



2022 23

Multi-Year Budget

INTRODUCTION TO THE 2022/2023 PRELIMINARY MULTI-YEAR BUSINESS PLAN AND BUDGET

LIVE + WORK + LEARN + PLAY

FOR CITY COUNCIL REVIEW
November 29, 30 and December 1, 2021

MESSAGE FROM THE CITY MANAGER



November 15, 2021

Your Worship and Members of City Council

I am pleased to present Administration's **Preliminary 2022 and 2023 Multi-Year Business Plan and Budget**, the City's second Multi-Year Business Plan and Budget, for your consideration. The City is on a transformational journey to continue improving processes and technology, and our business planning and budget process is one output of this journey. This document is an important step in enhancing the City's strategic decision-making, transparency and accountability.

Our new 2022-2025 Strategic Plan is driven by the work we will do to advance City Council's ten priority areas, deliver excellence in core services and operational priorities and drive corporate transformational change. It provides the focus for our investment decisions and sets out a roadmap for what we plan to accomplish over the next four years.

The City's Business Plan supports the work we will do to achieve the priorities within the Strategic Plan, while the Operating and Capital Budgets allocate the resources to the programs and services to meet the strategic priorities. These are the budget building blocks that link everything together to enhance the high quality of life we enjoy in Saskatoon today and for the future.

The proposed 2022/2023 Multi-Year Budget aims to control expenditures, manage debt levels, maintain assets in an appropriate condition and keep property taxes and fees as low as possible while maintaining existing service levels. It is important to note this budget was constructed under very different circumstances than the City's first multi-year budget two years ago.

The ongoing COVID-19 pandemic has greatly impacted the City's non-tax revenue sources, such as user fees and government transfers. While these revenue sources were already suffering from minimal growth before COVID, the pandemic has shone a spotlight on the City's operating revenue challenges.

Considering this, the City has worked very hard to control expenditures by practicing fiscal discipline to find savings and efficiencies across all our 14 business lines. As a result, our expenditure growth has been at or below the combined rate of inflation and population growth over the last several years.

While some cities have just started this process, the City has been on an efficiency agenda for over a decade. Continuous improvement initiatives undertaken by the Administration are shared with City Council and the community through the City's annual [Report on Service, Savings, and Sustainability](#). Through our new Fusion (ERP) systems, the City is now implementing the next steps of its efficiency agenda by integrating modern technology into our processes to realize even greater savings in the future.

Public input continues to be integral to our budget process and is embedded in the decisions we make. Public feedback received through the two 2021 Civic Services Surveys and from the survey on the [Draft 2022-2025 Strategic Plan](#) will be considered by City Council before they approve the 2022/2023 Business Plan and Budget.

The multi-year budget process will define a clear direction for the City's investments in services that matter most to the citizens of Saskatoon. City Council will review options within the proposed multi-year budget and be tasked with financial decision-making in this challenging year. Once approved, the successful implementation of the City's 2022/2023 Multi-Year Business Plan and Budget will be carried out through the dedication and passion of civic employees.

It's a true honour to work with such a great team of people who all do their part to help make Saskatoon a great place to live, work, learn and play for the citizens of Saskatoon.

Jeff Jorgenson
City Manager



2022/2023 **OPERATING AND CAPITAL** **BUDGET SUMMARY**



SUMMARY OF THE 2022/2023 OPERATING AND CAPITAL BUDGETS

The City of Saskatoon (City) invests in the community to provide the infrastructure, programs and services necessary to improve and maintain 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 learn and play. These core areas reflect the top priorities of the City and the public it serves.

To achieve these priorities, the City allocates the financial, human, and technological resources to support infrastructure and various programs and services. In terms of the budget, the City produces two distinct types of budgets each year; **operating and capital**.

The City's Operating Budget provides for the day-to-day expenses to keep the City's operations running. This budget allocates the costs for civic services and programs the citizens of Saskatoon rely on every day. It also matches the sources of revenue to pay for those services, including property taxes, user fees, licenses, and government grants.

The **2022 Operating Budget** is proposing total operating expenditures of \$566.0 million, an increase of \$19.3 million, or 3.54%, over the 2021 Operating Budget.

The **2023 Operating Budget** is proposing total operating expenditures of \$581.3 million, an increase of \$15.3 million, or 2.70%, over the 2022 Operating Budget.

The increases in operating expenditures are recommended as a result of two key considerations:

- 1. The cost to maintain existing services.** Every year the City is faced with increases in expenditures as a result of inflationary requirements such as cost of living increases to wages, contractual obligated increases to contractors and vendors, and utility rate increases. In addition, as Saskatoon grows, there is the need to provide the existing service level over an expanded service area. For example, new neighbourhoods require transit service, street sweeping, roadway and park maintenance, and garbage collection, among other requirements. Without increases to the civic budget to account for inflation and growth pressures, the City would be unable to provide the existing level of service. **The total expenditure increase within the Business Plan and Budget to address inflation and growth pressures is \$13.0 million in 2022 and \$10.0 million in 2023 (excluding Police).**
- 2. Service level improvements.** Based on City's 2022-2025 Strategic Plan, there are several areas that City Council has directed the Administration to prioritize over the next several years. While some of these priorities can be achieved without financial impact, there are several initiatives that require financial investment. Examples include enhanced support for efforts within the reconciliation, equity, diversity and inclusion spaces, community safety, and Bus Rapid Transit.

As required by *The Cities Act*, the City must pass a balanced operating budget each year.

Legislation mandates that the City cannot budget for an operating surplus or deficit unlike federal and provincial governments. Each year, the City must collect 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 as shown below.



2022/2023 Operating Budget

To help pay for the City’s day-to-day operations and to ensure the budget is balanced, **the Operating Budget is proposing a municipal property tax increase of 3.64% and 3.14% for 2022 and 2023 respectively.**

In 2022, 1.0% of property tax is equivalent to \$2.7 million, and in 2023, \$2.8 million.

The proposed property tax increase for 2022 and 2023 will generate an additional \$9.7 million and \$8.8 million respectively for the City’s Operating Budget.

Operating options were presented to the Governance and Priorities Committee in August 2021 to support priorities outlined in the City’s 2022-2025 Strategic Plan. While these options have not been included in the 2022/2023 Preliminary Business Plan and Budget, a corresponding report included in the Business Plan and Budget Review Agenda will outline the available options for City Council’s consideration.

More details on the 2022/2023 Operating Budget, including the proposed property tax increase, are provided later in this document.

2022/2023 Capital Budget

The City's Capital Budget focuses on the long-term, it provides investments in assets for the future of the city. The capital budget provides for the cost of construction, major repairs, major purchases, and the replacement and renewal of assets such as bridges, buildings, roads, technology and equipment.

The City's Capital Budget proposes investing \$274.4 million and \$297.5 million in 2022 and 2023 respectively in various capital projects.

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. Although the City's Capital and Operating Budgets achieve different objectives, there is a relationship between the two.

The City's Capital Budget Is Linked to the Operating Budget

After the City uses the Capital Budget to invest in the initial purchase of an asset, the asset is put into use and will then require operating costs. The Capital Budget does set money aside for the repair and replacement of assets however the City's Operating Budget must also allocate funds to help pay for the regular maintenance of assets as they age.

To pay for some capital projects, the City transfers funds from the Operating Budget to various reserves. These reserves are then used to provide funding 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 ongoing 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. If a new transit vehicle is purchased, it will require a driver and yearly maintenance costs. These obligations, therefore, have an impact on the Operating Budget.

The operating impacts of capital projects are addressed in more detail later in this document.

Capital options aimed at achieving priorities outlined in the City's 2022-2025 Strategic Plan were presented to the Governance and Priorities Committee in August 2021 and prioritized in October 2021. These capital options are included as **unfunded projects** in the 2022/2023 Preliminary Business Plan and Budget, and a corresponding report included in the Business Plan and Budget Review Agenda will outline the available options and recommendation for City Council's consideration.

BUDGET

BUILDING BLOCKS



Planning the Multi-Year Business Plan and Budget

The City's approach to multi-year business planning and budgeting remains the same as the City's first multi-year business plan and budget adopted for 2020 and 2021.

The City's approach to multi-year budget planning and budgeting is intended to:

- **Improve transparency and decision-making** by providing City Council and citizens with more information about where City funds are used. This approach links service costs to service levels and outcomes, and better connects long-term goals to short-term spending decisions;
- **Increase the City's accountability** in delivering civic services to citizens effectively and efficiently, while maintaining its focus on a sustainable future; and
- **Help the City transform** by providing for more regular, ongoing, and thorough examination of civic services to ensure that services are relevant to citizens' needs and priorities.

Through this approach, the City's 2022-2025 Strategic Plan will continue to drive the business planning and budget process.

Collectively, the City's 2022/2023 Strategic Plan, and the Business Plan and Budget are the foundational building blocks that provide the framework to support the City's multi-year budget approach. These pieces help ensure the City's budgeted investments are deliberate, purposeful and supportive of the high quality of life we have in Saskatoon today - and for the future:



2022-2025 STRATEGIC PLAN

In 2012, City Council adopted a 10-year Strategic Plan that reflected the visionary ambitions of people in Saskatoon through the community engagement process, *Saskatoon Speaks*. In 2021, City Council and Administration worked together to create a refreshed 2022-2025 Strategic Plan. The new plan now reflects the insights of our current City Council (elected in 2020), the public and Administration.

