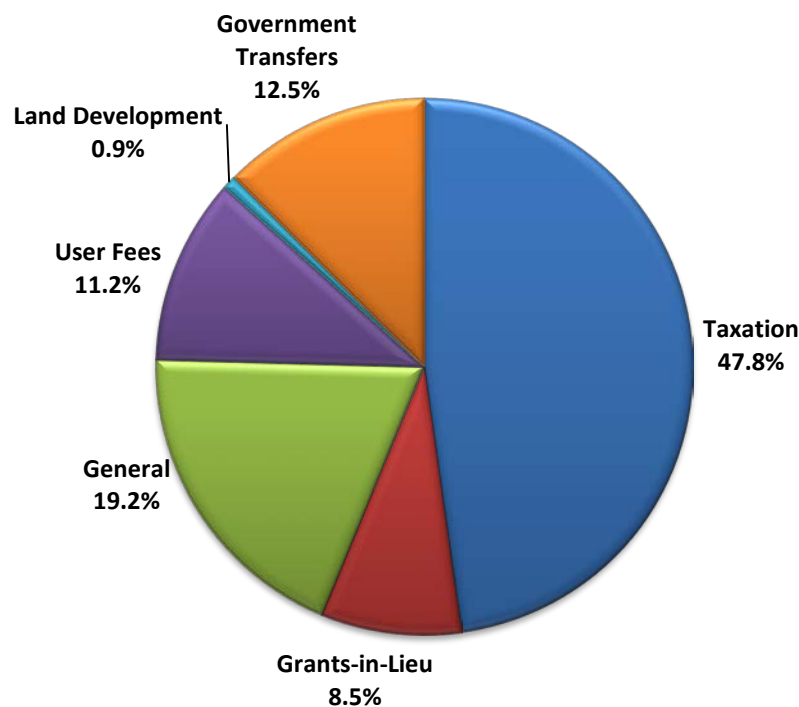
REVENUES

As indicated in the Executive Summary, the limited revenues available to the City of Saskatoon continue to be a challenge. As non-tax revenues have not been keeping pace with rising costs, such as inflation, growth, and service level changes, there continues to be added pressure on the municipal property tax to help fund the City's operating budget.

The City continues to research and examine additional revenue sources and has a formalized revenue review process that includes the documentation and review of all revenue streams for the City. The annual process identifies the basis, calculation, method, and comparison of revenues to other jurisdictions as applicable.

Figure 3.2.3 below identifies the percentage of revenue sources that pay for all civic programs and services in the City's 2018 Operating Budget. While the City of Saskatoon tries to minimize property tax increases, the reality is that it derives its revenues from very few sources. As Figure 3.2.3 shows, almost half of the City of Saskatoon's 2018 tax-supported operating revenues come from taxation (which amounts almost entirely from the municipal property tax).

Figure 3.2.3 - Share of 2018 Operating Revenues



As seen from the above figure, taxation currently makes up 47.8% of total revenue sources which is an increase of 2.5% over the 45.3% figure for 2017. Growth of non-tax revenue sources has been an ongoing issue for the City over the past couple of years as there continues to be more reliance on the property tax. The City has undergone several initiatives in an effort to reverse this trend such as the Hemson Report Study on Financing Growth and an Internal Audit project completed by PwC to outline non-tax revenue opportunities.

Item	2016	2017	2018
Non-Tax Revenue	\$258.1M	\$257.8M	\$256.6M
Increase Over Prior Year	\$ 7.8M	(\$0.3M)	(\$ 0.8M)

As seen above, non-property tax revenue (excluding assessment growth) sources have declined by \$0.3 and \$0.8 million in 2017 and 2018 respectively. This decline in revenue is largely due to the following:

- \$2.1 million and \$3.0 million decrease in Provincial Revenue Sharing in 2017 and 2018 respectively as a result of declining Provincial Sales Tax revenue for the Province.
- As a result of the 2017/2018 Provincial Budget, the Grant-in-Lieu (GIL) previously provided by SaskPower and SaskEnergy were removed resulting in a decrease of \$7.3 million and \$3.1 million in 2017 and 2018, respectively, to City revenue.
- Civic revenues for items such as Landfill Operations, Leisure Centres and Transit have remained relatively stagnant for 2017 and 2018.
- These decreases have been mainly offset by internal revenue sources such as Saskatoon Light & Power and Saskatoon Water return on investment and GIL increases.

The decline in revenues outlined above along with service level increases is the largest factor in why higher than average property tax increases have appeared in the last several years.

GENERAL REVENUES

For 2018, general revenues from make up 19.2% of City of Saskatoon's total operating revenue. General revenues include the following:

- Investment income
- Franchise fees
- Fines and penalties
- Licenses and permits
- Revenues from utilities

General revenues from utilities include a return on the City's investment from the Saskatoon Light & Power, Water and Wastewater utilities. Each of the utilities is also charged an administrative fee to cover the costs of providing certain corporate support services (e.g. legal, payroll, purchasing, accounts payable, etc.).

Prior to the March 2017 release of the 2017-18 Provincial Budget, the City used to receive grants-in-lieu of property tax (municipal payments) from SaskPower (5% quarterly grant of electricity consumption), and SaskEnergy/TransGas (5% monthly grant of the cost of supply and delivery). Effective April 1, 2017 these grants-in-lieu payments were discontinued.

The City of Saskatoon owns and operates five utilities (Water, Wastewater, Storm, SL&P and Waste Services which currently includes recycling, leaves and grass and compost programs) which are self-funded programs that form an important source of revenue for the City. The Saskatoon Light & Power, Saskatoon Water and Wastewater utilities each pay a Grant-in-lieu of property taxes.

Table 3.2.2 below summarizes the utility contributions to City revenues for the 2016 to 2018 budget years. The increased revenue included in the 2018 Operating Budget is approximately \$4.4 million.

