

Shaping Our Financial Future

2016 PRELIMINARY CORPORATE
BUSINESS PLAN & BUDGET

Executive Summary



FOR CITY COUNCIL REVIEW
NOVEMBER 30, DECEMBER 1 & 3, 2015

Photo courtesy Tourism Saskatoon

SHAPING OUR FINANCIAL FUTURE

EXECUTIVE SUMMARY:

The City of Saskatoon's Business Plan and Budget is perhaps the most important document the City creates. It is driven by the City's 2013 - 2023 Strategic Plan. Together, they aim to balance the pressures of the increased costs of maintaining existing services and the requirements of a growing city with available funding and resources.

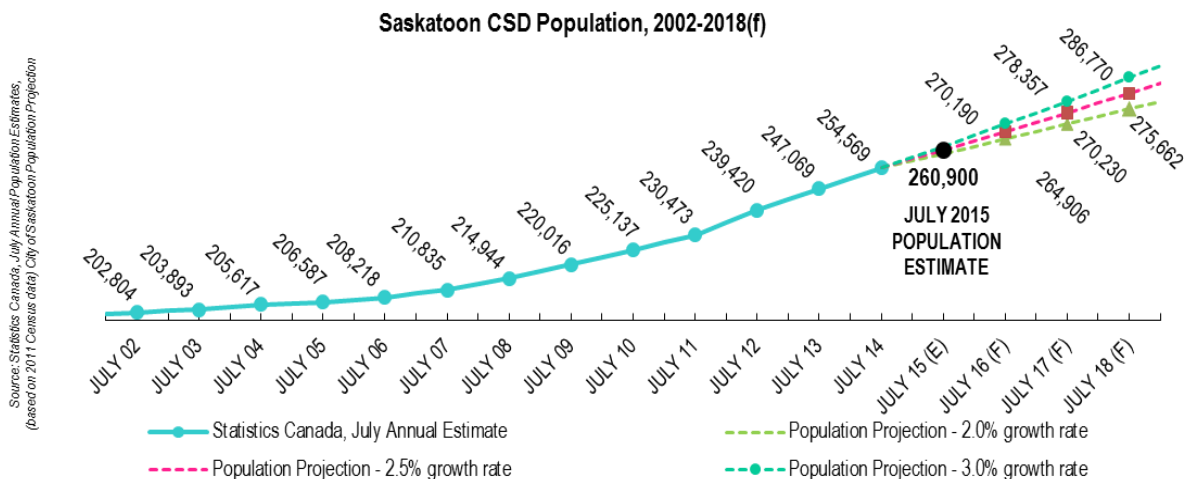
The 2016 Business Plan and Budget charts a detailed course that the City will take over the next year, laying out the projects, programs, and services that the City will deliver to over 260,000 residents. The business plan and budget sets the direction that the Administration will follow to ensure that it is meeting the strategic objectives of City Council and the daily needs of the people it serves.

As the City of Saskatoon prepares for 2016 and beyond, it will need to confront several important issues that will help it achieve the vision, priorities and goals set out in the City of Saskatoon's 10-year Strategic Plan. Clearly, the most important issue facing Saskatoon is accommodating growth.

As highlighted in the pages of the accompanying Strategic Trends, 2015 document, between 2011 and 2014, the Saskatoon Census Metropolitan Area (CMA):

- experienced exceptionally strong economic growth averaging almost 6% annually;
- averaged annual employment growth over 5% per year; and
- saw personal income per capita increase by 3.5% annually.

Equally as impressive, is the fact that Saskatoon itself has added over 30,000 new people since that time; many of whom access City programs, services, and infrastructure on a daily basis.



Saskatoon's strong economic growth is slowing in 2015, largely in response to lower commodity prices and an overall downturn in the Canadian economy in the first half of the year. The Conference Board of Canada's *Spring Metropolitan Outlook* forecast economic growth in the Saskatoon region to be higher in 2016 than in 2015. Over the next three years, the city is expected to grow, but not at the record growth rates we experienced prior to 2015.

In 2016:

- Saskatoon's economy is forecast to grow by over 2% to more than \$18 billion;
- Saskatoon's population will increase by approximately 6,000 people to about 270,000, with many being new immigrants to Canada;
- Saskatoon's personal income per capita will increase by about 1% as average annual wages increase to over \$47,500;
- Approximately 2,000 more people will be working in Saskatoon and the unemployment rate will decrease to 4.7%; and
- Saskatoon's inflation rate will be approximately 2.2%.

Although Saskatoon will not be immune to the effects of lower oil prices, our city's diversified economy will help to mitigate those impacts. Saskatoon's dynamic service sector, including retail, health, education, recreation and culture will continue to attract people to our city.

Notwithstanding the economic slowdown in 2015, this pace of growth raises some important questions for the City of Saskatoon as it prepares the 2016 Business Plan and Budget:

- How does it build the infrastructure and amenities needed for tomorrow, while repairing and maintaining its existing assets required for today?
- How does it deliver the programs and services that are crucial to the day-to-day lives of the people of Saskatoon in an affordable and efficient way?
- How does the City pay for growth?
- How does the City reduce its reliance on the property tax to fund the projects, programs, and services that are important to City Council and the people of Saskatoon?

In answering these questions, the City must make intelligent decisions about how it allocates resources, builds infrastructure, and delivers services so that it can continue to maintain its high quality of life and ensure prosperity and opportunity for all.

In doing so, the City of Saskatoon requires the help of its 260,000 residents. While the City has sought input from residents on a variety of important initiatives, such as its Growing Forward Plan—a plan that will help shape the way the City will grow over the next 20 years—it has not done so in any meaningful way with respect to developing the City's annual business plan and budget. That is, until now!

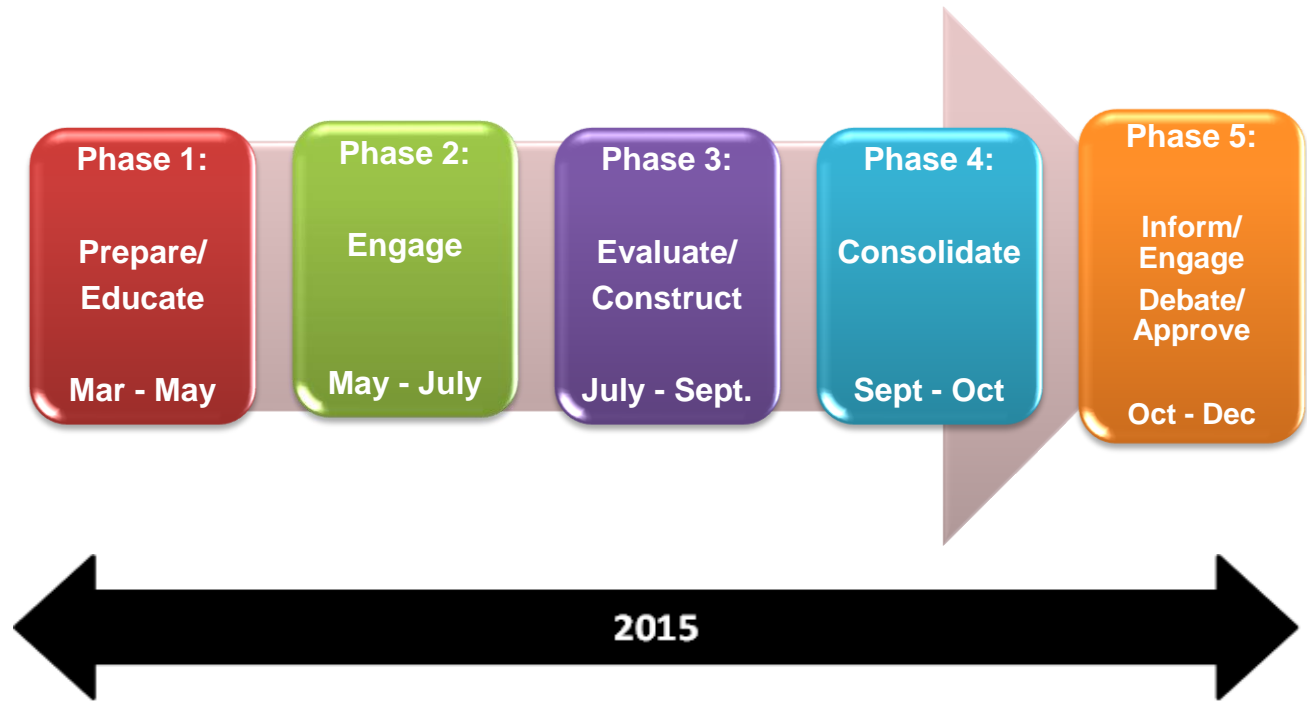
Shaping the 2016 Business Plan and Budget

In April 2015, the City of Saskatoon unveiled a new process to build the 2016 Business Plan and Budget. Fundamental to this process is the inclusion of an extensive public education and engagement plan to provide the citizens of Saskatoon with the opportunity to help the City in "Shaping Our Financial Future"

Figure 1 provides an illustration of this process. As the graphic illustrates, the primary focus of this new process is on public education and engagement. In contrast to previous years, where education and engagement were limited, City Council and the Administration believed that in order to produce a business plan and budget that meets the expectations of the citizens of Saskatoon, a greater emphasis on public education and engagement is required.

FIGURE 1:

Phases of the Shaping Our Financial Future Business Plan and Budget Process



In keeping with the objectives of the new business plan and budget process illustrated above, the Administration tabled several reports and presentations with the Executive Committee that would begin to shape the 2016 Business Plan and Budget. Table 1 summarizes the reports, presentations and supporting information that was shared in an open and transparent way for the benefit of City Council and the public.

Table 1:

Date	Reports Tabled With Executive Committee
April 2015	<ul style="list-style-type: none"> • An overview and description of the new budget process; • A summary of Council's priorities for 2016; • An overview of the approved performance measures that the City is implementing to help it achieve the goals in the City's Strategic Plan; • An economic outlook to gain a better understanding of the economic climate facing Saskatoon in 2015 and 2016; and • A consultant's report that investigated whether "growth is paying for growth" and why "property taxes are rising faster than normal" despite the unprecedented growth that Saskatoon has been experiencing in recent years.
May 2015	<ul style="list-style-type: none"> • A First Quarter update on the 2015 Business Plan and Budget; • A fiscal update on the revenue and expenditure estimates for the 2016 Business Plan and Budget; and • A public engagement process to have citizens start to provide their input into the Business Plan and Budget process.
June 2015	<ul style="list-style-type: none"> • The City of Saskatoon's Long Term Financial Sustainability Plan; • The impact that inflation and growth have on the 2016 Business Plan and Budget; • A national comparison of Saskatoon's Infrastructure and Debt.
July 2015	<ul style="list-style-type: none"> • The results of the City's Annual Civic Services Survey; • An update on Civic Facilities Funding Plan; • An update on how the City is allocating the funding from the Federal Gas Tax Fund; • An overview of how the City is funding its major transportation infrastructure; • An update on how future borrowing (debt) requirements impact the property tax; and • Various issues and options on service level adjustments for services such as waste collection and snow clearing.
August 2015	<ul style="list-style-type: none"> • An update on revenue projections for the 2016 Business Plan and Budget; • A discussion paper on the different characteristics of City services and the most optimal ways that the City should pay for these services.
September, 2015	<ul style="list-style-type: none"> • An update on the Fall Public Engagement Opportunities.

All of these reports, accompanying presentations and educational videos can be accessed at the City's Shaping Saskatoon's Financial Future Website.

<https://www.saskatoon.ca/city-hall/budget-finance/shaping-saskatoons-financial-future>

The first part of the Shaping our Financial Future engagement plan ran from May to the end of July, 2015. The goals of this plan were to:

- educate the public on the keys issues facing the City; and
- let all residents of Saskatoon know of the opportunities to participate, give them accessible ways to participate through a variety of formats, and gather quality input from citizens to aid City Council and the Administration in its work.

What We Heard

In June 2015, the doors of City Hall were opened to ask the public for their views on City projects, programs, and services and indeed, how best to pay for them. This was the first time in recent history that the City of Saskatoon engaged the public directly in building the annual business plan and budget.

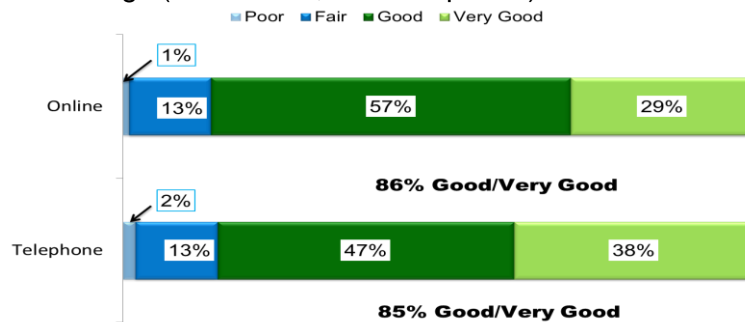
The Annual Civic Services Survey was another important way in which the citizens of Saskatoon were able to participate in the budget building process.