The timely update to the Strategic Plan will ensure our programs and services continue to address the needs of the community and our changing city, while staying within our financial means.

VISION

Saskatoon is a great place to live, work, learn and play

MISSION

Our Corporation, the City of Saskatoon, exists to provide excellence in local governance and public service delivery

VALUES

People
Respect
Integrity
Safety
Trust
Courage

The updated plan uses a new framework called the Strategy House to bring together various components of the 2022-2025 Strategic Plan. The City's Vision, Mission, Values, Purpose and Strategic Goals are consistent with previous plans, as they remain relevant today.

Three new pillars form the City's new Strategic Plan framework:

- Advance City Council's Priorities;
- Deliver Excellence in Core Services and Operational Priorities; and
- Drive Corporate Transformational Change.

For more detailed information on the priorities outlined within each pillar view the 2022-2025 Strategic Plan at saskatoon.ca/strategicplan.

City Council is set to finalize and approve the City's 2022-2025 Strategic Plan in January 2022.

Strategic Goals

The Strategic Goals are based on areas that the community, Administration and City Council identified as important. The investment decisions made in the City's 2022/2023 Multi-Year Business Plan and Budget will help us achieve our Strategic Goals and the City's ultimate vision of making Saskatoon a great place to live, work, learn and play.



**Saskatoon invests
in what matters.**



**Saskatoon is the best-
managed city in Canada.**



**Saskatoon grows in
harmony with nature.**



**Saskatoon is a city
on the move.**



**Saskatoon is a warm and
welcoming place for all.**



**Saskatoon is known
for smart, sustainable
growth.**



**Saskatoon thrives
thanks to a diverse local
economy.**

Performance Indicators

In 2022, the City will review current corporate performance indicators and targets and propose updates to best align with the 2022-2025 Strategic Plan.

To view our current performance measurement reporting visit saskatoon.ca/strategicplan and look for the Performance Measures Trends sections.

THE 2022/2023 MULTI-YEAR BUSINESS PLAN

The 2022/2023 Business Plan includes initiatives and projects aligned with the 2022-2025 Strategic Plan. The Business Plan will guide investments, projects, and service levels the City will implement and achieve over the course of the next two years.



The 2022/2023 Business Plan supports service outcomes, performance measures, strategic outcomes, and actions planned within the **City's 14 Business Lines**:

- Arts, Culture and Events Venues
- Community Support
- Corporate Asset Management
- Corporate Governance and Finance
- Environmental Health
- Land Development
- Recreation and Culture
- Saskatoon Fire
- Saskatoon Public Library
- Saskatoon Police Service
- Taxation and General Revenues
- Transportation
- Urban Planning and Development
- Utilities

The City's business planning process ensures resources are provided to priority programs and services. Funding is tied to clear and achievable key actions identified in the 2022-2025 Strategic Plan. In addition, the multi-year business plan provides the framework which allows the City to quickly adapt, respond and adjust to changing municipal, provincial, and federal environments if needed.

2021 Civic Surveys: Final Results

Every other year, the City conducts two civic surveys to measure residents' perceived quality of life in Saskatoon, satisfaction with civic services, areas for improvement, and future priorities. The two surveys were scheduled to be conducted in 2020, but because of the COVID-19 pandemic, they were postponed until 2021.

This year we included additional questions within both surveys on the effects of the COVID-19 pandemic. The questions were aimed at gathering public input to help evaluate the City's response

to the pandemic and also measure the pandemic's potential impact on survey results.

These civic surveys help us identify trends, opportunities, and issues of importance and they also assist in the development of baseline performance data. We will use the survey results to inform decisions related to strategic priorities, budgeting, and service delivery, as well as to highlight opportunities for continuous improvement. The Governance & Priorities Committee received the final survey results on October 18, 2021.



2021 Citizen Satisfaction & Performance SURVEY # 1

88% Quality & Value of Services

88% agreed that they are satisfied with the quality of services provided by the City of Saskatoon. **86%** say they receive very good or good value from the services provided by the City.

87% Quality of Life & Satisfaction

87% of respondents say that they are satisfied with living in Saskatoon. **81%** of respondents rate the quality of life in Saskatoon as good or very good.

84% Communications

84% of respondents are satisfied with the quality of City communications.

77% Public Engagement

77% of respondents say the City provides meaningful opportunities to participate in engagement activities. **67%** of respondents say the City does enough to get the public's input on decisions. **65%** of respondents say the City communicates how it will use public input to help make decisions.

64% Customer Service/Contact the City

64% agree the City provides good customer service averaged across five categories. **55%** of respondents preferred contacting the City by telephone, followed by email **45%**.

34% Balancing the Budget

34% participants prefer a combination of both property tax and user fee increases to balance the budget.


THE FINAL RESULTS ARE NOW POSTED ON OUR ENGAGE PAGE. [HERE'S WHAT WE HEARD!](#)

These results were taken from an average of Telephone and Online Panels.



Strategic Goal Performance Indicators

90%  agreed that the City is effectively providing online services.

72%  agreed that the City is effectively providing a good mix of recreation, sport & cultural facilities year round.

79%  feel Saskatoon is an inclusive and welcoming city.

72%  feel the City does a good job preserving natural resources and protecting the environment.


79%  feel the City is effectively balancing growth throughout the City.

60%  feel the City is investing in a mix of transportation options for moving around.

77%  reported that a friend or colleague would feel safe living in Saskatoon.

54%  feel the City is making downtown an appealing place to live.

Handling of COVID Pandemic

78%  78% feel the City has provided helpful and timely information on impacts to civic services during the pandemic. 76% feel the City has provided a safe environment to access City Hall, a Civic Leisure facility, use Transit, or participate in other City Programs and facilities. 71% feel that the City has provided sufficient online opportunities to conduct my business during the pandemic

Most Important Issues

When asked what is the single most important issue facing the City, the most common responses were:

- COVID-19/pandemic (T: 14%, OP: 16%)
- Public safety/crime/policing (T: 10%, OP: 10%)
- Road maintenance (T Only: 6%)
- Taxes (OP Only: 9%)

Handling of the COVID-19 Pandemic

- The majority agree (T: 85%, OP: 71%) that the City has provided helpful and timely information on impacts to civic services during the pandemic.
- Over 7 in 10 agree that the City has provided a safe environment to access City Hall, a Civic Leisure facility, use Transit, or participate in other City programs and facilities (T: 78%, OP: 73%).
- About 7 in 10 agree that the City has provided sufficient online opportunities to conduct my business during the pandemic. (T: 72%, OP: 70%).



2021 Civic Services Performance, Priorities and Preferences **SURVEY # 2**

PERFORMANCE

Transportation & Utilities

The top three services where respondents reported highest satisfaction are:

- **reliability of electrical services*** (8.4)
- **quality of drinking water** (8.3)
- **speed of water main breaks repairs** (7.5)

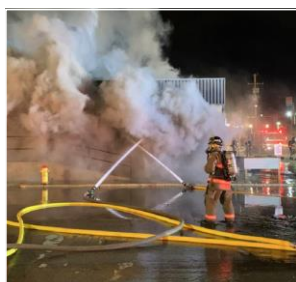
* Reliability of electrical services' is reported for Saskatoon Light & Power customers only.



Community & Public Services

Respondents were most satisfied with:

- **fire protection** (8.1)
- **maintenance of city parks** (7.6)
- **police services** (7.5)



Waste Management

Respondents were satisfied with:

- **garbage collection** (8.0)
- **recycling collection** (7.8)
- **landfill services** (7.4)



Recreation & Culture

Respondents were most satisfied with:

- **indoor leisure centres** (7.8)
- **outdoor sports fields** (7.8)
- **paddling pools and spray parks** (7.7)



Satisfaction with City Services (Performance)

- Reliability of electrical services, quality of drinking water, and speed of water main break repairs remain the top transportation and utility services where residents are most satisfied.
- Fire protection, maintenance of city parks, and police services are the top community and public services residents are most satisfied with.
- Indoor leisure centres, outdoor sports fields, paddling pools and spray parks, and recreation programs and services are the top recreation and culture services where residents are the most satisfied.

City residents were asked to rate services provided by the City on a **10-point scale**.



SERVICE PRIORITIES

Key Weaknesses (Improve)

- Snow & ice road maintenance
- Maintenance of major roadways and freeways
- Traffic management
- Street maintenance in your neighbourhood **(T only)**
- Accessibility of infrastructure for people with disabilities
- Planning for growth and development



Key Strengths (Maintain)

- Quality of drinking water
- Reliability of electrical services*
- Fire protection
- Police services **(T only)**
- Garbage collection
- Speed of water main breaks repairs **(OP only)**
- Recycling
- Maintenance of city parks



* Reliability of electrical services' is reported for Saskatoon Light & Power customers only.

PREFERENCES FOR SERVICE LEVELS

More Services

- The top three services where residents would like the City to provide more service include:
 - Affordable Housing **(62%)**
 - Road Maintenance **(55%)**
 - Snow & Ice Management **(48%)**



IMPACT OF COVID-19

In 2021, residents were asked to share how the COVID-19 closure of services impacted their satisfaction ratings. **60%** of respondents reported that COVID-19 had it had **some level of influence on their ratings**.



