DECISION REPORT

Setting the 2022 and 2023 Indicative Budget

ISSUE

Setting an indicative municipal property tax rate is a typical, yet important step in the development of the City of Saskatoon's (City) multi-year business plan and budget. The business plan and budget is the resource allocation plan for the equitable, efficient, and effective delivery of the City's programs and services. Thus, obtaining policy direction from City Council early in the budget process helps to provide planning clarity and reduces the risk of reworking assumptions and plans at the end of the budget process.

Although the City's budgetary assumptions are clouded by the uncertainty and ongoing fiscal impacts of the COVID-19 pandemic, setting an indicative rate at this point will guide the Administration on how to allocate resources to help achieve City Council's strategic priorities. As such, what should the indicative rate be set at for 2022 and 2023? How will the fiscal impacts from the COVID-19 pandemic factor into this process?

BACKGROUND

2.1 History

In 2019, City Council adopted Council Policy No. C03-036, Multi-Year Business Plan and Budget Policy, which sets the City's approach to business planning and budgeting. This approach instructs the Administration to estimate expenditures and revenues required to maintain existing services, including committed costs and administrative priorities. The Governance and Priorities Committee (Committee) used this approach to set an appropriate indicative rate for the City's 2020-2021 Multi-Year Business Plan and Budget (MYBB).

The 2020-21 MYBB was approved in December 2019, a few months before the emergence of global pandemic. Despite the multi-year outlook, Council Policy No. C03-036 contains provisions for budgetary adjustments to be made in the event of unforeseen circumstances, such as pandemic. As a result, City Council made budgetary adjustments to the 2021 fiscal year of the MYBB during budget deliberations in November 2020.

These adjustments were necessary because the fiscal effects of the COVID-19 pandemic proved to be significant in 2021. The City's non-tax operating revenues were greatly affected as some public-facing services were either closed or had limited operating capacity due to compliance with provincial public health orders. User fee revenues from public transit, parking, and leisure centres, for example, were substantially limited, resulting in a larger than usually contributions from the property tax. Despite that fiscal challenge, one time federal and provincial operating support helped the City substantially reduce its large projected operating deficit in 2021.

2.2 Current Status and Approach

For the 2022-2023 MYBB, the City continues to face the operating constraints of the COVID-19 pandemic. Budgetary assumptions for 2022-23 are based on the most up-to-date information and forecasts to reduce planning risk and uncertainty. That said, the COVID-19 pandemic still looms large in Saskatoon, and it is likely that City revenues will take time to recover as some services return to full operating capacity. The COVID-19 specific revenue implications are discussed in Appendix 1 and later in this section of the report.

2.2.1 Revenue Estimates

The Administration is forecasting indicative rate revenue increases of $3.15 million in 2022 and $5.06 million in 2023. This forecast excludes COVID-19 related revenue impacts and proposed property tax increases, but it does include assessment growth from adding new inventory. After accounting for assessment growth, these revenue increases are marginal and reflect a longer-term fiscal challenge with the City's non-tax revenues in that these revenue sources are not keeping pace with the changes in the economy. In fact, growth in user fees and government operating transfers are well below changes in population and inflation. This means that the revenue gap needs to be filled by other sources.

In typical budget years, an increase in revenues helps to offset a portion of expenditures increases. However, as Appendices 1 and 2 explain, the revenue increases are well below trend due to a forecasted year-over-year decrease in interest revenues ($1.11 million decrease) and an estimated 11% (or $6 million) decrease in Municipal Revenue Sharing, although this item is included in the COVID-19 impacts. To mitigate some of this pressure on the indicative rate, the Administration adjusted its general revenue projections upwards by $1.60 million in 2022.

2.2.3 Expenditure Estimates

On the expenditure side, a different challenge emerges. City expenditure increases are driven primarily by growth, inflation, and service levels. Appendices 1 and 3 explain growth and inflationary pressures facing the City and their implications for indicative rate setting. Before describing the specific expenditure pressures, it is important to highlight the efforts the Administration has made to limit the growth in budgetary expenditures for the 2022-23 MYBB. The aim of these expenditure adjustments is to lessen the potential property tax increase while maintaining existing service delivery levels.

Table 1 summarizes the Administration's pre-budget proposed expenditure adjustments by business line. The row labelled "general adjustment included" illustrates the Administration's efforts to reduce proposed expenditure increase by an additional $1 million and to adjust revenue forecasts upward by $1.6 million. The details of specific program adjustments are described in Appendix 3.

The key point is that in the absence of Administration's pre-budget adjustments listed in Table 1, net operating expenditure increases or revenue decreases would be an estimated $7.5 million higher than proposed in the indicative budget for 2022. These adjustments alone reduced the potential indicative property tax rate by approximately 3 percentage points.

Table 1 – Administration's Expenditure Increase Adjustments

Business Line	2022 Adjustment	2023 Adjustment
Community Support	64,800	
Corporate Asset Management	182,800	
Corporate Governance and Finance	1,551,700	108,400
Environmental Health	332,600	109,500
Recreation and Culture	251,900	
Transportation	1,876,600	6,000
Urban Planning and Development	47,000	
Revenue Decreases Excluded		
Taxation and General Revenues	593,600	
Transportation	40,000	
General Adjustment Included	2,600,000	
Total Adjustment	**$7,541,000**	**$223,900**

To complement these adjustments, the Administration also deferred to 2023, or future years, various other budgetary expenditure increases totalling $961,500 in 2022. Table 2 summarizes the deferrals by business line while the details are explained in Appendix 3. In the absence of these deferrals, the indicative property tax rate would be about 0.37% higher than proposed in 2022. Without these adjustments and deferrals, the indicative property tax rate increase for 2022 would be 3.37 percentage points higher than proposed in this report.

