

December 9, 2019

To: His Worship the Mayor
And Members of City Council

Re: 2020 General and Utility Operating Budget and 2020 - 2024 General and Utility Capital Plan

RECOMMENDATION

1. That the 2020 tax-supported General Operating Budget as outlined in Appendix A be approved, including the following details:
 - a) Gross expenditures of \$472,203,000 and a net property tax levy of \$261,413,000;
 - b) 2020 mill rate of 8.37161 representing a 3.25% increase for all programs and services;
 - c) Funding request for the Provincial Capital Commission, Economic Development Regina Inc. (EDR) and Regina Exhibition Association Limited (REAL); and
 - d) Regina Police Services (RPS) gross expenditures totalling \$96,029,000 and revenues totalling \$10,400,000.
2. That the 2020-2024 General Capital Budget with total gross expenditures of \$110,384,000 in 2020, as summarized in the City of Regina 2020 Budget, attached as Appendix A beginning on page 77, be approved.
3. That the General Capital Budget as outlined on page 91 of Appendix A for multi-year projects that require future year commitments with gross expenditures of \$14,957,000 underway in 2020, be approved as follows:
 - a) 2021 - \$42,527,000; and
 - b) 2022 - \$4,973,000;
4. That the following changes to parking permits be approved:
 - a) That the following individuals be moved from the \$1,040 per year City Parking Permit Fee category to the no charge City Parking Permit Fee category: Elected Government Official; the General Manager of Buffalo Pound Water Treatment Corporation; and the President and Vice-Presidents of Regina Exhibition Association Limited;
 - b) That the following individuals people or groups be moved from the Privilege Parking Fee category of \$5,200 per year to the no charge Privilege Parking Fee category: Saskatchewan School Trustees Association; Members of the Legislative Assembly of Saskatchewan with constituency boundaries in the City of Regina or who are cabinet ministers;

- c) That the following people be included in the no charge Privilege Parking Fee category: the Board members of Economic Development Regina Inc. and the Chairs of the Boards of Buffalo Pound Water Treatment Corporation and Regina Exhibition Association Limited.
- d) That the City Manager on an exceptional basis be provided the discretionary authority to give out time limited privilege parking permits at no charge to the following:
 - a. Individuals working for non profit organizations that are meeting with City officials at City Hall on a frequent basis;
 - b. Individuals who are assisting City officials with a City initiative, City program, City policy or City conference that are meeting with City officials at City Hall on a frequent basis to a maximum of one permit per individual.
5. That the City Solicitor be instructed to amend Bylaw 9900, being *The Regina Traffic Bylaw, 1997* to reflect the parking permit changes outlined in recommendation 4.
6. That the funding request for the Provincial Capital Commission, Economic Development Regina Inc. (EDR), and Regina Exhibition Association Limited (REAL), as outlined in Appendix F, be approved with funding provided by the funds described in Recommendation 1 of this report.
7. That the Regina Public Library Board approved budget and mill rate request of 0.74971 representing a 2.3% increase for the Regina Public Library be approved.
8. That the City Solicitor be instructed to prepare and bring forward any property tax bylaws needed to implement the above approved mill rates for the City and the Regina Public Library in the spring of 2020 once the City receives the education mill rate from the Government of Saskatchewan and approves of the mill rates for the Business Improvement Districts.
9. That the 2020 fee-supported Utility Operating Budget as outlined in Appendix A beginning on page 93, with total revenues of \$142,344,000 and total gross expenditures of \$142,344,000 be approved.
10. That the 2020-2024 Utility Capital Plan with total gross expenditures of \$70,037,000 in 2020, as summarized in the City of Regina 2020 Utility Budget, beginning on page 101 of Appendix A, be approved.
11. That the Utility Capital Budget as outlined on page 107 of Appendix A for multi-year projects that require future year commitments with gross expenditures of \$10,310,000 underway in 2020, be approved as follows:
 - a) 2021 - \$10,310,000.
12. That the City Solicitor be authorized to prepare any other necessary bylaw amendments not mentioned above to implement the above recommendations and the approved budgets.

