
2018 Business Plan and Budget Update

Recommendation

That the 2018 Preliminary Business Plan and Budget included in Attachment 1 be referred to City Council Budget deliberations on November 27, 2017.

Topic and Purpose

The purpose of this report is to table the 2018 Preliminary Business Plan and Budget and provide an overview.

Report Highlights

1. The 2018 Preliminary Business Plan and Operating Budget expenditures are currently estimated at \$491.0 million which is a \$13.3 million (2.79%) increase over 2017.
2. The preliminary budget includes a property tax increase of 4.96%.
3. Additional reductions impacting the property tax by 0.37% have been identified since the finalizing of the budget document and are available to reduce the property tax. However there remains risk that assessment growth could be less than originally estimated which these savings could be used to offset.
4. Several service level reports have been presented to the appropriate Standing Policy Committee, including Snow & Ice, Street Sweeping and Urban Forestry. The various Standing Policy Committees have recommended a total of \$955,000 in additional funding to Budget Deliberations in order to maintain the Street Sweeping service level and increase the Snow & Ice service level. These recommendations were not included in the 4.96% estimate.

Strategic Goal

This report supports the Strategic Goal of Asset and Financial Sustainability by being open, accountable and transparent, particularly when it comes to the resource allocation and collection decisions the City of Saskatoon (City) makes.

Background

At its September 18, 2017 meeting, the Governance and Priorities Committee considered the 2018 Business Plan and Budget Update report which outlined a projected property tax increase of 4.96% for 2018.

Report

2018 Preliminary Business Plan & Budget Overview

The Administration has completed the preparation of the 2018 Preliminary Business Plan and Budget (Attachment 1). Operating Expenditures (Attachment 1) are currently estimating \$491.0 million in civic operating expenditures which is a \$13.3 million (2.79%) increase over 2017's approved budget expenditures. This increase in expenditures can be broken down further as follows:

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Expenditures	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	\$ 8.4M	2.20%
Total	\$477.7M	\$491.0M	\$13.3M	2.79%

As seen above, the civic operations expenditure increase of 2.20% is significantly below the historical target of inflation plus growth of approximately 3.52% for 2018 (1.90% growth + 1.62% inflation).

As expenditure growth has remained within historically used parameters (growth + inflation) in 2018, the proposed property tax increase of 4.96% is largely due to stagnant or declining non-tax revenue sources.

Item	2016	2017	2018
Non-Property Tax Revenue	\$258.1M	\$257.8M	\$256.8M
Increase Over Prior Year	\$ 7.8M	(\$0.3M)	(\$1.0M)

As seen above, non-property tax revenue (excluding assessment growth) sources have declined by \$0.3 and \$1.0 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.

These declining revenues along with the estimated inflationary and growth requirements have created a funding gap of approximately \$14.1 million in 2018. This is proposed to be filled through \$3.2 million in assessment growth and \$10.9 million from a 4.96% property tax increase.

2018 Business Plan and Budget Options

While the presented 2018 Preliminary Business Plan and Budget (Attachment 1) includes a 4.96% property tax increase, the following adjustments have been noted since the printing of the document having a potential reduction of 0.37%.

1. The City has discontinued the annual production of the Report to Citizens, a condensed, summarized version of the City's annual report distributed to Saskatoon residents each fall. Following the City's digital first strategy, alternative forms of communication such as social media and notifications on the City website will be utilized. Discontinuation of producing this report results in savings of \$25,000 per year or a potential 0.01% reduction to property tax increase in 2018.
2. Based on Bank of Canada recent interest rate increases, higher deposit rates are now expected in 2018. This will result in an additional \$571,700 in bank interest revenue, or a potential 0.26% reduction to the 2018 property tax increase.
3. A position within the Long Range Planning business line that was to be transitioned to property tax funded will continue to be funded by the Planning Levy in 2018. This resulted in a \$78,000 reduction to tax supported expenditures, or a potential 0.03% reduction to the projected property tax increase.
4. Various smaller adjustments that accumulate to a \$150,000 decrease in expenditures, or a potential 0.07% reduction to the projected property tax increase.

Based on these changes, the revised property tax estimate could be 4.59%. Although the budget has been tabled at 4.96%, these adjustments will be considered during the 2018 Budget Deliberations as well as other recommended service level adjustments coming from the various Standing Policy Committees.

It is also important to note that there remains a risk regarding the assessment growth revenue figure of \$3.2 million which will be finalized towards the end of November. If the finalized assessment growth figure is less than the currently estimated \$3.2 million; these adjustments could be used to offset any negative impacts to the property tax.

Service Level Reports

In order to further minimize the 2018 projected property tax impact, the Administration presented various service level reports to the appropriate Standing Policy Committee throughout the second half of 2017. A summarized version of these options that have been presented are included in Attachment 2.

An overview of the service level reports to date and the recommendations to 2018 Budget Deliberations are outlined in Attachment 3

It is important to note that the recommendations from the various Standing Policy Committees have not been included in the currently estimated 4.96% Preliminary Business Plan and Budget, as they are currently pending City Council approval at Budget Deliberations. If all the recommended service level increases were added to the 2018 budget, this would add 0.43% to the final property tax if not offset by expenditure reductions or new revenues elsewhere.

Two of the recommendations from the appropriate Standing Policy Committee regard current service levels where the existing budget is insufficient. Therefore, the Committee's resolved that additional funding be considered at budget deliberations in order to maintain the existing funding. If existing funding is not provided at budget deliberations, service level decreases will need to be considered in order to align budget allocated with service levels. This includes an estimated shortfall of \$450,000 for the City's street sweeping program as well as \$240,000 for park maintenance.

Communication Plan

A news release will be issued to inform the public and stakeholders that the 2018 Preliminary Business Plan and Budget was tabled at the October 16, 2017 Governance and Priorities Committee meeting, and that the 2018 Budget Deliberations will take place November 27 to 29, 2017.

Due Date for Follow-up and/or Project Completion

The associated agenda with the 2018 Preliminary Business Plan and Budget will be tabled at the November 14, 2017 Governance and Priorities Committee meeting. Budget Deliberations will take place November 27 to 29, 2017.

Public Notice

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

Attachments

1. 2018 Preliminary Business Plan and Budget
2. Service Level Report Options
3. Overview of Service Level Reports and Recommendations to 2018 Budget Deliberations

Report Approval

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