Table 3.2.2 - Utility Contributions

Contributions from City-Owned Utilities (\$000's)	2016 Budget	2017 Budget	2018 Budget	2018 Change
Recycling	\$ 53.5	\$ 53.5	\$ 53.5	\$ -
Admin. Fee	\$ 53.5	\$ 53.5	\$ 53.5	\$ -
SL&P	\$ 44,527.3	\$ 48,136.6	\$ 48,860.3	\$ 723.7
Admin. Fee	\$ 431.1	\$ 431.1	\$ 431.1	\$ -
Grant-in-lieu	\$ 21,036.5	\$ 23,045.8	\$ 23,769.5	\$ 723.7
Return on Investment	\$ 23,059.7	\$ 24,659.7	\$ 24,659.7	\$ -
Storm	\$ 51.8	\$ 51.8	\$ 51.8	\$ -
Admin. Fee	\$ 51.8	\$ 51.8	\$ 51.8	\$ -
Wastewater	\$ 9,491.7	\$ 10,612.6	\$ 12,393.7	\$ 1,781.1
Admin. Fee	\$ 4,369.7	\$ 4,369.7	\$ 4,369.7	\$ -
Grant-in-lieu	\$ 3,862.0	\$ 3,995.9	\$ 4,727.0	\$ 731.1
Return on Investment	\$ 1,260.0	\$ 2,247.0	\$ 3,297.0	\$ 1,050.0
Water	\$ 10,954.6	\$ 12,517.6	\$ 14,411.9	\$ 1,894.3
Admin. Fee	\$ 3,923.9	\$ 3,923.9	\$ 3,923.9	\$ -
Grant-in-lieu	\$ 5,290.7	\$ 5,490.7	\$ 5,935.0	\$ 444.3
Return on Investment	\$ 1,740.0	\$ 3,103.0	\$ 4,553.0	\$ 1,450.0
Grand Total	\$ 65,078.9	\$ 71,372.1	\$ 75,771.2	\$ 4,399.1

USER FEES

User fee revenue from services comprises 11.2% of the 2018 total Operating Budget. Various services provided by the City of Saskatoon are funded in whole or in part through fees paid directly by the user. Some services are expected to be self-sufficient, while others are only expected to recover a portion of their total costs from users. For instance, for those services that directly benefit a particular user, in most cases user fees are charged. However, for those services that have social or community benefits, and where the cost to the user would be prohibitive, then the City will subsidize a portion of the cost of the service.

Table 3.2.3 below shows a 2017/2018 comparative summary for some of the City's significant user fee changes. This information includes the proposed fee changes effective January 1, 2018, unless otherwise noted.

Table 3.2.3 - Municipal User Fees/Rates

	2017 Rates	2018 Rate	Change (\$)	Change (%)
Indoor Rink Admission:				
Adult	\$ 5.50	\$ 5.75	\$0.25	4.5%
Youth	\$ 3.50	\$ 3.75	\$0.25	7.1%
Forestry Farm Park & Zoo:				
Adult	\$ 12.00	\$ 12.50	\$0.50	4.2%
Youth	\$ 7.25	\$ 7.50	\$0.25	3.4%
Family(1)	\$ 24.00	\$ 25.00	\$1.00	4.2%
Gordon Howe Campground:				
Campground Electric (15 Amp)	\$35.24	\$36.67	\$1.43	4.1%
Campground Electric (30 Amp)	\$39.05	\$40.48	\$1.43	3.7%
Campground Electric (50 Amp)	\$41.90	\$43.81	\$1.91	4.6%
Weekly Electric (15 Amp)	\$211.43	\$223.81	\$12.38	5.9%
Weekly Electric (30 Amp)	\$234.29	\$247.62	\$13.33	5.7%
Weekly Electric (50 Amp)	\$251.43	\$271.43	\$20.00	8.0%
Monthly Electric (15 Amp)	\$634.29	\$661.90	\$27.61	4.4%
Monthly Electric (30 Amp)	\$702.86	\$728.57	\$25.71	3.7%
Monthly Electric (50 Amp)	\$754.29	\$790.48	\$36.19	4.8%
Tent	\$20.95	\$21.90	\$0.95	4.5%
Sewage	\$7.14	\$7.62	\$0.48	6.7%
Overflow	\$17.14	\$19.05	\$1.91	11.1%
Laundry	\$0.00	\$0.00	\$0.00	0.0%
Recycling and Leaves & Grass Subscription Program:				
Residential recycling: (per month)	\$5.39	\$5.52	\$0.13	2.4%
Multi-unit recycling: (per month)	\$2.81	\$2.96	\$0.15	5.3%
Leaves & Grass subscription fee: (per season)				
Early Rate (January - April)	\$55.00	\$55.00	\$0.00	0.0%
Standard Rate (May - December)	\$55.00	\$75.00	\$20.00	36.4%
Saskatoon Light & Power (Electrical): (yearly increase)(2)	5.0%	5.0%	-	-
Water/Wastewater: (yearly increase)(3)	9.50%	9.25%	-	-

(1) Family is defined as a group of up to seven individuals, related by birth, legal status or marriage, with a maximum of two adults

(2) Saskatoon Light & Power rates are determined by SaskPower rate changes. 5.0% for 2018 is estimated based on historical trend from SaskPower

(3) Saskatoon Water and Wastewater rates have previously been approved by City Council

Other significant user fees that have remained unchanged from the 2017 budget include some of the following (not inclusive):

- Leisure facility admissions and registration
- Zoning, sub-development, and discretionary use fees
- Transit rates
- Parking rates
- Landfill Tipping & Entrance fees

GOVERNMENT TRANSFERS

In order to provide necessary and essential public services and programs to its residents, the City of Saskatoon receives funding from other orders of government. For 2018, 13.0% of the City's total operating revenues come from government transfers, particularly the Government of Saskatchewan.

The most significant transfer is from the Government of Saskatchewan which is the Municipal Revenue Sharing grant. The objective of this grant program is to provide long-term predictable funding to municipalities to help them address the operational challenges they face as a result of growing populations and increased demands for services. The program grant is tied to the Provincial Sales Tax (PST) that grows with the economy. The PST is predictable, sustainable, and reflective of economic growth. The grant represents the equivalent of one point of the PST revenue pool.

For 2018, the Government of Saskatchewan will be providing the City of Saskatoon with \$43.4 million in revenue sharing funding. This is a decrease of \$3.0 million from 2017 funding.

GRANTS-IN-LIEU OF TAXES AND FRANCHISE FEES

Grants-in-Lieu of taxes and Franchise Fees are typically grant payments to municipalities from the federal and provincial orders of government. Although these orders of government are exempt from paying local property taxes, they do make grant payments in place of property taxes for government owned/managed properties.

This revenue source totals \$53.7 million in 2018 and comprises 10.9% of the City of Saskatoon's projected revenues for 2018. As a result of the 2017-18 Provincial Budget the Grants-in-Lieu (historically referred to as Franchise Fees) typically received from SaskPower and SaskEnergy were discontinued resulting in a \$3.1 million reduction to 2018 revenue. Franchise Fees have decreased from \$21.9 million in 2016 to \$12.1 million in 2018.

Although the provincial government abruptly discontinued a significant portion of the Grant-in-Lieu payments related to SaskPower and SaskEnergy in 2017, the City's utilities and Saskatoon Land continue to pay a Grant-in-Lieu to the City of Saskatoon

In the City of Saskatoon, a Grant-in-lieu is also paid by Saskatoon Land and the City's utilities as indicated in Figure 3.2.3.