13. That the following items be removed from the List of Outstanding Items:

- a) CM18-15(3)
- b) CM18-15(5)
- c) CM18-15(6)
- d) CR19-20
- e) CR19-62
- f) CR19-76
- g) CR19-86
- h) CR19-92
- i) CR19-7
- j) CPS19-6
- k) CPS19-9
- l) CPS19-10
- m) CM17-2
- n) PWI18-19

CONCLUSION

The recommended 2020 Budget represents a continuation of the City's commitment to operations that are efficient, fiscally responsible, and support a vibrant, inclusive, attractive and sustainable community. It builds on past year budgets to invest in the priorities of residents which includes roads, infrastructure renewal, police and public safety, and initiatives that support community growth and quality of life.

The proposed General Fund Operating Budget for 2020 of \$472 million and General Fund Capital Budget of \$110 million have been developed to support the needs of our city. The General Fund Operating Budget focuses on maintaining the services important to our residents and businesses. The General Fund Capital Budget includes investments to address aging city infrastructure with an increased focus on making strategic investments in our recreation infrastructure and amenities.

The 2020 Budget also reflects Administration's continued commitment to achieve cost efficiencies across City operations with a further \$3 million in savings achieved from a management review undertaken in 2019 that when combined with approximately \$12 million achieved in previous budgets results in accumulated savings of \$15 million. The proposed budget recommends reinvestment of the \$3 million in savings to establish a Recreation/Culture Capital Program that, along with the 0.5% annual mill rate increase in each of the next five years approved by Council on October 28, 2019, to invest in recreational infrastructure, will allow significant investment to be made annually to advance the Culture and Recreation Master Plans and other initiatives based on enhancing quality of life. The General Fund Budget is presented starting on page 14 of Appendix A to this report.

The financial impact of the recommended plan is a proposed mill rate increase of 3.25%, comprised of a 2.75% increase plus a 0.5% increase for establishing dedicated funding to the improvement of recreational infrastructure. The proposed 3.25% mill rate increase for 2020 represents the lowest mill rate increase in the last 10 years. For a homeowner with a home assessed at \$350,000, the total annual cost of the recommended mill rate increase is an additional \$67.26 per year. Actual financial impacts may vary subject to Council's deliberations starting at the December 9, 2019 Council meeting.

The City of Regina uses a separate Utility Fund to support the water, wastewater and drainage services it provides to its 73,000 residential, commercial and industrial customers in the City and surrounding area. It operates on a full-cost recovery, user-pay basis through utility rates. Utility rates are established such that they are sufficient based on long-term projections contained in the 25-year Utility model to fully fund operating costs, interest costs and debt repayments, capital requirements and transfer payments to meet the service goals of the utility.

Development of the Utility Budget includes a detailed analysis of investment in capital plans. Capital submissions are reviewed and evaluated to identify the benefits of the investment and the prioritization of proposed projects and programs that support water, wastewater and drainage service goals, aligned with corporate objectives. This information is entered in the 25-year model to reflect short, medium and long-term expenses.

The proposed operating and capital budgets for the Utility Fund provide the funding necessary to meet the service goals of the water, wastewater and drainage services. On December 10, 2018, City Council approved rate increases of 3% per year for the period from 2019 to 2021. The previously approved 2020 3% utility rate increase is sufficient to fund the requirements for 2020.

The proposed Utility Operating Budget includes \$142 million in expenditures, which is a \$3.3 million or 2.4% increase over 2019. Details of operating expenditure increases are outlined later in this report.

In 2020, \$70 million will be invested in Utility capital for infrastructure maintenance renewal and growth in water, wastewater and drainage systems. The five-year Utility Capital Plan totals \$426 million.

BACKGROUND

Section 128(1) of *The Cities Act* states that "a council shall adopt an operating and a capital budget for each financial year".

The report provides Council with a summary of Administration's recommendations for the 2020 General Fund Operating and 2020-2024 General Fund Capital Plan. The detailed budget plans are included in the City of Regina 2020 General Fund Budget beginning on page 14 of Appendix A to this report.

The report provides City Council with a summary of Administration's recommendations for the 2020 Utility Fund Operating and 2020-2024 Utility Capital Plan. The detailed budget plans are included in the City of Regina 2020 Utility Fund Budget beginning on page 93 of Appendix A to this report.