Table 2 – Budget Expenditure Deferrals

Business Line	2022 Deferrals
Corporate Governance and Finance	425,000
Recreation and Culture	47,400
Saskatoon Fire	255,000
Taxation and General Revenues	200,000
Transportation	34,100
Urban Planning and Development	47,000
Total Budget Deferral of Expenditures	**$961,500**

Despite these strong efforts, City operating expenditures are estimated to rise by 2.88% (or $15.6 million) in 2022 and 3.16% (or $17.6 million) in 2023, reflecting growth, inflation, and base budget adjustments. These are the lowest annual percentage increases for expenditures in recent history. The Administration assumed a 1.5% population growth and 2.00% general inflation to arrive at these estimates. Appendix 3 explains the details of the expenditure increases by business line. These expenditure increases exclude COVID-19 impacts (more on that later). As a result of these fiscal scenarios, what is the potential property tax impact?

2.2.4. Proposed Property Tax Increases to Maintain Existing Services
The proposed indicative rate increase for the 2022 and 2023 MYBB is summarized in Table 3. As the table shows, the proposed indicative rate increase for 2022 is 4.82% and for 2023 it is 4.58% (growth and inflation only). The table shows the distribution of the proposed increase for City, non-police operations and those directly attributed to the Saskatoon Police Service. It is worth noting that a one percentage point increase in the municipal property tax is equivalent to $2.57 million in 2022 and $2.73 million in 2023.

The rows below the indicative rate in the table show the impact of phase-in adjustments for Bus Rapid Transit (BRT) program and the solid waste and organics collection program. These two adjustments add a 1.14% tax increase in 2022 and a 0.83% tax increase in 2023, increasing the proposed property tax increase to 5.96% and 5.42% in the respective years.

Table 3 – Property Tax Increase

Description	**2022 Property Tax Increase**	**2023 Property Tax Increase**
Civic Operations	3.01%	2.81%
Saskatoon Police Service	1.81%	1.77%
Total Indicative Rate	**4.82%**	**4.58%**
Bus Rapid Transit Funding Plan	0.27%	0.03%
Phase-in for Environmental Health	0.87%	0.80%
Total Proposed Property Tax Increase	**5.96%**	**5.42%**
COVID-19 Impacts Not Included in the Indicative Rate	**$16.8 M**	**$10.0 M**

2.2.5 COVID-19 Fiscal Impacts
The fiscal impacts of COVID-19 are approximately $16.8 million in 2022 and $10.0 million in 2023. Appendix 1 explains the budgetary implications resulting from COVID-19, which are primarily revenue-related.

The City will require a specific strategy to backfill this COVID-19 impact. Solutions will likely include ongoing hiring and spending restrictions, and/or possible fiscal transfers from either the federal or provincial government (or a combination of both) like the Safe Restart Program funding that was provided in 2021 to address this impact. As a reminder, in Budget 2021/22, the Government of Canada announced a one-time doubling of the federal Gas Tax Fund, meaning that the City would receive an addition $15.3 million. However, this funding is conditional and must be used for eligible capital infrastructure projects.

If the transfer was unconditional, then the City would be able to allocate it to offset almost all the fiscal impacts from COVID-19 on the 2022 budget.

Nonetheless, the Administration will advise City Council on the status of this issue. It will also require City Council to engage in political advocacy to help make the case for COVID-19 specific operating support. If additional fiscal support is not offered by other orders of government, then the Administration will report back on potential approaches to address this fiscal gap.

2.3 Public Engagement

The City recently concluded the 2021 Civic Satisfaction & Performance survey which measures satisfaction with City services and programs, perception of quality of life in Saskatoon, perceived value of civic services, City spending for the delivery of City Services, and most important issues facing the City. The results are being compiled for reporting purposes. The second Civic Services Survey: Performance, Priorities & Preferences will begin on June 23. The second survey measures performance on 29 services that the City provides to residents, identifies high priorities for those services where performance was evaluated as medium to low and identifies preferences on level of civic services in 12 categories. Although the City does not engage specifically on the indicative rate, it does ask questions on how services should be paid for. Survey results are shared publicly and will be prior to budget deliberations.

OPTIONS

This section provides three options for consideration. The first option sets the indicative rate equivalent to the base case scenario, while options 2 and 3 propose decreases and/or increases to the base case indicative rate respectively. While options 2 and 3 do not give specific percentage decreases or increases, they do offer City Council the flexibility to adjust the rates as necessary. If City Council does decide to adjust the results, it is important to reiterate that a 1 percentage point change in the municipal property tax is equivalent to $2.57 million in 2022 and $2.73 million in 2023 based on existing revenue and expenditure assumptions.

For the purposes of this section, the base case scenario represents all existing operational and service level obligations of the City, based on previous City Council direction and existing collective bargaining agreements. As a result, the Administration is projecting a base case indicative rate property tax increase of 5.96% and 5.42% in 2022 and 2023 respectively. This scenario reflects the fiscal gap after the Administration's $8.5 million adjustment to pre-budget expenditures and revenues. It also includes the continued phase-in of a property tax contribution to first resolve structural solid waste budget shortfalls and then to establish a city-wide organics program which requires a tax increase of 0.87% in 2022 and 0.80% in 2023. It does not include, however, COVID-19 related fiscal impacts.

Option 1 – Base Case Scenario

This option proposes that City Council direct the Administration to prepare a budget based on the base case scenario explained in the introduction to this section. Again, this option meets all existing service level and contractual obligations of the City and resolves the long-term structural budget issues in solid waste and phase-in for a city-wide organics program. On the other hand, this option would not leave any additional room for adding further resources to business plan options. However, the Reserve for Capital Expenditures and possible reallocation of other funding could still be utilized to accomplish capital requirements.

Financial Implications

The financial implications resulting from this option incorporate the Administration's pre-budget adjustments of $8.5 million, thus, resulting in operating expenditure increases of $15.6 million in 2022 and $17.6 million in 2023. This is equivalent to a property tax increase of 5.96% and 5.42% for the respective years. This option includes the Administration's pre-budget adjustments of $8.5 million but it excludes the direct fiscal impacts from COVID-19.