TAXATION

As required by provincial legislation, the City of Saskatoon must balance its operating revenues with its operating expenditures. As shown in figure 3.2.4 below, the City has a limited number of revenue sources, and any revenue shortfalls must be balanced through a property tax increase.

As noted in the introduction, the 2018 Operating Budget proposes a municipal property tax increase of 4.96%, generating an additional \$10.9 million for the City of Saskatoon.

Table 3.2.4 illustrates the details of the proposed 2018 property tax increase for Police, Fire, and the remaining civic services. The table shows that the property tax increase is made up of:

- 0.55% increase for the Snow and Ice Management
- 1.17% increase for the Saskatoon Police Service
- 0.41% increase for Fire Protection
- 2.78% in order to backfill decreases in Provincial Funding; and
- 0.05% for all other Civic Operations

Table 3.2.4 - Breakdown of the Property Tax Increase				
(\$000's)	Expenditures	Revenues	Budget Increase	Percent Increase
City Operations prior to Provincial Reductions & Dedicated	7,956.6	(7,834.7)	121.9	0.05%
Provincial Funding Impacts	0.0	6,121.2	6,121.2	2.78%
Total City Operations before Dedicated	7,956.6	(1,713.5)	6,243.1	2.83%
Dedicated to Snow & Ice	1,212.7	-	1,212.7	0.55%
Total City Operations (excluding Fire & Police)	9,169.3	(1,713.5)	7,455.8	3.38%
Fire Services:				
Cost of services + Growth + Service Level Adj	886.9	14.9	901.8	
Total Fire Services Operating	886.9	14.9	901.8	0.41%
Policing:				
Cost of services + Growth + Service Level Adj	3,575.5	(992.4)	2,583.1	
Total Police Operating	3,575.5	(992.4)	2,583.1	1.17%
Total Municipal Increase	13,631.7	(2,691.0)	10,940.7	4.96%

PROPERTY TAXES

The proposed property tax increase of 4.96% means that a homeowner who owns a single-family detached home with an average assessment of \$371,000 will see their municipal property taxes increase by the approximate amounts categorized in Table 3.2.5 below.

Table 3.2.5 - Impact of the Property Tax Increase

Municipal Tax Increase Per Average Household \$371,000 Assessment	Total City Services 1.63%	Provincial Revenue Reductions 2.78%	Dedicated Snow & Ice 0.55%	Total 4.96%
Approximate Total Increase	\$28.38	\$48.41	\$9.58	\$86.37
Approximate \$ Per Month	\$2.37	\$4.03	\$0.80	\$7.20

Figure 3.2.4 below shows the percentage of municipal property tax collected by the City of Saskatoon is shared between the various services the City provides.

Figure 3.2.4 - Distribution of Property Taxes

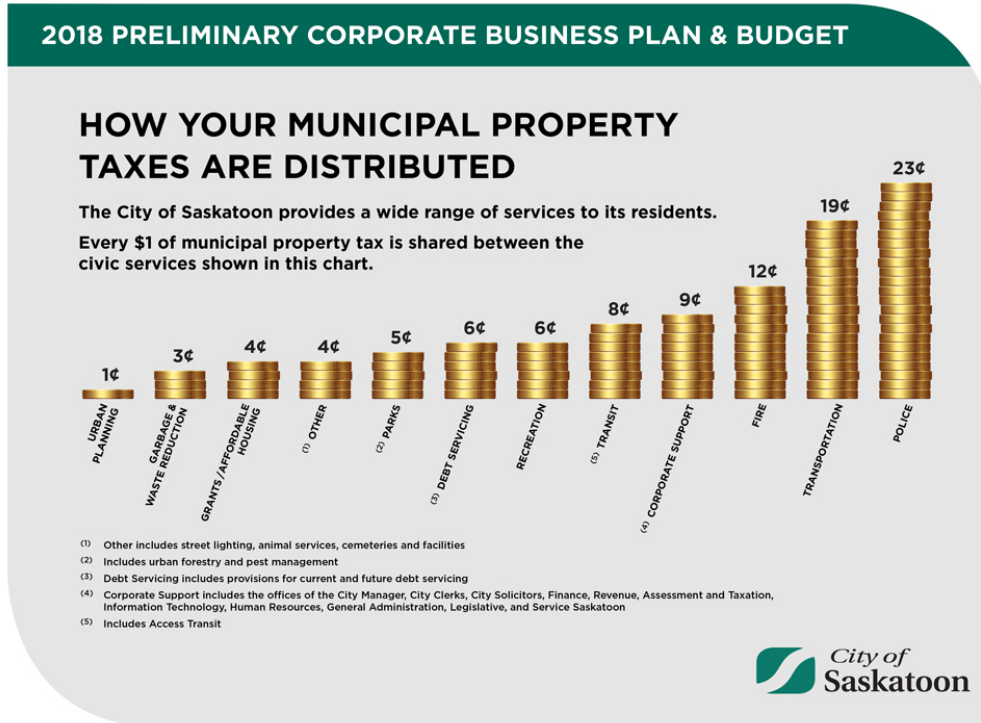
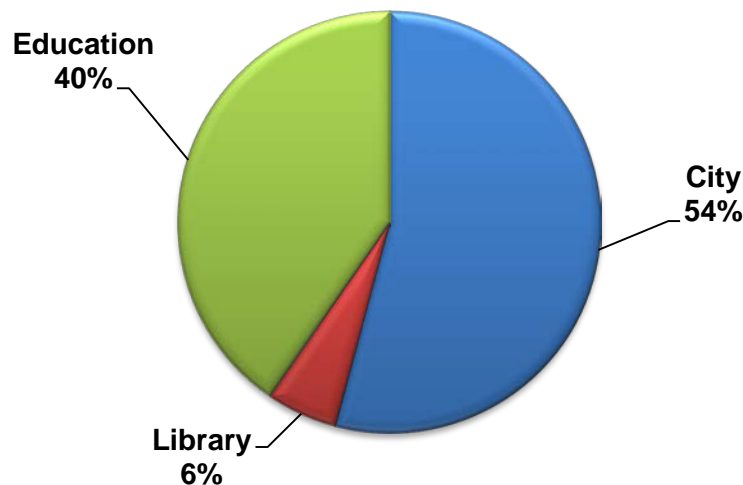


Figure 3.2.5 below shows how total property tax dollars were distributed in 2017. A little more than half of all property taxes collected go to the City of Saskatoon for the delivery of key services such as road maintenance, policing, fire protection, and public transit. Forty% of the property taxes collected by the City of Saskatoon go to the school boards to pay for education.