DISCUSSION

The direction for the City established in *Design Regina: The Official Community Plan Bylaw 2013-48* (OCP) along with the four-year strategic plan and longer-term master plans are used to guide the development of the budget. One of the community priorities in the OCP is to 'achieve long-term financial viability' which includes ensuring the City has the financial ability to manage its services and amenities both now and in the future. The proposed 2020 Budget has been developed with those principles in mind. The City's budget is developed in phases as follows:

1. Reviewing the current environment in which the City is operating;
2. Developing department and branch level plans to support the goals and objectives outlined in the plans identified above; and
3. Developing an operating and capital budget to address the plans.

The Economic Update and Preliminary 2020 Budget Review, presented to Priorities and Planning Committee on April 24, 2019, provides the context, factors and City priorities that have influenced the development of the 2020 Budget and Five-Year Capital Plan. The Economic Update and Preliminary 2020 Budget Review highlighted the following:

- Continued modest economic growth with significant parts of the economy continuing to face challenges;
- Population growth consistent with the forecasts in the OCP, if not currently slightly ahead of the OCP forecast, driven by international immigration; and
- While Regina's unemployment rate has traditionally been lower than the provincial average, it is higher than earlier in the decade reflecting a healthy labour market enabling the City to better recruit and retain employees than in the past.

Following the presentation, the City initiated an online survey to obtain feedback from Regina residents and businesses on municipal services. The timing of this survey allowed Administration to use the results to validate budget priorities and investments as well as to help guide the business planning process. Top priorities included infrastructure renewal, roads, and public safety.

Department and branch level plans are prepared for the City's operating areas. The plans outline upcoming priority plans for 2020 and provide a look ahead to the 2021-2024 period. Activities and programs set out in the plans are linked to budget decisions and are central components in balancing the City's Five-Year Capital Plan.

The 2020 Budget reflects Administration's best advice on how to achieve Council's policy and service priorities, given current resources. Ultimately, City Council determines the programs and services to be included in the 2020 Budget.

2020 General Fund Operating Budget

The General Fund Operating Budget represents the majority of programs and services provided by the City and is primarily tax-supported. These services include:

- Public Safety and Security – such as policing, fire protection and bylaw enforcement;
- Public Health and Well-being – such as solid waste collection and recycling;
- Management of Assets – such as roads, bridges, transit and traffic control; and
- Quality of Life – such as parks, recreational services, grants to community service organizations, and urban planning and development oversight.

The proposed General Fund Operating Budget for 2020 is \$472 million, which is an increase of 3.6% or \$16.3 million over the General Fund Operating Budget for 2019. The increase reflects changes in revenues and expenses in a number of areas in response to the operating and infrastructure needs of the city.

General Operating Revenues

The City of Regina has a limited number of revenue sources with which to fund its operations with property taxation accounting for 55% of General Fund revenues. The following table, found on page 14 of Appendix A provides a summary of General Fund 2020 budgeted operating revenues. The overall increase in revenues projected for 2020 is \$16.3 million or 3.6% primarily due to:

- **Taxation** - \$12.1 million increase. This consists of :
 - \$8.2 million increase as a result of the proposed mill rate increase;
 - \$3.9 million increase in tax revenue from projected 2020 growth and adjustments to reflect 2019 actual tax growth.
- **Fees & Charges** - \$2.2 million decrease primarily due to:
 - Decreased landfill revenues due to more material being diverted from the landfill.
 - Decreased revenue from building & development permits and SAF administration fees. This decrease is due to existing market conditions which have impacted the pace of building and development opportunities.
 - A planned decrease in the transfer from the Stadium reserve.
 - Decreased parking revenue as residents find other forms of transportation when visiting and working in the downtown, and due to the reinstatement of some privileged parking permit exemptions.
 - These decreases are partially offset by draws on reserves which show as increased revenue in the budget. The increased reserve draws are primarily related to draws on the Elections and Property Reassessment Reserve related to funding the costs of the 2020 election and 2020 reassessment, and from the General Fund Reserve to fund part of the City's \$1 million commitment to the Grey Cup.
- **Other Revenue** - \$2.4 million increase primarily due to:
 - Increased investment income, consistent with the trend observed in 2019 that is reflective of the current interest rate environment.
 - Increase in Municipal Surcharge revenue from SaskPower and SaskEnergy reflective of actuals received.

