

2019

Budget

INTRODUCTION TO THE 2019 PRELIMINARY BUDGET

FOR CITY COUNCIL REVIEW
November 26, 27 & 28, 2018





MESSAGE FROM THE CITY MANAGER



October 23, 2018

Your Worship and
Members of City Council

I am pleased to present the 2019 Preliminary Budget for your consideration and approval. In this document you will learn about how we are taking advantage of our opportunities and how we are tackling the various challenges to ensure that Saskatoon has the right mix of programs and services to make Saskatoon a great place to live, work and play.

The City's approach to financial sustainability includes controlling expenditures, keeping property taxes and fees affordable, managing debt levels, and maintaining our assets in an appropriate condition. In short, our approach to managing public funds allows us to make practical and transformational investments in the future well-being of our community for generations to come.

Guided by citizen input, the City's Strategic Plan and City Council's Priorities, our proposed budget strives to deliver core services at the level our residents and businesses expect, while making the right investments for the future to ensure we can respond to the needs of our growing city.

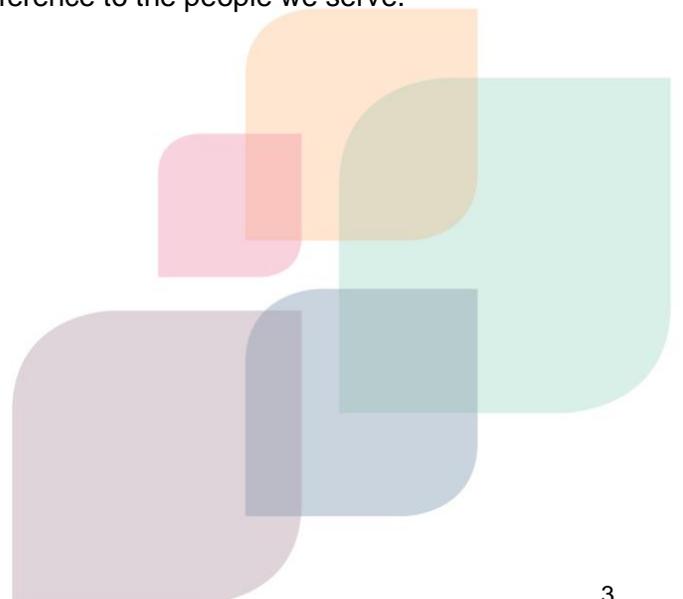
Our commitment to openness and transparency was fundamental to building this year's business plan and budget. Information was presented, and budget guidelines were established during the process.

The Administration's budget proposes a municipal property tax increase of 4.5%, generating an additional \$10.4 million to meet the City's program and service delivery objectives. It also proposes to invest almost \$260 million in capital projects that will improve our infrastructure, so residents and businesses can become more efficient and productive in fulfilling their pursuits.

Saskatoon is all about our people. From firefighters and transit operators to police officers and parks maintenance staff, it is the people who deliver the services residents expect. I would like to thank the staff who worked hard at producing a proposed budget that aims to achieve our strategic objectives and maintains a financially prudent perspective.

From strong fiscal management to improving the quality, efficiency and management of our service delivery across the organization, municipal employees are working hard to put our customers first — our residents. I'm proud of our diverse team for making a difference to the people we serve.

Jeff Jorgenson
City Manager



2019 OPERATING AND CAPITAL BUDGET SUMMARY



SUMMARY OF THE 2019 OPERATING AND CAPITAL BUDGETS

The City of Saskatoon (City) provides the infrastructure and delivers several programs and services necessary to improve the city's high quality of life. Roads, bridges, pathways, and public transit that move people; police, bylaws, and fire services to keep people safe; parks, waste management, and drainage to keep neighbourhoods clean and healthy; and social programs and leisure activities to make Saskatoon a great place to live, work, and visit. These core areas reflect the top priorities of the City and the public it serves.

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

The City's Operating Budget allocates the costs for civic services and programs that the people of Saskatoon rely on each and every day. It also matches the sources of revenue to pay for those services, including property taxes, user fees, licenses, and government grants.

The 2019 Operating Budget is proposing total operating expenditures of \$511.3 million, an increase of \$20.6 million, or 4.20%, over the 2018 Operating Budget.

This increase in operating expenditures is recommended as a result of two key considerations, which are:

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 2019 Business Plan and Budget to address inflation and growth pressures is \$12.9 million (excluding Police).
2. **Service level improvements.** Based on City Council's approved Strategic Plan, there are several areas that City Council has directed the Administration to prioritize over the next several years. While some of these Strategic Priorities can be achieved without financial impact, there are several initiatives that require financial investment in order to achieve the priority. Examples include enhanced maintenance and repairs to parks, sidewalk and bridge infrastructure, increased funding for recreation and culture community partnerships through the City's Game Plan, and quicker implementation of the City's Active Transportation Master Plan, among other initiatives.

As required by *The Cities Act*, the City must pass a balanced operating budget each year. In other words, legislation mandates that the City cannot budget for an operating surplus or deficit, unlike federal and provincial governments. As a result, the City collects the necessary amount of property tax required to balance the budget after applying all other revenue sources. If a revenue gap exists, then the property tax increase fills this gap as shown below.



2019 Operating Budget

To help pay for the City’s operations and to ensure the budget is balanced, the 2019 Operating Budget is proposing a municipal property tax increase of 4.50%.

In 2019, 1.0% of the property tax is equivalent to \$2.3 million. Thus, the proposed property tax increase for 2019 will generate an additional \$10.4 million for the City’s Operating Budget, dedicated as follows:

- 3.16% of the property tax increase, or \$7.3 million, will be dedicated toward maintaining existing service levels and offsetting the additional costs due to inflation and growth.
- 1.34% of the property tax increase, or \$3.1 million, will be used for enhancement of service levels or new initiatives aimed at achieving City Council’s Strategic Priorities.
 - As part of the \$3.1 million, a total of \$7.78 million in options were presented to the Governance and Priorities Committee in June 2018 aimed at achieving City Council’s Strategic Priorities. While specific service level enhancements have not been included in the 2019 Preliminary Business Plan and Budget, a corresponding report included in the Business Plan and Budget Review agenda will outline the available options and recommendations for City Council.

More details on the 2019 Operating Budget, including the proposed property tax increase, are provided later in this document.

In contrast to the City’s Operating Budget, the City’s Capital Budget provides the investments in hard infrastructure. This includes the construction of buildings (e.g. recreation centres and libraries), transportation assets (e.g. new roads and bridges), and neighbourhood infrastructure (e.g. sidewalks and water lines).

2019 Capital Budget

For the 2019 Capital Budget, the City is investing \$259.7 million 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, to name the most prominent. Although the City's Capital and Operating Budgets achieve different objectives, there is a relationship between the two.

To pay for some of the capital projects, the City transfers funds from the Operating Budget to various reserves. These reserves are then used to help pay for the capital costs of various projects. Similarly, when the City borrows to pay for capital projects, the debt repayment comes from the City's Operating Budget.

Once the projects in the Capital Budget are fully constructed or operational, the City is required to pay for the maintenance and/or the operation of the project. For example, when the City builds a new bridge, there is an obligation to ensure the bridge is maintained. When the City constructs a new recreation centre, there is an obligation to ensure there is enough staff to operate the building. These obligations, therefore, have an impact on the Operating Budget. The operating impacts of capital projects are addressed in more detail later in this document.



BUDGET BUILDING BLOCKS



The 2019 Preliminary Budget is created from foundational building blocks in order to work towards achieving the Vision for Saskatoon and the Mission for the City. Collectively, these various pieces ensure the budget is deliberate, purposeful and on track.

2018-2021 STRATEGIC PLAN



In 2012, City Council adopted a ten-year Strategic Plan that reflected the visionary ambitions of people in Saskatoon through the community visioning process – *Saskatoon Speaks*. In August 2018, City Council adopted a refreshed 2018-2021 Strategic Plan. The updated plan still includes the public input from the community visioning process, and also incorporates the sentiment from the January 2017 *Let's Talk 2020* engagement initiative where citizens shared their thoughts on what the City's priorities should be over the next four years.

Ten Priority Areas of City Council

To provide focused leadership, City Council identified ten strategic priority areas and created a new leadership model to empower all of its members to take leadership roles – with support from the Administration – in engaging citizens and stakeholders, and advancing these priority areas.

This leadership model is a new approach for the City. It is intended to address the pressures we are facing, get the most out of the opportunities in front of us, and unlock the full potential of our community through meaningful engagement.

Each of the ten defined priority areas of focus have a dedicated City Councillor lead. As work advances in each priority area, there will be outcomes that could impact the City's business plan and budget process, or how the City approaches work. Once these outcomes are identified and approved by City Council, changes are made and the City moves forward!

These priority areas guide the focus of change over this City Council's four-year term and impact the allocation of resources through the business planning and budget process.

THE TEN PRIORITY AREAS AND CITY COUNCILLOR LEAD

Community Safety and Well-being | Councillor Gough

City Council is prioritizing an integrated and effective system of services to promote community safety and well-being.

Challenges pertaining to safety, inequality, and housing accessibility remain considerable, and working towards a holistic community well-being requires multiple approaches and partnerships.

Core Services | Councillor Iwanchuk

City Council is prioritizing continued improvement on the delivery of core public services, including through the use of technology to ensure maximum benefit to citizens.

The work within this priority area is broad and intersects directly with daily lives of the citizens of Saskatoon.

Downtown Development | Councillor Block

City Council is prioritizing the development of the downtown as a neighbourhood, bringing more people, jobs, stores, restaurants, and amenities into the area.

A lively and energetic downtown is interconnected with other City goals, including infill, transit usage, economic development/diversification, and active transportation.

Economic Development | Councillor Hill

City Council is prioritizing strategic economic development that will position Saskatoon to succeed in a changing global economy.

Working collaboratively will allow us to identify opportunities, align infrastructure investments, and create a regulatory environment that fosters business growth and good jobs for Saskatoon citizens.

Environmental Sustainability | Councillor Gersher | Councillor Loewen

City Council is prioritizing the transformation of Saskatoon from one of the highest emitters of greenhouse gases to a model city of innovation in energy conservation, renewables, and waste diversion.

City Council has set ambitious targets relating to environmental sustainability and we have the potential to make significant strides and show leadership in this area.

Information Technology | Councillor Jeffries

City Council is prioritizing using information technology as a means to improve services for the citizens of Saskatoon.

The world of IT is rapidly changing, and this impacts the expectations of citizens in terms of what services that are provided and how they are provided.

Reconciliation, Inclusion, Diversity | Mayor Clark

City Council is prioritizing work to foster an inclusive community and charting a new path of partnership, cooperation, and respect.

The goal of creating an inclusive community where all people are valued and feel a sense of belonging is key to establishing a strong and growing quality of life for all people in Saskatoon.

Recreation, Culture and Leisure | Councillor Davies

City Council is prioritizing the development of the right mix of recreation and culture amenities and programs to support our current and future citizens to be healthy, active, and have fun throughout all seasons.

Regional Planning | Councillor Donauer

City Council is prioritizing the development of a vibrant, competitive, and well-planned region built on partnerships with surrounding urban and rural municipalities and First Nations. Building strong relationships with our partners will create certainty, efficiency, and provide the best opportunity for sustainable regional growth in the years to come.

Transportation | Councillor Dubois

City Council is prioritizing the development of a mobility strategy that supports various transportation options and will serve our community for decades.

STRATEGIC GOALS



A CULTURE OF CONTINUOUS IMPROVEMENT



ASSET AND FINANCIAL SUSTAINABILITY



QUALITY OF LIFE



ENVIRONMENTAL LEADERSHIP



SUSTAINABLE GROWTH



MOVING AROUND



ECONOMIC DIVERSITY AND PROSPERITY

Strategic Goals

The updated Strategic Plan maintains the seven Strategic Goals which are based on areas that the community and City Council identified in order to realize the City's Vision and Mission.