2015 Civic Services Survey

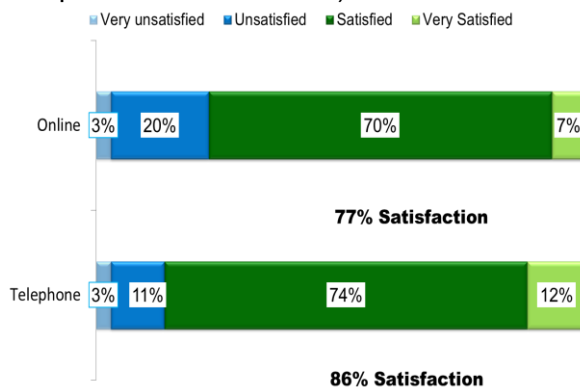
The City conducted 500 telephone surveys and 821 online surveys between May 11 and June 2, 2015. This year 25% of telephone respondents were from a cell phone list to reach younger and cell phone only households. The following provides some highlights of the survey.

Quality of Life and Satisfaction with Services

- Quality of life in Saskatoon continues to be rated high, with 85% of telephone and 86% of online respondents rating it as either good or very good. This is consistent with the 2014 findings (86% online, 86% telephone).

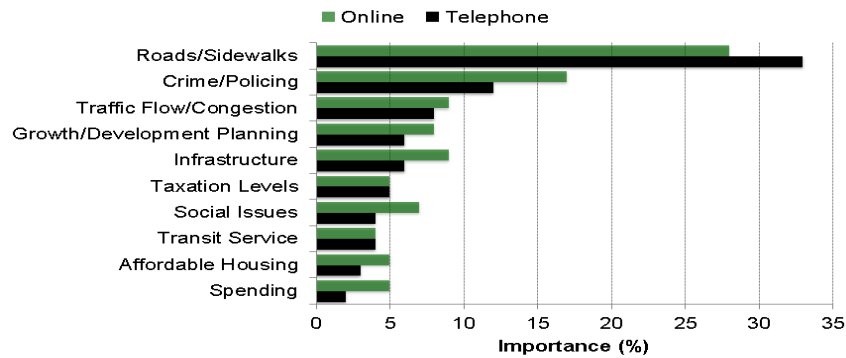


- Overall satisfaction with the level of service provided by the City remains high. The majority of telephone respondents (86% in 2015 and 2014) and online respondents (77% in 2015 compared to 79% in 2014) are satisfied.



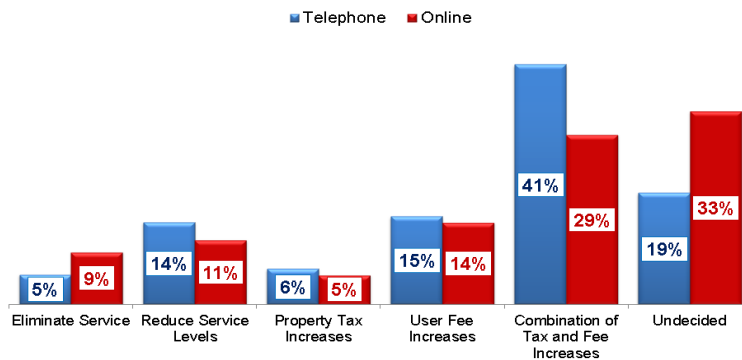
Most Important Issues Facing the City

Roads continue to be the dominant issue (33% telephone, 28% online). The top ten most frequent issues are generally the same as the 2014 Survey.

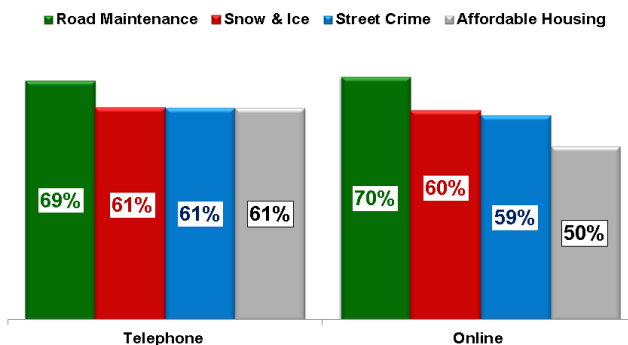


Hot Topics

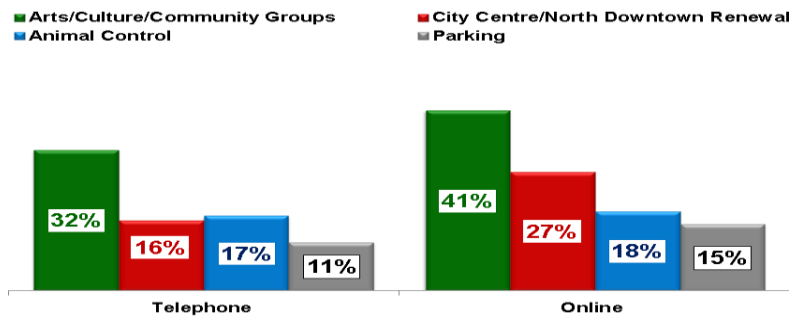
- When asked what citizens most prefer for the City to use to balance the budget, respondents prefer a combination of user fee and property tax increases (41% telephone, 29% online). However, a sizable portion of online respondents were unsure as to what was the best tool the City should use to balance the 2016 budget (19% telephone, 33% online).



- Citizens were asked whether they believe the City should spend more, less, or the same amount on 33 different services. Citizens most strongly believe more funding should be allocated to road maintenance, snow and ice, street crime and affordable housing.



- Survey participants would like less spending on arts and cultural groups and community organizations and, to a lesser degree, renewing the city centre and north downtown and City customer service initiatives.



June Public Engagement

In June 2015, the Administration held various “Shaping our Financial Future” public engagement opportunities. A variety of ways to participate were available to allow everyone to have their say depending on an individual’s available time and interest.

1. **Shaping our Financial Future Town Hall:** Monday, June 15, 2015. Councillor Conversation Corner, Open House, and a Special Executive Committee Meeting.
2. **Keeping it Digital - Shaping our Financial Future Live Survey:** June 15 – 30, 2015. Survey was made available on saskatoon.ca and Shaping Saskatoon.
3. **Taking it on the Road – Shaping our Financial Future – In-Person Survey:** Intercept surveys and interactive displays were made available at the following:
 - City Hall Civic Pancake Breakfast – Thursday, June 18, 2015
 - Saskatoon Farmers’ Market – Wednesday, June 24, 2015
 - Frances Morrison Library – Friday, June 26, 2015
 - Saskatoon Field House – Monday, June 29, 2015

Generally, the findings from the June Public Engagement activities were similar to the results of the 2015 Annual Civic Services Survey. Although the in-person respondents vary slightly, the majority of participants prefer:

- a) To balance the 2016 budget using a combination of user fees and property tax increases versus service reductions or eliminations;
- b) Spending increases for the maintenance of major roadways, snow and ice, street crime, and affordable housing; and
- c) Funding decreases for arts and cultural groups.

Participants in the June Public Engagement activities identify roads/sidewalks, spending efficiencies, crime/policing, and transit services as the top priorities where City Council should focus its attention for the 2016 Budget.

- A total of 83 citizens responded to the Shaping Our Financial Future **Live Survey** between June 15 -30, 2015.
- Approximately 172 citizens participated in the Shaping our Financial Future **In-Person Survey**.

Online Citizen Budget

This is the final phase of the 2016 Business Plan and Budget process and the City is continuing to inform and engage the public before City Council debates and approves the 2016 Business Plan and Budget. During October and November, the City will invite the public to learn more about how the Administration prepared its 2016 Preliminary Budget; and introduce the Administration's proposed budget while still providing an opportunity for the public to provide feedback for City Council to consider during their final budget deliberations in November/December 2015.

Many municipalities are using an interactive budget simulator as a method for educating the public and conducting online consultations. In 2015, the Administration will use the Online Citizen Budget to educate residents on the budget process, inform residents of costs and trade-offs, and demonstrates our ongoing commitment to community engagement.

The Online Citizen Budget will:

- Offer an opportunity to reconfirm earlier public input on where the City should spend more, less or about the same on a variety of civic services; and
- Allow participants to view the proposed expenditure assigned to various Business Lines/Services and indicate if they would increase, decrease, or maintain the proposed amounts as shown in the 2016 Preliminary Budget.

The input will be used to assess if the 2016 Preliminary Budget is generally addressing citizen needs and expectations for various programs and services. In addition, City Council can use feedback to assist in identifying any potential gaps to be considered during the final budget deliberations in November/December 2015.

Participation is key to any successful engagement activity and critical to improving the quality of decisions made. As a result, a variety of techniques would be used to increase participation in the Online Citizen Budget.

a) Leveraging off of an Anchor Event

Rather than organizing our own public event which has not achieved our desired participation rates, the City is reimagining what an engaged community can look like in the future. As a pilot program, the City is leveraging off of an anchor event in the community that already attracts a large number of participants.

The City will have a booth at the Saskatoon Fall Home Show offering us an opportunity to reach a large number of Saskatoon residents who may not otherwise participate in a City organized engagement event. The Show attracts 4,000 – 5,000 attendees over three days (Friday, October 23 to Sunday, October 25, 2015). The educational materials and video series already developed will be made available along with the Online Citizen Budget.

b) Keeping it Digital

We recognize that not all Saskatoon residents may be willing or able to pay the admission fee to attend the Saskatoon Fall Home Show. So, it is important the City offers an alternative for residents to participate and provide feedback on the 2016 Preliminary Budget. The Online Citizen Budget will be made available on saskatoon.ca and on the Shaping Saskatoon webpages from approximately October 19 to November 13, 2015.

c) Taking it on the Road

Our approach to taking it on the road would be to empower various community partners and stakeholders to take the 2016 Preliminary Budget on the road. These groups would be given access to the Online Citizen Budget and various promotional materials to encourage their members to participate.

Educational Resources and Tools

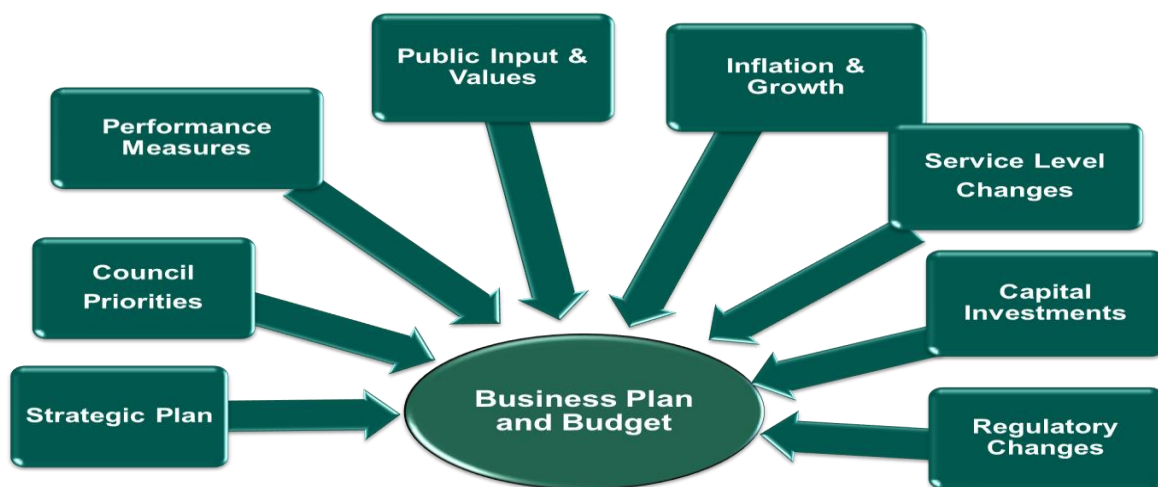
A variety of educational resources and tools were created for the 2016 Business Plan and Budget engagement activities. All of the tools and resources were developed using plain language and incorporating imagery. The City also took a digital approach first while still complementing it with traditional tools.

- Saskatoon.ca – the website is regularly updated to include updated information on how citizens can get involved. Any documents related to the 2016 Budget process, including related public reports, articles, and presentation materials are available and listed by month at www.saskatoon.ca/financialfuture.
- Social Media – information is posted to the City's Facebook and Twitter pages. A Facebook Event page has been created and will be used to promote upcoming engagement activities.
- Video series to help inform citizens on a variety of budget topics including:
 - How Your City Budget Works
 - How Municipal Tax Differs from Federal and Provincial Tax
 - What Contributes to Property Tax Increases

Building the Business Plan and Budget

In addition to the extensive and valuable public input, the Administration uses several other related inputs to build the annual Business Plan and Budget. These inputs are illustrated in Figure 1.1.

**FIGURE 1.1:
Business Plan and Budget Inputs**



The left side of the graphic generally addresses those strategic, more “bigger-picture” inputs into the business plan and budget. In other words, the Strategic Plan, City Council’s Priorities, and Performance Measures all help to provide the strategic direction for the Business Plan and Budget. These are fundamental inputs into the process as they help to ensure that business plan

and budget is following some general strategic objective and not simply the Administration's "best guess" as to where to allocate the resources. These strategic inputs are described in more detail in Section 2.

The right side of the graphic addresses those items that have a greater financial impact on the City's day-to-day operations. Inflation, growth, service level changes, capital investments, and regulatory changes are more operational inputs that fundamentally impact the expenditures and revenues of the City. Section 3 addresses in more detail the impacts that these inputs have on the 2016 Business Plan and Budget.