- Increase to planned transfers of funds from the Utility Fund for an access fee paid to the General Fund, a proportionate share of the Goods and Service Tax (GST) rebate and a Utility administration fee – an approximate measure of corporate administration costs attributable to the Utility.
- **Government Grants** - \$4.5 million increase due to increased Municipal Revenue Sharing Grant funding. Previous to its most recent budget, the Province had frozen the Municipal Revenue Sharing Grant. However, the Provincial 2019/2020 Budget included a formula change for Municipal Revenue Sharing, which along with PST growth increased the total Municipal Revenue Sharing Grant pool and the amount of grant funding the City projects to receive in 2020.
- **Licences & Levies** - \$1 million decrease primarily due to a reduction in parking ticket revenue to align budget with actual revenues. Parking ticket revenue has been on a downward trend in recent years reflective of the City’s efforts to increase its focus on educating residents on parking regulations rather than achieving compliance through strict enforcement. As well, the University of Regina (U of R) recently terminated its contract with the City whereby the City processed parking tickets for the year in exchange for keeping a portion of the parking ticket revenue.

Revenues (#'s are in 000s)	2017 Actuals	2018 Actuals	2019 Budget	2019 Forecast	2020 Budget	Dollar Change	% Change
General Fund							
Taxation Revenues	223,634	236,205	249,276	250,181	261,413	12,137	4.9
Fees and Charges Revenues	80,863	92,477	77,124	72,544	74,921	(2,203)	(2.9)
Other Revenues	64,798	57,190	61,573	75,477	63,992	2,419	3.9
Government Grants and Transfers Revenues	46,011	43,710	44,170	45,759	48,670	4,500	10.2
Licences, Levies & Fines	14,613	14,047	13,807	13,406	12,807	(1,000)	(7.2)
Total General Fund Revenues	429,919	443,629	445,950	457,367	461,803	15,853	3.6
Police							
Revenue	9,676	10,999	9,956	9,956	10,400	444	4.5
Total Revenues	439,595	454,628	455,906	467,323	472,203	16,297	3.6

General Operating Expenses

The following table found on page 16 of Appendix A provides a summary of General Fund 2020 budgeted operating expenditures. The General Fund Operating expenses, including Regina Police Service (RPS), are projected to increase by \$16.3 million in 2020. Specific increases reflected in the 2020 Budget include:

- **Salaries & Benefits** - \$2.6 million increase primarily related to increased costs to honour the City’s collective agreements, offset by savings from a management review undertaken by Administration in 2019.

- **Intramunicipal** - \$680,000 increase primarily due to increase fleet fuel costs due to the Carbon Tax and an adjustment to match the budget to actual fuel costs. As well, part of the \$1 million one-time commitment related to the Grey Cup, and a reallocation of costs between the General and Utility Funds to reflect where costs are incurred.
- **Professional & External Services** - \$410,000 increase primarily due to one-time advertising costs related to the 2020 election and the four year property reassessment process. These costs are primarily funded from a reserve, which the City contributes to annually.
- **Office & Administrative** - \$252,000 increase mostly due to one-time costs associated with administering the four year property tax reassessment process and the 2020 election, with a significant portion of the costs related to postage. These costs are primarily funded from a reserve, which the City contributes to annually.
- **Other External Expenses** - \$1.7 million increased primarily due to increase electricity and natural gas costs due to Carbon Tax and increased electricity and natural gas costs related to the operation of three new City facilities scheduled to open in 2020. As well, part of the \$1 million City commitment to the 2020 Grey Cup has been included in this expense category.
- **Materials, Goods and Supplies** - \$378,000 increase primarily related to funding one-time costs associated with the 2020 election, an increase in supplies for traffic services and landscaping services due to growth, and costs associated with the operation of three new City facilities which will open in 2020.
- **Training & Travel Expenses** - \$85,000 decrease primarily due to reallocating of budget to expenditure category reflective of where the funds are actually spent.
- **Community Investments** - \$13,000 decrease due to a reduction in funding for the Regina Exhibition Association Limited (REAL) and the removal of one-time event costs (i.e. Volleyball Canada) included in the 2019 budget; offset by a \$100,000 increase in funding to Community Associations and an increase in funding for Economic Development Regina (EDR).
- **Allocation to Capital** - \$6.9 million increase due to:
 - \$2.6 million planned annual increase in Current Contributions to Capital to increase overall funding for infrastructure renewal given the infrastructure renewal deficit;
 - \$3 million increase to create a new Recreation/Cultural Capital Program. This budget presents a unique opportunity to reinvest the approximately \$3 million in operating savings achieved from the Management Review to establish an ongoing capital program that would allow investment annually into initiatives that will enhance quality of life in Regina; and
 - \$1.26 million from the proposed 0.5% dedicated mill rate that would be directed to Recreational Infrastructure.
- **Debt Servicing** - \$732,000 increase to fund the principal and interest costs on the proposed debt to finance the construction of the new Wascana Pool.
- **Transfer to Reserves** - decrease of \$794,000 primarily related to a projected decrease in landfill revenues which reduce the transfer to the Solid Waste Reserve.
- **Regina Police Service (RPS)** projected increase of \$3.6 million to invest in priorities as determined by the Board of Police Commissioners.