Outcomes, Measures of Success, and Actions

Each of the seven Strategic Goals has outcomes identified that reflect general priorities of the current City Council which align with their ten priority areas of focus. These outcomes describe what the City is striving to achieve.

The Strategic Plan includes various measures to help monitor the City's progress on achieving each outcome and specific actions that will align to the outcomes over the next four years.

To ensure that resources are allocated to the outcomes, Administration incorporates implementation strategies into the 2019 Budget for each of the outcomes and actions included in the 2018-2021 Strategic Plan. This approach ensures the City's budget process aligns with City Council's Strategic Priorities.

THE 2019 BUSINESS PLAN

The 2019 Business Plan and Budget includes initiatives and projects that are aligned with the 2018-2021 Strategic Plan and City Council's ten priority areas. It will guide investments, projects, and service levels that the City will implement and achieve over the course of 2019.



The 2019 Business Plan and Budget outlines City Council's priority areas, service outcomes, performance measures, strategic outcomes, and actions planned within the following 14 business lines:

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

The City's planning process ensures resources are provided to priority programs and services. Funding is tied to clear and achievable outcomes identified in the 2018-2021 Strategic Plan. In addition, this process provides a framework which allows the City to quickly adapt and respond to the changing municipal, provincial, and federal environments.

Performance Measures and Scorecard

The City has 25 corporate performance measures. These measures include 19 targets it is working to achieve and 6 indicators to evaluate progress towards corporate goals. Of the 19 targets, 13 are long-term targets and 6 are annual targets.

These targets and indicators, developed from citizen, stakeholder, and staff feedback, are used as input to guide decisions in the business planning and budget process, and help to ensure investments are making a difference in achieving our Strategic Goals.

The *Strategic Plan Performance Scorecard* highlights the City's progress and trends with performance targets. Trends are reflective of actual performance from 2014 to 2017, and 2018 projected targets. Detailed information on performance measures is highlighted in the business line overviews in the 2019 Preliminary Budget.



Information on the City's Performance Improvement Plan is available on Our Performance webpage at www.saskatoon.ca/strides.

Community Engagement

From community visioning, strategy, performance measures and budgeting, citizen input has always been an important part of the process. As we transition to the new multi-year budget, the public input collected in 2017 as part of the annual Civic Services Survey and Citizen Budget was used as input to build the 2019 Budget.

During this process, the annual the Civic Services Survey was completed with the key objectives of learning:

- perceptions of the quality of life in Saskatoon and the direction the City is heading;
- what citizens believe is the most important issue facing Saskatoon;
- perceptions of satisfaction relating to services provided by the City;
- perceived value of civic services;
- future budget preferences (budget balancing and preferences on service levels);
- preferred ways to receive communication from and conduct business with the City;
- perceptions of customer service and engagement opportunities with the City; and
- understanding community volunteering.

A total of 500 surveys were completed by telephone with 25% of those coming from a cell phone list to reach younger citizens and cell phone only households. A total of 805 surveys were completed through an online panel.



In addition, we have been using the Citizen Budget online tool since 2015 to obtain public feedback on spending priorities. In 2017, there were over 1,596 unique visitors to the site with over 554 citizens submitting their responses.



554 Participants
1,596 Unique Visitors

Planning for the City’s 2020-2021 Multi-Year Business Plan and Budget

The new Multi-Year Business Plan and Budget (MYBB) will create even more ways to gather input and better understand citizens’ perceptions, views and priorities.

The new Civic Satisfaction and Performance Survey introduced the City’s first significant public engagement activity in July 2018. This survey is the first of two to gather public input that will be used to prepare the City’s 2020-2021 Multi-Year Budget. The City is committed to including as many residents as possible by providing multiple engagement opportunities throughout the year.

The City’s first public MYBB will be for a two-year cycle, presented for the 2020-2021 budget years. However, as recommended by the internal auditor, the Administration conducted an internal pilot project in 2019 where the MYBB was to be tested and refined. The 2019 Business Plan and Budget process utilized will be similar to the multi-year process that will be implemented for the 2020-2021 budget years. It is largely based on processes that have been developed by municipalities with extensive experience in preparing multi-year budgets, such as Edmonton and Calgary.

The overall vision was to have a more integrated business planning and budget process whereby City Council’s Strategic Plan drives the business planning process, which in turn is the basis for budget preparation. Utilizing this vision, the Administration is proposing a four-step process as part of the 2019 process, which will eventually form part of the MYBB process as well. The four steps were as follows and will be outlined in greater detail in the Budget in Brief section of this document:



2017 Civic Services Survey

Since the early 1990s, the City of Saskatoon has conducted the Civic Services Survey annually. Its purpose is to gain insight into perceptions on the quality of life in Saskatoon and to learn citizens' views on the importance of and satisfaction with the wide variety of civic services provided by the City.

500 phone surveys and 805 online surveys were completed

A strong majority of respondents (79% phone, 74% online) feel the City is on the right track to being a better place ten years from now.

Key findings include:

Quality of Life: Satisfaction with Civic Services

Quality of life in Saskatoon continues to be rated high, with 89% of phone and 85% of online respondents rating it as either good or very good. The results have held steady from 2016 (89% and 87%) and since 2013 (90% and 86%).

Most Important Issues Facing the City

The most important issue facing the City, as cited by citizens in 2017, continues to be roads and sidewalks (20% phone, 14% online). While significantly fewer respondents feel that roads and sidewalks are the most important issue when compared to 2013 (36% phone, 31% online), more cite taxation and civic spending as the most important issues in 2017.

Other commonly mentioned issues include crime/policing, taxation levels, social issues, and spending. The top ten most frequent issues are generally the same as found in the 2016 survey.

These Civic Services Rated High in Importance and Satisfaction in 2017

- Quality of drinking water
- Fire protection
- Electrical services reliability

- Garbage collection (black bin)
- Removing contaminants from waste water to make it suitable for disposal in the natural environment
- Repair of water main breaks
- Police services (policing, safety and law enforcement)
- Recycling (blue bin or cart)

New for 2017, citizens were asked to rate their satisfaction with the overall quality of City information and communications. Satisfaction is strong among both phone and online respondents, with less than two in ten unsatisfied in this area.

Perceived Value and Knowledge of Tax Dollar Spending

The majority of residents believe they receive good value for what they pay in property taxes (84% phone, 76% online). This question was last asked in 2014 where results were significantly lower (79% phone, 60% online).

On Citizen Preferences in 2017

In 2017, respondents still prefer that the City use a combination of user fee and property tax increases (37% phone, 31% online) to pay for services and balance the annual operating budget.

Provide More, Less or the Same Amount of Service in 2017?

Responses revealed a desire for more road maintenance, affordable housing, snow and ice maintenance, traffic management and transit. Less spending was preferred around arts, cultural groups and community organizations.



Building a Culture of Innovation

The City is [making strides](#) with its Continuous Improvement (CI) strategy. CI is a formalized approach to identifying opportunities to improve the overall efficiency and effectiveness of the organization and the CI strategy includes three key components: civic service Reviews, internal process reviews, and capacity building.



In 2017, Performance Improvement Coordinators (PIC) began working in partnership with the Roadways and Operations, Water and Waste Stream, and Parks Divisions to provide a more focused effort on:

- defining service levels;
- mapping out operational processes with a focus on streamlining and reducing waste;
- establishing key performance indicators; and
- building capacity through internal training for employees in these divisions.

PIC partnerships continued through 2018 with the Saskatoon Transit, Community Standards, Construction and Design, and Planning and Development Divisions, and the Unified Waste Utility project. The PIC partnerships are also helping build capacity and excitement for innovation and creativity in staff at all levels and across the organization. Breaking down silos and working together is a critical component in providing quality, consistent service to every citizen, every time.

Through the CI strategy and PIC partnerships, over 52 internal process reviews are scheduled for civic programs and services through 2018 and 2019. Requests for civic service and process reviews are vetted against strategic outcomes outlined in the 2018-2021 Strategic Plan as well as City Council's priority areas.

The Administration will continue to review and analyze these ideas and implement where savings, efficiencies, or improvements can be realized, and ongoing opportunities for new ideas to be identified are encouraged.

The City's annual [Saskatoon Strides: Our Report on Service Savings and Sustainability](#) highlights progress we are making to drive service improvements, savings for tax payers and sustainability initiatives across the city.

Risk-Based Management Framework

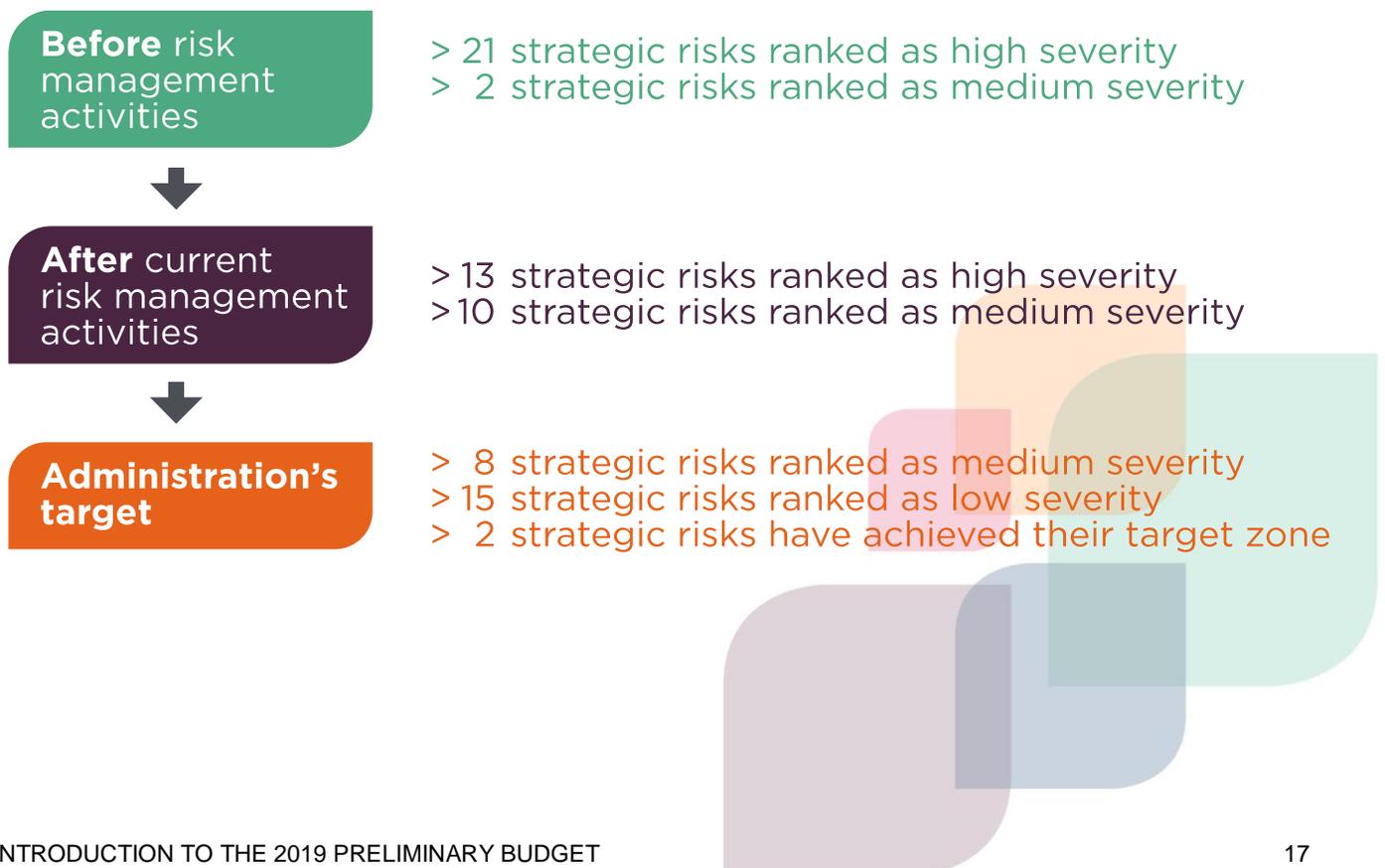
The City, like all municipal governments, faces many types of risk, including strategic, operational, financial and compliance. In order to help manage these risks, the City implemented a Risk-Based Management Program (RBM) to assist Administration with enhancing intelligent risk performance in all areas 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 also increasing the possibility and magnitude of benefits that could result from seizing an opportunity.