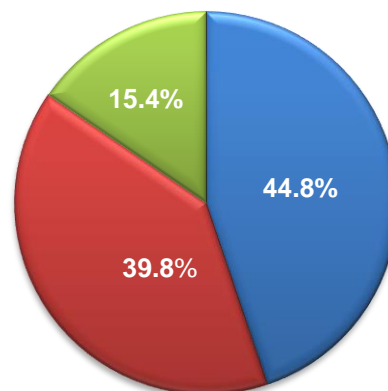
The Property Tax and Service Mix:

As the City of Saskatoon begins shaping its financial future, one of the fundamental questions that this process attempts to answer is how the City reduces its growing reliance on the property tax to pay for City programs and services.

There is a widely held perception that the City of Saskatoon pays for its operating budget expenditures through property taxes only. This perception requires some clarification. In 2015, property tax revenues accounted for about 45% of all revenues with the remaining 55% coming from other non-tax sources—such as user fees, licenses and penalties, and transfers from other orders of government.

Figure 1.2:
City of Saskatoon's Operating Revenues by Major Source

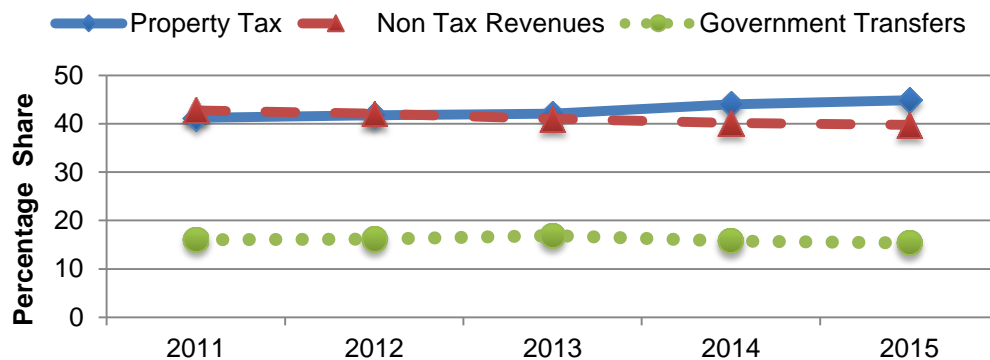
■ Taxation ■ Non Tax ■ Government Transfers



Despite the fact that the property tax funds less than half of the City's 2015 operating budget, concerns have been raised in Saskatoon about the point that property tax increases in recent years have been greater than normal. To investigate this issue, the City engaged the services of Hemson Consulting. One of the consultant's main findings was that the growth in the City's non-tax revenues have been declining as a share of the budget, resulting in a greater reliance on property tax to fund City operations.

Figure 1.3 illustrates this trend. The share of the property tax has increased from a low of 41.2% of the budget in 2011, to 44.8% of the budget in 2015. By contrast, the City's own-source, non-tax revenues have declined from 42.7% of the budget in 2011 to 39.8% of the budget in 2015.

Figure 1.3
Share of Operating Revenues by Source



Should this trend be a cause for concern? Should the City reverse this trend? The short answer is: it depends. It depends on the type of service that the property tax funds.

The City of Saskatoon provides over 70 services that people use on a daily basis. For example, the City maintains roads and parks, operates public transit, provides water and wastewater, offers solid waste collection and recycling services, supports arts, culture, and recreation opportunities, and is responsible for public safety through the delivery of police and fire services, to name a few of the most important. The City has direct local control over these services and is responsible for establishing their service levels, and the way in which they are paid for.

As addressed in the Discussion paper “Paying for City Services”, tabled with the City’s Executive Committee in August 2015, the services provided by the City have distinguishable characteristics that help differentiate them. This can be best illustrated through a continuum:

FIGURE 1.4:
A Continuum of Municipal Services

Public Good	Blended/Merit Good	Private Good
<ul style="list-style-type: none"> • Street lighting • Neighbourhood Parks • Local Roads • Police/Fire Protection 	<ul style="list-style-type: none"> • Public Transit • Recreation Facilities 	<ul style="list-style-type: none"> • Water/ Wastewater • Solid waste collection • Golf Courses

As Figure 1.4 illustrates, services can have private or public characteristics, based on who the beneficiary is. As noted in the table, at one end of the continuum are those services that have “private good” characteristics, such as water, wastewater, and garbage collection. The

distinguishable features of these types of services are: (a) specific beneficiaries can be identified, (b) individuals can be excluded or prevented from using the service, and (c) all operating and capital costs are easy to determine.

At the other end of the continuum, by contrast, are those services that have “public good” characteristics, such as police and fire protection, local roads, and neighbourhood parks. The unique features of these types of services are: (a) specific beneficiaries are hard to identify, as the service provides collective benefits; and (b) it is difficult or prohibitively expensive to exclude or prevent an individual from using the service.

In the middle of the continuum are those services that have a blend of both public and private good characteristics, often called merit goods. These services include public transit and public recreation facilities. The unique features of these services are that they provide a benefit to the individual user and collective benefits to the community.

Given these distinctions, how should these services be funded?

Figure 1.5
Optimal Ways to Pay for City Services

Public Good	Blended/Merit Good	Private Good
<ul style="list-style-type: none"> • Full Tax Support • No User fees • WHY? • Provide collective benefits to society • Users cannot be excluded for non-payment 	<ul style="list-style-type: none"> • Partial Tax Support • Partial User fees • WHY? • Benefits both individuals/society • Fees do not cover full cost • Users can be excluded for non payment 	<ul style="list-style-type: none"> • No Tax Support • Full User Fees • WHY? • Benefits the individual using the service • Fees cover the full cost of the service • Users can be excluded for non payment

The point of this is to suggest that by using the appropriate revenue instruments to pay for the right types of City services, there is the potential opportunity to ensure that the City’s non-tax revenues will, at the very least, keep pace with the costs associated with delivering its operating programs and services.

In recent years, the City has been making substantial investments in road maintenance and public safety. As such, it only stands to reason that, based on the above analysis, property tax increases would be higher than usual to pay for the costs of increasing these service levels. In other words, the property tax is the best method to pay for these services.

HIGHLIGHTS OF THE 2016 PRELIMINARY BUSINESS PLAN AND BUDGET

How are the public engagement results and the other inputs integrated into the 2016 Business Plan and Budget?

Based on the public engagement results, and the direction established in the City's Strategic Plan, Council Priorities, and Performance Measures, the 2016 Preliminary Business Plan and Budget is proposing:

- A combined Operating and Capital investment of \$634 million;
- Total Operating expenditures of \$457.1 million;
- Tax-Supported Operating expenditures of \$443.8
- Capital Budget Investment of \$177.2 million.
- Municipal Property Tax Increase of 3.95%, distributed as follows:
 - 1.95% increase for the Building Better Roads Program
 - 0.20% increase for the Traffic Noise Attenuation Program
 - 1.62% increase for the Saskatoon Police Service
 - 0.69% increase for Fire Protection
 - 0.51% decrease for remaining City Operations.

More specifically, the 2016 Preliminary Business Plan and Budget is proposing:

- a combined investment of approximately \$57.5 million to improve road conditions, through the City's Building Better Roads program.
 - The Building Better Roads program—which started in 2014—has progressively added more resources to Saskatoon's road network and their related services, including snow and ice clearing and street sweeping.
 - The proposed investment for 2016 is about \$4.1 million higher than that provided in 2015, and approximately \$7 million more than when the program started in 2014.
- to increase the Police Budget by \$4.3 million, or 5.3% over 2015.
 - This includes funding for an additional eight new officers to improve the police presence throughout the city.

The City has been able to make the necessary investments in the programs and services that matter most to residents, while proposing a reasonable property tax increase. This could not be accomplished without the City of Saskatoon's commitment to Continuous Improvement.

In December 2013, the City of Saskatoon implemented a "Continuous Improvement (CI) Strategy." The goal of this strategy is twofold: (1) to capture the benefits of organizational innovation and efficiency in the delivery of public services; and (2) to align with and achieve the City's Strategic Goal of a Culture of Continuous Improvement.

The 2016 Business Plan and Budget renews this commitment to CI, as the City is implementing approximately \$1.35 million in operational efficiencies so as to reduce the costs associated with delivering City programs and services.

The investments in roads and public safety, and the commitment to finding operational efficiencies are in keeping with the public sentiment echoed in the Shaping Our Financial Future public engagement activities.

[2] THE 2016 CORPORATE BUSINESS PLAN

[2.1] INTRODUCTION

The 2016 Corporate Business Plan and Budget include initiatives and projects that are aligned with the 2013 – 2023 Strategic Plan. It will guide investments, projects, and service levels that the City will implement and achieve over the course of 2016. The budget provides the financial plan to support the business plan, which strives to reflect the needs of a growing and changing community.

The 2016 Corporate Business Plan and Budget is driven by the City's 2013 - 2023 Strategic Plan. Together, they aim to balance the pressures of the increased costs of maintaining existing services and the requirements of a growing city with available funding and resources. The 2016 Corporate Business Plan and Budget forms the path the City will take over the next year to focus on the major issues and challenges facing the City while continuing to provide quality services to its citizens.

The Business Plan outlines the achievements, key challenges, major initiatives, continuous improvement initiatives, and initiatives supporting the corporate performance measures planned within the following business lines:

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

**Information related to Land Development is found in 2016 Preliminary Land Development Operating and Capital Budget.

The City's planning process ensures resources are allocated to various programs and services within these business lines, and resources are tied to clear and achievable plans. The operating and capital budgets are integrated for effective resource management. The process also provides a framework, which allows the City to adapt and respond quickly to changing municipal, provincial and federal dynamics.

[2.2] STRATEGIC DIRECTION OF THE BUSINESS PLAN AND BUDGET

The 10-Year Strategic Plan

Developed with input from the Community Vision, the City's 10-Year Strategic Plan outlines what is important in the near-term 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 outlined in the Strategic Plan, implementation strategies are developed 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.

A Great Place to Live

Saskatoon cherishes and builds upon what it values most:

- ✓ its people and their strong sense of community;
- ✓ its educational, recreational, and cultural resources;
- ✓ its access to a wealth of natural resources;
- ✓ its balanced and diverse economy and cultural diversity; and
- ✓ the breathtaking river valley at the heart of the city.

It is a city of distinct, interconnected neighbourhoods accommodating a broad range of housing and amenities.

The city's many educational and health institutions continue to expand and excel, fueling the local and provincial economies and helping to build a smarter and healthier city. Arts, sports, and culture are accessible to all and central to the city's identity and livability. It is a city of all seasons, as welcoming and active in winter as it is in summer. The city's natural, built, and financial resources are used wisely. For residents and visitors, it is a city of great character and rich experiences.

The City's governance is accountable and responsive, and all citizens are encouraged to engage in civic life. Mutual respect, common values, and cooperation among its diverse population have ensured the city remains inclusive, caring, and united. Saskatoon is a dynamic city, learning as it grows, always improving, and doing its part to create a bright future for its people, Saskatchewan, Canada and the world.

Did you know....more than 8,500 additional people chose to call Saskatoon home in the last year?

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.

- o Trust
- o Integrity
- o Respect
- o Honesty
- o 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, 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 new ideas.

4-Year Priorities and 10-Year Strategies

The 2013 - 2023 Strategic Plan charts a clear course for the next several years and provides a focus for new ideas and initiatives. City Council identified a number of priorities that were important to achieve the goals and strategies within the Strategic Plan.

The City's business planning and budgeting process follows a framework to allow the City to be more adaptive and responsive to the changing dynamics in the city, the province, and the country. The City's 2016 Corporate Business Plan and Budget is organized by business lines bringing together similar services which are identified as service lines (programs within the major business lines).

Each of the 13 business lines included in the 2016 Corporate Business Plan and Budget align with the City's Strategic Plan and form the path the City will take over the next year. Individual business lines identify the Strategic Goal(s) which it serves, and incorporates the major initiatives planned for 2016-2018. The major initiatives to be implemented address one of three areas of focus:

- the 4-year priorities and/or 10-year strategies which support the Strategic Plan,
- key challenges or risks identified by the business line,
- corporate performance measures supporting achievement of Strategic Goals

The business line overviews also include continuous improvement initiatives that will increase efficiencies in our programs and services and/or improve the effectiveness of service delivery to citizens.

PERFORMANCE IMPROVEMENT: *Making Strides towards the Strategic Goals*

Performance measures are a way of monitoring progress toward achieving the City's Strategic Goals, and determining whether the investments are achieving the intended results.

In 2015, about 500 citizens, stakeholders and staff provided feedback to proposed measures and investment priorities. City Council considered the responses and approved 25 bold targets and indicators as measures of success. The measures have been used as inputs to guide decisions in the 2016 Business Planning and Budget Process, with each business line identifying initiatives to contribute to progress towards the corporate performance measures. Progress towards the targets and changes in indicators will be regularly monitored and the necessary adjustments will be made to keep the City on the right track. A robust performance measurement program will contribute to the City's strategic goal of "A Culture of Continuous Improvement."

Transparent reporting on progress towards our targets will increase accountability to citizens. In May 2015, the City launched *Saskatoon's Performance Improvement Plan – Making Strides* to improve transparency by providing citizens with an overview of the City's progress and performance toward our strategic goals and targets, along with actions to deliver quality programs and services through continuous improvement. The *Our Performance* webpage on the City's website has three components:

- 1. Performance Dashboard** -presents a snapshot of progress towards our targets, along with graphs, areas where we are succeeding, areas where we need to improve, 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.
- 3. Latest Strides** - provides achievements towards our goals.