Expenditures (#'s are in 000s)	2017 Actuals	2018 Actuals	2019 Budget	2019 Forecast	2020 Budget	Dollar Change	% Change
General Fund							
Salary & Benefit Expenses	157,226	158,189	170,825	162,925	173,381	2,556	1.5
Intramunicipal	40,599	43,456	42,902	45,233	43,582	680	1.1
Professional & External Services Expenses	25,351	26,179	30,823	29,028	31,233	410	1.3
Office & Administrative Expenses	8,336	9,175	7,961	11,464	8,213	252	3.2
Other External Expenses	15,606	17,201	16,868	16,514	18,607	1,739	10.3
Material Goods & Supplies Expenses	5,912	5,007	6,338	6,002	6,716	378	6.0
Training & Travel Expenses	1,141	1,334	2,127	1,651	2,042	(85)	(4.0)
Civic Operational Total (General Fund)	254,171	260,541	277,844	272,817	283,774	5,930	2.1
Community Investment Expense	10,110	10,991	11,526	11,591	11,513	(13)	(0.1)
Allocation to Capital	41,968	45,300	48,326	48,326	55,199	6,873	14.2
Debt Servicing	13,613	13,536	13,629	12,483	14,361	732	5.4
Transfers to Reserve Expenses	34,396	35,272	12,121	23,171	11,327	(794)	(6.5)
Civic Other Expenditures (General Fund)	100,087	105,099	85,602	95,171	92,400	6,798	7.9
Total General Fund Civic Expenditures	354,258	365,640	363,446	367,988	376,174	12,728	3.5
Police							
Expenditures	85,336	88,988	92,460	92,460	96,029	3,569	3.9
Total Expenditures	439,594	454,628	455,906	460,448	472,203	16,297	3.6

The 2020 Budget provides a balance between limiting property tax increases while managing expense increases that are required to maintain existing programs and services. The 2020 Budget seeks to fund growth in services and programs to meet the needs of a growing population and advance Council’s vision and priorities for Regina residents, while keeping taxes affordable and user fees reasonable.

Full-Time Equivalent (FTE) Positions

A large part of how the City provides services and manages its assets is through the people who work for the City. A table found on page 12 of Appendix A provides a summary of FTE positions. Overall, civic operations (General and Utility Fund Operations) decreases by 1 FTE resulting in a total of 2,271 FTEs. The Regina Police Service FTE budget increases by 14 FTE resulting in a total of 614 FTEs. The overall net FTE increase for the City is 13 FTEs; resulting in an overall budget of 2,885 FTEs for 2020.

2020-2024 General Capital Plan

The need to renew, upgrade and expand infrastructure and public amenities to support residents and businesses is significant and growing. Asset renewal is an investment in the future and an important factor in maintaining and, where possible, extending the operational lifespan of the City's assets. The proposed 2020-2024 General Capital Plan totals \$110 million in 2020; with a planned investment of \$570 million over the next five years. Further detail on the proposed Five-Year Capital Plan can be found, starting on page 77 of Appendix A, 2020-2024 General Capital Plan.

The 2019 Federal Budget included a one-time transfer of funds through the Gas Tax Fund to address short-term priorities in municipalities and First Nation communities. As a result, the City has received approximately \$12 million in additional one-time Gas Tax funding. The proposed General Capital Plan, starting on page 78 outlines a number of projects that are proposed to be funded through Gas Tax funding.

