
2018 Budget Update

Recommendation

That the information be received.

Topic and Purpose

The purpose of this report is to provide the Governance and Priorities Committee with an update regarding the 2018 budget, and steps being taken to minimize the property tax impact.

Report Highlights

1. In preparation of the indicative rate for the 2018 budget, the Administration conducted a thorough review of budgetary requests.
2. Innovation teams have been established throughout the corporation with the goal of minimizing the 2018 property tax impact. To date, \$1.068 million in cost savings have been identified or targeted.
3. Service level report and Innovation Team updates will be presented to the Governance and Priorities Committee through September 2017. These reports will focus around opportunities to minimize the property tax impact in 2018.

Strategic Goal

The information in this report supports the Strategic Goal of Asset and Financial Sustainability by demonstrating openness, accountability and transparency in financial reporting.

Background

At its May 15, 2017 meeting, the Governance and Priorities Committee received the 2018 Budget Indicative Rate report from the CFO/General Manager, Asset and Financial Management Department. The report outlined the projected 2018 property tax increase to be 6.97% to maintain current service levels.

Report

2018 Administrative Budget Process

The Administration's budgeting, review and allocation process has changed significantly over the past number of years. Prior to the 2015 budget process, the Administration employed a mandate process in which departments were allocated a set percentage target for expenditure changes, typically calculated around inflation (Municipal Price Index) plus growth. Divisions were required to come within this mandate range and any additional requests were vetted and reviewed on an individual basis.

In recent years, the Administration employed a much more detailed and thorough review process. The starting point for all divisions is a 0% expenditure increase. Any requests for increases are thoroughly reviewed on an individual basis by the Budget

Committee, comprised of 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 within existing budgets; and
3. If the request was a direct result of:
 - a. a contractually obligated inflationary increase; or
 - b. an increase in inventory (roadways, park space, etc.).

This process resulted in the indicative rate as presented on May 15, 2017.

Through this process, a total of \$13.8 million in expenditure increases were estimated as presented to the Governance and Priorities Committee. In addition to the information presented, through the administrative review process, the Budget Committee had denied over \$4.5 million in divisional expense requests related to growth and inflation pressures that will be addressed through continuous improvement and service level reviews.

Innovation Teams

In order to further the Administration's review of the indicative rate and minimize the property tax impact, innovation teams are being formed throughout the corporation comprised of all levels of staff. The goal of these innovation teams is to rethink the way the City of Saskatoon (City) delivers services and develop creative and innovative ideas to increase efficiencies.

Although a relatively new concept, these teams have already identified the following ideas for cost savings in 2018. These consist of:

1. Savings of \$318,000 from insurance charges - Due to lower insurance premiums as a result of the City's claim history and a review of the requirements of the Self-Insurance Reserve, this amount can be reduced from the budget. This is equivalent to a 0.15% property tax reduction.
2. A targeted reduction in costs of \$750,000 through continuous improvement efforts to offset 50% of the annual impact of the Provincial Sales Tax increases implemented by the Province to the City's related operating expenditures. This is equivalent to a 0.34% property tax reduction.

These two changes combined total a 0.49% reduction in property tax, reducing the indicative rate from 6.97% to an estimated 6.48%. The innovation teams will continue to meet and develop recommendations to minimize the 2018 budget pressures.

2018 Budget Process

Prior to tabling the 2018 Preliminary Budget in October, the Administration will continue to present budget update reports to the Governance and Priorities Committee. These reports will consist of:

1. Service level reviews which will provide Committee with an opportunity to approve and adjust the levels of service the City is currently providing in various areas. Depending on the decisions made, these could continue to effect the 2018 indicative rate.
2. Innovation Team to present possible solutions for minimizing the budget impact in 2018 are developed.

Communication Plan

The City's website (saskatoon.ca/financialfuture) will be updated to reflect the 2018 Business Plan and Budget process. This report will also be available on the website, along with Frequently Asked Questions. An overarching communications plan will be developed similar to the 2017 Shaping Our Financial Future campaign.

Due Date for Follow-up and/or Project Completion

Service level and Innovation Team reports will be presented leading up to 2018 Budget Deliberations.

Public Notice

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

Report Approval

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