Civic Service Priorities

- Priorities for service improvement include snow & ice road maintenance, maintenance of major roadways and freeways, traffic management, street maintenance in your neighbourhood **(T only)**, accessibility of infrastructure for people with disabilities, and planning for growth and development.
- Priorities for maintaining service include quality of drinking water, reliability of electrical services, fire protection, police services **(T only)**, garbage collection, speed of water main breaks repairs **(OP only)**, recycling, and maintenance of city parks.

THE FINAL RESULTS ARE NOW POSTED ON OUR ENGAGE PAGE. [HERE'S WHAT WE HEARD!](#)

Services, Savings and Sustainability

Successful organizations must continually refresh and evolve to meet the needs of the people they serve, and the City is no different.

The [2020 Report on Service, Savings and Sustainability](#) demonstrates the City is working hard become one of the best-managed cities in Canada. It highlights our achievements and progress made in 2020 to drive service improvements, identify savings for taxpayers, and adopt sustainability initiatives across Saskatoon.

City employees continue to demonstrate their commitment to sustaining a culture of continuous improvement year after year, making Saskatoon a better community for everyone.

Risk-Based Management Framework

The City, like all municipal governments, faces many types of risk, including strategic, operational, financial and compliance.

To help manage these risks, the City implemented a Risk-Based Management Program (RBM) to assist Administration with enhancing intelligent risk performance in all areas of operation, ensuring continuous improvement in the way the City is managed, as well as continued growth in public confidence in the City's performance.

RBM
Program Vision
We know what our risks are
and we are accountable to
actively manage them.

RBM is an important building block in the business, budget and strategic planning process by providing a continuous, proactive and systematic process to ensure risk is understood, managed and communicated throughout the organization.

The framework assists departments in developing processes that help identify and document risks before they occur, allowing for a planned approach to reducing the likelihood and impact of an adverse event, and increasing the possibility and magnitude of benefits that could result from seizing an opportunity.

When effectively integrated into strategic and decision-making processes, the risk management process helps to:

- achieve Strategic Goals and operational objectives;
- improve financial and operational management by effectively allocating resources to high-risk areas;
- strengthen the planning and priority-setting process;
- increase management accountability by demonstrating due diligence; and
- foster innovation and continuous improvement.

PRELIMINARY 2022/2023 BUDGET SUMMARY



THE 2022/2023 OPERATING BUDGET

The overall vision for the 2022/2023 Business Plan and Budget is to have a more integrated process whereby City's 2022-2025 Strategic Plan drives the business planning process and is the basis for budget preparation. This concept is illustrated below:



Utilizing this vision, the 2022/2023 Business Plan and Budget followed a four-step process:



Step 1 Determine Cost to Maintain Service Levels

As part of developing the cost to maintain services, City Departments were given a 0% expenditure increase as a starting point. Any requests for increases were thoroughly reviewed on an individual basis by the Budget Committee comprised of the City Manager, Executive Leadership Team and Senior Finance Department staff.

Through this review, considerations were given to:

- reviews of historical results;
- opportunities for absorption and continuous improvement within existing budgets;
- contractually obligated inflationary increases; and
- growth in service areas (roadways, park space, population, etc.).

This process resulted in a projected property tax increase of 5.96% and 5.42% in 2022 and 2023 respectively. These property tax increases were based on the following:

2022/2023 Indicative Budget	2022 Change (In \$ millions)	2022 Change (%)	2023 Change (In \$ millions)	2023 Change (%)
Civic Expenditure Increases due to Growth and Inflation	\$ 10.89	2.56%	\$ 12.74	2.92%
Police Expenditure Increases due to Growth and Inflation	\$ 4.67	4.06%	\$ 4.84	4.04%
Revenue Increases	(\$ 3.15)		(\$ 5.06)	
2022/2023 Indicative Revenue Gap to Maintain Services	\$ 12.41		\$ 12.52	
Phase-in for the Waste Handling, implementation of City-wide Organics Program and Bus Rapid Transit	\$ 2.92	1.14%	\$ 2.28	0.83%
Total 2022/2023 Indicative Revenue Gap	\$ 15.33		\$ 14.80	

Step 2 Determine Property Tax Target

Step 2 of the City's 2022/2023 Business Plan and Budget process consisted of utilizing the cost to maintain existing services to set a property tax target or indicative rate.

Setting an indicative rate is an important step in the development of a singular or multi-year business plan and budget. A key risk to any business plan and budget is the continuous reworking of assumptions and plans due to moving targets and lack of parameters set at the beginning of the planning cycle.

Based on **Step 1** of the process, there was a projected **preliminary revenue gap of \$30.1 million** over 2022/2023 that must be addressed through either:

1. decreased expenditures;
2. increased operating revenues; or
3. a property tax increase

If this gap were to be addressed by a property tax increase it would be equivalent to a 5.96% and 5.42% property tax increase in 2022 and 2023 respectively.

June 21, 2021: The forecast for 2022 and 2023 were presented to the Governance and Priorities Committee (Committee). Committee resolved that an additional special Budget Review meeting would be arranged for **August 31, 2021**, for the Standing Policy Committee on Finance (SPC Finance) to undertake a deeper review of the proposed 2022/2023 budget.

August 31, 2021: SPC Finance requested an additional meeting for October 15, 2021, where further information was to be provided on the longer-term structural budget challenges facing the City, its stagnant revenue growth and increased reliance on property taxes.

October 15, 2021: Further information was requested from Committee which will be presented at City Council's 2022/2023 Budget Review (deliberation) set for November 29, 30, and December 1, 2021.

Step 3

Develop Business Plan Options to Achieve Priorities and Goals outlined in the Strategic Plan

Step 3 of the 2022/2023 Business Plan and Budget process consisted of the Administration forming working committees to develop strategies and initiatives to achieve the priorities within the City's 2022-2025 Strategic Plan and the previously directed property tax target.

Because Committee has requested additional information, a revision to the proposed property tax was not approved through Committee. Instead, the previously presented property tax increases of 5.96% and 5.42% in 2022 and 2023 were further refined by the Administration for more accurate numbers. This included adjustments such as the removal of the phase-in for the Bus Rapid Transit project and the adjustments related to the implementation of a waste utility funding model for curbside organics and black cart garbage programs.

Following these refinements, the revised proposed property tax increases as presented in this document are 3.64% for 2022, and 3.14% for 2023.

Capital and operating options aimed at achieving priorities outlined in the City's 2022-2025 Strategic Plan were presented to the Governance and Priorities Committee in August 2021 and prioritized in October 2021.

Within the 2022/2023 Preliminary Business Plan and Budget:

☐ **The Operating options are not included**

☒ **The Capital options are included as unfunded projects**

A corresponding report included in the Business Plan and Budget Review Agenda will outline the available options and recommendation for City Council's consideration.

Expenditures

The City's 2022 and 2023 Operating Budget includes total expenditures of \$566.0 and \$581.3 million, respectively. Schedule II of the 2022/2023 Preliminary Detailed Operating and Capital Budget provides more details on the breakdown of these expenditures.

For the 2022 and 2023 Operating Budget, expenditures are increasing by 3.54% and 2.70%, respectively.

It is important to note that the increase in expenditures is comprised of the following:

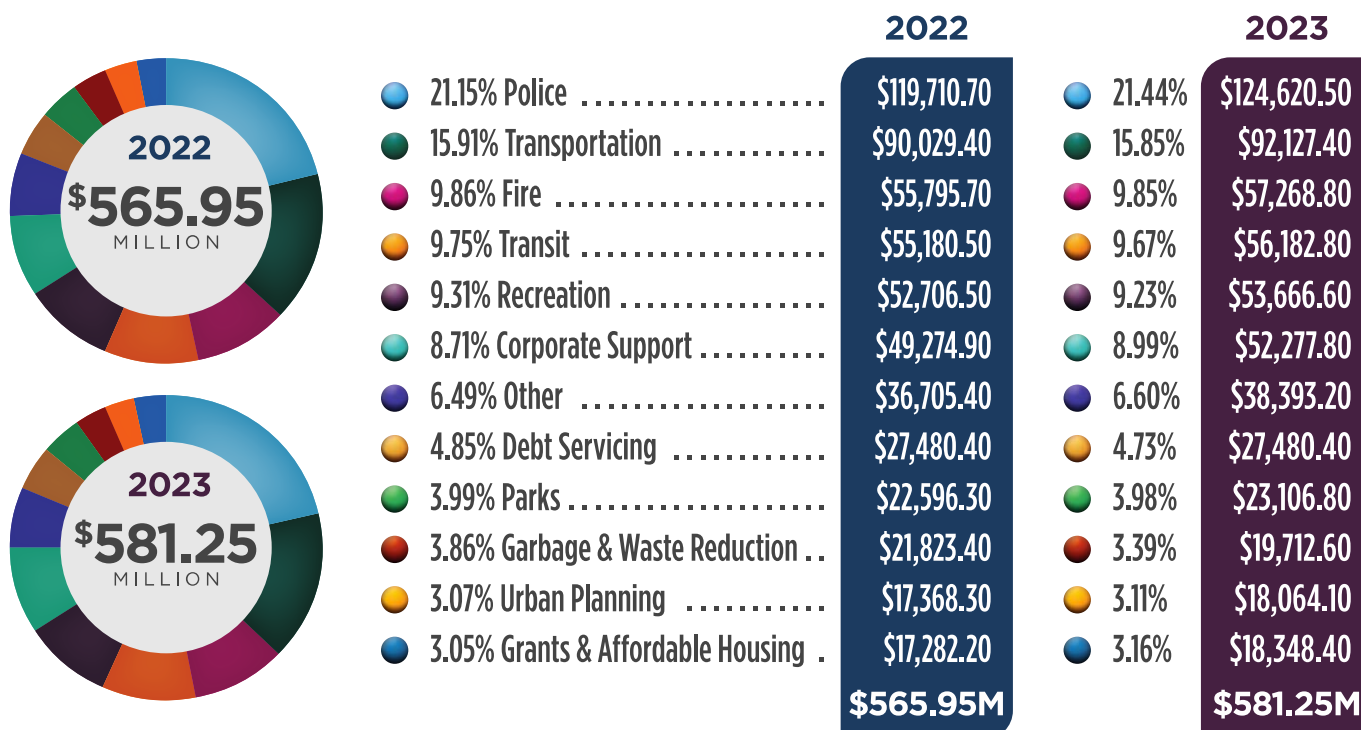
Police and Civic Expenditure Changes

Item	2021 Budget	2022 Budget	2022 (\$) Increase	2022 (%) Increase	2023 Budget	2023 (\$) Increase	2023 (%) Increase
Saskatoon Police	\$ 114.99	\$ 119.71	\$ 4.72	4.11%	\$ 124.62	\$ 4.91	4.10%
All Other Civic Operations	\$ 431.63	\$ 446.24	\$ 14.61	3.39%	\$ 456.63	\$ 10.39	2.33%
Total	\$ 546.62	\$ 565.95	\$ 19.33	3.54%	\$ 581.25	\$ 15.30	2.70%

The following chart shows the distribution of total expenditures by service.

Policing represents the largest portion of the City's operating expenditures at approximately 21%, or \$119.7 million in 2022 and \$124.6 million in 2023.

PRELIMINARY OPERATING EXPENDITURES BY SERVICE (VALUE IN THOUSANDS)

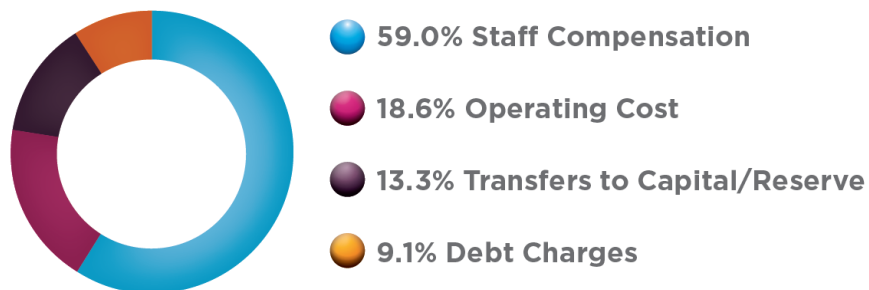


- (1) Other includes street lighting, animal services, cemeteries and facilities, court costs for traffic violations, Saskatoon Land, Impound Lot, and property annexation costs
- (2) Parks includes urban forestry and urban biological services
- (3) Debt Servicing includes provisions for current and future debt servicing
- (4) Corporate Support includes the offices of the City Manager, City Clerk, City Solicitor, Legislative, Finance, Revenue, Service Saskatoon, Assessment & Taxation, Information Technology, Human Resources, and General Administration
- (5) Transit includes Access Transit

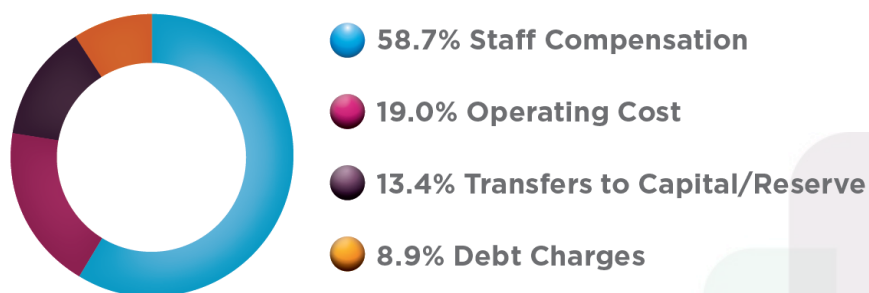
The chart below shows the percentage share of major expense categories within the preliminary 2022/2023 Operating Budget.

- The majority of expenditures for the Operating Budget, \$333.9 million in 2022 and \$340.8 million in 2023, are for staff salaries and payroll costs.
- Transfers to Capital Reserves account for \$75.1 million in 2022 and \$77.9 million in 2023 of the Operating Budget (includes capital down payments for funding plans).
- Debt servicing costs (principal and interest) excluding utilities are \$27.6 million in 2022 and \$25.3 million in 2023 of the Operating Budget. These are funded by \$8.9 million in 2022 and \$8.9 million in 2023 from re-allocated Federal Gas Tax funds, and \$18.7 million in 2022 and \$16.4 million in 2023 from property taxation.

2022 TOTAL OPERATING EXPENDITURES BY CATEGORY



2023 TOTAL OPERATING EXPENDITURES BY CATEGORY



Staffing

The **2022 Budget** includes an additional 95.5 FTEs over 2021 (a 2.5% increase), excluding the Saskatoon Public Library.

The **2023 Budget** includes an additional 56.3 FTEs over 2022 (a 1.4% increase), excluding the Saskatoon Public Library.

The following table shows the total staffing requirements and change over 2022 and 2023:

Summary of Full-Time Equivalent (FTEs)

(FTEs)	2021	2022	2022 Change	2023	2023 Change
CIVIC, POLICE & CONTROLLED CORPORATIONS					
Civic Operations					
Community Support	29.6	29.6	-	29.6	-
Corporate Asset Management	251.4	253.4	2.0	256.4	3.0
Corporate Governance & Finance	434.0	458.7	24.7	462.7	4.0
Environmental Health	115.2	116.2	1.0	111.0	(5.2)
Fire	343.0	351.0	8.0	353.0	2.0
Recreation & Culture	311.6	315.2	3.6	317.6	2.4
Transportation	640.4	646.4	6.0	651.4	5.0
Urban Planning & Development	57.7	67.2	9.5	67.2	-
Total Civic Operations	2,182.9	2,237.7	54.8	2,248.9	11.2
Police:					
Police	692.3	706.3	14.0	714.3	8.0
Total Police	692.3	706.3	14.0	714.3	8.0
Controlled Corporations:					
Remai Modern	47.6	50.1	2.5	50.1	-
SaskTel Centre	52.3	50.8	(1.5)	51.8	1.0
TCU Place	63.6	63.6	-	63.6	-
Total Controlled Corporations	163.4	164.4	1.0	165.4	1.0
TOTAL CIVIC, POLICE & CONTROLLED CORPORATIONS	3,038.6	3,108.4	69.8	3,128.6	20.2
NON-TAX-SUPPORTED SERVICES:					
Building and Plumbing	58.0	58.0	-	58.0	-
Licenses and Permits	10.6	10.6	-	10.6	-
Golf Courses	24.8	24.8	-	24.8	-
Impound Lot	0.8	0.8	-	0.8	-
Nutrien Playland	3.8	3.8	-	3.8	-
Gordon Howe Campsite	2.7	2.8	0.1	2.8	-
Land Development	18.4	19.4	1.0	19.4	-
Sub-total	119.1	120.2	1.1	120.2	-
Utilities:					
Utilities	370.3	374.3		382.3	
New FTEs	4.0	8.0	-	28.1	-
Transfer to Operating	-	-	-	-	-
Transfer to Capital (Utilities)	-	-	-	-	-
Total Utilities	374.3	382.3	8.0	410.4	28.1
TOTAL NON-TAX-SUPPORTED SERVICES	493.4	502.5	9.1	530.6	28.1
Capital:					
Capital	314.8	327.8		344.3	
New	13.0	16.5	16.5	8.0	8.0
Transferred to Operating	-	-	-	-	-
Transferred from Operating (Utilities)	-	-	-	-	-
Total Capital	327.8	344.3	16.5	352.3	8.0
FTE TOTAL	3,859.8	3,955.3	95.5	4,011.6	56.3
LIBRARY	152.6	206.8	54.2	209.8	3.0
FTE TOTAL WITH LIBRARY	4,012.4	4,162.1	149.7	4,221.4	59.3

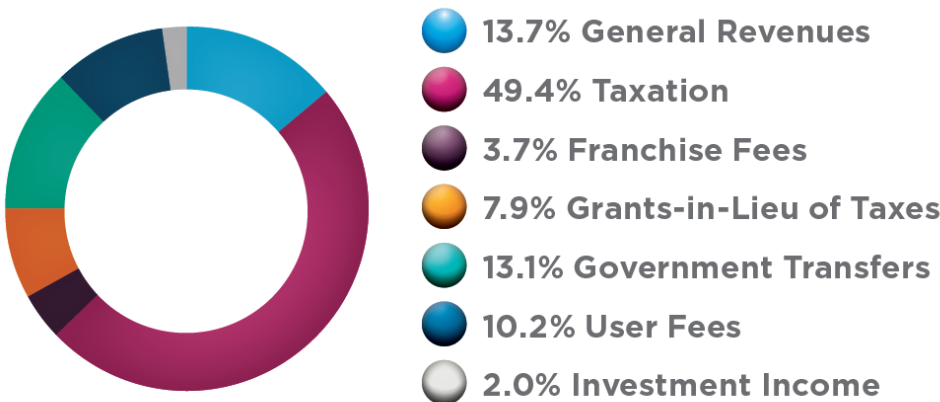
(1) Figures represented in this table are rounded to one decimal place (where as actual FTEs are calculated to two decimal figures), as such the addition of each column or section may not add up to the total balances due to this rounding discrepancy.