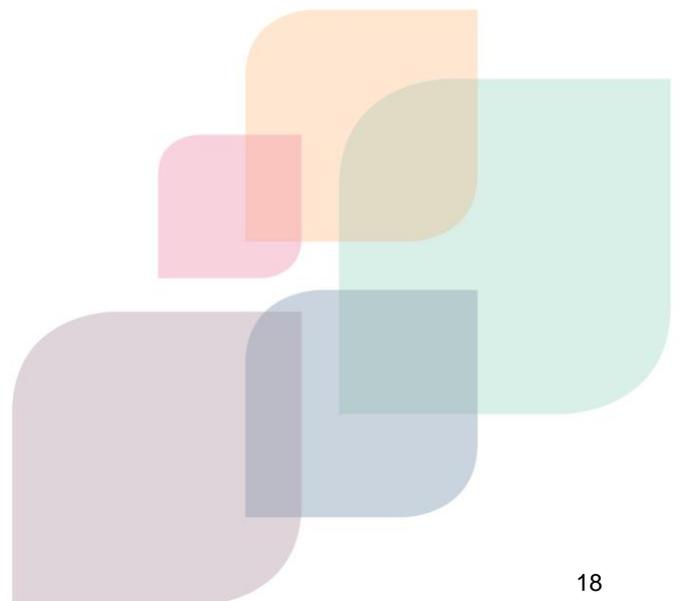
This understanding and analysis has allowed the Administration to continue to make progress in managing the City's key strategic risks. Of the 23 risks identified in the strategic risk assessment, current risk management activities have resulted in a decrease in severity of several risks, with two now in their target zone.



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.

More information on corporate risk and the Corporate Risk Division's annual reports is available on the City's website at saskatoon.ca/city-hall/budget-finance/corporate-risk-management.



2019 BUDGET IN BRIEF



THE 2019 OPERATING BUDGET

The overall vision for the 2019 Business Plan and Budget was to have a more integrated process whereby City Council's Strategic Plan drives the business planning process and is the basis for budget preparation. This concept is illustrated below:



Utilizing this vision, the 2019 Business Plan and Budget implemented a four-step process:



Step 1 Determine Cost to Maintain Service Levels

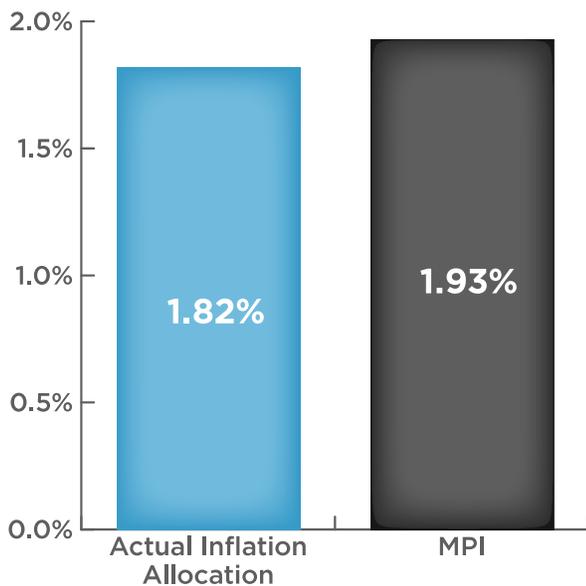
As part of developing the cost to maintain services, City Departments were given a 0% expenditure increase as a starting point. Any requests for increases were thoroughly reviewed on an individual basis by the Budget Committee which is comprised of the City Manager, General Managers and select Finance Division 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 3.16% property tax increase that was presented to the Governance and Priorities Committee (Committee) on May 22, 2018, and is included in the 2019 Preliminary Business Plan and Budget. The 3.16% estimated property tax increase to maintain current service levels includes the following:

- \$10.6 million in expenditures due to inflation;
- \$6.9 million in expenditures due to growth requirements; and
- \$10.2 million in operating revenues.

2019 CIVIC SERVICES INFLATIONARY ALLOCATION



In order to properly benchmark the City’s inflationary impacts, the City has developed a Municipal Price Index (MPI) using the City’s “basket of goods” such as fuel, asphalt, electricity, facility/equipment repairs, and maintenance costs. MPI is a better estimate for the City than the Consumer Price Index (CPI), because the CPI is a measure of inflation for average households and measures items such as food, household expenses, and education costs which the City does not purchase.

Other cities in Canada have also begun calculating MPI to help understand the rising cost of municipal purchases and to assist in forecasting future expenditures. The City’s MPI—or inflationary increase—for 2019 is estimated at 1.93%.

A total of \$10.6 million in new base dollars has been added to the 2019 Preliminary Budget in order to address inflationary pressures. Of the total inflationary increases, \$3.5 million is attributable to Saskatoon Police Service (SPS), while \$7.1 million is attributable to all other civic services. The civic services increase equates to a 1.82% increase over the 2018 Operating Expenditure Budget.

In addition to inflation, the 2019 Operating Budget includes increased growth expenditure estimates of \$6.9 million. Some of the key growth requirements, include:

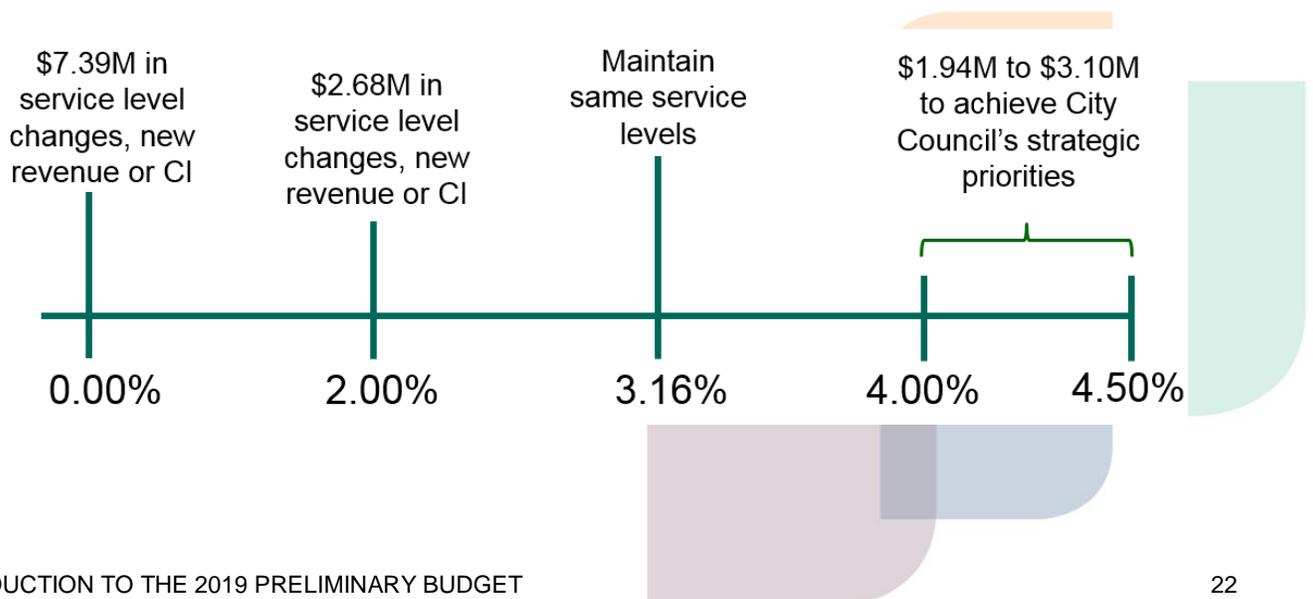
- \$2.8 million allocated to the Transportation business line largely related to a growing network including roadways, bridges, interchanges and street lights, and associated services such as maintenance, street sweeping, snow clearing and transit services. Some of the key components within the Transportation business line include:
 - \$825,800 allocated toward the City’s Road Maintenance service line primarily to maintain the City’s 1-in 20-year treatment cycle for civic roadways over a larger roadway network.

- \$893,500 allocated toward the Bridges, Subways and Overpasses service line in order to provide the necessary contributions to maintain the City's two new overpasses and complete the phase-in required for the payments on the new Chief Mistawasis and Traffic Bridges.
- \$1.1 million for SPS as a result of restrained growth in 2018 which left SPS in a position where more resources are required to maintain service and enhance patrol availability factor. As such, the 2019 Budget submission includes an increase in resources that is the minimum required to effect positive change to support City Council's priority area of Community Safety and Wellness.
- \$1.1 million for the Corporate Governance and Finance business line due to the required property tax phase-ins for the Civic Facilities and Major Transportation Funding Plans, as well as \$370,000 for the phase-in of Recovery Park debt repayments.
- \$646,300 increase within the Corporate Asset Management business line related to growth as new amenities and facilities were added in 2018, such as additional playgrounds, spray pads, the Gordie Howe Sports Complex Clubhouse, Children's Discovery Museum shared space, and the newly acquired former Saskatchewan Transportation Company building at 88 King Street.

Step 2 Determine Property Tax Target

Step 2 of the City's 2019 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.

The Committee's indicative rate decision provided Administration with an indication of their tolerance level for a property tax target early in the process. It also provided Administration with clear parameters to work within to achieve City Council's priorities. A variety of options were presented to Committee at its meeting on May 22, 2018, as shown below:



After consideration of these options, Committee directed Administration to target a 4.00% to 4.50% property tax increase for 2019. This target would not only allow for the current service levels to be maintained but also \$1.94 million to \$3.10 million in additional budget allocations in order to achieve City Council’s priority areas of focus.

Step 3 Develop Corporate Business Plans to Achieve City Council’s Priorities

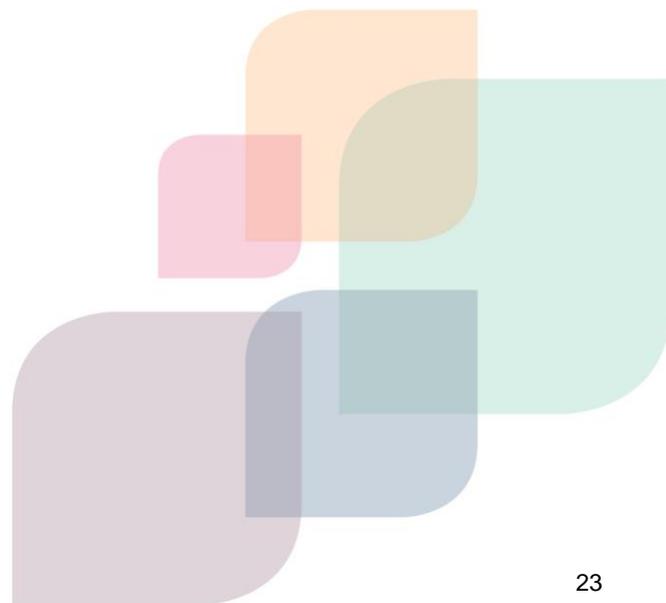
Step 3 of the 2019 Business Plan and Budget process consisted of the Administration forming working committees to develop strategies and initiatives in order to achieve City Council’s priorities. These cross-divisional working committees utilized City Council’s renewed Strategic Plan to develop options and initiatives that would directly contribute to achieving these priorities. On June 18, 2018, Committee was presented with \$7.78 million in Business Plan options to be considered at the Business Plan and Budget Review. While the specific Business Plan options have not been included in the 2019 Preliminary Business Plan and Budget, \$2.6 million in funding has been included in the General Services service line. A corresponding report included in the Business Plan and Budget Review agenda will outline which initiatives are recommended by the Administration for implementation in 2019.