Option 2 – Base Case Minus Scenario

The base case minus scenario proposes that City Council direct the Administration to prepare a budget that produces an indicative property tax increase below the base case. The Administration has no set percentage in mind, but this could range from a low of 0.1% to a high of 5.96% below the base case, effectively resulting in a 0% tax increase. As the Administration has already made over $8 million in pre-budget adjustments, City Council would need to provide direction on where additional budgetary changes could be made. Some areas for City Council to consider include:

- Service level changes;
- Reductions in transfers to reserves; and
- User fee increases.

Indeed, this option would achieve a lower than base case property tax increase, but it would result in reduced levels of service, reduced transfers to reserves, an increase in user fees, or a combination of some or all of these. To reiterate, for every 1 percentage point change in the property tax increase a combination of expenditure reductions and non-tax revenue increases totaling $2.57 million will need to be found for 2022.

Financial Implications

The estimated financial implications resulting from this option are unknown as it is dependent on the level of the indicative rate. Like option 1, this option includes the Administration's pre-budget adjustments of $8.5 million but excludes the direct fiscal impacts from COVID-19.

Option 3 – Base Case Plus Scenario
The base case plus scenario proposes that City Council increase the indicative rate to some level higher than the base case. This option could potentially provide sufficient funding to maintain existing services, implement the city-wide organics program phase-in, and phase-in the BRT funding plan, plus leave funding for the implementation of Business Plan Options aimed at achieving other City Council strategic priorities. This option could also mean that some of the pre-budget expenditure adjustments made by the Administration could be reconsidered.

Conversely, raising the indicative tax rates above the base case scenario may result in significant public opposition given the size of the potential base case indicative tax rate increase.

Financial Implications
The estimated financial implications resulting from this option are unknown as it is dependent on the level of the indicative rate. That said, the financial implications resulting from this would be no less than the base case scenario.

RECOMMENDATION
That the Governance and Priorities Committee recommend to City Council that Option 1 - Base Case Scenario be approved, resulting in a municipal property tax target equivalent to 5.96% for 2022 and 5.42% for 2023, subject to finding additional funding to offset one-time COVID-19 related impacts for both years.

RATIONALE

The City's indicative rate process is beneficial for three fundamental reasons: (1) it provides the Administration with an indication of City Council's expectations for a municipal property tax target early in the process; (2) it gives the Administration clear financial parameters to work within to achieve City Council priorities; and (3) it improves accountability and transparency in the budget making process. Setting an indicative tax rate during a time of fiscal uncertainty is definitely a challenge. Although budgetary expenditures are increasing by an estimated average of 3% per year, the Administration has made over $8 million in pre-budget adjustments to lessen the impact.

However, the City must deliver essential public services and the costs for delivering them to continue to rise due to growth and inflation pressures. As such, the proposed recommendation funds existing service levels, resolves long-term structural budget issues for solid waste, continues the approved funding increases on the new city-wide organics service, and continues the phase-in of the BRT funding plan. The base case scenario achieves these objectives. Despite a higher than usual proposed indicative rate increase, overall operating expenditure increases average 3% annually over the next two years to meet these commitments. The problem is that the stagnant non-tax revenues are not keeping pace with neither inflation nor population growth and thus, the property tax is the revenue source that has to fill this fiscal gap.

COMMUNICATION ACTIVITIES

The 2022/2023 Indicative Budget will be communicated through a news release and posted to the City's website. Additional communication tools and tactics will be used to educate the media and public about the contents of the proposed 2022-23 MYBB.

NEXT STEPS

The Administration will bring forward updates to Committee at its August meeting on City Council's priorities and will present options for additional resources to either accelerate the progress towards achieving City Council's strategic priorities or for changes to service levels. At the same meeting, the Administration will also report on unfunded capital options that could be funded through the Reserve for Capital Expenditures or reallocated funding. City Council will have opportunity to prioritize both the operating and capital options, and the prioritized lists will be presented at the 2022/2023 Business Plan and Budget Review.

APPENDICES

1. 2022 and 2023 COVID-19 Related Budgetary Assumptions and Adjustments
2. 2022 and 2023 Revenue Projections
3. 2022 and 2023 Expenditure Projections

REPORT APPROVAL

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2022 and 2023 COVID-19 Related Budgetary Assumptions and Adjustments

The ongoing COVID-19 pandemic generates a high degree of uncertainty for fiscal planning. With that in mind, the 2022-23 fiscal plan relies on various assumptions as to when pandemic restrictions are lifted and the gradual return to pre-pandemic levels of activity may occur. The City of Saskatoon's (City) budgetary assumptions for 2022 and 2023 are correlated to how quickly usage of some pandemic-restricted services will return to full capacity or consumption.

The City's panning assumptions aligns with the phases of the revised Re-Open Saskatchewan Plan. Specifically, it assumes that there will be no operating or capacity restrictions on businesses, City operations, or social distancing requirements in effect as at January 1, 2022.

Given those caveats, the COVID-19 related impact for 2022 and 2023 respectively is $16,825,600 and $10,022,400. In the 2021 Approved Budget, $19,052,500 revenue from the Safe Restart funding was used to offset changes made within the 2021 budget. COVID-19 impacts from revenue reductions or expenditure increases that were expected in the budget were $17,168,500. The removal of this one-time funding and the removal of the COVID-19 revenue reductions or expenditure increases generated a net fiscal impact of $1,884,000 relative to 2021 in addition to ongoing impacts of $14,941,600 in 2022 and $8,138,400 in 2023. The Administration did not include these numbers within the proposed indicative rate. One-time funding will be required in each of 2022 and 2023 so these figures are not cumulative as shown in other appendixes.

The COVID-19 items are over and above the amounts shown below and will need to be covered through one-time funding in each year. Eventually the base budget will need to be corrected once the impact from the pandemic on future budgets becomes more permanent.

That said, the Administration will report on a plan to address these fiscal impacts during the 2022/2023 Business Plan and Budget Review. In the meantime, the Administration will continue working with federal and provincial orders of government to obtain additional financial support to help offset these fiscal impacts. A detailed explanation of specific fiscal impacts are explained below.