Revenues: Where the Money Comes From

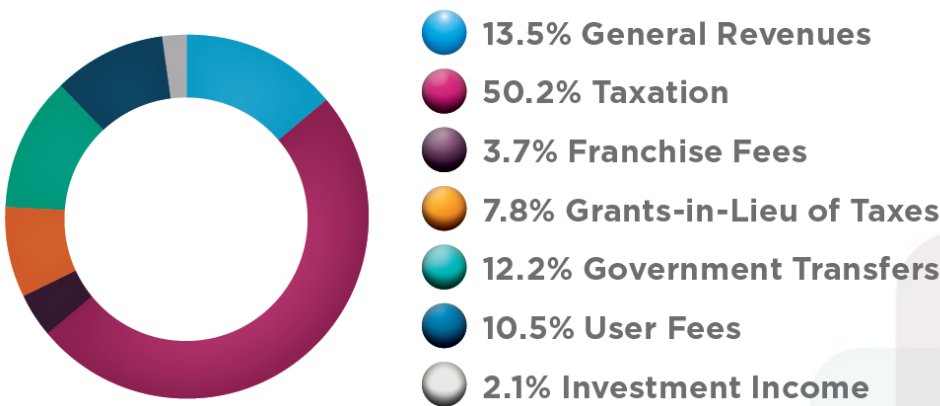
The City of Saskatoon generates operating revenues from five **main** sources to pay for the delivery of its programs and services: taxation, general revenues, user fees, government transfers, and grants-in-lieu of taxes. Franchise fees and investment income also contribute to a lesser degree.

The percentage of revenue sources that pay for all civic programs and services in the City's 2022 and 2023 Operating Budget are shown in the graphs below.

SOURCES OF 2022 OPERATING REVENUES



SOURCES OF 2023 OPERATING REVENUES



As illustrated, approximately half (49.4% and 50.2%) of the City's 2022 and 2023 operating revenues come from taxation. Of these amounts, the majority is from the municipal property tax.

Taxation has been steadily rising as a share of operating revenues for two reasons:

- Tax- supported expenditures have been consistently increasing due to inflation, growth and service level increases; and
- Other non-tax revenues have not been keeping pace with rising costs, putting more pressure on the property tax to fund the shortfall. At the August 31, 2021 SPC on Finance meeting the Administration presented a report with further information on these structural budget issues.

The following section addresses each of the **City's primary revenue sources** in more detail.



General Revenues

For 2022 and 2023 respectively, general revenues make up 13.7% and 13.5% of the City's total operating revenue, which include the following:

- investment income;
- franchise fees;
- fines and penalties;
- licenses and permits; and
- revenues from utilities.

General revenues from utilities include a return on the City's investment from the Saskatoon Light & Power (SL&P), Saskatoon 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 owns and operates five utilities (Water, Wastewater, Stormwater, SL&P and Waste Services, which are self-funded programs that form an important source of revenue for the City. The SL&P, Saskatoon Water and Wastewater utilities each pay a grant-in-lieu of property taxes.

The table below summarizes the utility contributions to City revenues for the 2022 and 2023 budget years.

Utility Contributions

	2021 Budget	2022 Budget	2022 Change	2023 Budget	2023 Change
Recycling	53,500	53,500	0	53,500	0
Admin. Recovery	53,500	53,500	0	53,500	0
SL&P	47,810,200	48,250,800	440,600	47,968,100	(282,700)
Admin. Recovery	431,100	431,100	0	431,100	0
GIL	22,719,400	23,160,000	440,600	23,377,300	217,300
ROI	24,659,700	24,659,700	0	24,159,700	(500,000)
Storm	51,800	51,800	0	51,800	0
Admin. Recovery	51,800	51,800	0	51,800	0
Wastewater	13,933,700	14,135,000	201,300	14,406,900	271,900
Admin. Recovery	4,369,700	4,272,300	(97,400)	4,174,900	(97,400)
GIL	4,851,400	4,943,100	91,700	5,081,800	138,700
ROI	4,712,600	4,919,600	207,000	5,150,200	230,600
Water	17,645,200	17,902,100	256,900	18,347,600	445,500
Admin. Recovery	3,923,900	3,723,900	(200,000)	3,523,900	(200,000)
GIL	7,230,800	7,400,100	169,300	7,679,600	279,500
ROI	6,490,500	6,778,100	287,600	7,144,100	366,000
Grand Total	79,494,400	80,393,200	898,800	80,827,900	434,700

Grants-in-Lieu of Taxes and Franchise Fees

Grants-in-lieu of taxes and franchise fees are typically grant payments to municipalities from the federal and provincial 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.

These two revenue sources total \$65.6 million in 2022 and \$66.8 million in 2023 and comprise of 11.6% and 11.5% of the City's projected revenues.

A grant-in-lieu is also paid by the City's utilities, as indicated in the Utility Contributions Table, and by Saskatoon Land.

Municipal User Fees

User fee revenue from services comprises 10.2% and 10.5% of the total 2022 and 2023 Operating Budgets.

Various services provided by the City 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 cost from users. For those services that directly benefit a particular user, 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, such as public transit and memberships to civic leisure centres.

The following **Municipal User Fees Rate** Table provides a 2021-2023 comparative summary for some of the City's significant user fee changes. This information includes the proposed fee changes effective January 1, 2022, unless otherwise noted.

Other significant user fees that have remained unchanged from the 2021 Budget include Residential Recycling, Multi-unit Recycling and the Leaves and Grass subscription fees.



Municipal User Fees Rate Table – Comparative Summary

	2021 Rates	2022 Rates	Change (\$)	Change (%)	2023 Rates	Change (\$)	Change (%)
Indoor Rink Admission:							
Adult	\$ 5.75	\$ 6.00	\$ 0.25	4.3%	\$ 6.00	\$ -	0.0%
Youth	\$ 3.75	\$ 4.00	\$ 0.25	6.7%	\$ 4.00	\$ -	0.0%
Forestry Farm Park & Zoo:							
Adult	\$ 13.50	\$ 14.00	\$ 0.50	3.7%	\$ 14.50	\$ 0.50	3.6%
Youth	\$ 8.10	\$ 8.40	\$ 0.30	3.7%	\$ 8.70	\$ 0.30	3.6%
Family ⁽¹⁾	\$ 27.00	\$ 28.00	\$ 1.00	3.7%	\$ 29.00	\$ 1.00	3.6%
Adult Season Pass	\$ 45.00	\$ 46.65	\$ 1.65	3.7%	\$ 48.30	\$ 1.65	3.5%
Youth Season Pass	\$ 27.00	\$ 28.00	\$ 1.00	3.7%	\$ 29.00	\$ 1.00	3.6%
Family Season Pass	\$ 90.00	\$ 93.30	\$ 3.30	3.7%	\$ 96.60	\$ 3.30	3.5%
Leisure Cards:							
Adult 1 Month	\$ 50.00	\$ 51.00	\$ 1.00	2.0%	\$ 52.00	\$ 1.00	2.0%
Youth 1 Month	\$ 30.00	\$ 30.60	\$ 0.60	2.0%	\$ 31.20	\$ 0.60	2.0%
Family 1 Month	\$ 100.00	\$ 102.00	\$ 2.00	2.0%	\$ 104.00	\$ 2.00	2.0%
Nutrien Playland:							
General Admission	\$ 2.25	\$ 2.50	\$ 0.25	11.1%	\$ 2.75	\$ 0.25	10.0%
Playpack	\$ 22.50	\$ 25.00	\$ 2.50	11.1%	\$ 27.50	\$ 2.50	10.0%
Recycling and Leaves & Grass Subscription Program:							
Residential Recycling: (per month)	\$ 7.47	\$ 7.47	\$ -	0.0%	\$ 7.47	\$ -	0.0%
Multi-unit Recycling: (per month)	\$ 3.86	\$ 3.86	\$ -	0.0%	\$ 3.86	\$ -	0.0%
Leaves & Grass subscription fee: (per season)							
Early Rate (January - April)	\$ 65.00	\$ 65.00	\$ -	0.0%	\$ 65.00	\$ -	0.0%
Standard Rate (May - December)	\$ 85.00	\$ 85.00	\$ -	0.0%	\$ 85.00	\$ -	0.0%
Saskatoon Light & Power (Electrical): (yearly increase)⁽²⁾							
	4.20%	0.0%			0.0%	-	-
Water/Wastewater: (yearly increase)							
	3.90%	2.50%			3.40%	-	-

(1) Family is defined as a group of up to seven individuals related by birth, legal status or marriage, with a maximum of two adults.

