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## 2017 Preliminary Corporate Business Plan and Budget

### Recommendation

1. That any Capital Project that has identified borrowing as a source of funding and is approved be subject to a Public Notice Hearing for Borrowing;
2. That any Capital Project that has identified external funding as a source of funding and is approved be subject to confirmation of this external funding; and
3. That the information be received.

### Topic and Purpose

The purpose of this report is to obtain City Council's conditional approval of specific projects, subject to the identified conditions. This report also provides a brief overview of the 2017 Preliminary Business Plan and Budget and associated changes since it was originally tabled on November 7, 2016.

### Report Highlights

1. The 2017 Preliminary Corporate Operating and Capital Budget was \$1.07 billion (\$997.0 million in 2016) as originally tabled on November 7, 2016, comprised of: \$481.4 million for the civic operating budget, \$437.8 million for the utility operating and capital budget, \$156.2 million for the civic capital budget.
2. The preliminary proposed property tax increase tabled on November 7, 2016, was 3.97%, including 0.55% for snow and ice management and the final year of a planned four-year phase-in of 1.93% dedicated tax for the Building Better Roads program.
3. Since tabling the preliminary budget on November 7, 2016, the following three significant changes have taken place:
  - Higher assessment growth of \$1.2 million than originally estimated, decreasing the mill rate by 0.61%;
  - SaskPower's proposed 5.0% rate increase on January 1, 2017, was reduced to 3.5% by the Saskatchewan Rate Review Panel for a net increase of \$306,300 or 0.15%; and
  - On November 17, 2016 the Saskatoon Police Board approved a budget \$699,600 higher than originally tabled. or a 0.34% increase.

These changes have a net reduction to the property tax requirement of \$235,900, or 0.12%, on the City of Saskatoon's (City) originally tabled budget for a revised preliminary tax increase of 3.85%.

4. Capital Projects that have borrowing as a source of funding can be approved subject to a Public Notice Hearing for Borrowing, and those that have external funding as a source of funding can be approved subject to confirmation of this external funding.

### Strategic Goals

This report supports the Strategic Goal of Asset and Financial Sustainability by ensuring the services the City provides are aligned with what our citizens expect and are able to pay. Servicing of land noted in this report also supports the long-term strategy of increasing revenue sources and reducing reliance on residential property taxes under the same Strategic Goal.

### Background

The 2017 Preliminary Corporate Business Plan and Budget, “Shaping our Financial Future,” was presented to the Governance and Priorities Committee at its meeting on November 7, 2016.

### Report

#### November 7, 2016, Preliminary Budget Figures

The City provides infrastructure and delivers programs and services necessary to improve citizens’ 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 and the public it serves.

To achieve these priorities, the 2017 preliminary budget tabled on November 7, 2016, proposed a total consolidated investment of just under \$1.1 billion comprised of the following:

<b>2017 Preliminary Budget (in millions)</b>			
	<b>Operating</b>	<b>Capital</b>	<b>Total</b>
Civic	\$481.4	\$156.2	\$ 637.6
Utilities	\$332.6	\$105.2	\$ 437.8
<b>TOTAL</b>	<b>\$814.0</b>	<b>\$261.4</b>	<b>\$1,075.4</b>

#### November 7, 2016, Preliminary Property Tax Increase

The preliminary operating budget originally tabled included a revenue gap of \$8.06 million and a proposed 3.97% property tax increase. The breakdown of the net property tax changes by major category is as follows:

Civic Operations	0.67%
Fire Services	0.20%
Police Services	0.62%
Dedicated Road Tax	1.93%
Snow and Ice Management	0.55%
<b>Total Proposed Property Tax Increase</b>	<b>3.97%</b>

Preliminary Budget Figure Adjustments

Since tabling the budget on November 7, 2016, the following three key changes have taken place which will have an impact on the 2017 budget:

1. 2017 assessment growth has been finalized at \$4,241,800. This is \$1,241,800 higher than the Administration's original estimate of \$3.0 million.
2. SaskPower's original estimate of a 5.0% rate increase on January 1, 2017, was not supported by the Saskatchewan Rate Review Panel. It was recommended that this rate increase be reduced to 3.5%, which has two impacts on the operating budget:
  - a. an \$830,500 reduction in net surplus (\$2.5 million decrease in revenues and \$1.7 million decrease in operating expenditures) to SL&P which will be offset by contributions to reserves; and
  - b. a net negative impact to City operations of \$306,300 which is comprised of:
    - \$127,600 reduction in franchise fee revenue received from SaskPower;
    - \$350,800 reduction in revenue related to SL&P's grant-in-lieu;
    - \$97,500 reduction in street lighting expenses; and
    - \$74,600 decrease in other civic electrical costs.
3. On November 17, 2016, the Saskatoon Police Board of Commissioners (SPC) approved a total increase to the Police Budget over 2016 of \$3,320,500 including six new officers, while the original preliminary budget had only included inflationary items of \$2,620,900. This is \$699,600 higher than the tabled budget.

Considering these adjustments, the revised 2017 preliminary budget and associated taxation increase is as follows:

<b>2017 Preliminary Budget (in millions)</b>			
	<b>Operating</b>	<b>Capital</b>	<b>Total</b>
Civic	\$481.9	\$156.2	\$ 638.1
Utilities	\$330.0	\$104.4	\$ 434.4
<b>TOTAL</b>	<b>\$811.9</b>	<b>\$260.6</b>	<b>\$1,072.5</b>

<b>Item</b>	<b>Revenue Gap</b>	<b>Property Tax Increase</b>
Original November 7 Budget	\$8,059,700	3.97%
Assessment Growth Increase	(\$1,241,800)	(0.61%)
SaskPower Rate Change	\$ 306,300	0.15%
Revised Civic Budget	\$7,124,200	3.51%
Police Growth Budgetary Increase	\$ 699,600	0.34%
<b>2017 Revised Preliminary Budget</b>	<b>\$7,823,800</b>	<b>3.85%</b>

### Capital Projects with Borrowing or External Funding

Approval of capital projects that have identified borrowing or external sources of funding can only proceed under certain conditions. For borrowing, a Public Notice Hearing must be held prior to the project proceeding. Projects with external funding sources need to have funds confirmed prior to proceeding.

### **Options to the Recommendation**

City Council has the opportunity to review each of three adjustments in their respective business lines and adjust accordingly. City Council could consider the following options when reviewing the appropriate business line(s):

- Reallocate assessment growth to other areas aside from the current application towards lowering the mill rate which could include:
  - allocation to the Corporate Asset Management Strategy to address infrastructure funding gaps; or
  - allocation to other operating programs such as street sweeping or snow and ice to increase service levels;
- Allocation of assessment growth for one time funding of a specific capital project of City Council priority and add the growth back into the base in 2018; or
- Reject SPC's budget increase request of \$3.3 million and ask the SPC to review and adjust their budget submission.

### **Public and/or Stakeholder Involvement**

The Administration developed the preliminary budget based on public feedback such as the annual Civic Services Survey, Citizen Budget Online Tool and other public engagement initiatives undertaken throughout the budget process.

### **Other Considerations/Implications**

There are no policy, financial, environmental, privacy, or CPTED considerations or implications.

### **Due Date for Follow-up and/or Project Completion**

There is no due date for follow-up and/or project completion.

### **Public Notice**

Public Notice pursuant to Section 3 of Policy No. C01-021, Public Notice Policy, is not required.

### **Report Approval**

Written by: Joanne Stevens, Manager of Finance Special Projects  
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