Ongoing 2022 and 2023 COVID-19 Related Adjustments - $14,941,600 and $8,138,400

<u>COVID-19 Impacts - $1,613,900 (2022) and $1,613,900 (2023) Expenditures</u>
It is expected that there will be an ongoing increased cleaning protocol required throughout 2022 and 2023 in the amount of $1,613,900 for each year. This includes increased cleaning costs at civic facilities and transit buses because of additional staff time, cleaning supplies, security, and personal protective equipment.

Saskatoon Transit and Access Transit - $5,485,000 (2022) and $4,208,900 (2023) Revenue Reduction

The return to pre-COVID-19 ridership levels for Saskatoon Transit and Access Transit is anticipated to take several years. Ridership is dependent on consumer behaviours such as working from home and virtual learning options that may be available after the pandemic. The expected ongoing decrease in revenue for Saskatoon Transit is $5,348,900 and $4,097,700 in fiscal years 2022 and 2023 respectively and $136,100 and $111,200 in fiscal years 2022 and 2023 respectively for Access Transit.

Parking Revenue - $948,300 (2022) and $0 (2023) Revenue Reduction

Parking revenue is projected to be approximately 15% lower than pre-COVID-19 levels through 2022. It is forecast to return to pre-COVID-19 levels in 2023, resulting in a reduction in revenue of $948,300 and $0 respectively in the Transportation Business Line.

Streetscape Reserve - $470,200 (2022) and $0 (2023) Expenditure Reduction

The contribution to the Streetscape Reserve is based on parking revenues. The reduction in parking revenue mentioned above will result in $470,200 and $0 less funding transferred into the reserve.

Development Permits - $59,300 (2022) and $0 (2023) Revenue Reduction

Development permits are expected to be lower by approximately $59,300 in 2022 and recover in 2023. The Development Review Program Stabilization Reserve will not have sufficient funding to cover the amount of the revenue reduction.

Fines and Penalties - $1,038,000 (2022) and $0 (2023) Revenue Reduction

The reduction in parking metre usage results in fewer parking tickets being issued, generating an estimated reduction in parking fines of approximately $638,000. In addition, the reduction in traffic violations issued by the Saskatoon Police Service is expected to continue into 2022 resulting in a $400,000 revenue reduction.

Land Surplus Operating Contribution - $224,200 (2022) and $174,000 (2023) Expenditure Increase

The transfer from Saskatoon Land for parking revenues, which shows as an expenditure decrease within the Taxation and General Revenue Business Line, is expected to be lower in 2022 by $224,200 and $174,000 in 2023.

Municipal Revenue Sharing - $6,043,100 (2022) and $2,141,600 (2023) Revenue Reduction

Municipal Revenue Sharing (MRS) revenue is an unconditional transfer from the provincial government. It is based on Provincial Sales Tax (PST) revenue realized by the Saskatchewan Government in a fiscal year that concludes about 18 months prior to when the transfer is officially made. For 2022, MRS is based on provincial PST revenues for the fiscal year end March 31, 2021. As such, the MRS is anticipated to decrease by an estimated $6,043,100 in 2022. It is forecast to see a partial recovery (increase) of $3,901,500 in 2023.

2022 and 2023 Revenue Projections

This document explains the budgeted revenues that impact the indicative rate for 2022 and 2023. All amounts stated within this appendix will be shown as 2022 and 2023 respectively unless otherwise stated. Additionally, only transfers such as surplus operating contributions, Return on Investment (ROI) or Grants-in-Lieu (GIL) from Utilities and Land Development are included in these numbers; all other Land Development and Utilities revenues are excluded as they are self-balancing and do not impact the proposed indicative rates.

Overall, the Administration is anticipating total revenue increases of $3,146,900 and $5,063,200 respectively (exclusive of any potential property tax increases). These revenue increases are the combined total from sources such as GIL, general revenues, user fees, government transfers and anticipated growth in the tax base. Unlike federal and provincial orders of government, municipal governments are limited in terms of how they raise revenues and are legislatively required to produce a balanced budget each fiscal year. This produces a strong budgetary constraint, limiting the City's fiscal flexibility to address persistent fiscal shocks.

The minimal non-tax revenue growth for these two years has a significant negative impact on the indicative rate, as non-tax revenue increases are required to offset some expenditure increases. Without consistent and sustainable growth in non-tax revenue, the City relies on property tax increases to fund operations.

With that context in mind, the Administration has removed some revenue decreases or, in some cases, increased revenue assumptions as proactive measure to limit the increase in the indicative rate. These amounts are shown as "Administrative Adjustments" in this appendix and have been excluded from the indicative rate calculation.

Moreover, the Administration has spread out the amounts required over several years to lessen the property tax impact. Similar adjustments were made for expenditures. To realize these assumptions, the proposed amounts will require cost saving measures to be implemented throughout the corporation, including, but not limited to, spending restrictions or freezes.

One of the larger revenue impacts facing the City in fiscal year 2022 is a forecasted decrease of about 10.7% (or $6 million) due to Municipal Revenue Sharing. The implications of this are explained in Appendix 1.

In addition, ongoing revenue impacts from COVID-19 such as Transit revenues are also not included in this summary and can be found in Appendix 1. All amounts listed in Appendix 1 will require one-time funding to balance the budget.

The revenue assumptions (or forecasts) that are included in the indicative rate are explained for each business line below. Table 1 offers a summary of the forecasted revenue assumptions for each business line.

Table 1 – Revenue

Business Line	2022 Revenue (Increase)/Decrease	2023 Revenue (Increase)/Decrease
Community Support	(58,300)	(35,700)
Corporate Asset Management	31,700	9,600
Corporate Governance and Finance	(1,303,700)	298,700
Environmental Health	(50,000)	-
Recreation and Culture	(267,000)	(354,900)
Taxation and General Revenues	(1,636,900)	(4,992,600)
Transportation	109,100	31,500
Urban Planning & Development	28,200	(19,800)
Total Revenue Increase	**$(3,146,900)**	**$(5,063,200)**

Community Support - $58,300 (2022) and $35,700 (2023) Revenue Increase
Animal Licenses and Perpetual Care revenues are expected to increase in 2022 and 2023. The rates and fees assumed for animal license increases will be reviewed and approved during the Business Plan and Budget Review.