Figure 3.2.5 - Distribution of Property Tax (2017)



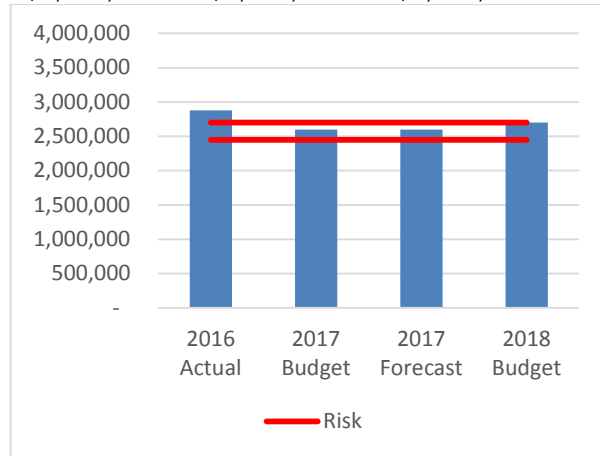
BUDGET ASSUMPTION RISKS

In preparation of the 2018 Operating and Capital Budget, assumptions were made to form the basis of many budget figures. The following section identifies the risks or opportunities contained within key budget categories.

This analysis compares the 2018 Operating Budget against the previous year's budget as well as the actual results from 2016 and the projected 2017 year-end forecast.

Supplementary Property Taxes

2016 Actual	2017 Budget	2016 Forecast	2017 Budget	Risk	Budget Chg	Chg %
\$2,880,600	\$2,600,000	\$2,600,000	\$2,700,000	\$250,000	\$100,000	3.85%



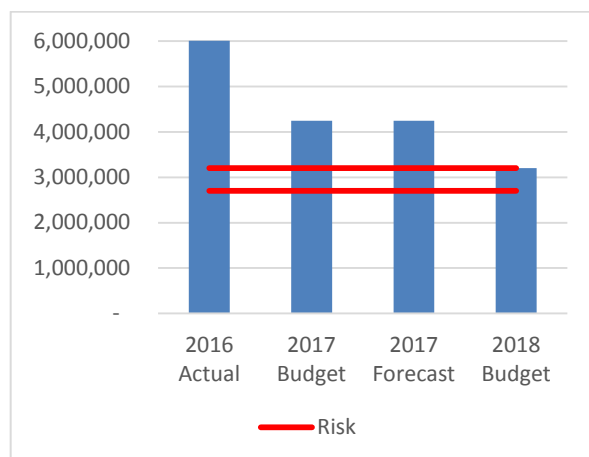
Supplementary Property Taxes are those taxes levied to new properties completed in the budget year and not included in the tax base at the time of tax billing.

The 2018 budget is based on similar building permits from 2016 (3,950), over 2015 (4,327) with the expected lag in building completions and the associated taxation to come in 2017 and 2018.

There is a risk that Supplementary Property Taxes could be less than the 2017 forecast and as a result a risk of \$250.0 has been identified.

Assessment Growth

2016 Actual	2017 Budget	2017 Forecast	2018 Budget	Risk	Budget Chg	Chg %
\$6,248,100	\$4,241,800	\$4,241,800	\$3,200,000	\$500,000	(\$1,041,800)	24.56%



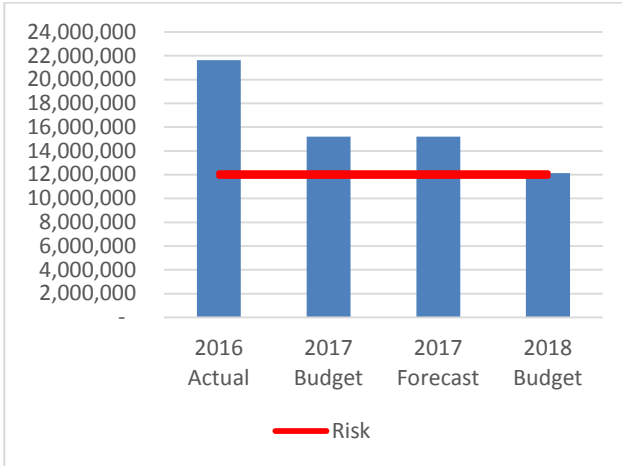
Assessment growth is the amount of new taxes that are included in the property tax base resulting from new and increased property values over the prior year.

The 2018 budget is based on building permit that are expected to be added to the assessment roll in 2018.

There is a risk that Assessment Growth will be lower than expected if the demand for building permits decreases, or if there is a slower than expected occupancy rate for new construction.

Provincial Utility Franchise Fees

2016 Actual	2017 Budget	2017 Forecast	2018 Budget	Risk	Budget Chg	Chg %
\$21,619,200	\$15,214,000	\$15,214,000	\$12,128,500	\$250,000	(\$3,085,500)	(20.28%)

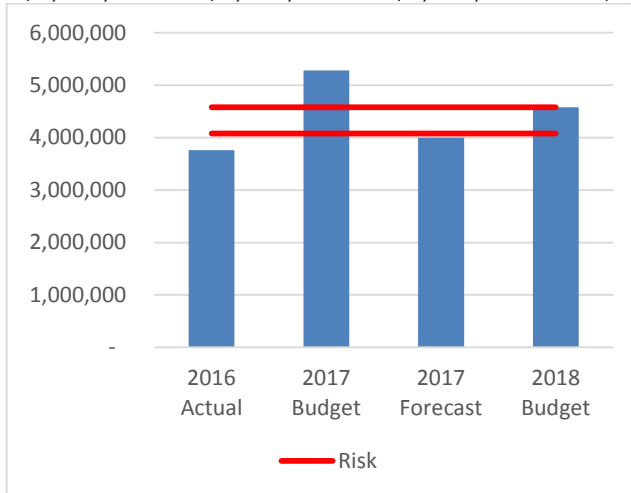


The City of Saskatoon receives franchise fees from SaskPower based on a 10% municipal surcharge on its customers in the City's franchise area.

The 2018 budget is based on estimates surrounding growth, consumption, and rate changes as well as the reductions to the program as a result of the 2017-18. Provincial Budget. Due to the assumptions involved with this revenue there is a risk that \$250.0 in franchise fees will not be realized.