Expenditures

The City’s 2019 Operating Budget includes total expenditures of \$511.3 million. Schedule II of the 2019 Preliminary Detailed Operating and Capital Budget provides more details on the breakdown of these expenditures.

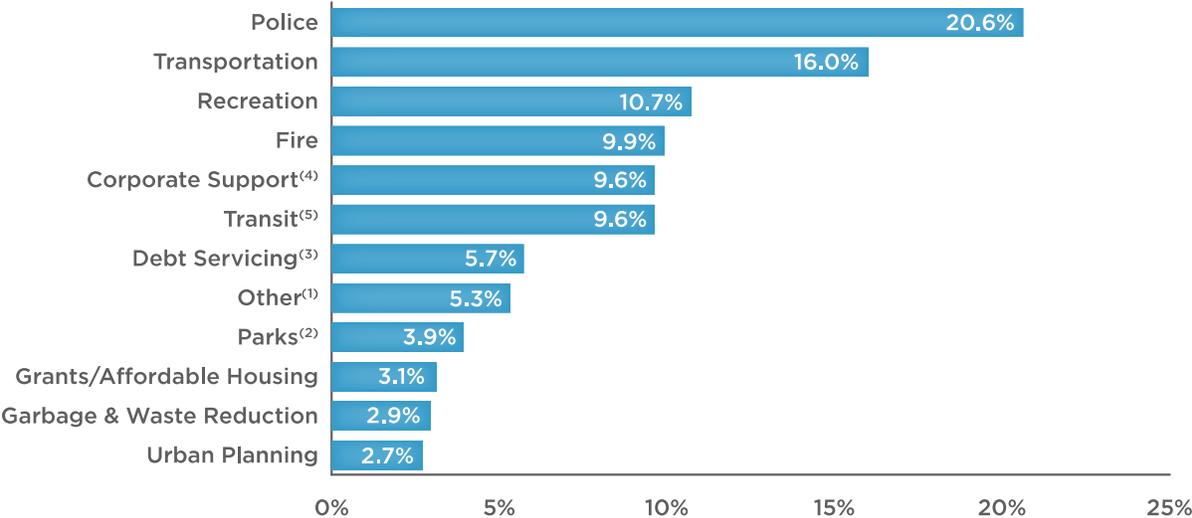
For the 2019 Operating Budget, expenditures are increasing 4.20% over 2018. It is important to note that the increase in expenditures is comprised of the following:

Item	2018 Budget	2019 Budget	Transfer from Civic Budget to Police	\$ Net Increase	% Net Increase
Saskatoon Police	\$ 99.3 M	\$ 105.4 M	(\$ 1.0 M)	\$ 5.0 M	5.03%
All Other Civic Operations	\$ 391.3 M	\$ 405.9 M	\$ 1.0 M	\$ 15.6 M	3.99%
Total	\$ 490.6 M	\$ 511.3 M	-	\$ 20.6 M	4.20%

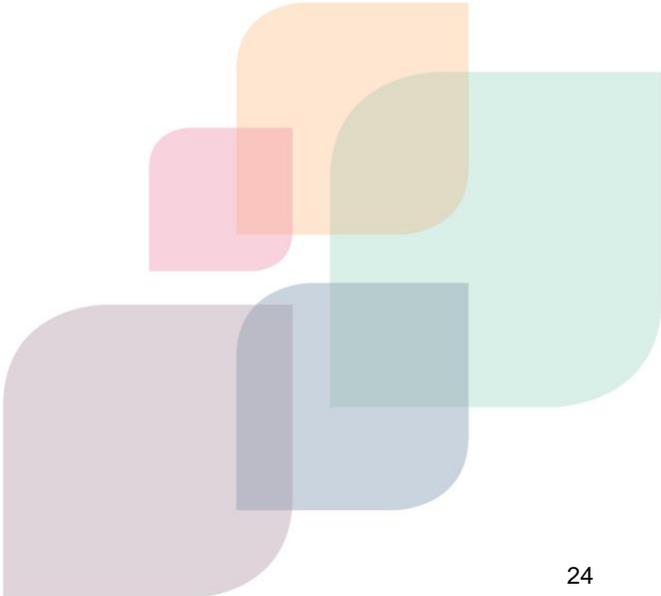


The following chart shows the distribution of the tax-supported expenditures by service. Policing represents the largest portion of the City’s operating expenditures at 21%, or \$105.4 million.

2019 TOTAL OPERATING EXPENDITURES BY SERVICE



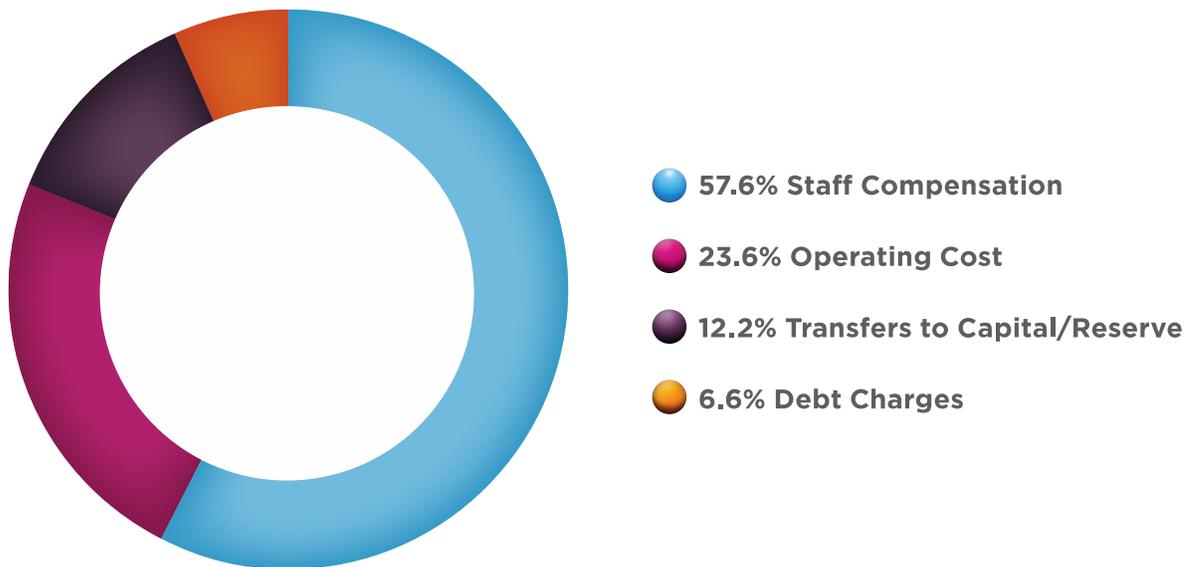
- (1) Other includes street lighting, animal services, cemeteries and facilities, court costs for traffic violations, Saskatoon Land, Impound Lot, and property annexation costs
- (2) Parks includes urban forestry and pest management
- (3) Debt Servicing includes provisions for current and future debt 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 proposed 2019 Operating Budget.

- The majority of expenditures for the Operating Budget, \$294.4 million, are for staff salaries and payroll costs.
- Transfers to Capital and Operating Reserve account for \$62.4 million of the Operating Budget (includes capital down payments for funding plans).
- Debt servicing costs (principal and interest) are \$33.6 million of the Operating Budget. These are funded by \$10.5 million of Federal Gas Tax and \$23.1 million from property taxation.

2019 TOTAL OPERATING EXPENDITURES BY CATEGORY



Staffing

The following table shows the total staffing requirements in 2019 and the change over 2018. The 2019 Budget includes an additional 56.1 FTEs over 2018 (a 1.5% increase). The 56.1 figure is net of all transfers, redeployments and continuous improvement reductions that have been identified in the 2019 Budget. The 2019 FTE distribution is also shown in the following table:

SUMMARY OF FULL-TIME EQUIVALENTS (FTEs)

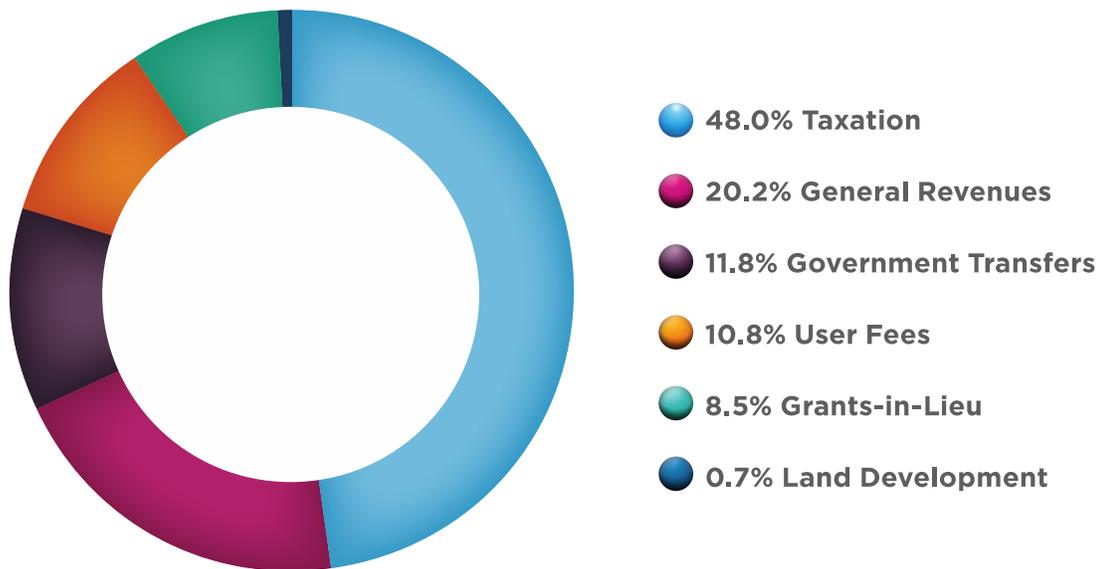
Full-Time Equivalents (FTEs)	2018 Budget	2019 New	2019 Redeploy	2019 Budget	FTE Net Change
Tax Supported Services					
Civic Operations					
Community Support	30.6	-	-	30.6	-
Corporate Asset Management	241.9	4.5	(0.5)	245.9	4.0
Corporate Governance & Finance	411.0	4.0	0.5	415.5	4.5
Environmental Health	108.9	0.7	0.3	110.0	1.0
Fire	336.0	1.0	-	337.0	1.0
Recreation & Culture	298.5	4.4	-	302.9	4.4
Transportation	618.6	12.2	(0.2)	630.6	12.0
Urban Planning & Development	48.7	0.6	-	49.3	0.6
Total Civic Operations	2,094.2	27.4	0.1	2,121.7	27.5
Police					
Police	656.5	12.0	-	668.5	12.0
Total Police	656.5	12.0	-	668.5	12.0
Controlled Corporations					
Remai Modern	45.1	2.5	-	47.6	2.5
SaskTel Centre	47.7	-	-	47.7	-
TCU Place	62.6	-	-	62.6	-
Total Controlled Corporations	155.3	2.5	-	157.8	2.5
Total Tax-Supported Services	2,906.1	41.9	0.1	2,948.0	42.0
Non-Tax Supported Services					
Building & Plumbing Permits & Standards	57.0	1.0	-	58.0	1.0
Business Licenses	10.6	-	-	10.6	-
Golf Courses	24.8	-	-	24.8	-
Impound Lot	0.8	-	-	0.8	-
Nutrien Playland	4.3	(0.4)	-	3.8	(0.4)
Gordon Howe Campsite	2.7	-	-	2.7	-
Land Development	18.4	-	-	18.4	-
Total Non Tax-Supported Services	118.5	0.6	-	119.1	0.6
Utilities					
Utilities	361.4	-	-	361.4	-
New FTEs	-	5.8	-	5.8	5.8
Transferred to Operating	-	-	-	-	-
Transferred from Capital (Utilities)	-	-	0.7	0.7	0.7
Total Utilities	361.4	5.8	0.7	367.9	6.5
Subtotal	3,386	48.2	0.8	3,435	49.0
CAPITAL					
New FTEs	-	7.9	-	7.9	7.9
Transferred to Operating	-	-	(0.1)	(0.1)	(0.1)
Transferred to Operating (Utilities)	-	-	(0.7)	(0.7)	(0.7)
Capital	299.9	7.9	(0.8)	307.0	7.1
Total Full-Time Equivalents	3,685.9	56.1	-	3,742.0	56.1