Corporate Asset Management - $31,700 (2022) and $9,600 (2023) Revenue Reduction
Lease revenue from properties is expected to decrease in 2022 and 2023.

Corporate Governance and Finance - $1,303,700 (2022) Revenue Increase and $298,700 (2023) Revenue Reduction
Administrative Adjustments: The revenue reductions in Appendix 1 for the COVID-19 impacts consider the revenue reductions that are expected; however, they do not account for the annual expected and necessary increases in revenue that are imperative to provide services. The Administration has made conservative estimates for revenue increases in various business lines and to help ensure the indicative rate is lower and buffer uncertain revenue projections, the Administration has increased projected general revenue amount by $1,600,000.

The smaller decreases in revenue are due to a base budget adjustment to match Administrative recoveries from the Utilities and is split over four years to help keep the indicative rate lower.

Environmental Health - $50,000 (2022) and $0 (2023) Revenue Increase
The loss of a contract at the Compost Depot is expected to result in a loss of revenue of $30,000 in 2022. Additional Multi-Material Stewardship Western (MMSW) revenue of $80,000 is expected in 2022 (which will be fully offset by Household Hazardous Waste expenditures).

Recreation and Culture - $267,000 (2022) and $354,900 (2023) Revenue Increase
Rate and volume increases at the Forestry Farm Park and Zoo, Leisure Centres, Outdoor Rinks, Pools, and Sports Fields, will result in revenue increases in both 2022 and 2023. The rates assumed for these increases will be reviewed and approved during the Business Plan and Budget Review.

Taxation and General Revenues - $1,636,900 (2022) and $4,992,600 (2023) Revenue Increase

- Fines and Penalties base revenue budget is approximately $400,000 too high compared to historical actuals. The Administration is proposing to not correct this base budget item in 2022 to keep the indicative rate lower, however, is proposing to reduce revenues by $200,000 in 2023, and then another $200,000 reduction in revenue would be required for 2024 to address this ongoing base budget issue.
- License revenue for mobile vendors or transient traders is decreased by $21,200 in 2022 to reflect the average actual revenues received.
- Property Tax Assessment Growth increase in revenue is expected to be $1,289,200 and $3,451,000 respectively.
- Provincial Utilities Franchise Fees revenue is expected to increase by $748,800 and $608,500 respectively.
- GIL of Taxes is expected to be lower in 2022 by $47,400 and an increase of $650,900 in 2023. This is made up of the federal and provincial GIL which is expecting to be no change in 2022 and an increase of $240,500 in 2023, a decrease from the Land Bank Program of $27,800 and $227,300 respectively, and City Utility decrease of $19,600 in 2022 and an increase in 2023 of $637,700.
- The ROI revenue from the Water and Wastewater Utilities is expected to increase by $380,900 and $99,100 respectively. The amount in 2023 is the net of $599,100 increase from the Water and Wastewater Utilities and a decrease of $500,000 in Saskatoon Light and Power ROI. The decrease of $500,000 is to support Saskatoon Light and Power's infrastructure maintenance requirements that have been eroded in recent years due to no rate increases and declining sales volumes which are required to offset growth and inflationary related cost increases.
- Interest Revenue is expected to decrease by $1,705,200 in 2022 due to interest rates being lower than previous budgets and then increase in 2023 by $343,900. Administrative Adjustments: Future rates are unknown; therefore, the Administration has only reduced the interest rate by $1,111,600. This decrease will be partially offset within the expenditure section by a transfer from the Interest Stabilization Reserve.
- Taxation Revenues from servicing agreements and tax penalties are expected to increase by $398,200 and $39,200 respectively.

Transportation - $109,100 (2022) and $31,500 (2023) Revenue Decrease

- A base budget revenue decrease of $34,100 in both 2022 and 2023 is required as actual revenues for vehicle permit fees, right-of-way permits and sidewalk crossing permits have been lower than the originally optimistic budget. This amount has been split over the two years to help keep the indicative rate lower.
- A base budget revenue decrease of $32,000 is also required in 2022 for parking ticket enforcement as late ticket fees have been historically low in prior years.
- The Temporary Reserve Parking program is expected to be $43,000 lower in 2022 due to a decrease in construction.
- The Parking Permit program is expecting a small increase in revenues of $2,600 in 2023.
- The impact of the approved revisions to Parking Revenue Formula have been included in the estimates in the Parking, Urban Design and Business Improvement Districts Service Lines. The net impact of these changes is a mill rate increase of $54,700.

- Administrative Adjustments: Although the Impound Lot budgeted revenue is higher than historical actuals by approximately $40,000, the Administration is not reducing this revenue to match to actuals.
- Transit Revenues are not included in the indicative rate numbers as they are found in Appendix 1 which speaks to ongoing COVID-19 related impacts.

<u>Urban Planning and Development - $28,200 (2022) Revenue Decrease and $19,800 (2023) Revenue Increase</u>

- Mapping sales revenue and Development Review revenue are expected to decrease by $10,000 in 2022.
- Development Review revenue is expected to decrease by $18,200 in 2022 and increase by $19,800 in 2023 which are both offset by the transfer to the Development Review Program Stabilization Reserve. The rates assumed for these increases will be reviewed and approved during the Business Plan and Budget Review.

2022 and 2023 Expenditure Projections

This document explains the budgetary expenditures that impact the indicative rate for 2022 and 2023 fiscal years. All amounts stated within this appendix will be shown as 2022 and 2023 respectively unless otherwise stated. The expenditures in this document include growth and inflationary adjustments, base budget adjustments, and in 2022 the reversal of the electrical rebate that was received in 2021. Land Development, Utilities expenditures and other non-mill rate programs are excluded as they are self-balancing and do not impact the proposed indicative rates.