The Performance Dashboard provides a snapshot of the City's progress in achieving the measures. It also gives citizens a look into how the City is progressing—where it needs to improve and where it is making strides—and identifies strategies to help it meet those goals.



OUR PERFORMANCE MEASURES

The City's 25 Corporate Performance Measures include 19 targets that it is working to achieve and six indicators that it is watching to evaluate progress towards achieving corporate goals.



Culture of Continuous Improvement

- ✓ Satisfaction with Civic Services of 90% or more
- ✓ City of Saskatoon's Workforce Represents the Diversity of Saskatoon's Population
- ✓ Zero Lost Time Injuries



Asset and Financial Sustainability

- ✓ Municipal Property Tax per Capita (Indicator)
- ✓ Municipal Property Tax as a Percentage of Total Municipal Revenues (Indicator)
- ✓ Annual Municipal Property Tax increase equal or less than the Municipal Price Index (MPI)
- ✓ Maximum Long-term Tax-Supported Debt Per Capita is Less than \$1,750 per Person
- ✓ Maintain Key Civic Infrastructure at an Annual "B" Service Level



Quality of Life

- ✓ Perceived Quality of Life (Indicator)
- ✓ 500 New Units Annually across the Attainable Housing Continuum
- ✓ Maintain an Average Rental Housing Vacancy Rate of 3%
- ✓ Increase Visits to City of Saskatoon Recreation and Culture Facilities to 6,600 visits per 1,000 Residents
- ✓ Decrease Overall Crime Rates by 5.0% Annually over the Previous 5-year Average
- ✓ Respond to Fire Calls Within Six Minutes and 20 Seconds at Least 90% of the Time



Environmental Leadership

- ✓ Divert 70% of Waste from the Saskatoon Landfill
- ✓ Reduce the City of Saskatoon's Greenhouse Gas Emissions by 30% from 2006 Levels



Sustainable Growth

- ✓ Population Growth (Indicator)
- ✓ At least 25% Five-year Rolling Average of Residential Development is in Infill Neighbourhoods



Moving Around

- ✓ Increase Transit Ridership to 62 Rides per Capita
- ✓ 20% of People use Cycling, Walking or Transit to get to Work
- ✓ Increase the Amount of Cycling-specific Infrastructure by 10%
- ✓ Decrease Traffic Collisions by 5% Annually



Economic Diversity and Prosperity

- ✓ Building Activity (Indicator)
- ✓ Business Growth (Indicator)
- ✓ A One-year Inventory of Land for Single-Family Units, a Two-year Inventory of Land for Multi-family Units and a Two-year Inventory for Industrial Land

Initiatives supporting the City's performance measures are highlighted in detail in the business line overviews and are linked to the corporate target that has the most direct impact, although initiatives may influence several performance measures. As an example, the dials below highlight the City's progress on each of the performance targets highlighted. Initiatives are identified for 2016 that will help ensure the City is progressing in the right direction.

Quality of Life

Increase visits to City Recreation and Culture Facilities to 6,600 visits/1000 residents



- Implement the Leisure Centre Marketing Program including new Leisure Card pricing, an effective promotional campaign and refreshed brand to increase general admission attendance by 128,000 and total revenues at the six indoor Leisure Centres.
- Review the Leisure Access and Youth Sports Subsidy programs to ensure they are addressing cost as a barrier to participation in the most efficient and respectful way.

Environmental Leadership

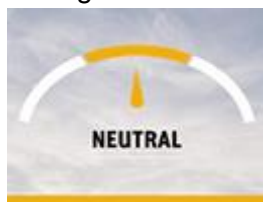
Divert 70% of waste from Saskatoon Landfill



- Based on the results of a comprehensive community waste audit, develop a Waste Diversion Plan that outlines the specific strategies and benchmarks for increasing the waste diversion rate to 70% by 2023.
- Develop the first phase of Recovery Park, a 'one-stop' waste diversion facility located West of the Landfill that has the potential to increase waste diversion to 30%.

Sustainable Growth

At least 25% Five-year Rolling Average of Residential Development is in Infill Neighbourhoods



- Implement the Neighbourhood Level Infill Development Strategy and the 'Growth near Major Corridors' component of the "Growth Plan to Half a Million" initiative.
- Review options for reducing or replacing offsite levies "owing" on sites within the City's infill neighbourhoods with re-development levies to provide more direct benefits to these areas.

Moving Around

Increase Transit Ridership to 62 Rides per capita



- Develop a long-term transit strategy, and implement route changes and service improvements to better meet the needs of commuters.
- Initiate an innovative marketing campaign highlighting the Online Trip Planner, Real Time Mapping services and more social media to make transit "cool".

Culture of Continuous Improvement

Overall Satisfaction with Civic Services of 90% or more



- Increase satisfaction with civic services through implementation of Service Saskatoon and the 311/Customer Relationship Management initiative.
- Increase community engagement activities to create positive relationships with the community.

Asset & Financial Sustainability

Key Infrastructure Status



- Expand the Asset Management Program (AMP) with five more asset classes Including bridges, facilities, fleet, and equipment. For each asset class, the AMP will include the asset inventory, condition of assets, costs to rehabilitate and maintain the asset at the desired service level, a funding strategy, and a plan for achieving the approved service level.
- Develop level of service strategies for electrical and water and sewer services. Develop and maintain sustainable long-term capital funding strategies that support utility system growth and renewal requirements.

Economic Diversity & Prosperity

1-2 Year Supply of Residential Land



- Collaborate with developers to ensure that the right amount of infrastructure is being put in the ground.
- Develop a Comprehensive Water and Sewer Plan with phasing for the most likely growth path for the Saskatoon Region including the surrounding cities and partners.

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 "Our Performance" webpage www.saskatoon.ca/strides.

Efficient and Effective Civic Government

The City is committed to high standards of performance and to providing the services that matter most to citizens. The Continuous Improvement (CI) Strategy supports the long-term strategy to focus on the use of innovative and creative means to identify and implement workplace efficiencies and provide the best possible services to citizens.

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

The CSRs and IPRs identify opportunities to control expenditures and to seek efficiencies in the delivery of municipal programs and services, examining all aspects of the service under review to ensure that every dollar is wisely spent. Options and recommendations are identified that address two service delivery questions:

1. Effectiveness: Would changes to the service help to achieve greater results within currently available resources?
2. Efficiency: Would changes to the current method of delivering the service improve the cost effectiveness?

The following services and/or programs were reviewed in 2015:

- Waste Handling Program – Collections and Landfill
- Fleet Services – Service and Procurement
- Special Events Process
- Information Technology Service Catalogue
- Customer Service at Public Works (will continue in 2016)
- Payroll (will continue in 2016)
- Urban Forestry (will continue in 2016)

The reviews involve the identification of current processes to create a common understanding of how the service is currently being delivered. The teams also define how the service will be delivered in the most effective and efficient way possible to meet citizen expectations, and then identified the change in resources required to deliver the new service in comparison to the current service and identify the savings. Teams involved in the CSRs include representation from several civic divisions and provide an opportunity for collaboration and sharing of ideas for best practice solutions.

Increased communication and collaboration across divisions is proactively eliminating issues and improving service to citizens. Improved planning on the front end of civic projects ensures that all internal and external stakeholders are following the same standards and collaborating to deliver citizen friendly programs and services.

Employee and citizen involvement and engagement are critical to the success of the CI Strategy. Innovation coaches from each department foster innovation and creativity within all levels of the organization through the use of a five-step structured innovation process; building capacity within each department to assist in driving change.

CI initiatives are outlined annually in each Business Line Overview and progress tracked throughout the year. As the name suggests, continuous improvement is an ongoing effort to improve services, programs or processes. CI initiatives will result in incremental improvements that will be realized over time as well as breakthrough improvements with immediate identification of savings and/or service level enhancements.

With a vision 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.

Focusing on improving effectiveness and efficiency in operations helps ensure affordable and sustainable programs that improve the quality of life are delivered to citizens and enables the City to be collaborative and responsive in its growth to half a million people.

The *2014 Report on Service, Savings and Sustainability: How the City of Saskatoon is Improving Productivity* demonstrates that the City is working hard to achieve its vision of being the best managed city in Canada.

- We have improved our service in many ways, from building better roads, to providing online business licence application and renewals, to opening a new outdoor fitness centre at River Landing.
- With a sustained focus on innovation and continuous improvement, we realized approximately \$17.7 million in increased operational efficiencies and service level enhancements as well as \$29.6 million in deferred capital spending in 2014. Saskatoon Land also delivered \$15.4 million in financial returns to the City.
- We continued to grow the City in a sustainable way by implementing initiatives that reduced greenhouse gas (GHG) emissions by 90,000 tonnes CO₂e a year - the equivalent of taking 18,750 cars off Saskatoon roads.
- Civic programs also diverted approximately 20,000 tonnes of waste from the Saskatoon Landfill, contributing to GHG emission reductions and extending the life of the landfill.

Continuous improvement initiatives and the associated savings incorporated into the budget help to reduce the mill rate. The 2016 Corporate Business Plan and Budget also identify continuous improvement initiatives by business line that will be completed in 2016.

Risk-Based Management Framework

Risk is necessary for growth and improvement, and providing services to citizens does involve risks; therefore, it is important to ensure risk is managed. The City is implementing a Risk-Based Management System (RBM) that will assist the Administration to enhance intelligent risk performance in all areas of the operations, ensuring continuous improvement in the way the City is managed, as well as continued growth in public confidence in the City's performance.

RBM will assist business, budget and strategic planning by developing an efficient, coordinated, and effective way to ensure that strategic corporate risks do not derail corporate goals and plans. The program will also assist departments to develop systems that help increase awareness of departmental risk and its impacts, and the options for dealing with risk.

A formalized approach for risk assessment and management promotes an environment of a proactive rather than reactive approach, enabling actions prior to the occurrence of risk. An effective risk management program helps to:

- Achieve organizational objectives;
- Improve financial and operational management;
- Strengthen the planning process;
- Increase management accountability; and
- Enhance strategic decision making to mitigate risk.

Saskatoon, like all rapidly growing cities, faces both operational and strategic risks that, if not mitigated, can impede the successful delivery of services or achievement of goals and objectives. 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.

The capability for an organization to manage risk begins with recognizing and identifying it. In 2015, a Risk Management Survey was conducted with City Councillors and several staff from around the organization to identify key risks. An evaluation of each risk incorporated ratings for likelihood and impact and was presented to City Council in July. Risks were given a rating of high, moderate or low.

Prioritized lists of strategic risks across the organization were identified and a Risk Assessment Report categorized the risks into the following categories:

Infrastructure and Operations: Inadequate investment in infrastructure renewal and maintenance; lack of integrated asset management approach; over or under investing in infrastructure

Financial: Limitations on non-property tax revenue options resulting in over-reliance on property tax

Environmental: Environmental incidents or lack of environmental initiatives

Stakeholders: Expectation gap between citizens and the City

Information Technology: Failure of IT systems; cyber attack

Business Continuity: Emergency preparedness; business continuity planning

People: Lack or loss of qualified employees

The business line overviews highlight key challenges and risks that may impact successful completion of major initiatives. The challenges have been organized according to the categories outlined above and initiatives to help mitigate the challenge are identified within the major initiatives, continuous improvement or performance measures section of the business line overview.

3. SUMMARY OF THE 2016 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 three distinct types of Budgets each year: (1) Operating; (2) Capital; and (3) Land Development.¹

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 City's 2016 Operating Budget has two components: (1) total operating and (2) tax supported operating. The major distinction between these two components is that total operating includes self-funded services/programs that have no financial implications on the property tax. Examples of these types of services/programs include Golf Courses, Building Permits, and Business Licenses.

The tax-supported component, by contrast, includes those services/programs that have financial implications on the property tax. Although some of these programs/services may not be funded exclusively by the property tax, they do receive some level of tax support. Access to recreation facilities and public transit are a couple of services that are paid for by both user fees and property taxes and are included in the tax-supported expenditures.

Given this distinction, the 2016 Operating Budget is proposing:

- Total operating expenditures of \$457.1 million, an increase of \$22.5 million, or 5.2%, over the 2015 approved Operating Budget.
- Tax-supported-operating expenditures of \$443.8 million for 2016, an increase of \$22.5 million or 5.3%, over the 2015 approved Operating Budget.

Tax-supported operating expenditures represent about 97% of total operating expenditures in 2016.

As required by *The Cities Act*, the City of Saskatoon must pass a balanced operating budget

¹ This document does not include any analysis of the Land Development Budget, as it is being prepared at the time of publication.

each year. In other words, the legislation mandates that the City's operating budget must be balanced; 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 2016 Operating Budget is proposing a municipal property tax increase of 3.95 percent. In 2016, one percent of the property tax is equivalent to \$1.89 million. Thus, the proposed property tax increase for 2016 will generate an additional \$7.47 million for the City of Saskatoon's Operating Budget, distributed as follows:

- 0.2%, or \$0.38 million for the debt repayment on future traffic noise attenuation projects
- 1.95%, or \$3.69 million dedicated to the maintenance of roadways
- 1.8%, or \$3.4 million allocated to pay for the expenditure increases associated with all other programs and services, including police.

More details on the 2016 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 2016, the City of Saskatoon is investing \$177.2 million in various capital projects. This is a reduction of over \$48 million, or 27%, from the 2015 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.