(2) Saskatoon Light & Power rates have historically been set to match SaskPower rates. The date of the next proposed SaskPower rate increase is not known at this time.

Government Transfers

To provide necessary and essential public services and programs for residents, the City receives funding from other orders of government. For 2022 and 2023, government transfers account for 13.1% and 12.2% of the City's total operating revenues.

The bulk of the City's operating transfers comes from the Government of Saskatchewan's flagship program, Municipal Revenue Sharing (MRS).

The MRS is an unconditional transfer payment made to Saskatchewan municipalities to help them deliver services that reflect the provincial interest. For the last decade, the program has been linked to the performance of the Provincial Sales Tax (PST) revenues, wherein the government has shared the equivalent of one percentage point of PST revenues.

The City is currently projecting to receive \$47.0 million and \$48.0 million in MRS in 2022 and 2023 respectively; this is a decrease of \$3.1 million (6.2%) and an increase of \$1.0 million (2.1%) in 2022 and 2023 respectively. MRS formed part of the COVID-19 impacts within the budget, which are talked about further in the budget assumption risks section.

To offset COVID-19 impacts, one-time funding was required in each of 2022 and 2023 in the amounts of \$13.8 million and \$10.0 million, respectively. These amounts are included as government transfers.



Proposed Property Taxes for the Typical Homeowner in 2022 & 2023

As required by provincial legislation, the City must balance its operating revenues with its operating expenditures.

The City has a limited number of revenue sources, and any revenue shortfalls must be balanced through a property tax increase.

The 2022/2023 Operating Budget proposes a municipal property tax increase of 3.64% and 3.14% in 2022 and 2023, respectively.

These property tax increases would generate an additional \$9.7 million in 2022 and \$8.8 million in 2023.

A homeowner who owns a single-family detached home with an average assessed value of \$344,000 would see their municipal property taxes change by the approximate amounts shown below.

Proposed 2022/2023 Property Tax Increase

Municipal Tax	2022	2023
Increase Per Average Household (\$344,000 Assessment)	Total City Services 3.64%	Total City Services 3.14%
Approximate Total Increase (\$ per year)	\$69.91	\$62.41
Approximate Total Increase (\$ per month)	\$5.83	\$5.20

Municipal Property Tax Distribution

The following shows how the municipal property tax portion (City tax only) is proposed to be shared between the various services the City provides in both 2022 and 2023.

Current and historical property tax, assessment information and additional property details can be found by entering a Saskatoon address into the **Property Assessment and Tax Tool** at saskatoon.ca/taxtool

PROPOSED DISTRIBUTION OF MUNICIPAL TAX TO SERVICES IN 2022

Every \$100 of municipal property tax is shared between the civic services shown in this chart.



- (1) Includes street lighting, animal services, cemeteries and facilities
- (2) Includes urban forestry and urban biological services
- (3) Includes provisions for current and future servicing
- (4) Includes the offices of the City Manager, City Clerk, City Solicitor, Finance, Revenue, Assessment & Taxation, Information Technology, Human Resources, General Administration, Legislative, and Service Saskatoon
- (5) Includes Access Transit

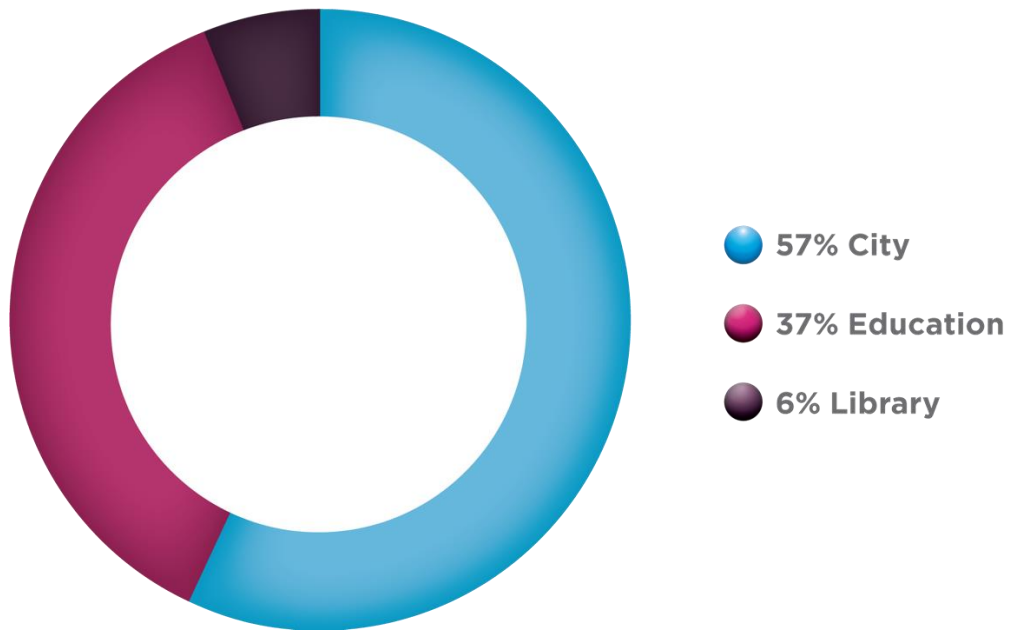
PROPOSED DISTRIBUTION OF MUNICIPAL TAX TO SERVICES IN 2023

Every \$100 of municipal property tax is shared between the civic services shown in this chart.



- (1) Includes street lighting, animal services, cemeteries and facilities
- (2) Includes urban forestry and urban biological services
- (3) Includes provisions for current and future servicing
- (4) Includes the offices of the City Manager, City Clerk, City Solicitor, Finance, Revenue, Assessment & Taxation, Information Technology, Human Resources, General Administration, Legislative, and Service Saskatoon
- (5) Includes Access Transit

DISTRIBUTION OF PROPERTY TAX (2021)



In 2021, 57% of all property taxes collected were allocated to the City for the delivery of key services such as road maintenance, policing, fire protection, and public transit.

Of the total property tax collected by the City, 37% is remitted to the Province of Saskatchewan to pay for education.

The remaining 6% of property tax collected went to the Saskatoon Public Library.

Budget Assumption Risks

Budget Adjustments

In the December 2, 2020 Budget Review meeting for the 2021 budget, it was resolved that \$2.56 million be removed from the 2021 budget as a global adjustment in the Corporate Governance and Finance Business Line. This reduction remains removed from the budget in 2022 and is only partially added back in 2023 with the remainder to be added back in 2024.

In preparing the 2022/2023 Preliminary Business Plan and Budget, the Administration made efforts to limit the property tax increases by deferring to later years \$961,500 in expenditures. Additionally, the Administration eliminated increases to expenditures or excluded revenue decreases of \$7.54 million in 2022 and \$223,900 in 2023. These pre-budget adjustments included:

- \$2.60 million for projected general expenditure decrease;
- \$300,000 not included for insurance premium increase;
- \$593,600 not included for interest revenue decrease;
- \$1.25 million not included for software costs, and staffing; and
- \$1.23 million not included for transfer to Roadways reserves.

Although some of these expenditures may still occur such as the software costs or insurance premiums, the Administration must manage these amounts within the existing budgets.

These large adjustments add to the strain on the budget and increase the risk of not attaining budgeted results, or the materialization of potential deficits.

FINANCIAL IMPACT DUE TO COVID-19

The ongoing COVID-19 pandemic generates a high degree of uncertainty for fiscal planning. With that in mind, the 2022/2023 budgets rely on various assumptions as to when pandemic restrictions are lifted and the gradual return to pre-pandemic levels of activity may occur.

The City's 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 fiscal impacts of COVID-19 are \$13.85 million in 2022 and \$10.02 million in 2023. **The major impacts for 2022 and 2023 respectively, include:**

- 2021 net fiscal impact from removal of Safe Restart funding and the removal of the 2021 COVID-19 expenditure increases or revenue reductions of \$1.88 million in each year
- Additional cleaning and personal protective equipment of \$1.61 million in each year
- Transit and Access Transit revenue reductions of \$5.49 million and \$4.21 million
- Parking revenue reduction of \$948,300 and \$0
- Municipal Revenue Sharing revenue reduction of \$3.12 million and \$2.14 million
- Fines and Penalties revenue reduction of \$1.04 million and \$0

- Streetscape Reserve expenditure reduction of \$470,200 and \$0
- Land Surplus Operating Contribution of \$224,200 and \$174,200

The COVID-19 impacts require one-time funding and at the October 25, 2021 City Council meeting it was resolved that \$23.87 million from the *Investing in Canada Infrastructure Program* reallocated funding be held in contingency to offset the COVID-19 financial risk in the 2022 and 2023 fiscal years. This contingency amount is included in the 2022/2023 budgets to offset the expected COVID-19 impact for a net \$0 impact to the budgets.

The Administration remains in contact with other orders of government for additional support. If additional funding is received the Administration will report back in 2022 if any portion of these funds are not required.