Overall, the Administration is anticipating total expenditure increases for the indicative budget to be $15,558,000 and $17,576,600 respectively. In typical budget years the increase in revenues helps to offset any increases in expenditures; however, as shown in both Appendices 1 and 2, the revenue increases were abnormally low largely due to year-over-year decreases in interest revenues and Municipal Revenue Sharing. These revenue decreases have a large impact on the indicative rate.

To mitigate this revenue impact thereby producing a lower indicative rate, the Administration, excluding Saskatoon Police Service, implemented a cap on expenditures, not including salaries, to an increase of 1% where possible. This accounts for both growth and inflation. Some areas have mandated increases from contracts or agreements, therefore, reductions to 1% were not possible. To keep expenditure increases in the 1% range, where possible, the Administration has removed some proposed expenditure increases. These amounts are shown as “Administrative Adjustments” and are excluded from the indicative rate. Moreover, the Administration has spread out the amounts required over several years to lessen the property tax impact.

Ongoing expenditure impacts for COVID-19 are not included in these numbers and can be found in Appendix 1. These require one-time funding to balance the budget.

Indicative Rate Inclusions

The expenditure amounts included in the indicative rate are explained below by business line, unless otherwise stated. All expenditures are shown in the business line where they originate for this report, but in the final budget deliberations, some of these expenditures will be allocated amongst various business lines. For example, the insurance increases, which are currently allocated to the Corporate Governance and Finance Business Line will be allocated in relative amounts to various Business Lines by the time documents are submitted for budget deliberations.

Table 1 Summarizes the 2022 and 2023 expenditure increases that are driving the indicative rate.

Table 1 – Expenditure Increases

Business Line	2022 Expenditure Increase/(Decrease)	2023 Expenditure Increase/(Decrease)
General Increases (not business line specific)	$4,693,600	$3,026,200
Electricity Rebate (not business line specific)	1,020,800	-
Arts, Culture and Event Venues	313,200	276,200
Community Support	664,300	1,108,500
Corporate Asset Management	463,700	615,900
Corporate Governance and Finance	810,300	2,235,500
Environmental Health	383,300	435,600
Recreation and Culture	292,800	395,300
Saskatoon Fire	492,000	681,000
Saskatoon Police Service	4,665,500	4,836,300
Taxation and General Revenues	(360,600)	683,500
Transportation	1,915,800	3,204,700
Urban Planning and Development	203,300	77,900
Total Expenditure Increase	**15,558,000**	**17,576,600**

Overall Corporate Increases - $4,693,600 (2022) and $3,026,200 (2023) Expenditure Increase
Expenditure estimates for salary collective bargaining increases, reserve contributions in accordance to bylaws, corporate utility increases, and increases to the Civic Building Comprehensive Maintenance (CBCM) Reserve have been prepared for the indicative rate process. They are included as General Increases but will be distributed to individual business line.

10% Electrical Rebate Removal - $1,020,800 (2022) and $0 (2023) Expenditure Increase
In 2021 the City received a 10% Electricity Consumption Rebate as part of the Saskatchewan Government's plan to reduce electricity rates by 10% which amounted to $1,020,800. Because the rebate was a one-time measure, it was removed from the 2022 budget, resulting in an expenditure increase. Again, for the purposes of the indicative processes, this amount is not yet allocated to any specific business lines.

Arts, Culture and Events Venues - $313,200 (2022) and $276,200 (2023) Expenditure Increase
The City contributes to the Remai Modern and TCU Place CBCM contribution, resulting in an increase of $167,300 and $167,700 for Remai Modern and $59,900 and $20,500 for TCU Place. Additionally, an increase of $86,000 and $88,000 to the Remai Modern's operating subsidy is proposed to address inflationary increases.

Community Support - $664,300 (2022) and $1,108,500 (2023) Expenditure Increase

- Animal Services expenditures are estimated to increase by $48,200 and $31,400 due to the contract with the Saskatoon Animal Control Agency.
- Administrative Adjustments: A phase-in of $15,000 a year is required to the Animal Services Reserve; however, the Administration has removed this amount in 2022.
- Cemeteries expenditures are estimated to increase by $600 in 2022 due to fuel increases.
- Community Development expenditures are estimated to increase by $20,900 and $8,400 for increase to water expenditures and grants associated with new rinks in Stonebridge and Rosewood, community association grants in Brighton, and an inflationary increase to the Heritage Reserve contribution.

- Community Investment and Support expenditures are estimated to increase by $594,600 and $1,068,700 for several items:
  - SPCA Cruelty Investigations, Youth Sports Subsidy, SREDA and Tourism, taxation abatements, increases to other organizations such as Meewasin, and Wanuskewin.

- Administrative Adjustments: The Youth Sports Subsidy requires an additional increase of $49,800 in 2022, however, the Administration has not included this in the 2022 indicative rate.

<u>Corporate Asset Management - $463,700 (2022) and $615,900 (2023) Expenditure Increase</u>

- Facilities Management includes costs for increasing the safety protocols of arena ammonia plants, materials and supplies increases totaling $76,400 and $45,000. Additional workload for preventative maintenance and new buildings requires additional resources for a maintenance person and a building operator in 2023 for $150,700. Utility expenditure increases of $321,600 and $355,000 are expected due to natural gas and water rates.
- Administrative Adjustments: Although an additional Building Operator is required in 2022, the Administration has removed the request for this position in the amount of $80,300. An additional $102,500 is expected within the natural gas increase, however, the Administration has not included this in the 2022 indicative rate.
- Fleet Services requires an additional mechanic in 2022 and a mechanic helper in 2023 for an estimated cost of $85,700 and $65,200 to maintain the fleet and equipment for Parks operations.