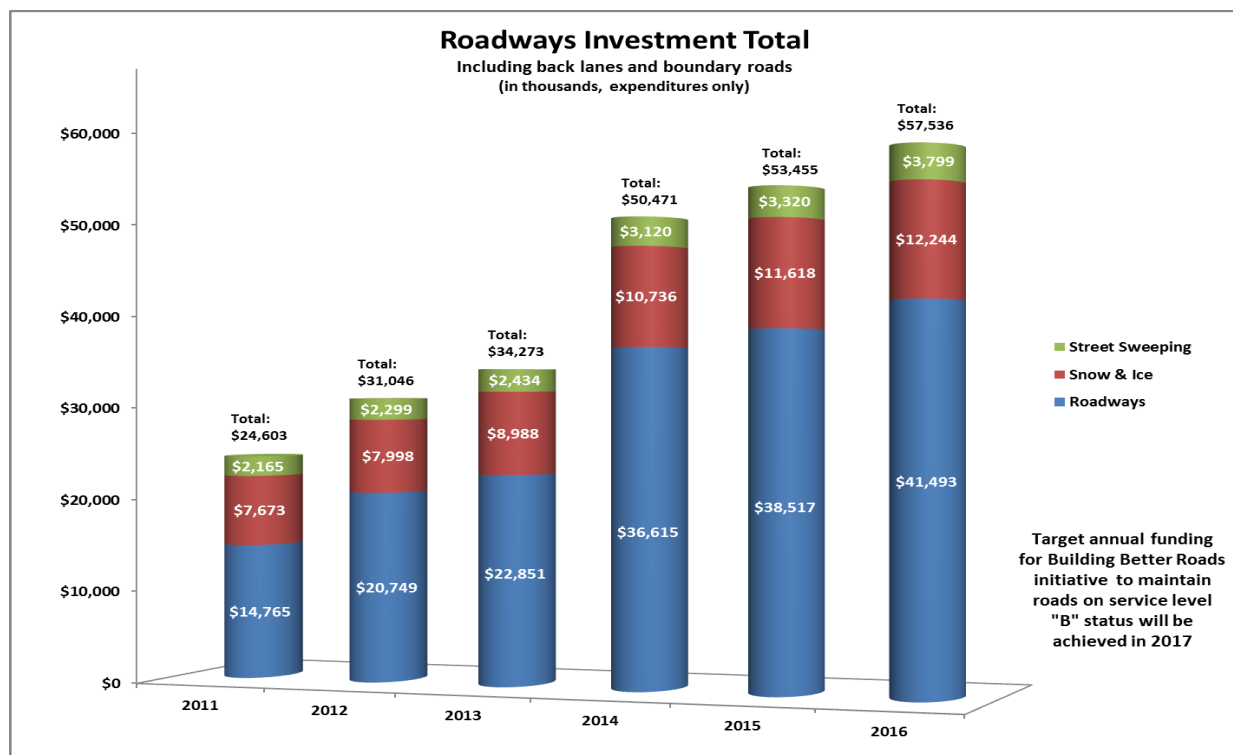
For example, to pay for some of the capital projects the City of Saskatoon makes transfers from the operating budget to various reserves; these reserves are then used to help pay for the capital costs of various projects. Similarly, when the City borrows to pay for capital projects, the debt repayment 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 is addressed in more detail in Table 3.3.4.

This relationship between the Saskatoon's operating and capital budget are evident in 2016. The 2016 Operating and Capital Budgets are making a combined investment of approximately \$57.5 million to improve road conditions. This investment continues to build on the City of Saskatoon's Building Better Roads program—which started in 2014—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 2016 Operating Budget includes an additional contribution from the Water and Wastewater utilities of \$2.0 million as well as a property tax increase of 1.95% that is strictly dedicated to improving Saskatoon's road network. This is the third year of a four-year phase-in of the dedicated roadways to achieve the required service level established by City Council.

As noted in the graph below, the 2016 investment is an increase of more than \$4.0 million over the 2015 Budget and over double the investment since 2011.



[3.2] THE 2016 OPERATING BUDGET

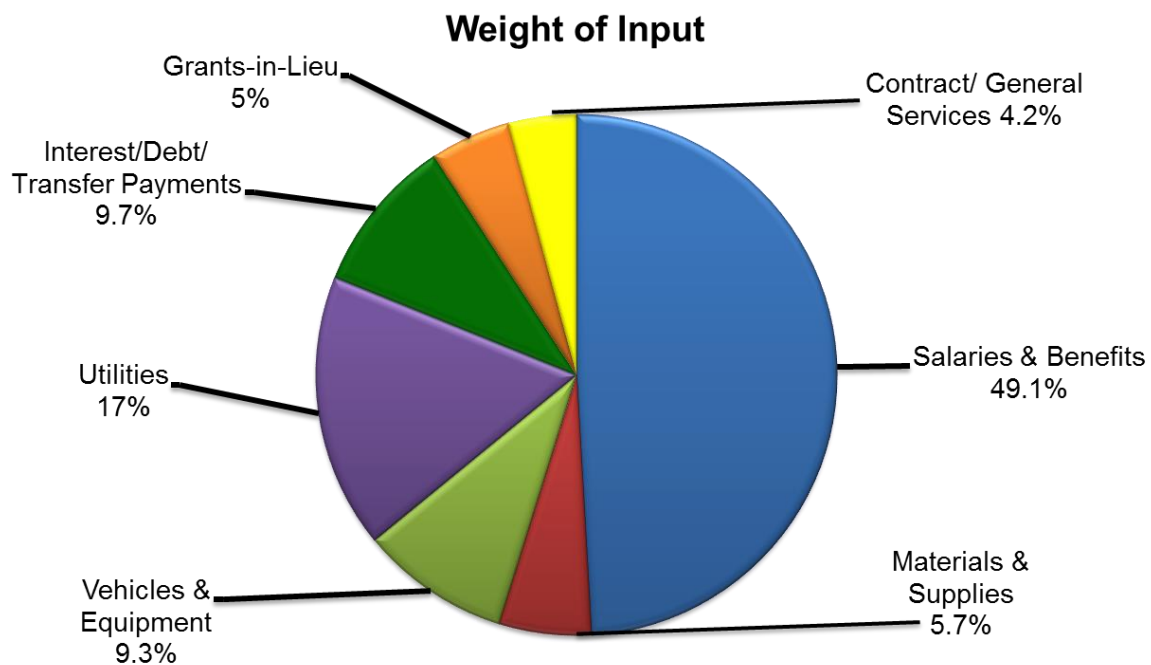
In preparation of the 2016 Operating Budget, many inputs were considered by the Administration when allocating the resources to specific programs, services and projects. As noted in the Executive Summary, these inputs include the strategic plan, inflation, growth, service level changes, and most importantly, public input.

City Departments were given direction regarding allowable increases related to inflation, service levels and growth and all revenues were reviewed and analyzed.

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. Figure 3.2.1 illustrates the City's MPI inputs—or basket of goods.

The 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 this MPI to help understand the rising cost of municipal purchases and also to assist in the forecasting of future expenditures.

**FIGURE 3.2.1
MPI INPUTS**



The City's MPI—or inflationary increase—for 2016 is estimated at 2.92%. Like growth and service level increases, inflationary increases are an important cost driver for the City's operating budget. The City is estimating that inflation will increase the City's operating expenditures in 2016 by \$10.6 million. This document now turns to address the City's 2016 operating expenditures.

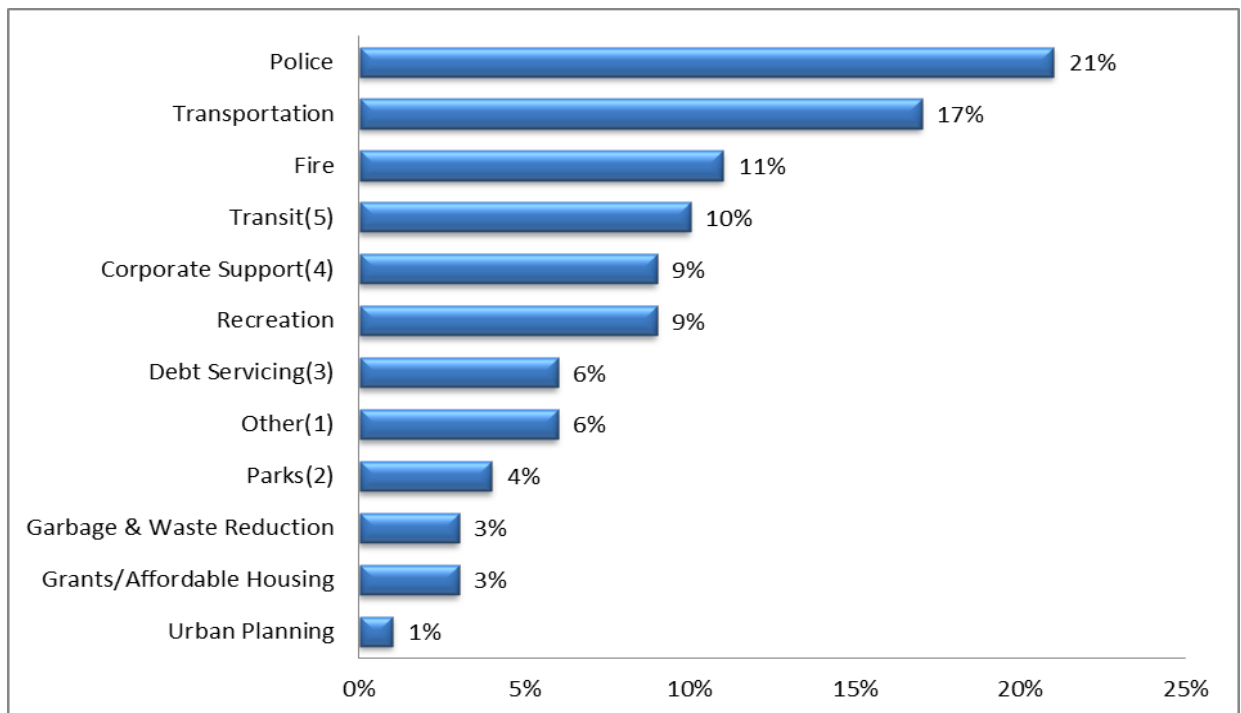
EXPENDITURES

The City of Saskatoon's 2016 Operating Budget includes tax-supported expenditures of approximately \$443.8 million. Schedule II of the 2016 Preliminary Detailed Operating and Capital Budget provides more details on the breakdown of these expenditures.

For the 2016 Operating Budget, tax-supported expenditures are increasing 5.3% over 2015. It is important to note that the increase in expenditures includes \$4.1 million (1% of the increase) that is dedicated to the service level increase for Building Better Roads and Traffic Noise Attenuation.

Figure 3.2.2 shows the distribution of the tax-supported expenditures by service. Policing represents the largest portion of the City's tax-supported operating expenditures at 21%, or \$93.2 million.

FIGURE 3.2.2
Tax-Supported Expenditures by Service



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

(2) Includes urban forestry and pest management

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

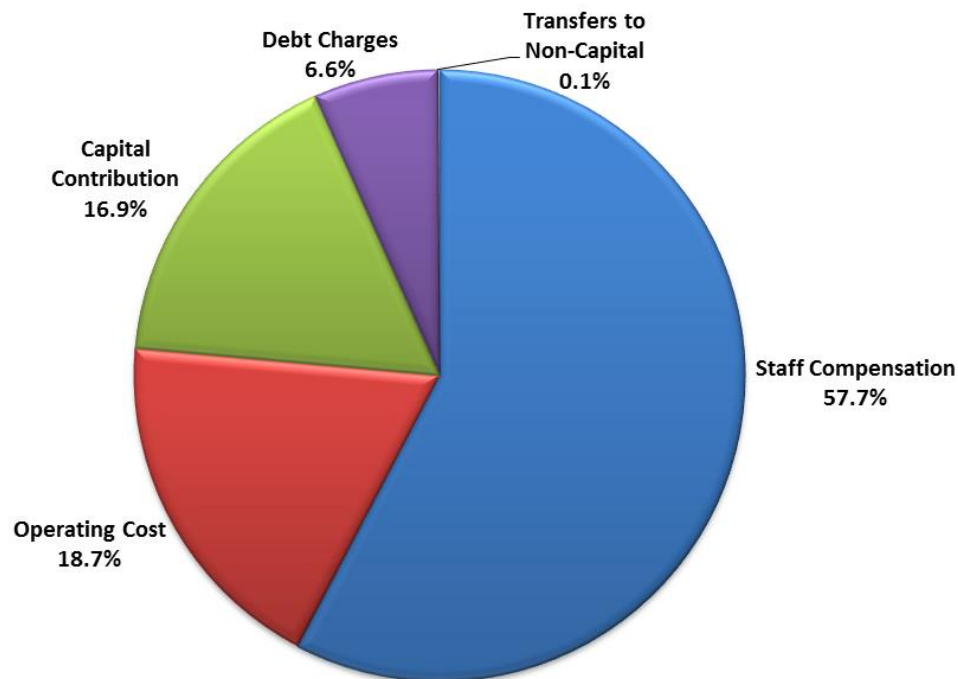
(4) Corporate Support includes the offices of the City Manager, City Clerks, City Solicitors, Finance, Revenue, Assessment & Taxation, Information Technology, Human Resources and General Administration

(5) Includes Access Transit

Figure 3.2.3 shows the percentage share of major expense categories within the proposed 2016 tax-supported Operating Budget.