Revenues: Where the Money Comes From

The City of Saskatoon generates operating revenues from five sources to pay for the delivery of its programs and services: taxation, general revenues, user fees, government transfers, and grants-in-lieu of taxes.

The percentage of revenue sources that pay for all civic programs and services in the City's 2019 Operating Budget is shown in the pie chart below.

SHARE OF 2019 OPERATING REVENUES



As the chart illustrates, almost half (48%) of the City's 2019 operating revenues come from taxation, and almost entirely from the municipal property tax. This is relatively low when compared to other Canadian municipalities.

However, taxation has been steadily rising as a share of operating revenues for two reasons:

- tax supported expenditures have been consistently increasing; and
- most non-tax revenues have not been keeping pace with rising costs, such as inflation, growth, and service level changes.

The remaining pages in this section of the document addresses each of the City's five primary revenue sources in more detail.

General Revenues

For 2019, general revenues make up 20.2% of the City's total general operating revenue, 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, and currently include Recycling, Leaves and Grass, and Compost programs) 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 2017 to 2019 budget years. The increased revenue included in the 2019 Operating Budget is approximately \$2.2 million.

UTILITY CONTRIBUTIONS

Contributions from City-Owned Utilities (\$000's)	2017 Budget	2018 Budget	2019 Budget	2019 Change
Recycling	\$ 53.5	\$ 53.5	\$ 53.5	\$ -
Admin. Fee	\$ 53.5	\$ 53.5	\$ 53.5	\$ -
SL&P	\$ 47,785.8	\$ 48,860.3	\$ 48,241.7	\$ (618.6)
Admin. Fee	\$ 431.1	\$ 431.1	\$ 431.1	\$ -
Grant-in-Lieu	\$ 22,695.0	\$ 23,769.5	\$ 23,150.9	\$ (618.6)
Return on Investment	\$ 24,659.7	\$ 24,659.7	\$ 24,659.7	\$ -
Stormwater	\$ 51.8	\$ 51.8	\$ 51.8	\$ -
Admin. Fee	\$ 51.8	\$ 51.8	\$ 51.8	\$ -
Wastewater	\$ 11,032.8	\$ 12,393.7	\$ 13,108.4	\$ 714.7
Admin. Fee	\$ 4,369.7	\$ 4,369.7	\$ 4,369.7	\$ -
Grant-in-Lieu	\$ 3,995.9	\$ 4,727.0	\$ 4,769.7	\$ 42.7
Return on Investment	\$ 2,667.2	\$ 3,297.0	\$ 3,969.0	\$ 672.0
Water	\$ 13,097.4	\$ 14,411.9	\$ 16,563.6	\$ 2,151.7
Admin. Fee	\$ 3,923.9	\$ 3,923.9	\$ 3,923.9	\$ -
Grant-in-Lieu	\$ 5,490.7	\$ 5,935.0	\$ 7,158.7	\$ 1,223.7
Return on Investment	\$ 3,682.8	\$ 4,553.0	\$ 5,481.0	\$ 928.0
Total	\$ 72,021.3	\$ 75,771.2	\$ 78,019.0	\$ 2,247.8

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.

This revenue source totals \$61.9 million in 2019 and comprises 12.1% of the City's projected revenues for 2019. As a result of the 2018-19 Provincial Budget, the grants-in-lieu (historically referred to as franchise fees) received from SaskEnergy in prior years, which were discontinued as part of the 2017-2018 Provincial Budget, were reinstated. It is anticipated that the reinstated grant-in-lieu from SaskEnergy will result in an additional \$4.3 million in general revenue in 2019.

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

User Fees

User fee revenue from services comprises 10.8% of the total 2019 Operating Budget. 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 instance, 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 table provides a 2018/2019 comparative summary for some of the City's significant user fee changes. This information includes the proposed fee changes effective January 1, 2019, unless otherwise noted.

Other significant user fees that have remained unchanged from the 2018 Budget include some of the following (not inclusive):

- zoning, sub-development, and discretionary use fees;
- transit rates;
- parking rates; and
- landfill tipping and entrance fees.



MUNICIPAL USER FEES/RATES

	2018 Rate	2019 Rate	Change (\$)	Change (%)
Indoor Rink Admission:				
Adult	\$ 5.75	\$ 5.75	\$ 0.00	0.0%
Youth	\$ 3.75	\$ 3.75	\$ 0.00	0.0%
Forestry Farm Park & Zoo:				
Adult	\$ 12.50	\$ 12.50	\$ 0.00	0.0%
Youth	\$ 7.50	\$ 7.50	\$ 0.00	0.0%
Family ⁽¹⁾	\$ 25.00	\$ 25.00	\$ 0.00	0.0%
Adult Season Pass	n/a	\$ 40.00	n/a	n/a
Youth Season Pass	n/a	\$ 24.00	n/a	n/a
Family Season Pass	n/a	\$ 80.00	n/a	n/a
Leisure Cards:				
Adult 1 Month	\$ 45.00	\$ 50.00	\$ 5.00	11.1%
Youth 1 Month	\$ 27.00	\$ 30.00	\$ 3.00	11.1%
Family 1 Month	\$ 90.00	\$ 100.00	\$ 10.00	11.1%
Gordon Howe Campground:				
Campground Electric (15 Amp)	\$ 36.67	\$ 36.67	\$ 0.00	0.0%
Campground Electric (30 Amp)	\$ 40.48	\$ 40.48	\$ 0.00	0.0%
Campground Electric (50 Amp)	\$ 43.81	\$ 43.81	\$ 0.00	0.0%
Weekly Electric (15 Amp)	\$ 223.81	\$ 223.81	\$ 0.00	0.0%
Weekly Electric (30 Amp)	\$ 247.62	\$ 247.62	\$ 0.00	0.0%
Weekly Electric (50 Amp)	\$ 271.43	\$ 271.43	\$ 0.00	0.0%
Monthly Electric (15 Amp)	\$ 661.90	\$ 661.90	\$ 0.00	0.0%
Monthly Electric (30 Amp)	\$ 728.57	\$ 728.57	\$ 0.00	0.0%
Monthly Electric (50 Amp)	\$ 790.48	\$ 790.48	\$ 0.00	0.0%
Tent	\$ 21.90	\$ 21.90	\$ 0.00	0.0%
Sewage	\$ 7.62	\$ 7.62	\$ 0.00	0.0%
Overflow	\$ 19.05	\$ 19.05	\$ 0.00	0.0%
Laundry	\$ 0.00	\$ 0.00	\$ 0.00	0.0%
Recycling and Leaves & Grass Subscription Programs:				
Residential Recycling: (per month)	\$ 5.52	\$ 5.65	\$ 0.13	2.4%
Multi-unit Recycling: (per month)	\$ 2.96	\$ 3.11	\$ 0.15	5.1%
Leaves & Grass Subscription Fee: (per season)				
Early Rate (January - April)	\$ 55.00	\$ 55.00	\$ 0.00	0.0%
Standard Rate (May - December)	\$ 75.00	\$ 75.00	\$ 0.00	0.0%
Saskatoon Light & Power (Electrical): (yearly increase)⁽²⁾	5.0%	3.0%	-	-
Water/Wastewater: (yearly increase)⁽³⁾	9.25%	9.25%	-	-

(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 are determined by SaskPower rate changes. For 2019 3.0% is estimated based on historical trends from SaskPower.

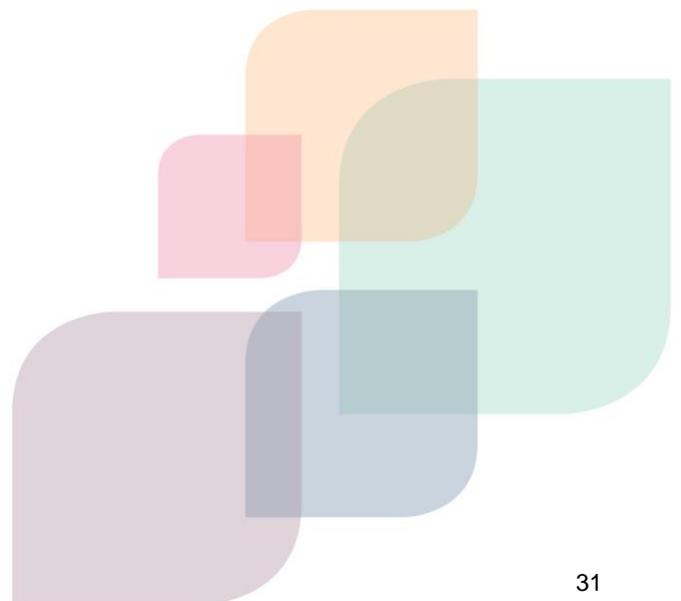
(3) Saskatoon Water and Wastewater rates have previously been approved by City Council.

Government Transfers

In order to provide necessary and essential public services and programs to its residents, the City receives funding from other orders of government. For 2019, government transfers account for 11.8% 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 have 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.

However, due to provincial tax policy changes, the Province and the municipal sector are in the process of renewing the MRS program. Given this process, the 2019 proposed budget estimates that the City of Saskatoon will receive approximately \$43.4 million in MRS, the same amount as in 2018.



Taxation

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 2019 Operating Budget proposes a municipal property tax increase of 4.50%, generating an additional \$10.4 million for the City.

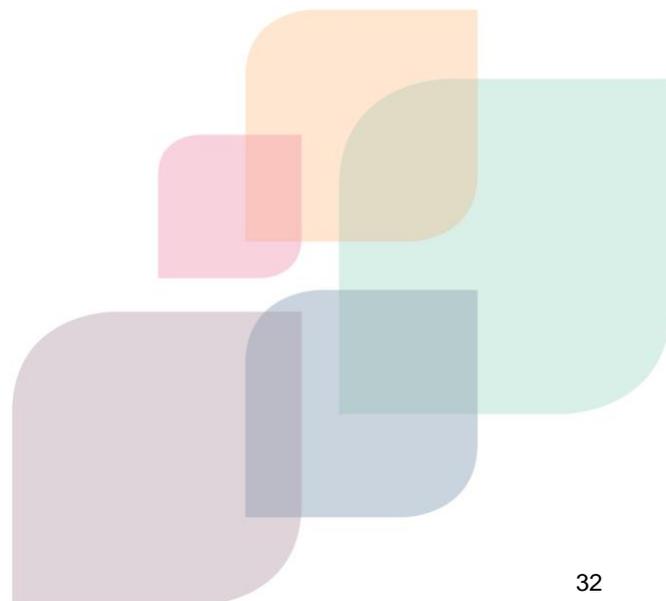
The table below also illustrates the details of the proposed 2019 property tax increase for public safety operations such as Police and Fire, in addition to the remaining civic services.