<u>Corporate Governance and Finance - $810,300 (2022) and $2,235,500 (2023) Expenditure Increase</u>

- Assessment and Taxation proposed expenditure increase of $10,800 is required in 2023 related to software contracts.
- City Manager's Office proposed expenditure increases for $18,300 and $9,900 is required for inflationary items on salaries.
- City Solicitor's Office proposed expenditure increases of $19,700 and $10,000 are for publication, postage, and legal disbursement increases. Additionally, the City's insurance costs are expected to increase by $520,300 and $807,900 respectively.
- Administrative Adjustments: The insurance premium in 2022 is expected to be $820,300, however, the Administration reduced that amount by $300,000 for a net increase of $520,300 in 2022.
- Corporate Support proposed expenditure increases of $709,700 and $978,000 includes:
  - Information Technology (IT) related expenditures for cyber security increases that have been spread out over the two years for $425,000 in each year; four Project Managers are required within IT which will be partially offset from savings within the service line or partially funded through Utilities for a net expenditure of $31,300, and software costs increases of $203,300 in 2023.
  - New positions in Human Resources for a Talent Acquisition Specialist position in 2022 and an Organizational Development Consultant position in 2023 totaling $105,000 and $124,000; in Indigenous Initiatives for an Administrative Coordinator totaling $34,500 in 2022; in Communications for a Communications Consultant and Administrative Coordinator in 2023 for $144,100; and in Organization Performance for a Portfolio Manager totaling $60,000 in 2022.

  - Expenditure increases for computer equipment, additional software, and licensing in the amount of $53,900 and $81,600.
  - Administrative Adjustments: Expenditure increases of $1,251,700 and $108,400 were not included by the Administration to keep the indicative rate lower. These expenditures were proposed for Microsoft licensing costs, a Media Relations Consultant, and a Communication Consultant.

- General Services expenditures are estimated to decrease by $618,200 in 2022 and increase by $403,200 in 2023, due to $400,000 and $403,200 for corporate increases on payroll related rates such as WCB, or CPP amounts. Additionally, there are savings of $38,200 in 2022 for the EFAP office space rental that will not be required. The Administration does require Disability Case Management resources, however, the expenditure amount of $250,000 is expected to be mostly offset through savings. Therefore, this amount is not included in the indicative rate. A small increase of $6,000 in 2022 is required for banking fees and $14,000 for World Council on City Data certification.
- Administrative Adjustments: The Administration made the decision to reduce an additional $1,000,000 globally from expenditures in 2022 to keep the indicative rate lower. This is not an amount that is allocated to one area or service of the City and the Administration will be required to find global savings in all areas to offset this amount.
- Service Saskatoon expenditure increases of $129,800 are required for hosted contact centre and an FTE for a Customer Service Manager.
- Legislative includes $11,200 and $2,900 for estimated increases in Mayor and Councilor expenditures.
- Revenue Services includes $19,500 and $3,700 for increases on software maintenance, equipment, and postage rates.
- Financial Services increases in 2023 of $9,100 are for membership and inflationary increases.

<u>Environmental Health - $383,300 (2022) and $435,600 (2023) Expenditure Increase</u>

- Sustainability proposed expenditure increases of $118,600 and $109,800 for increases to the Household Hazardous Waste Days and automation of greenhouse gas tracking and monitoring software.
- Administrative Adjustments: Additional proposed expenditures of $193,000 and $109,500 for base budget items for the Household Hazardous Waste growth are not included in the indicative rate.
- Urban Biological Services expenditures are estimated to increase by $400 and $12,800 due to impacts from new park development.
- Urban Forestry expenditures are estimated to increase $33,400 in 2023 for a Contract Administrator and additional tree planting.
- Administrative Adjustments: Expenditures of $11,300 for tree planting in new parks is not included in the indicative budget in 2022. The Administration will work to absorb this proposed cost within the existing budgets.
- Waste Handling Service proposes expenditure increases of $169,300 and $111,000 attributed to increased collection containers due to growth and inflationary costs, including fuel.

- Waste Reduction proposes expenditure increases of $95,000 and $168,600 for additional resources such as an Environmental Coordinator, Environmental Protection Officer and Environmental Operations Superintendent.
- Administrative Adjustments: Expenditures of $128,300 are not included in 2022. These expenditures were estimated for contract increases for compost operations and overtime and municipal engineering services expected.

Recreation and Culture - $292,800 (2022) and $395,300 (2023) Expenditure Increase

- Community Partnerships proposed expenditures of $47,400 and $47,000 to move an Open Spaces Consultant position from Capital projects into operating over the two-year period. The duties of this position are tied to the partnership administration process.
- Forestry Farm Park and Zoo proposed expenditures of $33,500 and $24,400 allocated to a new utility vehicle, additional security patrols, and contractual increases for feed and maintenance.
- Leisure Centres proposed expenditure increases of $23,100 and $18,700 to pay for increases to instructor contracts and radio shop service.
- Administrative Adjustments: Expenditures of $169,900 are not included by the Administration. These are for program staffing and utility volume increases in 2022.
- Marketing Services proposed an expenditure increase of $26,000 in 2023 to transition a Communications consultant from part-time to a full-time position.
- Administrative Adjustments: Expenditures of $82,000 for a Marketing Coordinator was not included in 2022.
- Outdoors Pools is estimating an expenditure decrease of $13,500 in 2022 due to Utility savings.
- Outdoor Sports Fields projects expenditure increases of $77,200 and $38,800 due to improvements to infield shale and maintenance inflationary costs.
- Parks Maintenance and Design expenditure increases of $103,600 and $240,400 are for the operating impacts of the new park development including additional Labourer positions in 2023.
- Playground and Recreation Areas increase of $21,500 in 2022 is for a partial recreation position and a contracted social worker.