Landfill Revenue

2016 Actual	2017 Budget	2017 Forecast	2018 Budget	Risk	Budget Chg	Chg %
\$3,763,800	\$5,280,000	\$4,000,000	\$4,580,000	\$500,000	(\$700,000)	(13.26%)

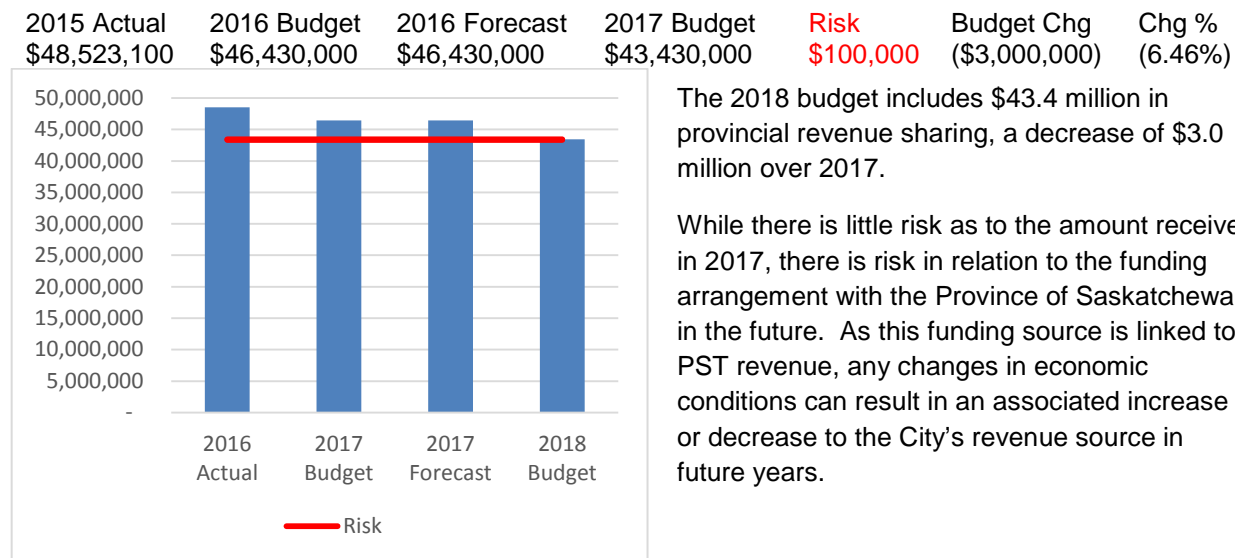


The 2018 budget includes \$4.58 million in revenue for chargeable tonnage directed to the City of Saskatoon landfill.

Due to increased landfill competition within the region, the City's landfill operation has seen chargeable tonnages decrease from over 50,000 in 2014 to 37,500 in 2017.

The 2018 budget includes modest decreases to chargeable tonnages but also expectations performance will improve over 2017 and 2018. A risk of \$500,000 has been identified if these trends are not corrected in 2018.

Provincial Revenue Sharing



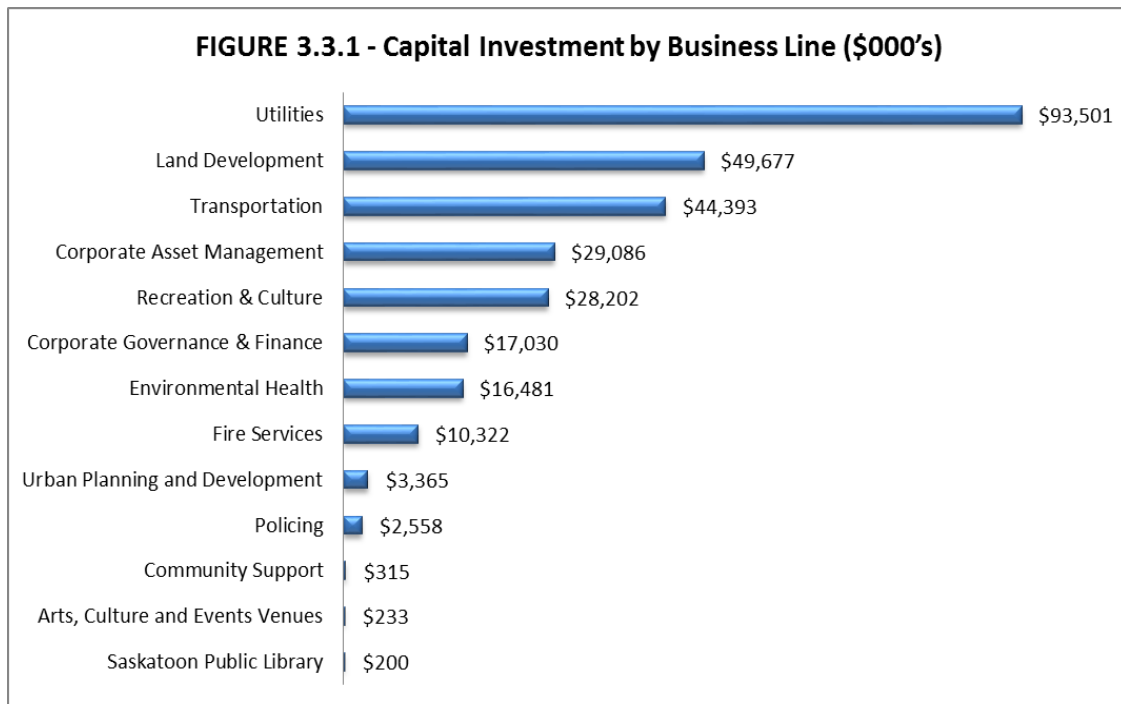
[3.3] THE 2018 CAPITAL BUDGET

As noted in the introduction, the City of Saskatoon's Capital Budget directs funding for the construction or refurbishment of major capital infrastructure projects such as roads, bridges, buildings, and water and sewer lines. The 2018 Capital Budget not only addresses the City's growth, but also its basic infrastructure needs with continued emphasis on roads, transit, water, and wastewater distribution systems.

The City of Saskatoon is continuing to develop funding plans for major infrastructure assets not only resulting from growth, but also for maintenance and replacement due to aging of the asset. One of the key funding strategies in prior year's budgets was to dedicate property tax increases, solely for the maintenance of roads as the required funding base is built to meet the long term needs and to achieve the service levels desired by the citizens of Saskatoon. The 2018 budget now encompasses sufficient base funding to meet the desired target of achieving a service level "B" Status.

The City of Saskatoon's 2018 Capital Budget provides a total capital investment of \$295.4 million, as seen in figure 3.3.1 below. Together, the various projects that make up this total investment aim to meet the objectives of the strategic plan and specifically:

- Prepare for growth
- Improve mobility
- Enhance public safety
- Increase quality of life
- Protect the environment.