The proposed 2019 property tax increase is made up of:

- 0.72% for the Saskatoon Police Service
- 0.37% for Fire Protection
- 3.41% for all other civic operations

BREAKDOWN OF THE PROPOSED PROPERTY TAX INCREASE

(\$000's)	Expenditures	Revenues	Budget Increase	Percent Increase
Total City Operations (excluding Fire & Police)	13,868.5	(5,969.2)	7,899.3	3.41%
Total Fire Services Operating Increase	1,760.7	(915.9)	844.8	0.37%
Total Police Operating Increase	4,997.5	(3,322.4)	1,675.1	0.72%
Total Municipal Increase	20,626.7	(10,207.4)	10,419.3	4.50%



Property Taxes for the Typical Homeowner

The proposed 2019 property tax increase of 4.50% means that a homeowner who owns a single-family detached home with an average assessed value of \$371,000 will see their municipal property taxes increase by the approximate amounts categorized in the table below.

IMPACT OF THE PROPOSED PROPERTY TAX INCREASE

Municipal Tax Increase Based on Average Assessed Value of \$371,000	Total City Services 2.57%	Total Police Services 1.93%	Total Increase 4.50%
Approximate Total Increase for 2019	\$ 46.47	\$ 34.90	\$ 81.36
Approximate \$ Per Month	\$ 3.87	\$ 2.91	\$ 6.78

HOW YOUR MUNICIPAL PROPERTY TAXES ARE DISTRIBUTED

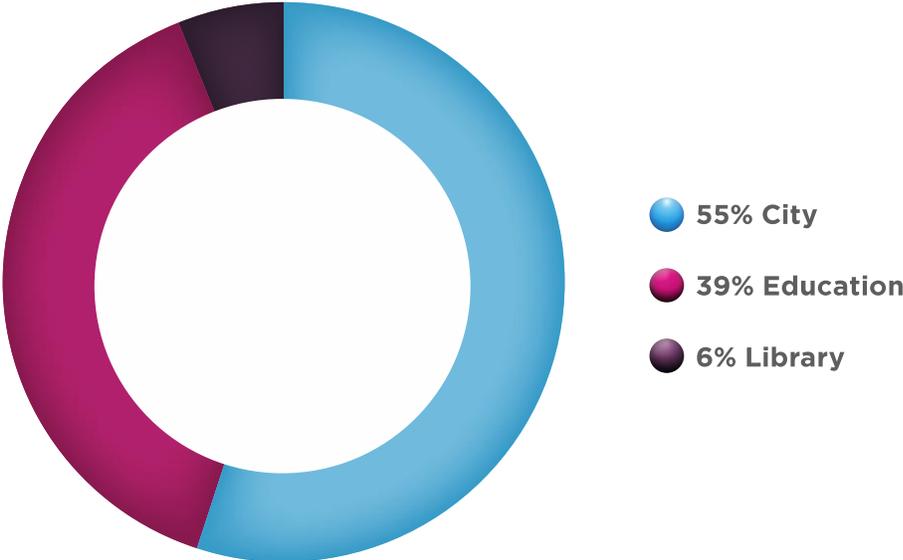
Every \$1 of municipal property tax is shared between the civic services shown in this chart.



- (1) Includes street lighting, animal services, cemeteries and facilities
- (2) Includes urban forestry and pest management
- (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

The total property tax dollar distribution for 2018 is shown below. A little more than half of all property taxes collected went to the City for the delivery of key services such as road maintenance, policing, fire protection, and public transit. Of the property taxes collected by the City, 39% is remitted to the Province of Saskatchewan to pay for education.

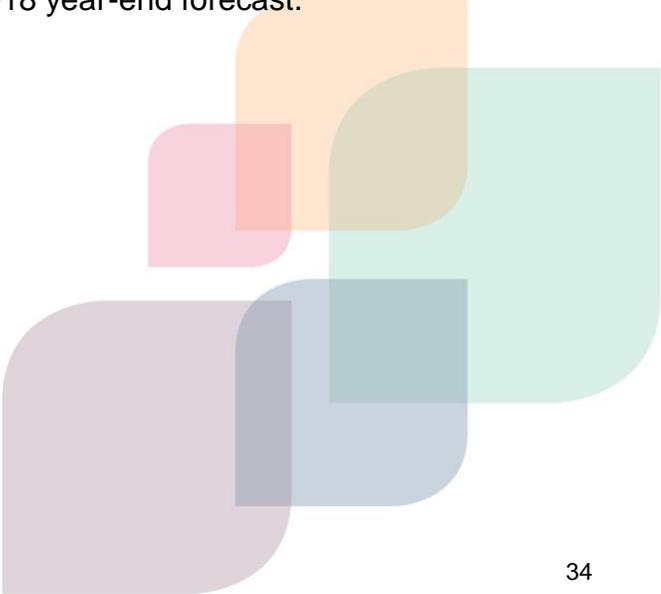
DISTRIBUTION OF PROPERTY TAX (2018)



Budget Assumption Risks

In preparing the 2019 Preliminary Budget, assumptions were made to form the basis of many budget figures. The following section identifies the risks or opportunities contained within key budget categories.

This analysis compares the 2019 Operating Budget against the previous year’s budget, as well as the actual results from 2017 and the projected 2018 year-end forecast.

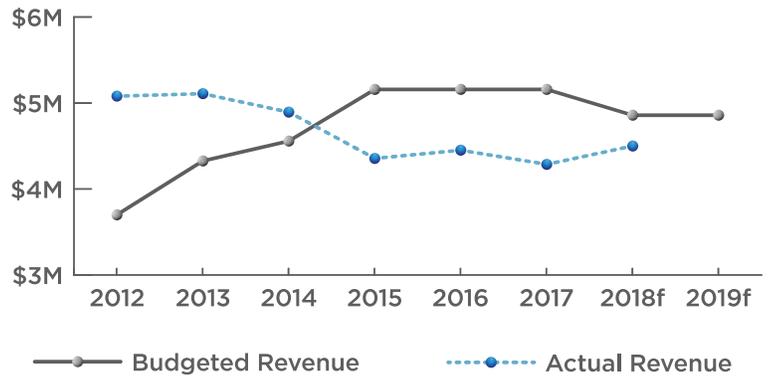


Traffic Violation Revenue

Beginning in 2012, the historic trend shows a decrease in provincial and city traffic violations, resulting in decreased revenue to the City. The implementation and redirection of automated speed enforcement revenue to the Traffic Safety Reserve and increased driver compliance are contributing factors.

The 2018 Budget included a \$300,000 downward adjustment in revenue to reflect this trend. This adjustment combined with increases in the number of issued tickets and corresponding violation revenue has reduced the deficit from \$870,000 in 2017 to a projected \$350,000 in 2018. No change to budgets have been made for 2019, as revenues are budgeted to continue increasing; however, if they do not increase at the current rate, there is a risk that traffic violation revenue could be overstated.

TRAFFIC VIOLATION REVENUE

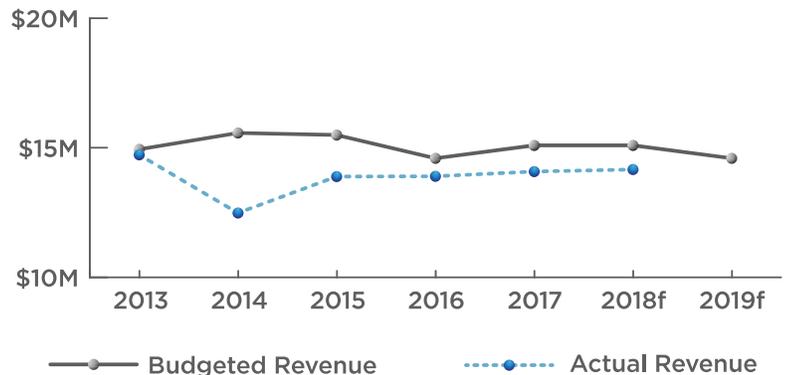


Transit Revenue Projection

Since 2014, Saskatoon Transit has seen relatively flat revenues of about \$14.0 million per year. Although actual revenues have trended below budget, 2018 included no adjustments to the revenue budget, as Saskatoon Transit continued to employ strategies to increase ridership.

While 2017 had slight increases to ridership and revenues and 2018 is projecting the same trend, it is not anticipated that this will be sufficient in order to make up the approximate \$1.0 million shortfall. The 2019 Indicative Budget includes a \$500,000 adjustment to correct transit revenue. While the 2019 budget adjustments correct a significant portion of this historical deficit, if actual revenues and ridership do not continue to trend upwards, there is a risk that 2019 could have a revenue shortfall of approximately \$400,000.

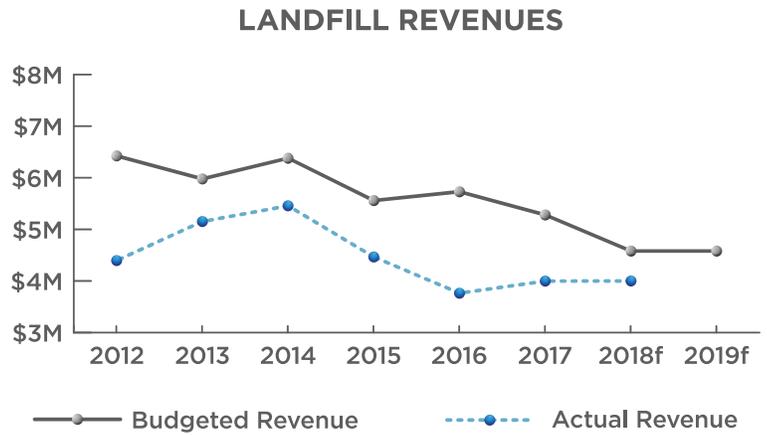
TRANSIT REVENUE PROJECTION



Landfill Revenues

Over the past number of years, the chargeable tonnage of waste received at the Landfill has decreased, resulting in lower revenue. Since 2014, competing landfills within the region have been aggressively pursuing the business from major commercial haulers, which has significantly impacted Landfill revenue.

While the 2018 Budget included a \$700,000 decrease to Landfill revenue, which has corrected a significant portion of the ongoing revenue shortfall, a \$500,000 deficit is still projected for 2018. The 2019 Budget includes no further adjustments to this revenue source, as the Administration continues to investigate the waste as a utility option in order to create a financially and environmentally sustainable alternative to correct this trend.



Parking Violation Revenue

The City has implemented various changes to its parking program over the past few years. These changes include an increased rate for parking violations from \$20 - \$30, as well as the introduction of new parking pay stations. Both of these initiatives have had a positive effect on compliance but have had a stagnant impact on parking violation revenue.