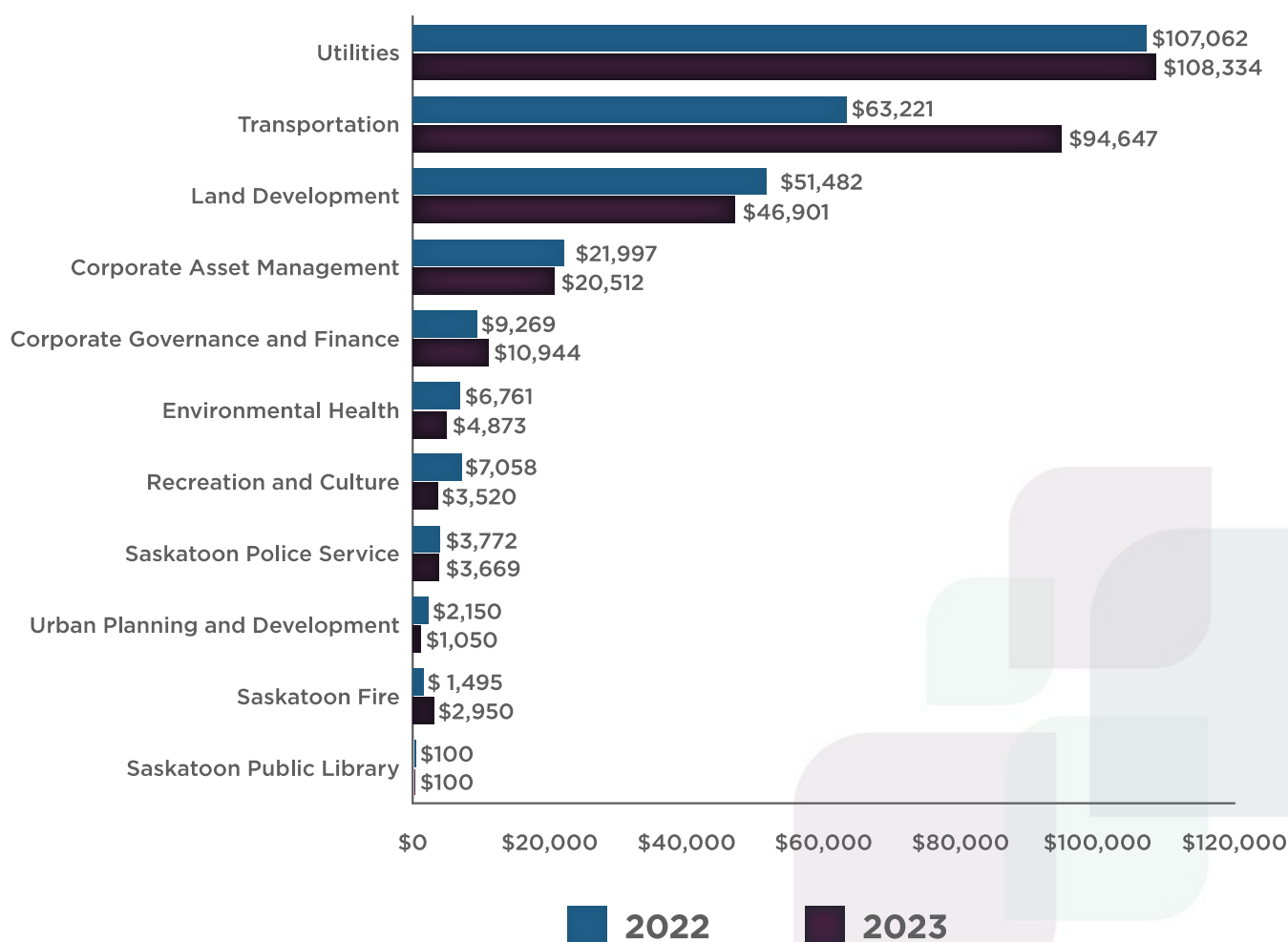
THE 2022/2023 CAPITAL BUDGET

The City's Capital Budget directs funding towards the construction or refurbishment of major capital infrastructure projects such as roads, bridges, buildings, and water and sewer lines.

The 2022/2023 Capital Budget not only addresses Saskatoon's growth, but also its basic infrastructure needs with continued emphasis on roads, transit, water, and wastewater distribution systems.

The City continues to develop funding plans for major infrastructure assets not only resulting from growth, but also for maintenance and replacement due to aging of the assets. One of the key funding strategies in previous budget cycles has been to dedicate property tax increases, solely for the maintenance of roads, snow removal, or traffic noise attenuation for instance. As the required funding base was built, this helped in meeting the long-term needs and in achieving the service levels desired by the citizens of Saskatoon. **The City's 2022/2023 Capital Budget provides a total capital investment of \$571.9 million, including \$274.4 million in 2022 and \$297.5 million in 2023.** An overview of the capital investment by Business Line is shown below.

CAPITAL INVESTMENT BY BUSINESS LINE (\$'000'S)



Utility-related projects make up 39.0% of the total capital investment in 2022 and 36.4% in 2023, including:

- \$16.8 million (2022) and \$16.6 million (2023) for Saskatoon Light & Power upgrades to electrical distribution, substations and equipment, most notably conversion of existing 4.16kV neighbourhoods to 14.4kV systems or 25kV systems;
- \$15.2 million (2022) and \$15.0 million (2023) to address the City's storm water assets, including maintenance and replacement of existing assets;
- \$33.9 million (2022) and \$24.7 million (2023) for upgrades and maintenance to the Wastewater Treatment Plant, including replacement/rehabilitation projects, growth and expansion, notably the construction of a new bioreactor and forcemain to meet future capacity requirements; and
- \$41.2 million (2022) and \$52.0 million (2023) in upgrades and maintenance at the Water Treatment Plant, including the rehabilitation and replacement of the water distribution system and the capital development expansion plan.

Land Development represents 18.8% of the total capital investment for 2022 and 15.8% for 2023, required for various infrastructure requirements in Holmwood, Brighton, Aspen Ridge, North Industrial, Kensington and Stonebridge, including roadwork on Neault Roadway, 8th Street and McOrmond Drive, among other developments.

Transportation projects represent 23.0% of the total capital investments in the 2022 and 31.8% in 2023. Some of the notable investments include:

- \$32.0 million (2022) and \$33.0 million (2023) for paved roadway and sidewalk preservation;
- \$10.5 million (2022) and \$46.3 million (2023) for the implementation of a Bus Rapid Transit system;
- \$7.8 million (2022) for extension of 17th Street to 11th Street West;
- \$1.5 million (2022) and \$1.5 million (2023) for Traffic Control System upgrade refurbishments; and
- \$1.1 million (2022) and \$1.1 million (2023) for the implementation of the Active Transportation Plan.

Corporate Asset Management represents 8.0% of the total capital investment for 2022 and 6.9% for 2023 required for the purchase of replacement fleets, major replacement and repairs of civic facilities and various other asset management projects.

The remaining 11.2% in 2022 and 9.1% in the 2023 Capital Budget is allocated among various smaller projects.

PAYING FOR THE 2022/2023 CAPITAL BUDGET

The largest source of funding for the 2022/2023 Multi-Year Capital Budget comes from reserves.

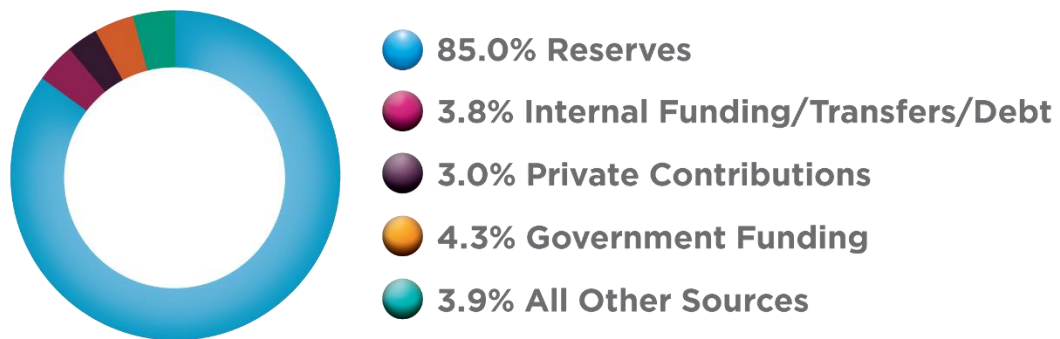
For the 2022/2023 budget cycle, approximately \$450.5 million (78.8%) of the entire Capital Budget is funded through reserves that the City has set aside for capital replacement, enhancement, and new capital work.

Approximately \$50.6 million (8.8%) in Government Funding is planned for 2022 and 2023 combined, which will largely be used for the Bus Rapid Transit System.

