



## **FREQUENTLY ASKED QUESTIONS LONG-TERM FINANCIAL SUSTAINABILITY PLAN: 2015 - 2025**

The City of Saskatoon (City) is faced with several issues including aging infrastructure, growth, rising costs, limited funding and limited funding tools. In addition, uncertainty exists around external sources of funding (e.g. government grants) and regulatory changes (e.g. environment, pensions). What happens if Saskatoon has an economic downturn?

Long-term financial planning can provide both the Administration and City Council with the context to attempt to resolve the above issues. Long-term financial planning encompasses planning, analysis, and forecasting. The result is information that can be used to make decisions to maintain a municipality's fiscal health and balance. This information can also be used to put plans in place to begin to address the above-noted issues.

The Long-Term Financial Sustainability Plan is in line and consistent with the City's overall Strategic Plan, and specifically, the Strategic Goal of Asset and Financial Sustainability.

Below are some frequently asked questions about the Long-Term Financial Sustainability Plan (the Plan) and the key findings from the Hemson Report.

### **Why does the City of Saskatoon have a new ten-year financial plan?**

The intent of the Plan is to lay out the City's existing financial policies and practices, as well as identify strategies available to fund the City's needs over the next ten years. All financial decisions made by City Council and the Administration will be vetted against the Plan so that the total financial picture can be considered.

### **What are the financial principles that will guide the City's decisions around long-term money management and planning?**

The City has a number of financial policies, practices, and tools that it uses to efficiently manage and allocate its financial resources. They each support one or more of the following financial principles:

1. Funding of core services are aligned with what our citizens expect;
2. Services are received and funded equitably by all residents;
3. Recognize that there is only one taxpayer and respect their ability to pay;
4. Financial resources are used to address the needs of citizens today and tomorrow; and
5. The City is open, accountable and transparent with respect to resource allocation and collection.

## **What is the City's current financial position?**

The City's financial condition at December 31, 2013, was described in detail in the 2013 Annual Report. The City's consolidated financial assets totalled \$564.1 million and financial liabilities totalled \$511.3 million, resulting in net financial assets of \$52.8 million.

Contributing to the City's financial assets are its many reserves, totalling \$105.9 million as at December 31, 2013.

## **What are Reserves?**

Reserves can be equated to savings accounts. Funds are "reserved" or "saved" for two purposes. The first is for replacement of existing assets. The major advantage of this type of reserve is that when it's time to replace the asset, the funds are there; the capital project does not need to be vetted against other capital projects for general capital funds.

The second purpose is to reserve funds for future expenditures, or to assist the City in funding assets to accommodate increased capacity. Examples of reserves that the City has are: Bridge Major Repair Reserve, Paved Roadway Reserve, Active Transportation Reserve, Traffic Noise Attenuation Reserve, Infrastructure Water and Sanitary Sewers Replacement Reserve, and Reserve for Capital Expenditures.

Overall, the City's reserves are healthy.

## **What is the City of Saskatoon's debt?**

*The Cities Act* requires that the Saskatchewan Municipal Board (SMB) set a debt limit for each city.

The City's total debt as at December 31, 2013, was \$234.5 million. An additional \$25 million was borrowed in 2014 which was partially offset with debt retirements for a revised total of \$238.1 million to the end of 2014.

## **The City of Saskatoon received an "AAA" Stable Credit Rating from Standard & Poor's? What does that mean for the City?**

Once again for 2015, the City received an "AAA" stable credit rating from Standard & Poor's rating agency. This rating takes into consideration the City's "strong cash and liquidity levels that exceed relatively low debt, well performing economy and strong operating budgetary performance."

Standard & Poor's rates the City on a number of factors, including the City's ability to service debt, the current level of debt burden, as well as the City's strong reserve balances.

The City's debt makes up only one factor of the credit rating. The Administration does, however, provide the rating agency with future planned debt to ensure there are no unanticipated impacts on future ratings.

It should be noted that while holding an "AAA" credit rating is an indicator of strong financial health, the question exists as to how to maintain this rating and not potentially impact decisions that might override the approval of important and beneficial projects.

**Is the Long-Term Financial Plan flexible? Will it change as Saskatoon changes, for example, with continued rapid growth, and the addition of new infrastructure the City needs?**

Yes, the Plan is flexible, and is intended to be updated on a regular basis so the City's financial decisions will continue to be made from a sustainable standpoint. City Council will be updated with the status of the various recommendations, and any new issues will be brought forward.

The plan will be able to react to changes in economic realities that may call for the need to spend, and importantly, address the City's ability to fund.

**What has the City considered when making decisions and policies around financial planning so far?**

The Administration considers:

- best practices;
- paying close attention to its debt levels and capacity;
- specially prepared reports such as *The Hemson Growth Study*;
- preparing a five-year capital improvement plan; and
- ensuring funding plans are in place *prior* to moving forward on our large capital projects.

Preparing ten-year projections on revenues and expenditures will now assist the City to develop guidelines that move towards meeting the long-term goal of managing the City in a smart, sustainable way.

**What else does the new Long-Term Financial Sustainability Plan include? What issues are addressed that affect the City of Saskatoon?**

The Plan details the City's current financial position and includes a five-year high-level projection of funding sources, expenditures, and where the money will be invested.

Key issues that are addressed in the Plan include the City's aging infrastructure, city growth, limited funding tools, rising costs, uncertainty around external sources of funding, and regulatory changes.

The Plan focuses on issues that include the City's Asset Management Funding Strategies, Alternative Revenues, City Growth Plan, Housing, and Pension Sustainability.

### **How will success be measured for the Long-Term Financial Sustainability Plan?**

There are several ways to measure success of the Plan. The City should see improvement in its asset condition, enhancement in the quality of life, a growing city, less reliance on the property tax and/or other government funding sources, and an increase in citizens' satisfaction levels.

The Administration will monitor and report on our progress in the following ways, through what we call Performance Indicators:

1. Municipal property tax per capita;
2. Property tax as a percentage of total revenues;
3. Annual property tax change that is an amount equal or less than the Municipal Price Index; and
4. Long-term tax-supported debt cannot be more than \$1,750/person.

To find additional information related to the City of Saskatoon's Budget & Finances, visit [saskatoon.ca](http://saskatoon.ca), look under City Hall > Budget & Finances.

Watch for new financial information on related topics such as how the City is paying for growth, how the City allocates property tax dollars to civic services, and why property taxes have increased, to be added under the Budget & Finances section of the website.

Upcoming opportunities where the public can participate and share their priorities and preferences around how the City balances its annual budget will also be listed on [saskatoon.ca](http://saskatoon.ca).