Utility-related projects make up 31.2% of the total capital investment in 2018, including:

- Over a \$40.6 million investment in upgrades and maintenance at the Water Treatment Plant for reservoir transfer pumping upgrades, rehabilitation/replacement of the water distribution system and pumping and electrical upgrades.
- Over a \$27.9 million investment in upgrades and maintenance at the Wastewater Treatment Plant, a fourth digester tank, lift station upgrades, and the rehabilitation/replacement of the wastewater collection system.
- Saskatoon Light & Power is investing over \$19.8 million in upgrades to electrical distribution, substations, transmission lines, and street lights.

Transportation projects represent 15.0% of the total capital investments in the 2018 Capital Budget. Some of the notable investments include:

- \$31.8 million for paved roadway and sidewalk preservation; and
- \$1.9 million for 33rd Street and Circle Drive overpass maintenance.

Recreation and Culture projects represent 9.5% of the total capital investment for 2018. The most notable project is \$22.9 million for Gordon Howe Complex Upgrades including a new 400 meter synthetic track, upgrades to the speed skating oval, a new building to replace the existing clubhouse at Cairns Field among other amenities and upgrades. The \$22.9 million is currently included in the budget as private contributions from the Friends of the Bowl Foundation, there is an additional \$5.0 million in City Contributions that is currently listed as unfunded as an overall funding strategy for community partnerships is currently being developed.

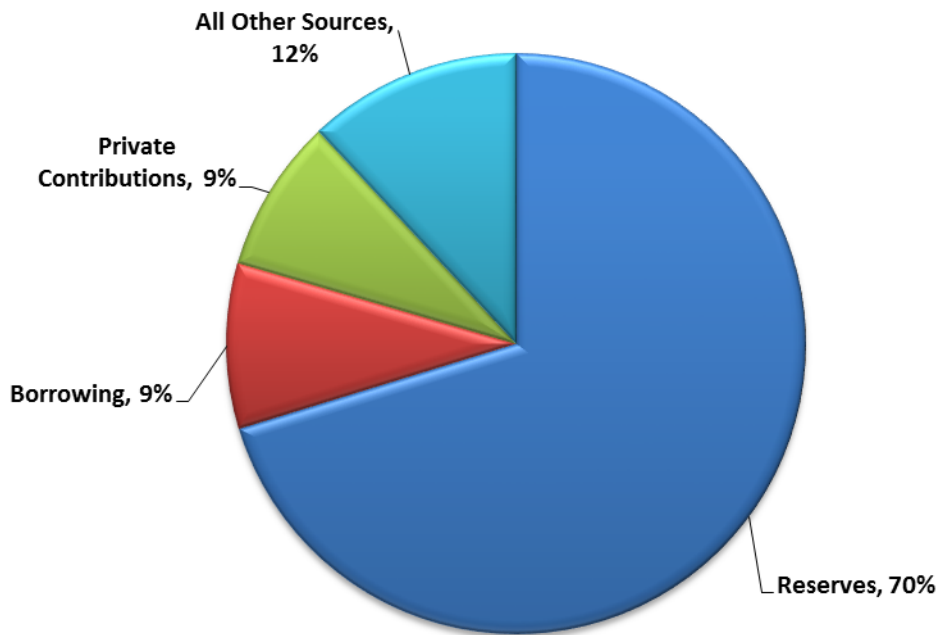
Land Development represents 16.8% of the total capital investment for 2018 required for various infrastructure requirements in Rosewood, Evergreen, Kensington, Aspen Ridge and Brighton among other developments.

The remaining 27.5% of the Capital Budget is allocated among various smaller projects.

PAYING FOR THE 2018 CAPITAL BUDGET

As illustrated in Figure 3.3.2 below, the largest source of funding for the 2018 Capital Budget is reserves. Approximately \$207 million (70%) of the entire Capital Budget is funded through reserves that the City has set aside for capital replacement, enhancement, and new capital work. The remaining \$88 million (30%) of the Capital Budget is split among various sources.

FIGURE 3.3.2 - 2018 Capital Budget Funding Sources



- (1) Other sources includes a total of \$35.2 million funded from the Cities reallocation pool which utilizes previously allocated funds to utility projects that have since received funding from the Provincial or Federal Governments, or allocations from the City's funding plans that utilize a variety of funding sources such as land dividends, property tax phase ins and Federal Gas Tax allocations.

Table 3.3.1 below summarizes the funding for the 2018 Capital Budget.

Table 3.3.1 - Capital Budget Funding

2018 CAPITAL BUDGET FUNDING SUMMARY	
GENERAL CAPITAL: (\$000's)	2018 Budget
Reserves	108,432
Borrowing	15,000
Provincial Government	-
Federal Government	-
Private/External Contributions	24,650
Operating Contributions	-
Other	33,169
Saskatoon Public Library Reserve	200
Total General Capital	181,451
UTILITY CAPITAL: (\$000's)	
Reserves	78,519
Borrowing	12,240
Provincial Government	-
Federal Government	-
Private/External Contributions	680
Operating Contributions	1,360
Other	702
Total Utility Capital	93,501
Total General & Utility Capital	274,952
LAND DEVELOPMENT: (\$000's)	
Reserves/Developers	20,411
Total Capital Funding	295,363

General Capital refers to those capital projects that are non-utilities, such as transportation capital projects for example. The following pages provide more details on each of these funding sources.

RESERVES

Reserves accumulate funds from various sources and are used to fund many capital projects. Annual contributions are made to designated capital reserves based on formulas and provisions as described in the Capital Reserves Bylaw and City Policy.

Schedule XII of the 2018 Preliminary Detailed Operating and Capital Budget reflects the sufficiency of these reserves.

As Table 3.3.2 below shows, the balances of the City's capital and stabilization reserves heading into 2018 remain healthy, with a total estimated balance of \$194.9 million.

Table 3.3.2 - Capital and Stabilization Reserve Sufficiency

ESTIMATED RESERVE BALANCES		
Capital Reserves: (millions)	Jan/17	Jan/18
General	44.3	63.2
Prepaid Services (Land Development)	22.3	24.4
Property Realized	21.7	21.7
Boards/Commissions (Including Saskatoon Public Library)	56.4	49.3
Capital Reserves Total	144.7	158.6
Stabilization Reserves: (millions)		
Fiscal Stabilization	8.1	8.1
Land Operations Stabilization	3.4	3.7
Fuel Stabilization	1.3	1.3
Utilities Stabilization	12.7	9.6
Building Permits/Inspections Stabilization	7.9	6.5
Other	5.2	6.7
Stabilization Reserves Total	38.6	35.9
Total Reserves Balance	183.3	194.5

The Reserve for Capital Expenditures (RCE) has been established by City Council to provide funding for discretionary capital projects. In total, nearly \$2.4 million is made available to fund the discretionary capital projects as seen in table 3.3.3 below. RCE is mostly funded by an annual mill rate contribution, however, in 2018 this transfer has been reduced by \$600,000 in order to reduce the reliance on property taxes. The shortfall between the allocated RCE funding and the Capital Requests are funding through a transfer from the Neighbourhood Land Development fund.