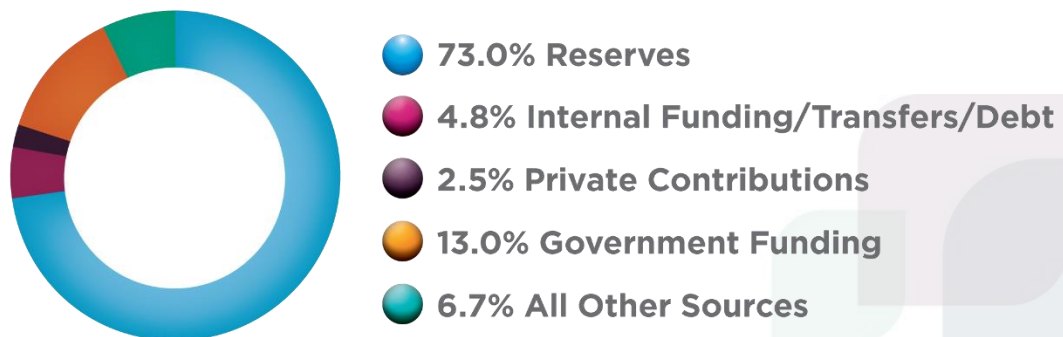
The remaining \$70.8 million (12.4%) of the Capital Budget is split among various other sources including private contributions, internal funding/transfers, and debt.

An overview of all budget funding sources is shown in the following graphs.

2022 CAPITAL BUDGET FUNDING SOURCES



2023 CAPITAL BUDGET FUNDING SOURCES



2022/2023 Capital Budget Funding Summary

GENERAL CAPITAL: (\$000's)	2022	2023
Reserves	94,136	85,672
Borrowing	-	-
Provincial Government	3,553	15,775
Federal Government	4,000	18,200
Private/External Contributions	3,314	2,700
Operating Contributions	5,388	6,583
Other	5,332	13,235
Saskatoon Public Library Reserve	100	100
TOTAL GENERAL CAPITAL	115,823	142,265
UTILITY CAPITAL: (\$000's)		
Reserves	89,503	86,398
Borrowing	9,315	12,960
Provincial Government	226	784
Federal Government	4,095	3,933
Private/External Contributions	2,888	2,819
Operating Contributions	1,035	1,440
Other	-	-
TOTAL UTILITY CAPITAL	107,062	108,334
TOTAL GENERAL & UTILITY CAPITAL	222,885	250,599
LAND DEVELOPMENT: (\$000's)		
Reserves/Developers	51,482	46,901
TOTAL CAPITAL FUNDING	274,367	297,500

General Capital refers to capital projects that are non-utilities, transportation capital projects are one example of such. The following pages provide more detail 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 *Bylaw No. 6774, The Capital Reserve Bylaw*, and Council Policy No. C03-003, Reserves for Future Expenditures.

Schedule XI (Capital Reserve Sufficiency) of the 2022/2023 Preliminary Detailed Operating and Capital Budget reflects the sufficiency of these reserves.

The balances of the City's capital and stabilization reserves heading into 2022 and 2023 remain healthy, with a total projected balance of \$213.0 million in 2022 and \$187.6 million in 2023.

Capital and Stabilization Reserve Sufficiency

Estimated Reserve Balances		(\$ millions)		
Capital Reserves:	Jan/21	Jan/22	Jan/23	
General	51.0	\$ 63.3	\$ 57.3	
Prepaid Services (Land Development)	56.0	\$ 72.3	\$ 63.4	
Property Realized	20.5	\$ 26.6	\$ 19.3	
Boards/Commissions (Including Saskatoon Public Library)	29.1	\$ 24.2	\$ 22.7	
Capital Reserves Total	156.6	186.4	162.7	
Stabilization Reserves:				
Fiscal Stabilization	4.3	4.8	2.8	
Land Operations Stabilization	3.9	3.9	4.1	
Fuel Stabilization	0.4	0.4	0.4	
Utilities Stabilization	8.7	14.0	14.0	
Building Permits/Inspections Stabilization	4.3	1.2	1.4	
Other	5.4	2.3	2.2	
Stabilization Reserves Total	27.0	26.6	24.9	
Total Reserves Balance	183.6	213.0	187.6	

The Reserve for Capital Expenditures (RCE) has been established by City Council to provide funding for discretionary capital projects. In total, approximately \$2.8 million has been made available to fund the discretionary capital projects for 2022 and 2023.

In addition, \$7.4 million from the reallocation of the Canada Building Communities Fund and \$7.0 million from the reallocation of the Investing in Canada Infrastructure Fund has been allocated to RCE for a total of \$17.2 million in available funds. These funds are available for City Council to use for the prioritized Capital options or other capital strategic initiatives at the Budget Review meeting.

External Borrowing

The 2022 and 2023 Capital Budget includes \$9.3 and \$13.0 million respectively in projected borrowing requirements to fund the Wastewater Bioreactor Expansion Project (2022), the Water Capital Development Expansion Plan Project (2022 and 2023), and the Water Treatment Plants North 40 Forcemain Project (2023).

The total outstanding debt as of December 31, 2020 was \$300.0 million.

The forecasted borrowing is projected to peak at approximately \$458.1 million in 2026 including:

- \$67.5 million for the new Central Library project;
- \$31.4 million for the Bus Rapid Transit Funding Plan;
- \$9.5 million for Recovery Park; and
- future borrowing requirements for a variety of utility projects.

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 the Public-Private Partnerships projects (P3), such as the Civic Operations Centre, and the Chief Mistawasis and Traffic Bridge Replacement projects. The total debt projections, including the P3 debt, are within the City's debt limit.

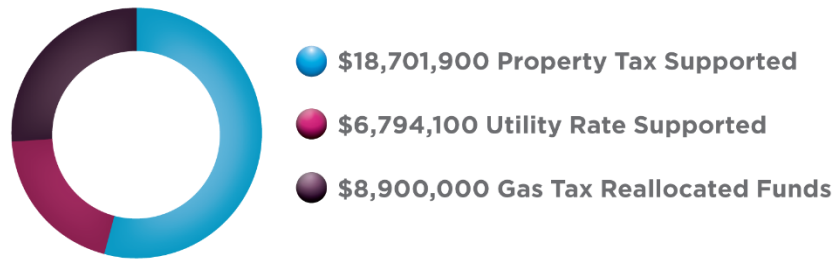
Borrowing related to the utility projects will be repaid through utility rates. The repayment of the debt related to the other projects is funded through the general Operating Budget and through the overall borrowing strategy, using Gas Tax re-allocation revenue from the federal government.

In 2022 and 2023 respectively, total debt servicing costs are budgeted at \$34.4 million and \$30.3 million. These are made up of principal payments of \$23.1 million and \$19.8 million in 2022 and 2023 respectively, and interest payments of \$11.3 million and \$10.5 million in 2022 and 2023 respectively.

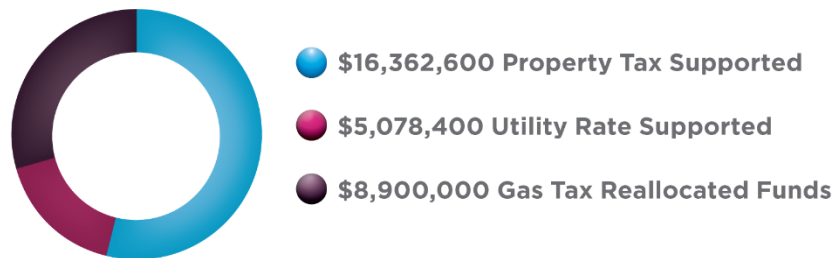
The 2022/2023 property tax supported funding source is \$18.7 million and \$16.4 respectively; \$8.9 million in each of 2022 and 2023 is federal Gas Tax re-allocation funded, with the remaining \$6.8 million in 2022 and \$5.1 million in 2023 being utility rate supported.

The total funding sources for all City debt servicing costs in 2022/2023 are shown in the following graphs.

2022 BUDGETED DEBT SERVICING COST BY FUNDING SOURCE



2023 BUDGETED DEBT SERVICING COST BY FUNDING SOURCE



Operating Budget Impact of Capital Investments

Capital projects contained in the 2022/2023 Capital Budget will impact future City operating programs. The additional operating costs as a result of capital projects are summarized below.

Operating Impacts of 2022/2023 Capital Projects (\$000's)

Business Line	2022	2023	2024	2025	2026
Corporate Asset Management	-	-	155.0	-	-
Corporate Governance and Finance	-	-	505.9	-	-
Environmental Health	-	-	82.0	110.0	170.0
Land Development	-	-	265.3	282.8	103.6
Recreation and Cultural Services	-	-	65.1	2.8	-
Saskatoon Fire	-	225.0	265.0	3,000.0	-
Transportation	-	-	95.0	-	-
Urban Planning and Development	-	-	2.5	-	-
Utilities	-	-	60.4	-	-
Policing	92.7	43.0	-	-	-
Total	\$92.7	\$268.0	\$1,496.2	\$3,395.6	\$273.6

Definitions/Explanations

The **2022/2023 Preliminary Business Plan and Budget** document contains key terms, titles, and references as defined below.

Base Adjustment: The budgetary change from the prior year's 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: The higher categorization of major businesses that the City undertakes for its citizens.

Cost Recovery: The 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: 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: A budgetary change to address an increase or decrease in a program's service level.

Service Line: 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: Includes items such as salaries, payroll costs, car allowance, uniform allowance, and other direct employee costs.

Unfunded Capital Projects: Projects that have been proposed but there is no source of funding, or a lack of reserve funding available. These projects are presented at the annual Business Plan and Budget Review for consideration if other funding becomes available.