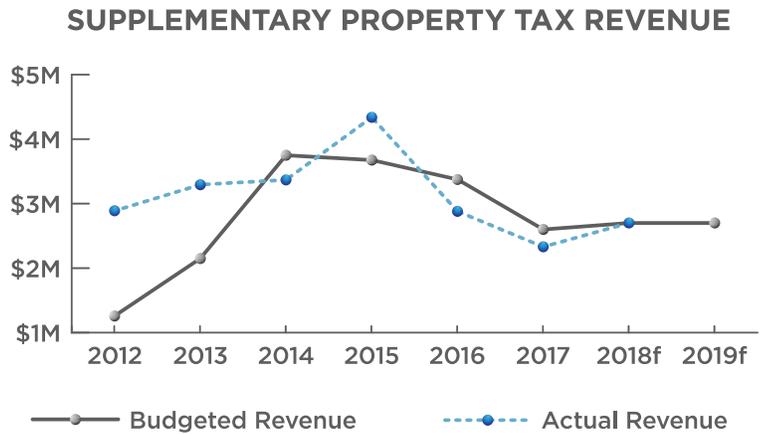
Currently, a \$1.45 million deficit is being projected for parking violations in 2018. The 2019 Budget includes a \$500,000 correction to this revenue budget. It is anticipated that a portion of regular parking meter revenue will be utilized to offset this ongoing deficit once the capital payment is completed which is anticipated in mid-2019.



Supplementary Property Taxes

Supplementary property taxes are those taxes levied to new properties completed in the budget year and not included in the tax base at the time of tax billing. Supplementary taxes are based on building permits issued, as well as the City's Assessment and Taxation Division's estimates of building completion dates.

This graph is difficult to project accurately, as evidenced by prior year's fluctuations between budget and actuals outlined in the graph below. The 2019 current estimate of \$2.7 million is unchanged from 2018, and it is estimated that there is a \$250,000 risk within that estimate based on timing of construction completion.

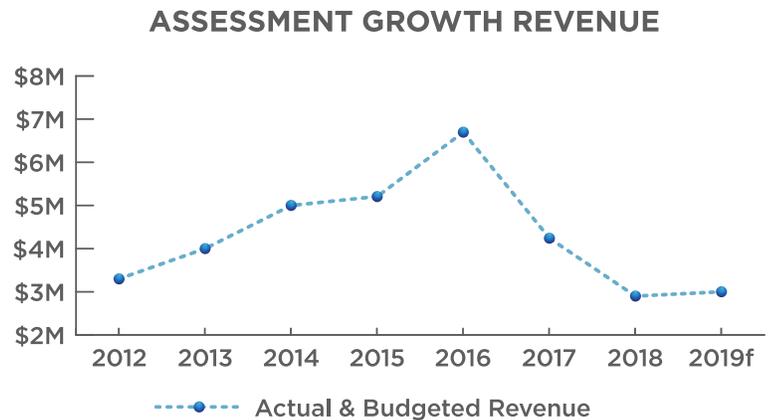


Assessment Growth

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

The 2019 Budget is based on building permit information, property assessment appeal decisions, approved economic incentives and estimated construction completion dates.

The 2019 assessment growth is currently estimated at \$3.0 million and will be finalized near the end of November 2018 just prior to the Business Plan and Budget Review. There is a risk that the 2019 assessment growth will be lower than expected as this is based on a variety of estimates. It is estimated that there is a \$500,000 risk within this projection.



THE 2019 CAPITAL BUDGET

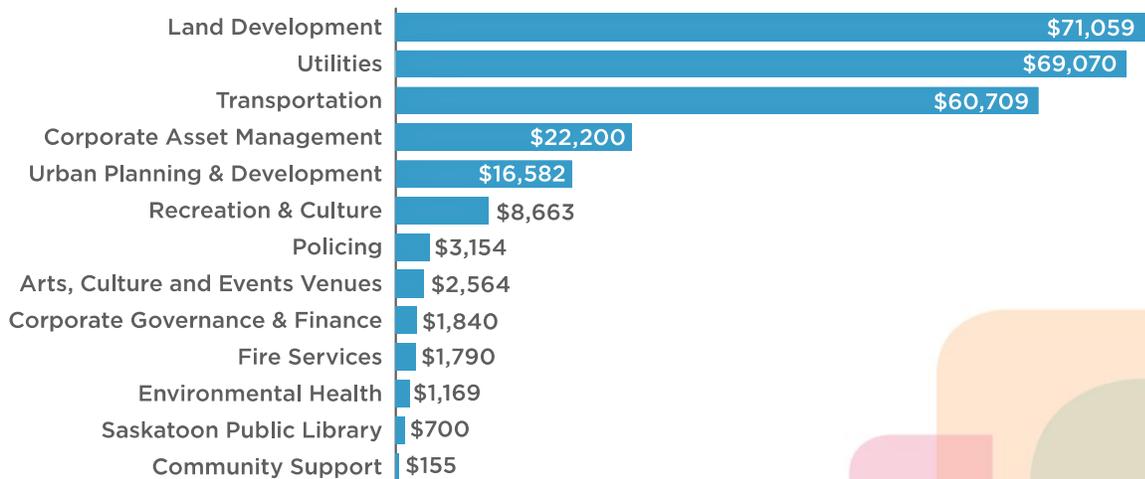
The City's Capital Budget directs funding for the construction or refurbishment of major capital infrastructure projects such as roads, bridges, buildings, and water and sewer lines. The 2019 Capital Budget not only addresses Saskatoon's growth, but also its basic infrastructure needs with continued 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 asset. One of the key funding strategies in prior years' budgets was to dedicate property tax increases, solely for the maintenance of roads as the required funding base is built to meet the long-term needs and to achieve the service levels desired by the citizens of Saskatoon.

The City's 2019 Capital Budget provides a total capital investment of \$259.7 million as seen in the following graph. Together, the various projects that make up this total investment aim to meet the objectives of the Strategic Plan and specifically:

- prepare for growth;
- improve mobility;
- enhance public safety;
- increase quality of life; and
- protect the environment.

2019 CAPITAL INVESTMENT BY BUSINESS LINE (\$'000'S)



Land Development represents 27.4% of the total capital investment for 2019 required for various infrastructure requirements in Holmwood, Brighton, Aspen Ridge, Kensington, and Rosewood, among other developments.

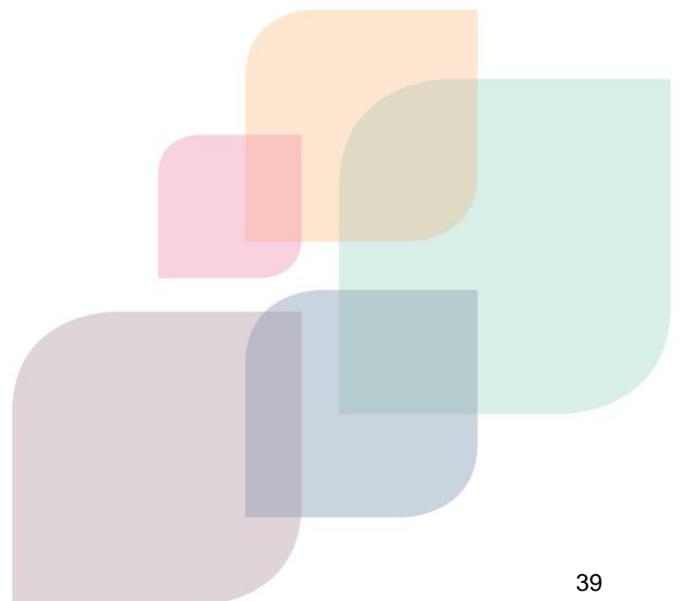
Utility-related projects make up 26.6% of the total capital investment in 2019, including:

- over a \$27.4 million investment in upgrades and maintenance at the Water Treatment Plant for rehabilitation and replacement of the water distribution system, reservoir structural repairs, chlorine room capacity and filter plant underdrain upgrades;
- over an \$11.0 million investment in upgrades and maintenance at the Wastewater Treatment Plant for rehabilitation and replacement of the wastewater collection system, lift station upgrades, major replacements of bioreactor pumps and components; and
- Saskatoon Light & Power is investing over \$23.0 million in upgrades to electrical distribution, substations, transmission lines and street lights.

Transportation projects represent 23.4% of the total capital investments in the 2019 Capital Budget. Some of the notable investments include:

- \$31.3 million for paved roadway and sidewalk preservation; and
- \$13.5 million for Sid Buckwold Bridge repairs.

The remaining 22.6% of the 2019 Capital Budget is allocated among various smaller projects.

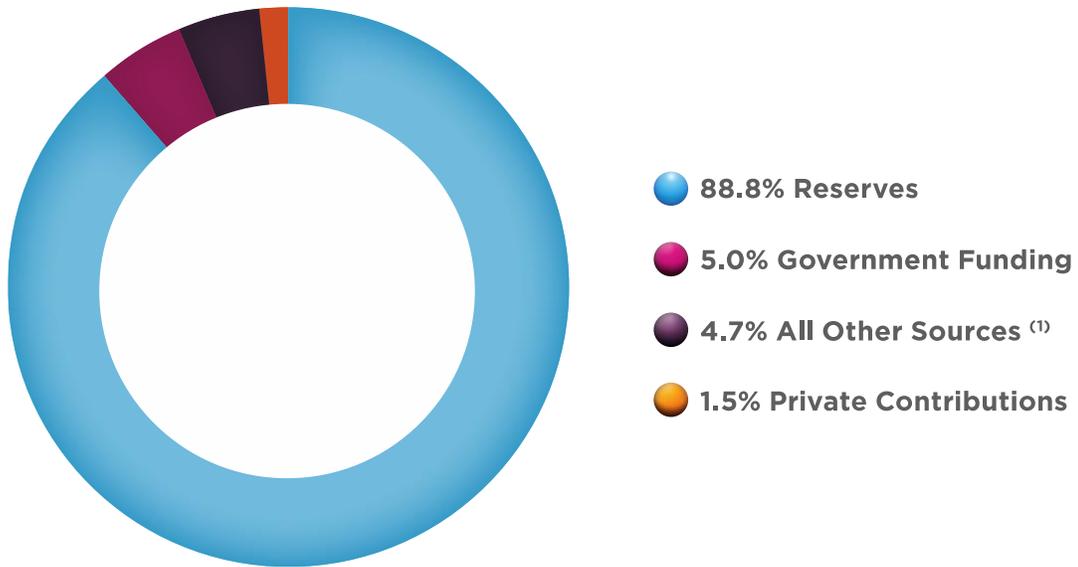


PAYING FOR THE 2019 CAPITAL BUDGET

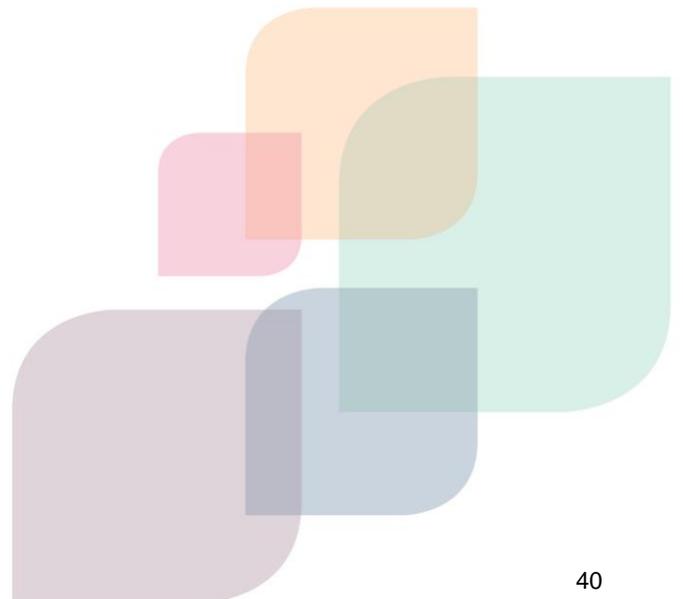
The largest source of funding for the 2019 Capital Budget is reserves.