Table 3.3.3 - Reserve for Capital Expenditures (RCE)

Reserve for Capital Expenditures (RCE) Reserve Forecast	2018
Projected January 1 Opening Balance	989
Contribution from Operating Budget	2,868
River Landing Operating Funding	(715)
Minimum Balance Retained	(750)
Allocated RCE Funding for 2018 Capital Projects	2,392

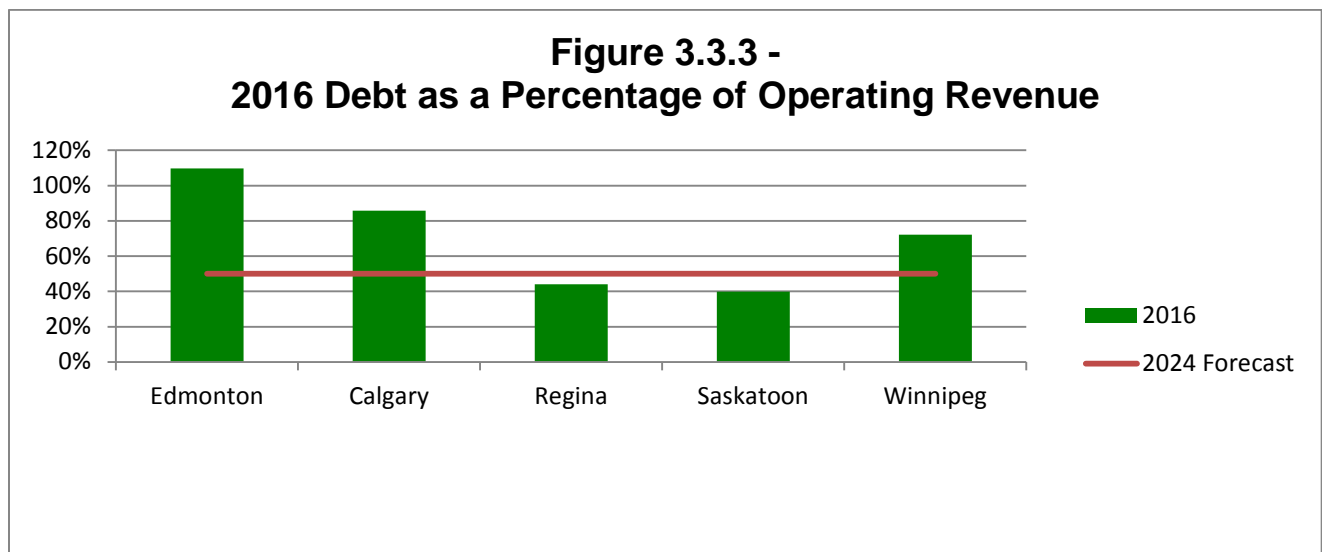
While a majority of the City's reserves are in good financial condition, the Landfill Replacement Reserve (LRR) is currently forecasting being in a deficit position at the beginning of 2018 of \$325,000. City Council has authorized this deficit as an exception from the normal requirement to remain in a zero or positive balance up to the end of 2018. The LRR deficit position is due to the Regional Waste Management Facility capital project to upgrade and expand the landfill that had a \$6 million withdrawal from the LRR. An equivalent amount to the LRR deficit is being held in the Property Realized Reserve to cash flow this deficit.

EXTERNAL BORROWING

2018 Capital Budget contains external borrowing of \$12.2 million. All of this borrowing is related to water and wastewater projects and will be funded by utility rates with no reliance on the property tax. The largest projects requiring external borrowing include \$5.4 million for the design and construction of additional filtration capacity at the Water Treatment Plant and \$4.5 million for the construction of a fourth digester tank at the Wastewater Treatment Plant. While borrowing is budgeted for projects as a source of funding, the actual borrowing is based on cash flow requirements.

The total outstanding debt as of December 31, 2016 was \$318.8 million. The increase in debt of \$55.7 million over 2015 is mainly due third party debt related to the P3 agreement for the Civic Operations Centre. Additional debt will be recognized in future years as construction on the City's North Commuter Parkway and Traffic Bridge P3 agreement progress. With the P3 project borrowings and the planned debt repayments, the expected outstanding debt balance as at December 31, 2017 will be approximately \$411.0 million, depending on the P3 projects percentage of completion as at December 31, 2016.

As a comparison to other Municipalities a common measure is "debt as a percentage of operating revenue" in order to adjust for population and budget size. In 2016, the City of Saskatoon's current debt holdings were 40% of annual operating revenues. This rate is expected to climb to approximately 50% by 2024 when the City's debt is expected to peak around \$461 million, however, even including this increase, Saskatoon continues to project as one of the most favorable ratios in western Canada.