- The majority of expenditures of the tax-supported operating budget, \$256 million, are for staff salaries and payroll costs
- Capital reserves to fund capital projects account for \$75.1 million of the tax-supported operating budget.
- Debt servicing costs (principal and interest) are \$29.2 million of the tax-supported operating budget.

FIGURE 3.2.3
Tax-Supported Expenditures by Category



Several additional important items were included in the 2016 Operating Budget, many of which are strategic phase-ins related to financing plans for future requirements.

Included in the operating budget are the following expenditures totaling over \$7.5 million:

- \$3,686,800 – Year 3 of 4 for the Building Better Roads Program
- \$1,600,000 – incremental Phase-in for Civic Facilities Funding Plan
- \$1,365,000 – incremental Phase-in for Remail Modern Art Gallery
- \$378,100 – Year 3 of 4 for the Dedicated Traffic Noise Attenuation
- \$200,000 – Incremental Phase-in for Future Fire Hall Growth Plan
- \$174,400 – Increase in operating expenses as a result of capital projects approved prior to 2016
- \$168,300 – 0.1% of annual property tax revenue allocated to Active Transportation Reserve (2016 is final year of increments to reach \$500,000 base funding)

Staffing

Table 3.2.1 shows the total operating staffing requirements for the City in 2016 and the change over 2015. The 2016 Operating Budget (including all tax supported and non-tax supported services) includes an additional 9.3 FTEs over 2015 (a 0.29% increase). This FTE increase is distributed as follows:

- 2.4 new FTEs are related to the anticipated early 2017 opening of the Remai Modern Art Gallery of Saskatchewan (see *** note below)
- 4.7 new FTEs are for the Saskatoon Police Service for additional Police presence
- 2.2 new FTEs for various positions.

Table 3.2.1

Full-Time Equivalents (FTEs)	Budget 2015	Budget 2016	FTE Change
<i>Tax-Supported Services</i>			
Civic Operations			
Community Support	30.6	30.6	-
Corporate Asset Management *	229.7	229.7	-
Corporate Governance & Finance	400.7	400.7	-
Environmental Health	106.3	107.3	1.0
Fire	334.0	334.0	-
Recreation & Culture *	291.9	293.2	1.3
Transportation	603.3	603.1	(0.2)
Urban Planning & Development	42.7	41.6	(1.1)
Civic Operations	2,039.2	2,040.2	1.0
Boards			
Police	640.1	644.8	4.7 **
Mendel Art Gallery-Remai Modern Art Gallery	28.7	31.1	2.4 ***
SaskTel Centre	47.7	47.7	-
TCU Place	65.6	65.4	(0.2)
Boards	782.1	789.0	6.9
Total Tax-Supported Services	2,821.3	2,829.2	7.9
<i>Non Tax-Supported Services</i>			
Building and Plumbing Permits & Standards	57.0	57.0	-
Business Licenses	9.3	9.1	(0.2)
Golf Courses	24.8	24.8	-
Impound Lot	0.8	0.8	-
Potash Corp Playland	3.8	4.3	0.5
Gordon Howe Campsite	2.6	2.7	0.1
Utilities	337.4	338.4	1.0
Total Non Tax-Supported Services	435.7	437.1	1.4
Total Full-Time Equivalents	3,257.0	3,266.3	9.3

* The 2015 FTEs for Corporate Asset Management increased by 4.0 FTEs and Recreation and Culture decreased by 4 FTEs compared to the 2015 Approved Budget. The 4.0 FTEs were erroneously included in the Recreation and Culture business line and should have been included under the Corporate Asset Management business line.

**The 4.7 FTEs increase includes an addition of 5.7 FTEs which is prorated for the 2016 budget year with an FTE increase impact to the 2017 budget of 2.3 FTEs. 4 Constables will be hired in January and 4 in August.

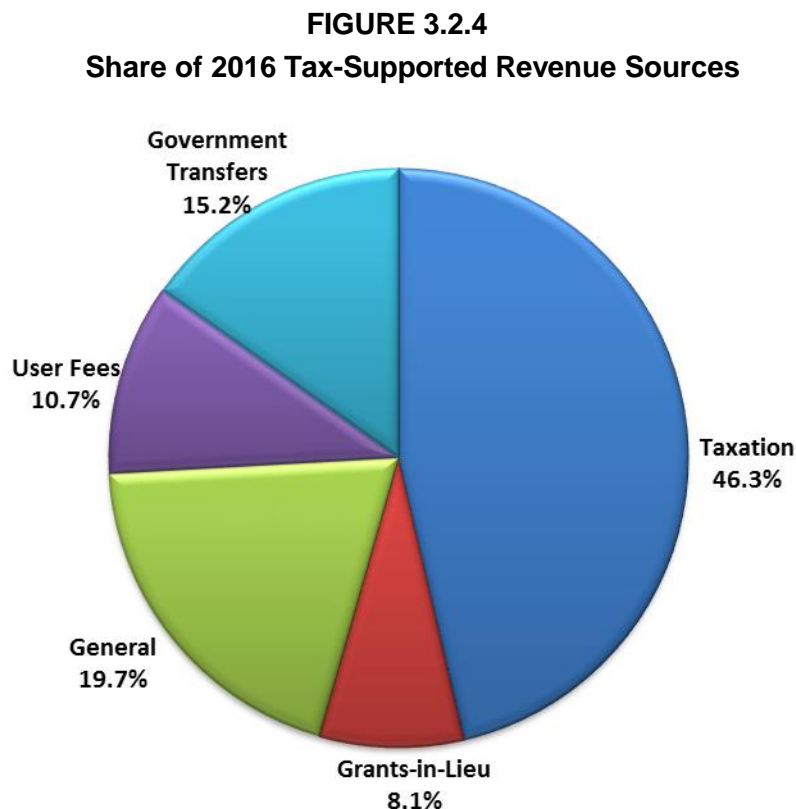
***The addition of 2.4 FTEs is prorated for the 2016 budget year with an FTE increase impact to the 2017 budget of 5.2 FTEs. The 2.4 equivalent FTEs will be hired throughout 2016 to accommodate the Remai Modern Art Gallery's expected opening date of March 2017.

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 3.2.4 identifies the percentage of revenue sources that pay for all tax-supported programs and services in the City's 2016 tax-supported 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 3.2.4 shows, less than half of the City of Saskatoon's 2016 tax-supported operating revenues come from taxation—almost entirely from the municipal property tax.



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, 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 2016 Operating Budget proposes a municipal property tax increase of 3.95%, generating an additional \$7.47 million for the City of Saskatoon.

Table 3.2.2 illustrates the details of the proposed 2016 property tax increase for Policing, Fire and the remaining civic services. The table shows that the property tax increase is made up of:

- 1.95% increase for the Building Better Roads Programs
- 0.20% increase for the Traffic Noise Attenuation Program
- 1.62% increase for the Saskatoon Police Service
- 0.69% increase for Fire Protection
- 0.51% decrease for remaining City Operations.

Table 3.2.2
Breakdown of the Proposed Property Tax Increase

(\$000's)	Expenditures	Revenues	Budget Increase	Percent Increase
City Operations before Capital & Dedicated	5,595.6	(12,379.9)	(6,784.3)	-3.59%
Capital Contributions:				
General Capital Levies	4,447		4,447	
Bridge Major Repair Reserve	150.0		150.0	
Civic Radio Replacement Reserve	60.0		60.0	
Civic Facilities Financing Plan	1,600.0	(750.0)	850.0	
Active Transportation Reserve	168.3		168.3	
Facility Site Replacement Reserve	150.0		150.0	
Total Capital Contributions	6,575.3	(750.0)	5,825.3	3.08%
Total City Operations before Dedicated	12,170.9	(13,129.9)	(959.0)	-0.51%
Dedicated to Roadways	3,686.8		3,686.8	1.95%
Dedicated to Traffic Noise Attenuation	378.1		378.1	0.20%
Total City Operations (excluding Fire & Policing)	16,235.8	(13,129.9)	3,105.9	1.64%
Fire Services:				
Cost of services + Growth + Service Level Adj	1,493.1	(379.3)	1,113.8	
Fire Capital Contributions:				
Fire Hall Funding	200.0		200.0	
Total Fire Services Increase	1,693.1	(379.3)	1,313.8	0.69%
Total Municipal (excluding Policing)	17,928.9	(13,509.2)	4,419.7	2.33%
Policing:				
Cost of services + Growth + Service Level Adj	4,525.9	(1,511.0)	3,014.9	
Police Capital Contributions:				
Policy-driven reserve contributions	40.0		40.0	
Total Policing Increase	4,565.9	(1,511.0)	3,054.9	1.62%
Total Municipal Increase (\$000's)	22,494.8	(15,020.2)	7,474.6	3.95%

The proposed property tax increase of 3.95% means that a homeowner who owns a single-family detached home with an average assessment of \$325,000 will see their municipal property taxes increase by the approximate amounts categorized in table 3.2.3

Table 3.2.3:
Impact of the Property Tax Increase

Municipal Tax Increase Per Average Household \$325,000 Assessment	Municipal Operating 1.80%	Traffic Noise Attenuation 0.20%	Dedicated Road 1.95%	Total 3.95%
Approximate Total Increase	\$29.45	\$3.28	\$31.98	\$64.70
Approximate \$ Per Month	\$2.45	\$0.27	\$2.66	\$5.39

The following chart shows the percentage of municipal property tax collected by the City of Saskatoon is shared between the various services the City provides.

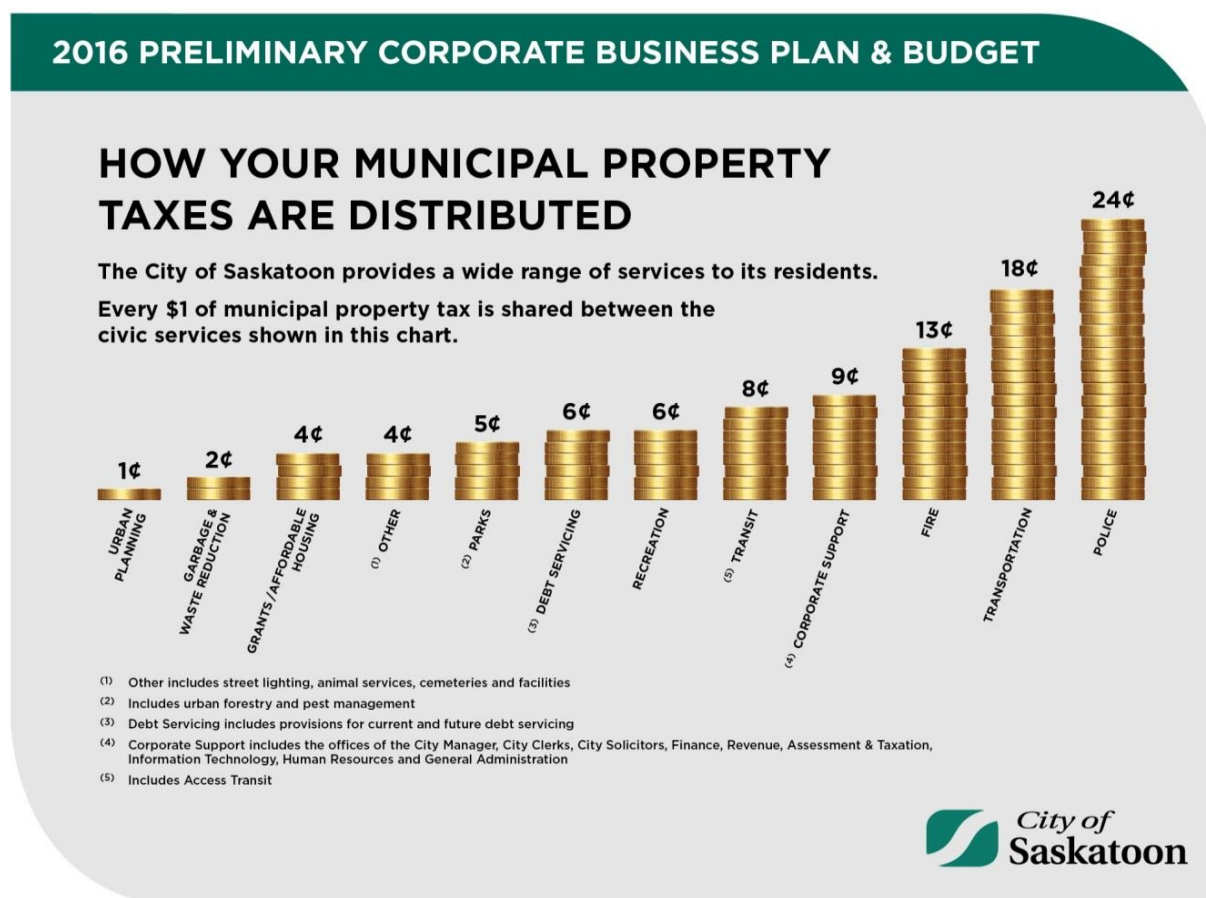
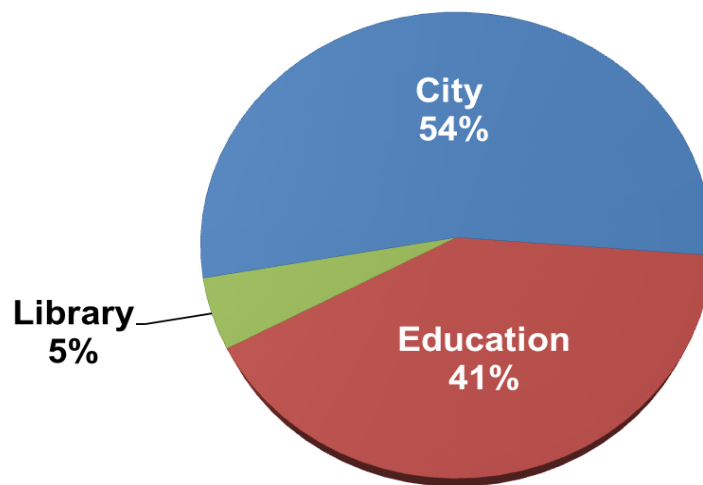


Figure 3.2.5 shows how total property tax dollars were distributed for 2015. A little more than half of all property taxes collected go to the City of Saskatoon for the delivery of key services such as road maintenance, policing, fire protection, and public transit. Over 40 percent of the property taxes collected by the City of Saskatoon go to the school boards to pay for education.