Saskatoon Fire $492,000 (2022) and $681,000 (2023) Expenditure Increase

- Emergency Management requires $14,000 in 2022 for a base budget adjustment as the amounts for cost recovery have been too high in past years. An additional $110,000 is required in 2023 for an EMO Business Continuity Manager.
- Fire Services estimated expenditures includes additional funding for the Apparatus and Small Equipment reserves, apparatus maintenance, as well as purchase of new equipment in the amounts of $240,000 in each year. 0.5 FTE additional Bylaw Inspector is required in 2022 which will be recovered by demolition cost recovery resulting in an $8,000 decrease to the expenditures, and an additional Bylaw Inspector in 2023 for an expenditure increase of $85,000. Fire Building Maintenance has been underfunded in previous years by approximately $30,000. The Administration has phased this amount in over both 2022 and 2023 for $15,000 each year to help keep the indicative rate lower. 5.0 additional Firefighters are required and will be hired in July 2022 to help spread the increase over the two years for $231,000 required in each year.

Saskatoon Police Service - $4,665,500 (2022) and $4,836,300 (2023) Expenditure Increase
Saskatoon Police Service provided this estimate for their indicative budget requirements; however, they continue to work through the details of their budget and will refine further in preparation of their presentation to the Saskatoon Police Board in August 2021.

Taxation and General Revenues - $360,600 (2022) Expenditure Decrease and $683,500 (2023) Expenditure Increase

- General Revenue includes a transfer from the Interest Stabilization Reserve in the amount of $650,000 in 2022 to partially offset the interest revenue reduction that is expected. In 2023 there is an equal amount transferred back to replenish this reserve when revenue is expected to increase. The Interest Stabilization Reserve has a balance of $1,065,500 before these transfers.
- Other Levies expenditure increases of $289,400 and $33,500 are for The Banks tax abatement and River Landing tax transfer.

Transportation - $1,915,800 (2022) and $3,204,700 (2023) Expenditure Increase

- Transit and Access Transit estimated expenditure increases of $998,300 and $945,200 are due to increases in reserve contributions, inflationary increases for the Civic Operation Centre operations, operating impacts from the Masabi system, Trapeze Cloud Managed Services, Transit Master, fuel and inflationary increases.
- Administrative Adjustments: The Administration has not included $450,400 in 2022 for maintenance costs and fuel consumption.
- Bridges, Subways and Overpasses includes inflationary adjustments of $63,700 and $64,900 for the Chief Mistawasis and North Commuter Parkway operations.
- Engineering estimated expenditure increases of $43,200 in each of 2022 and 2023 are for operational support work on the redevelopment initiative, connection desk, and GIS work.
- Administrative Adjustments: Impound Lot has no expenditure increases as the Administration chose not include $15,800 and $6,000 expenditures to balance the Impound Lot for a historical overage and security increases.
- Parking expenditure increases of $14,400 and $35,100 are for Commissionaires contract increases, lot lease increases, and Cale Web Office increase.
- Road Maintenance increases of $322,300 and $1,391,800 include gasoline and diesel inflationary increases, additional resources for Operation Maintenance Coordinators and Superintendents, and additions to capital reserves in 2023.
- Administrative Adjustments: An expected amount of $1,229,400 for transfer to reserves was not included in 2022. This removal of the transfer may affect the Building Better Roads Asset Management Plans; however, it will depend on contract pricing therefore the Administration opted to remove the transfer to keep the indicative rate lower.
- Snow and Ice Management projected expenditure increases of $282,800 and $283,500 are for growth related to additional lane kilometers, additional Equipment Operators and inflationary costs.
- Street Cleaning and Sweeping estimated expenditure increases of $52,200 and $69,000 are growth related for additional lane kilometers, gas and diesel and inflationary increases.
- Street Lighting estimated expenditure increases of $82,100 and $194,700 are for operations of additional streetlights in 2023 and an increase in electrical rates for both years.

- Administrative Adjustments: The increase in additional streetlights in 2022 was not included in the amount of $50,400
- Transportation Services expenditure increases of $56,800 and $177,300 are growth related to additional lane kilometers for signing and marking, signalized intersections and pedestrian crossings and computer replacements.
- Administrative Adjustments: Expected expenditures related to growth of $130,600 are excluded from the Transportation Services amounts.

Urban Planning and Development - $203,300 (2022) and $77,900 (2023) Expenditure Increase

- Business Improvement Districts estimated expenditure increases of $200,200 and $6,500 are for increases to the Business Improvement District grants which are offset by a transfer to the Streetscape Reserve and for inflationary increases.
- Development Review expenditure increases of $139,300 and $79,100 are for an additional Customer Service Manager and an FTE identified as an operating impact from the Zoning Bylaw Review Capital Project. The 2023 increase is the transfer to the stabilization reserve, which is an offset to increased revenues.
- Administrative Adjustments: Long Range Planning has no expenditure increase as the Administration chose not to include an increase of $47,000 to move 0.3 of an FTE that is currently funded from the Planning Levy to the mill rate. The Planning Levies received annually are not sufficient to cover all expenditures allocated to the levy.
- Neighbourhood Planning expenditure increases of $493,700 and $9,500 are for the Community Safety Officer program which is offset by a reduced transfer to the Streetscape Reserve.
- Regional Planning expenditure increase of $6,500 and an expenditure decrease of $5,700 are due to the P4G grant and an offset in 2023 due to the District Planning Office winding down.
- Research and Mapping expenditure increase of $1,000 is for staff training in 2022.
- Urban Design expenditure decreases of $637,400 and $11,500 are for a reduction in the transfer to the Streetscape Reserve to offset a number of the expenditures within Urban Planning and Development in 2022 and for inflationary increase in 2023.

Expenditures Increases Required Outside of Indicative Rate

Phased-in Increase for Environmental Health

City Council previously approved a phase-in for four years starting in 2020 to help address Waste Handling budget issues and to implement a City-Wide Organics Program; 2022 and 2023 are the final two years of this phase-in. In 2022, $2,225,600 is being added in Garbage Collection, and $2,183,700 in 2023 towards the City-Wide Organics Program.

Bus Rapid Transit Funding Plan

Phase-in amounts are required for the Bus Rapid Transit (BRT) Funding plan in the amount of $687,000 and $95,000. A revised BRT funding plan will be presented at the 2022/2023 Business Plan and Budget Review for further information on these increases and future increases required.