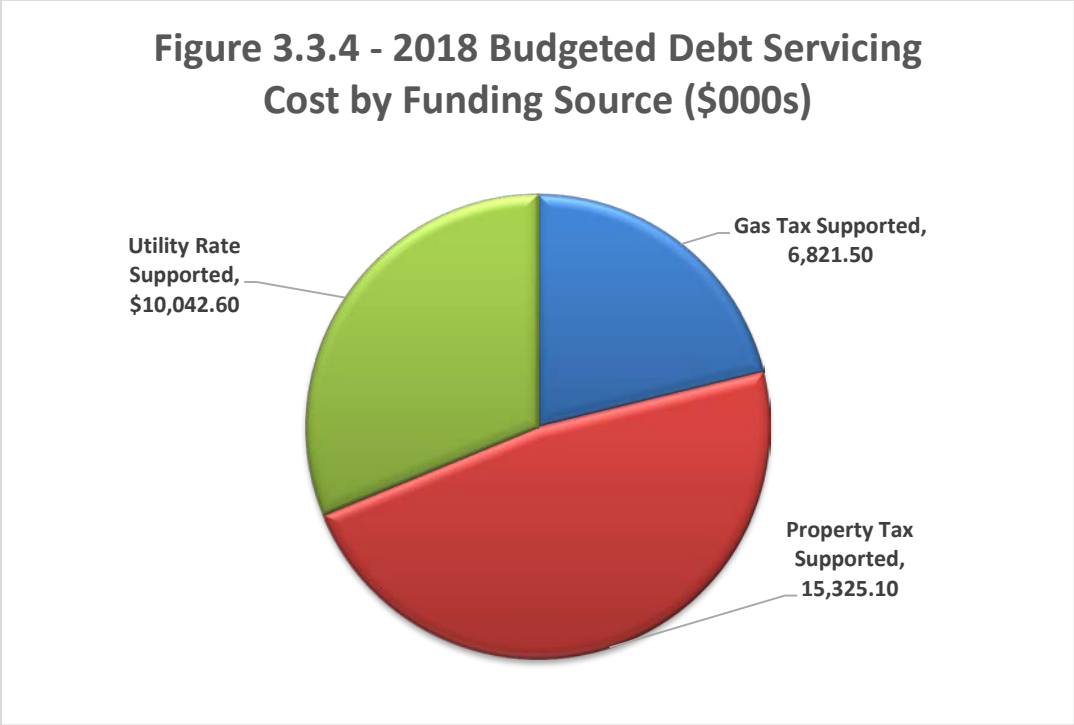


*Source: Municipality Annual Reports

The forecasted borrowing for the next five years is to increase to a peak near \$416.0 million in 2018 as the P3 contract for the North Commuter Parkway and Traffic Bridge concludes. In 2014, City Council approved the application to the Saskatchewan Municipal Board for an increase in the City's debt limit to \$558.0 million. Most of this increase in project debt is associated to Public Private Partnerships (P3) such as the Civic Operations Centre, the North Commuter Parkway and Traffic Bridge Replacement projects. The total debt projections, including the P3 debt, are within the City's debt limit.

Borrowing related to the utility projects will be repaid through utility rates. The repayment of the debt related to the other projects is funded through the general operating budget and through the overall borrowing strategy, using gas tax revenues from the federal government. In 2018, total debt servicing costs are budgeted at \$32.2 million which are made up of \$26.2 million and \$6.0 million in principal and

interest payments respectively. Consistent with Figure 3.2.1, the property tax supported funding sources are made up of \$15.3 and \$6.8 million of property tax funds and federal gas tax funding. The total source of funding for all City debt servicing costs in 2018 are shown in figure 3.3.4 below:



Note that these debt servicing costs do not include debt repayments on the Civic Operations Centre P3 project as debt repayments, maintenance and asset rehabilitation are all built into the total payment made to proponent.

EXTERNAL FUNDING SOURCES

Funding from external sources include, but are not limited to, other orders of government programs, private contributions, fundraising campaigns, and corporate sponsorship or partnership arrangements. Some of the key external funding sources are the Federal Gas Tax Fund, the Federal Public Transit Fund, and the Building Canada Fund.

In the 2012 Federal Budget, the Federal Gas Tax transfer was made a permanent source of funding for municipalities. These funds are being allocated to a number of projects as cash and/or debt repayment on borrowing for these projects.

OPERATING BUDGET IMPACT OF CAPITAL INVESTMENTS

Capital projects contained in the 2018 Capital Budget will impact future City operating programs. The additional operating costs of 2018 projects for the years 2019 to 2021 are summarized in Table 3.3.4 below:

Table 3.3.4 - Operating Impacts of 2018 Funded Capital Projects

OPERATING IMPACT (\$000's)	2019	2020	2021
Corporate Governance & Finance	\$2,100.0	\$0.0	\$0.0
Environmental Health	\$75.0	\$0.0	\$0.0
Fire Services	\$25.0	\$75.0	\$0.0
Land Development	\$0.0	\$74.9	\$225.0
Policing	\$47.0	\$0.0	\$8.0
Recreation and Cultural Services	\$149.7	\$322.2	\$0.0
Transportation	\$5.0	\$0.0	\$0.0
Urban Planning & Development	\$122.1	\$0.0	\$97.3
Utilities	\$126.4	\$0.0	\$0.0
Total	\$2,650.2	\$472.1	\$330.3

NOTE: Specific operating impacts are disclosed at the project level throughout the Capital Budget and summarized in Schedule IX of the Tables and Schedules Sections in the Preliminary Operating budget document.

Table 3.3.5 shown below depicts the 2018 operating impacts of capital projects that are included within the 2018 Operating Budget.

Table 3.3.5 - 2018 Operating Impacts Included

2018 OPERATING IMPACTS		
Business Line	Project	(\$000's)
Land Development:		
	P0607-PARK DEV-STONEBRIDGE NBRHD	\$13.2
Recreation and Cultural Services:		
	P0706-CY-LEIS SERV-FACILITY EQUIP REPL	\$20.0
	P1664-CY-GORDON HOWE COMPLEX UPGRADES	\$7.9
	P1658-CY-PARKS NEW SATELLITE MTNC BLDG	\$76.2
	P2130-CY-SATELLITE SKATEBOARD FACILITIES	\$1.0
	P2349-CY-SASKATOON MINOR FOOTBALL FIELD UPGRADE	\$63.2
Transportation:		
	P1522-TU-TRAFFIC NOISE ATTENUATION	\$50.0
	P2318-TR-MAINTENANCE MANAGEMENT SYSTEM	\$3.0
	P2588-ACCESS TRANSIT-BUS ADD ON	\$9.5
	P2589-TR-TECHNOLOGY PLAN	\$3.0
Urban Planning and Development:		
	P2460-CY-REGIONAL PLANNING	\$76.0
Total		\$323.0

DEFINITIONS/EXPLANATIONS

Within the Operating and Capital Budget document there are some key terms, titles, and references that are referred to that are defined below for the reader's reference.

Base Adjustment: This is the budgetary change from the prior year's budget that would include all inflationary changes, transfers, and other adjustments to deliver the same service levels as in the previous year. (Excludes Growth and Service Level Adjustments)

Business Line: This is the higher categorization of major businesses that the City of Saskatoon undertakes for its citizens.

Cost Recovery: This is a recovery of expenses by one business line that is charged out to other business lines to recoup the costs of providing a service to that unit. The recovery is meant to be charged out at cost (in other words there should not be a mark-up in costs, otherwise this would be reclassified as revenue) and may be direct and indirect costs for that service.

Growth: A budgetary change as a result of population, workload, or capital growth usually aimed at providing the same service level as in the previous year.

Reserve for Capital Expenditures: This is a reserve that is funded through an annual contribution from the operating budget as well as any other discretionary funds allocated to it that is used to fund capital projects at the discretion of City Council. These projects would normally not have a dedicated reserve as the source for funding.

Service Level Adjustment: This is a budgetary change to address an increase or decrease in the program's service level.

Service Line: This is a program or service which falls within the broader Business Line (see definition above) and has its own program definition, budget, and outcomes.

Staff Compensation: Staff compensation includes items such as salaries, payroll costs, car allowance, uniform allowance, and other direct employee costs.

Unfunded Capital Projects: These are projects that have been proposed however there is no source of funding, or a lack of reserve funding available. These projects are presented at budget review for consideration if other funding becomes available.