FIGURE 3.2.5
Distribution of the Property Tax, 2015



General Revenues

For 2016 general revenues from tax-supported services make up 19.7% of City of Saskatoon's total tax-supported 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 in the Light & Power utility and from the 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.).

The City also receives franchise fees from SaskPower (10% surcharge and 5% of electricity sales) and SaskEnergy/TransGas (5% of the cost of supply and delivery).

The City of Saskatoon owns and operates five utilities which are self-funded programs that form an important source of revenue for the City. General revenues from these utilities include a return on the City's investment from the Light & Power utility and, for the first time in 2016, from the 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.), and three of the utilities pay a Grant-in-lieu of property taxes.

Table 3.2.4 summarizes the utility contributions to City revenues for the 2014 to 2016 budget years. The increased revenue included in the 2016 Operating Budget is approximately \$6.0 million.

Table 3.2.4

Contributions from City-Owned Utilities (\$000's)	2014 Budget	2015 Budget	2016 Budget	2016 Change
Recycling	\$ -	\$ 52.0	\$ 53.5	\$ 1.5
Admin. Fee	\$ -	\$ 52.0	\$ 53.5	\$ 1.5
SL&P	\$ 44,047.3	\$ 44,249.5	\$ 44,527.3	\$ 277.8
Admin. Fee	\$ 363.9	\$ 420.2	\$ 431.1	\$ 10.9
Grant-in-lieu	\$ 20,273.7	\$ 20,769.6	\$ 21,036.5	\$ 266.9
Return on Investment	\$ 23,409.7	\$ 23,059.7	\$ 23,059.7	\$ -
Storm	\$ 49.2	\$ 50.3	\$ 51.8	\$ 1.5
Admin. Fee	\$ 49.2	\$ 50.3	\$ 51.8	\$ 1.5
Wastewater	\$ 4,972.9	\$ 6,838.4	\$ 9,491.7	\$ 2,653.3
Admin. Fee	\$ 1,602.1	\$ 3,196.9	\$ 4,369.7	\$ 1,172.8
Grant-in-lieu	\$ 3,370.8	\$ 3,641.5	\$ 3,862.0	\$ 220.5
Return on Investment	\$ -	\$ -	\$ 1,260.0	\$ 1,260.0
Water	\$ 5,952.3	\$ 7,903.1	\$ 10,954.6	\$ 3,051.5
Admin. Fee	\$ 1,447.6	\$ 3,065.4	\$ 3,923.9	\$ 858.5
Grant-in-lieu	\$ 4,504.7	\$ 4,837.7	\$ 5,290.7	\$ 453.0
Return on Investment	\$ -	\$ -	\$ 1,740.0	\$ 1,740.0
Grand Total	\$ 55,021.7	\$ 59,093.3	\$ 65,078.9	\$ 5,985.6

User Fees

User fee revenue from tax-supported services comprises 10.7% of the 2016 total tax-supported 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. In other words, for those services that directly benefit a particular user, then, 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.

Included in the User Fees category are fees and charges for various services including:

- Leisure facility admissions, registration, and rental fees
- Public and/or specialized transit fares and charters
- Traffic violations
- Landfill tipping and recycling program fees
- Cemetery grave, interment, and monument sales
- Zoning, sub-development, and discretionary use fees
- Zoo admissions

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 2016, 15.2% of the City's total tax-supported operating revenues come from other governments, 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. Cities receive approximately 48% of the total revenue sharing pool.

For 2016, the Government of Saskatchewan will be providing the City of Saskatoon with \$48.5 million in revenue sharing funding. This is an increase of \$1.1 million over the 2015 funding.

Grants-in-Lieu of Taxes

This revenue source comprises 8.1% of the City of Saskatoon's projected tax-supported revenues for 2016.

Grants-in-lieu of taxes 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.

In the City of Saskatoon, a Grant-in-lieu is also paid by Saskatoon Land and the City's utilities as indicated in Table 3.2.4.

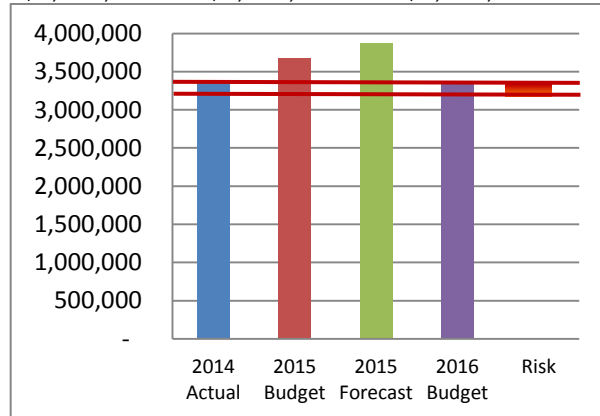
BUDGET ASSUMPTION RISKS

In preparation of the 2016 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.

The analysis compares the 2016 Operating Budget against the previous year's budget as well as the actual results from 2014 and the projected 2015 year-end forecast.

Supplementary Property Taxes

2014 Actual	2015 Budget	2015 Forecast	2016 Budget	Risk	Budget Chg	Chg %
\$3,368,461	\$3,675,000	\$3,875,000	\$3,375,000	\$200,000	(\$300,000)	(8.16%)



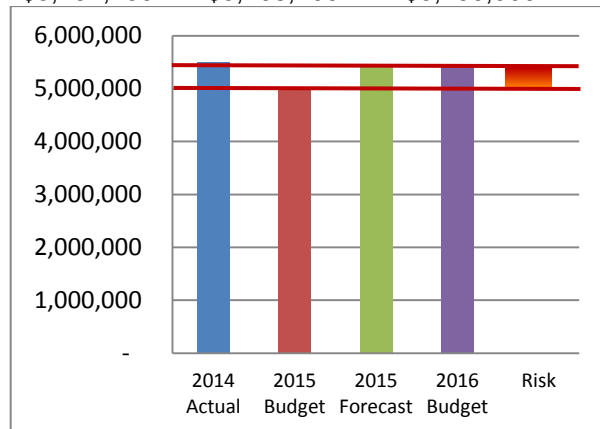
Supplementary Property Taxes are those taxes levied to new properties completed in the budget year and not included in the tax base at the time of tax billing.

The 2016 budget is based on decreased building permit values from 2014, over 2013 with the expected lag in building completions and the associated taxation to come in 2015 and 2016.

There is a risk that Supplementary Property Taxes could come in lower than 2014 actuals and as a result a risk of \$200.0 is expected if demand for building permits decreases.

Assessment Growth

2014 Actual	2015 Budget	2015 Forecast	2016 Budget	Risk	Budget Chg	Chg %
\$5,492,759	\$5,208,200	\$5,450,000	\$5,450,000	\$500,000	\$241,800	4.64%



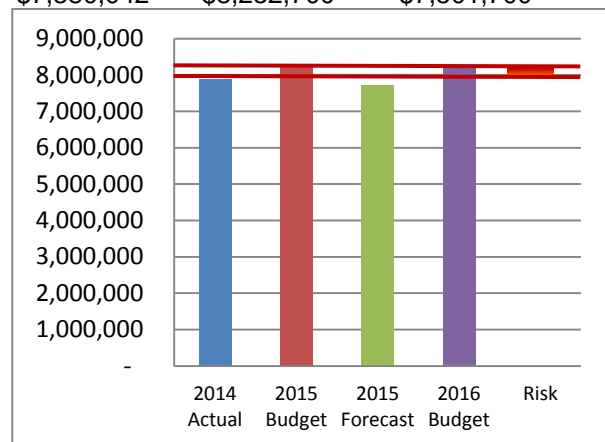
Assessment growth is the amount of new taxes that are included in the property tax base resulting from new and increased property values over the prior year.

The 2016 budget is based on high building permit values from 2014 with the expected lag in building completions and the associated taxation to come in 2015 and 2016. The 2016 budget also includes \$450,000 related to annexation growth.

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.

Fines and Penalties (net)

2014 Actual	2015 Budget	2015 Forecast	2016 Budget	Risk	Budget Chg	Chg %
\$7,880,042	\$8,252,700	\$7,501,700	\$8,268,200	\$250,000	\$15,500	0.19%



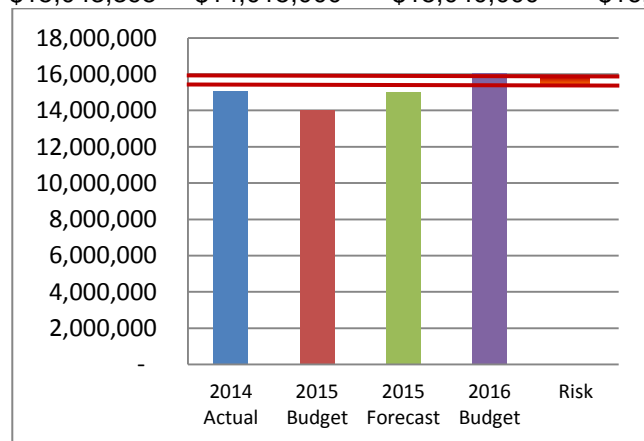
Fines and Penalties include traffic violations and parking ticket revenues.

Traffic enforcement by Police Services and parking infractions are trending at the same rate as budgeted in 2015 with a forecast of \$7.5 million net revenues.

Based on prior year trends for traffic violation revenues there is a risk that 2016 actuals will not achieve the amount budgeted. As a result, there is a potential risk that approximately \$250.0 in revenues will not be realized in 2016.

Provincial Utility Franchise Fees - SaskPower

2014 Actual	2015 Budget	2015 Forecast	2016 Budget	Risk	Budget Chg	Chg %
\$15,043,395	\$14,015,000	\$15,040,000	\$16,032,500	\$250,000	\$2,017,500	14.40%

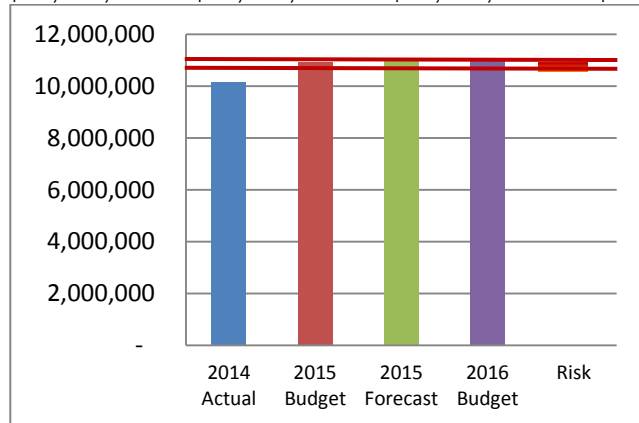


The City of Saskatoon receives franchise fees from Provincial utilities such as SaskPower based on a 10% municipal surcharge on its customers in the City's franchise area.

The 2016 budget is based on a growth assumption of 1.5% and a rate increase of 2%. However, if the 1.5% growth assumption is not achieved there is a risk that \$250.0 in franchise fees will not be realized.

Interest Earnings (net) Revenue

2014 Actual	2015 Budget	2015 Forecast	2016 Budget	Risk	Budget Chg	Chg %
\$10,117,490	\$10,915,500	\$11,079,300	\$11,008,700	\$200,000	\$93,200	0.85%



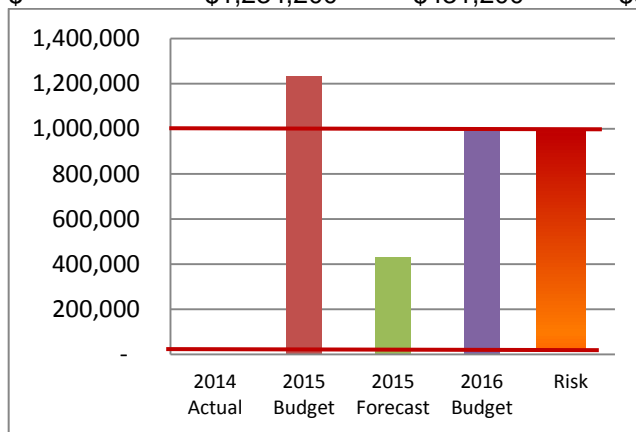
The City of Saskatoon's 2016 net investment earnings of \$11.0 million is based on slightly higher cash balances held at financial institutions.