Approximately \$230.5 million (88.8%) of the entire Capital Budget is funded through reserves that the City has set aside for capital replacement, enhancement, and new capital work. The remaining \$29.1 million (11.2%) of the Capital Budget is split among various sources.

2019 CAPITAL BUDGET FUNDING SOURCES



(1) Other sources include a total of \$12.3 million funded from the City's reallocation pool which utilizes previously allocated funds to utility projects that have since received funding from the provincial or federal governments, or allocations from the City's funding plans that utilize a variety of funding sources such as land dividends, property tax phase-ins and Federal Gas Tax allocations.



2019 CAPITAL BUDGET FUNDING SUMMARY

GENERAL CAPITAL: (\$000's)	2019 Budget
Reserves	157,879
Borrowing	-
Provincial Government	-
Federal Government	13,084
Private/External Contributions	2,739
Operating Contributions	-
Other	10,874
Saskatoon Public Library Reserve	700
TOTAL GENERAL CAPITAL	185,276
UTILITY CAPITAL: (\$000's)	
Reserves	66,640
Borrowing	-
Provincial Government	-
Federal Government	-
Private/External Contributions	1,050
Operating Contributions	-
Other	1,380
TOTAL UTILITY CAPITAL	69,070
TOTAL GENERAL & UTILITY CAPITAL	254,346
LAND DEVELOPMENT: (\$000's)	
Reserves/Developers	5,309
TOTAL CAPITAL FUNDING	259,655

General Capital refers to capital projects that are non-utilities, such as transportation capital projects. 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 XII (Capital Reserve Sufficiency) of the 2019 Preliminary Detailed Operating and Capital Budget reflects the sufficiency of these reserves.

The balances of the City's capital and stabilization reserves heading into 2019 remain healthy, with a total estimated balance of \$226.5 million.

CAPITAL AND STABILIZATION RESERVE SUFFICIENCY

Estimated Reserve Balances (\$ millions)		
Capital Reserves:	Jan/18	Jan/19
General	55.6	53.0
Prepaid Services (Land Development)	36.9	58.9
Property Realized	30.9	30.9
Boards/Commissions (Including Saskatoon Public Library)	60.1	50.7
Capital Reserves Total	183.5	193.5
Stabilization Reserves:		
Fiscal Stabilization	5.0	5.0
Land Operations Stabilization	3.6	3.6
Fuel Stabilization	1.3	0.3
Utilities Stabilization	14.7	11.4
Building Permits/Inspections Stabilization	7.6	7.0
Other	5.9	5.7
Stabilization Reserves Total	38.2	33.0
Total Reserves Balance	221.7	226.5

The Reserve for Capital Expenditures (RCE) has been established by City Council to provide funding for discretionary capital projects. In total, just over \$2.6 million has been made available to fund the discretionary capital projects as seen in the table below. RCE is mostly funded by an annual mill rate contribution.

RESERVE FOR CAPITAL EXPENDITURES (RCE)

Reserve for Capital Expenditures (RCE) Reserve Forecast (000's)	2019
Projected January 1 Opening Balance	1,204
Contribution from Operating Budget	2,868
River Landing Operating Funding	(715)
Minimum Balance Retained	(750)
Allocated RCE Funding for 2019 Capital Projects	2,608

External Borrowing

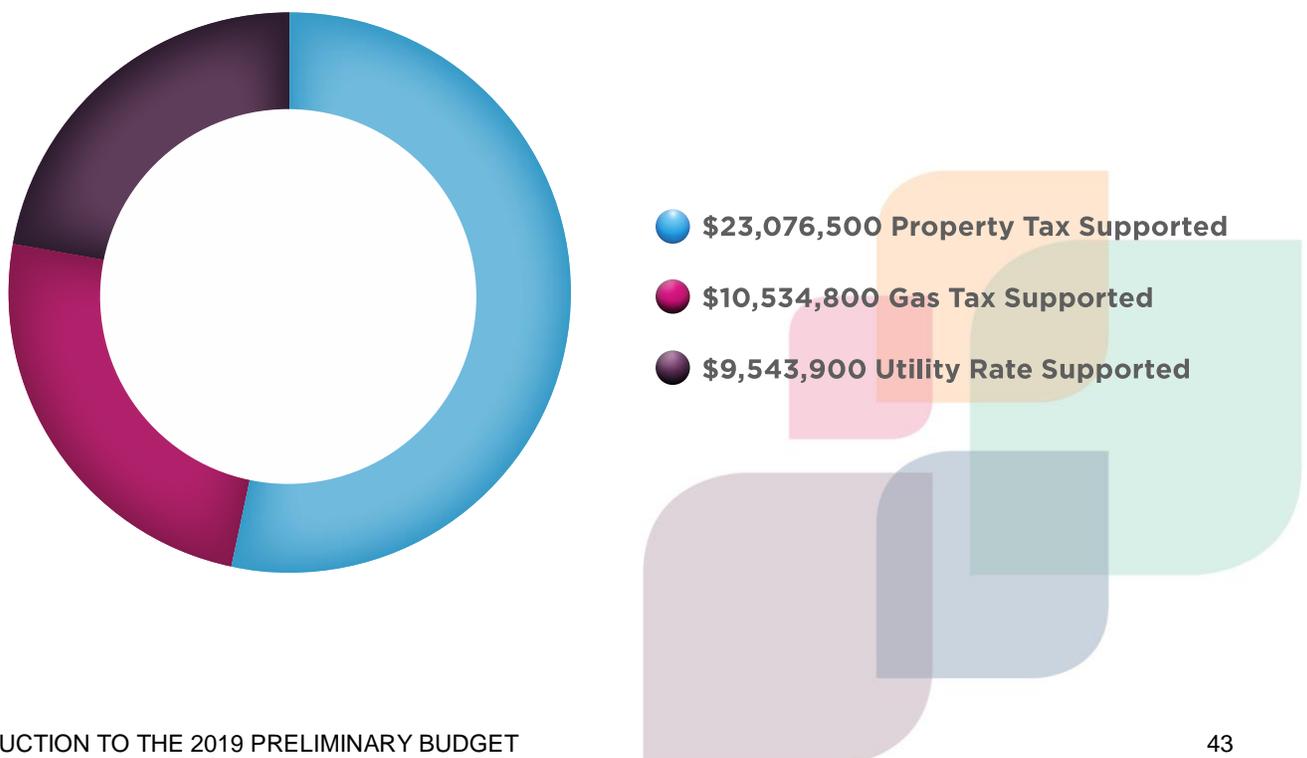
The 2019 Capital Budget does not contain any new external borrowing. The total outstanding debt as of December 31, 2017 was \$349.2 million. The increase in debt of \$30.3 million over 2016 is mainly due to third-party debt related to the Public Private Partnerships (P3) agreement for the North Commuter Parkway and Traffic Bridge. With the P3 project borrowings and the planned debt repayments, the expected outstanding debt balance as at December 31, 2018 is projected to be approximately \$358.0 million.

The forecasted borrowing for the next five years is to increase to a peak near \$422.0 million in 2023 as the P3 contract for the North Commuter Parkway and Traffic Bridge concludes, as well as the beginning of construction on the City's Bus Rapid Transit program. 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 P3, such as the Civic Operations Centre, and the North Commuter Parkway and Traffic Bridge Replacement projects. The total debt projections, including the P3 debt, are within the City's debt limit.

Borrowing related to the utility projects will be repaid through utility rates. The repayment of the debt related to the other projects is funded through the general Operating Budget and through the overall borrowing strategy, using Gas Tax revenues from the federal government. In 2019, total debt servicing costs are budgeted at \$43.2 million, which are made up of \$28.7 million and \$14.5 million in principal and interest payments respectively.

The property tax supported funding source is \$23.1 million, and \$10.5 million is federal Gas Tax funded, with the remaining \$9.5 million being utility rate supported. These total funding sources for all City debt servicing costs in 2019 are shown below.

2019 BUDGETED DEBT SERVICING COST BY FUNDING SOURCE



External Funding Sources

Funding from external sources include, but are not limited to, other orders of government programs, private contributions, fundraising campaigns, and corporate sponsorship or partnership arrangements. Key external funding sources include the federal Gas Tax Fund, the federal Public Transit Fund, and the Building Canada Fund.

In the 2012 Federal Budget, the federal Gas Tax transfer was made a permanent source of funding for municipalities. These funds are being allocated to a number of projects as cash and/or debt repayment on borrowing for these projects.

Operating Budget Impact of Capital Investments

Capital projects contained in the 2019 Capital Budget will impact future City operating programs. The additional operating costs of 2019 projects for the years 2020 to 2022 are summarized below.

OPERATING IMPACTS OF 2019 FUNDED CAPITAL PROJECTS

Business Line (\$000's)	2020	2021	2022
Corporate Governance & Finance	365.0	-	-
Environmental Health	307.0	-	-
Fire Services	34.6	-	-
Land Development	-	107.9	467.4
Policing	38.7	55.5	21.5
Recreation & Cultural Services	15.2	-	-
Transportation	5.0	-	-
Urban Planning & Development	142.3	148.8	53.0
Utilities	84.0	-	-
Total	\$991.8	\$312.2	\$541.9

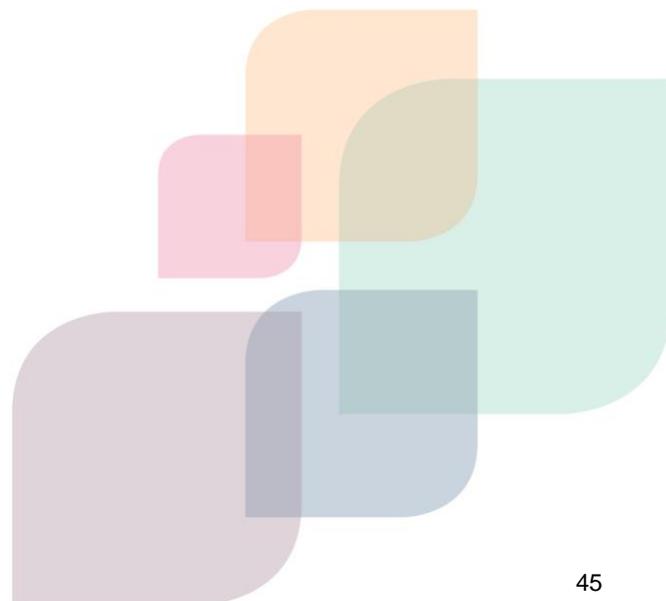
NOTE: Specific operating impacts are disclosed at the project level throughout the Capital Budget and summarized in Schedule IX of the Tables and Schedules Sections in the Preliminary Operating Budget document.



The following table depicts the 2019 operating impacts of capital projects that are included within the 2019 Operating Budget.

2019 OPERATING IMPACTS INCLUDED

Business Line (\$000's)	Project	
Fire Services:		
	P2508-FIRE-FIRE STATION NO. 5 REPLACEMENT	40.7
Land Development:		
	P1569-PARK DEV-EVERGREEN	27.5
Recreation & Cultural Services:		
	P1595-CY-NEIGHBOURHOOD PARKS ENHANCEMENTSQUIP REPL	33.0
	P1664-CY-GORDON HOWE COMPLEX UPGRADES	76.0
	2349-CY-SASKATOON MINOR FOOTBALL FIELD UPGRADE	28.0
Transportation:		
	P2017-TU-MCORMOND DRIVE/HWY 5 GRADE SEPARATION	93.5
Urban Planning & Development:		
	P2605-CY-REGIONAL PLAN IMPLEMENTATION	60.0
Utilities:		
	P1174-SL&P-STREET LIGHTS-LAND DEVELOPMENT	141.6
Total		\$500.3



DEFINITIONS/EXPLANATIONS

The 2019 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.