Due to sufficient funds in the Interest Stabilization Reserve it is expected that it will not be utilized in 2016 and as a result the interest earnings revenue will be transferred directly into the mill rate.

If the higher bond yields forecasted for new bond investments and reinvestments are not realized in 2016, a risk of \$200.0 has been identified.

Multi-Material Recycling Program Revenue

2014 Actual	2015 Budget	2015 Forecast	2016 Budget	Risk	Budget Chg	Chg %
\$ -	\$1,234,200	\$431,200	\$996,600	\$996,600	(\$237,600)	(19.25%)



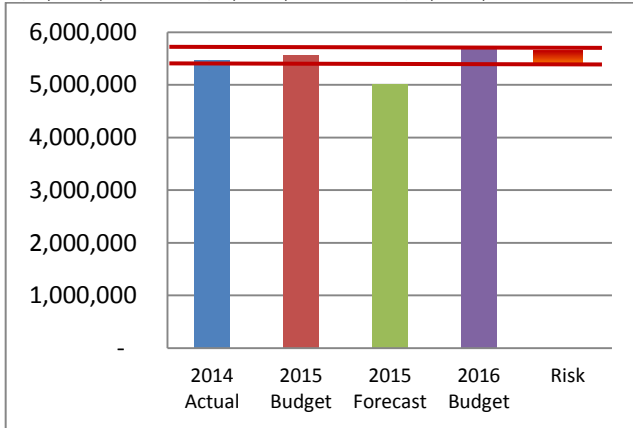
The 2016 budget includes \$996.6 in revenue related to the Multi-Material Recycling Program (MMRP).

This program was originally planned to be launched on January 1, 2015, however, was delayed for various reasons.

More information regarding the future of the program is expected in the fall of 2015, however, at this point there is a risk that the program will not continue at all, and therefore a risk of \$996.6 has been identified.

Landfill Revenue

2014 Actual	2015 Budget	2015 Forecast	2016 Budget	Risk	Budget Chg	Chg %
\$5,456,213	\$5,558,200	\$5,000,000	\$5,730,000	\$300,000	\$171,800	3.09%



The 2016 budget includes \$5.73 million in revenue for chargeable tonnage directed to the City of Saskatoon landfill.

This is based on scheduled rate increases and the same tonnage as received in 2014/2015.

Due to the opening of a second competing landfill in the R.M. of Corman Park there is a risk that this will have a negative effect of \$300.0 in revenue as chargeable tonnage in 2016 may decrease.

[3.3] THE 2016 CAPITAL BUDGET

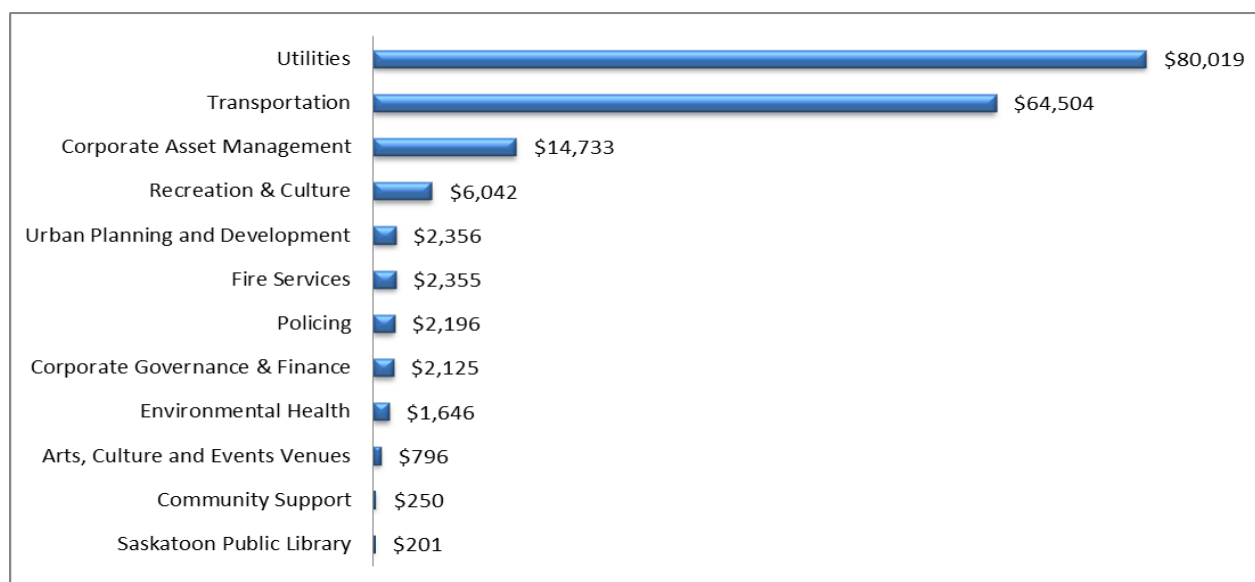
As noted in the introduction, the City of Saskatoon's Capital Budget directs funding for the construction or refurbishment of major capital infrastructure projects such as roads, bridges, buildings, and water and sewer lines. The 2016 Capital Budget not only addresses the City's growth, but also its basic infrastructure needs with continued emphasis on roads and bridges.

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 is 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 City of Saskatoon's 2016 Capital Budget (excluding Land Development) provides a total capital investment of \$177.2 million. 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.

FIGURE 3.3.1
Capital Investment by Business Line
(\$000's)



Utility-related projects make up 45% of the total capital investment in 2016, including:

- Over a \$36 million investment in upgrades and maintenance at the Water and Wastewater Plants for Advanced Metering
- An additional \$25 million investment for the Water and Wastewater distribution systems
- Saskatoon Light and Power is investing over \$17 million in upgrades to substations, street lights as well as Advanced Metering.

Transportation projects represent almost 36% of the total capital investments in the 2016 Capital Budget. Some of the notable investments include:

- Traffic Noise Attenuation project for the priority areas that were approved in 2008
- Idylwyld and Ruth Street overpass
- Various road preservation projects.

The remaining 19% of the Capital Budget is allocated among various smaller projects.

Staffing

In 2016, a total of 2.1 new FTEs are being charged to the Capital Budget:

- A new position (1 FTE) has been added for a P3 Contract Administrator to develop P3 Contract Manuals for the operation and maintenance component of P3 projects.
- The remaining 1.1 FTEs account for various positions previously funded in the operating budget.

PAYING FOR THE 2015 CAPITAL BUDGET

As illustrated in Figure 3.3.2, the largest source of funding for the 2016 Capital Budget is reserves. Approximately \$148 million (83%) 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 \$30 million (17%) of the Capital Budget is split among various sources.

FIGURE 3.3.2
2016 Capital Budget Funding Sources

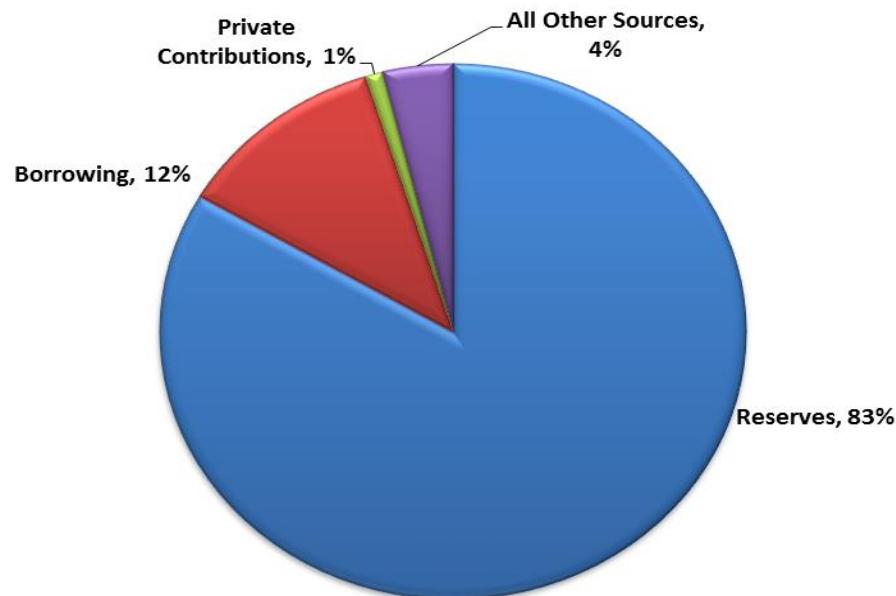


Table 3.3.1 summarizes the funding for the 2016 Capital Budget.

Table 3.3.1

2016 CAPITAL BUDGET FUNDING SUMMARY	
GENERAL CAPITAL: (\$000's)	2016 Budget
Reserves	79,347
Borrowing	13,909
Province of Saskatchewan	936
Private, External Funding	561
Operating Contributions	-
Other	2,250
Saskatoon Public Library Reserve	201
Total General Capital	97,204
UTILITY CAPITAL: (\$000's)	
Reserves	68,565
Borrowing	6,840
Private and External Contributions	1,150
Operating Contributions	3,464
Total Utility Capital	80,019
Total General & Utility Capital	177,223

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 2016 Preliminary Detailed Operating and Capital Budget reflects the sufficiency of these reserves.

As Table 3.3.2 shows, the balances of the City's capital and stabilization reserves heading into 2016 remain healthy, with a total estimated balance of \$133.5 million.

Table 3.3.2

ESTIMATED RESERVE BALANCES		
Capital Reserves: (millions)	Jan/15	Jan/16
General	13.2	29.0
Property Realized	29.0	35.2
Boards/Commissions (Including Saskatoon Public Library)	42.4	37.3
Capital Reserves Total	84.5	101.5
Stabilization Reserves: (millions)		
Fiscal Stabilization	6.2	6.2
Land Operations Stabilization	2.7	3.4
Fuel Stabilization	1.3	1.3
Utilities Stabilization	9.1	11.1
Building Permits/Inspections Stabilization	6.0	6.7
Other	3.7	3.2
Stabilization Reserves Total	29.0	32.0
Total Reserves Balance	113.5	133.5

The Reserve for Capital Expenditures (RCE) has been established by City Council to provide funding for discretionary capital projects. In total, nearly \$2.8 million is made available to fund the discretionary capital projects. RCE is mostly funded by an annual mill rate contribution.

Table 3.3.3

Reserve for Capital Expenditures (\$000's)	2016
Projected January 1 Opening Balance	990
Contribution from Operating Budget	3,678
River Landing Operating Funding	(1,123)
Minimum Balance Retained	(750)
Allocated RCE Funding for 2016 Capital Projects	2,795

While a majority of the City's reserves are in good financial condition, there are three reserves that are projected to be in deficit positions at the end of 2016. City Council has authorized these deficits as an exception from the normal requirement to remain in a zero or positive balance.

- 1) The Infrastructure Reserve for Water and Wastewater has been in a deficit position for the past number of years based on the advancement of flood control projects to alleviate further flooding. The plan to replenish the reserve is through a flood control levy of \$4.50 per water meter placed on utility bills. This reserve is expected to be in a positive position by 2018.
- 2) Another reserve that has City Council's approval to remain in a deficit balance until 2017 is the Parks Infrastructure Replacement Reserve, to cover the higher construction costs of the WJL Harvey Park Redevelopment. The Parks Reserve will be replenished through annual contributions. The only plan to address the long-term under-funding of the Parks Infrastructure Reserve is to defer projects. There is no plan to impact the mill rate with any increases to fund the reserve deficit.
- 3) The Regional Waste Management Facility capital project to upgrade and expand the landfill had a \$6.0 million withdrawal from the Landfill Replacement Reserve (LRR) placing the reserve in a deficit position until 2017. The plan is to replenish the reserve over time through revenues. An equivalent amount to the LRR deficit is being held in the Property Realized Reserve to cash flow this deficit. City Council has approved this strategy in principle.

BORROWING

The 2016 Capital Budget contains borrowing of \$20.7 million, most of which (\$13.9 million) is for debt payments for the Traffic Noise Attenuation projects. The remaining \$6.8 million is for utility borrowing related to the Water Treatment Plants pumping and electrical upgrades. 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, 2014 was \$238.1 million. The City borrowed an additional \$15.0 million in 2015 for the Remai Modern Art Gallery (AGS). In addition to this, Bylaw No. 9313 has been drafted which authorizes up to \$134.2 million in borrowing for the North Commuter Parkway (P3) Project. With these combined borrowings and the planned debt repayments, the expected outstanding debt balance as at December 31, 2015 will be approximately \$362.5 million.

The forecasted borrowing for the next five years is to increase to a peak near \$521.0 million in 2020. 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.

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 2016 Capital Budget will impact future City operating programs. The additional operating costs for the 2016 projects for the years 2016 to 2018 are summarized in Table 3.3.4:

Table 3.3.4

OPERATING IMPACT (\$000's)	2017	2018	2019
Corporate Governance & Finance	\$25.0	\$0.0	\$0.0
Fire Services	\$0.0	\$0.0	\$100.0
Policing	\$100.0	\$0.0	\$0.0
Recreation and Cultural Services	\$60.8	\$9.0	\$0.0
Transportation	\$179.2	\$116.2	\$0.0
Urban Planning & Development	\$150.0	\$0.0	\$0.0
Total	\$515.0	\$125.2	\$100.0

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.

DEFINITIONS/EXPLANATIONS

Within the 2016 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 to the 2015 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.