As mentioned previously on page 3, the proposed budget recommends reinvestment of the \$3 million in savings to establish a Recreation/Culture Capital Program. In 2020, the \$3 million will fund a spray pad/accessible playground hub, multi-use pathways, a portion of the City's contribution to renovations of the Globe Theatre, and a civic art program. The ongoing capital program will allow investments to be made annually to advance Regina's Culture and Recreation Master Plans, and other initiatives that enhance quality of life.

Information on the development and funding sources for the 2020-2024 General Fund Capital Plan can be found in Appendix B to this report.

Multi-Year Capital Projects

Recommendation 3 of this report recognizes the multi-year financial commitments associated with capital projects that require more than one year to complete and require advance approval. Approving funds in 2020 through to 2024 for projects that commence in 2020 allows the City to commit the total cost of the project from tendering through to their completion.

(\$000s)

Division	Department	Project/Program Name	2020	2021	2022	2023	2024	5-Year Total
Citizen Services	Roadways & Transportation	Fleet Addition - Semi-Truck and Trailer	-	275	-	-	-	275
		Tandem Truck Upgrades complete with slide in sanders	-	95	190	-	-	285
		Winnipeg Street Bridge	3,200	15,000	1,000	-	-	19,200
	Transit & Fleet Services	Civic Fleet Replacement	-	3,450	-	-	-	3,450
		Fire Fleet Replacement	-	1,100	-	-	-	1,100
		Transit Fleet Replacement	-	2,000	-	-	-	2,000
City Planning & Community Development	Facilities Services	City Hall Fire Suppression and Ceiling Tile Upgrades	725	725	-	-	-	1,450
		Wascana Pool	7,500	7,500	-	-	-	15,000
		Roadways Equipment Storage - Repurpose Building D	300	450	-	-	-	750
		Regina Police Services Facility	-	3,500	3,500	-	-	7,000
	Parks, Recreation & Cultural Services	Regent Park Par 3 Redevelopment	1,300	1,400	-	-	-	2,700
	Sustainable Infrastructure	Ring Road Railroad Relocation	1,000	1,000	-	-	-	2,000
Financial Strategy & Sustainability	Assessment, Taxation & Utility Billing	Tax & Assessment Suite (TAS) Modernization	532	532	283	-	-	1,347
	Land & Real Estate	Regina Revitalization Initiative (RRI) Railyard Renewal Project	400	5,500	-	-	-	5,900
Total General Fund			14,957	42,527	4,973	-	-	62,457

By approving the commitment of these funds, the City increases the assurance among bidders that the City will fund the entire project. This should increase the attractiveness of the City's bid calls for the work and facilitate more competitive bid pricing. It also maximizes the flexibility and accountability for managing the capital budget by matching the provision of funds with the

year in which they are required, which is a best practice in capital budgeting. Council maintains the discretion to cancel any project at any time, following consideration of the costs associated with doing so.

Other Considerations

Appendix E to this report includes information on the Regina Police Service Facilities Renewal project. The 2020-2024 Capital Plan includes additional funding in the amount of \$7 million for the Regina Police Service (RPS) Facilities Renewal to achieve a campus facility solution that will serve the RPS into the future. This funding is proposed to be spread out across 2021 and 2022 with approval being requested to include the additional funding as part of the construction Request for Proposals that will be issued in 2020.

Council Referred Items

Council and its Committees referred items to the 2020 budget development process. These items are described below with additional detail on each included as Appendix C of this report.

Community Association Funding (Appendix C, page 1)

- Council requested Administration to provide information on the impact and hurdles community organizations encounter in providing recreation, cultural activities, safety activities such as Neighbourhood Watch and advancement of the OCP in their Wards and Associations. The proposed Budget includes funding a \$135,000 investment in Community Associations. The funding will be used to increase the allocation to the Phase Funding Stream of the Community Investment Grants Program by \$100,000, and \$35,000 to purchase a group insurance package for general liability and Directors and Officers insurance.

Downtown Public Washrooms (Appendix C, page 12)

- Council requested funding of \$20,000 through the 2020 budget process for a one-season pilot project to test stand-alone public washrooms in the downtown. The proposed budget includes funding for the pilot project.

Solar Pathway Lighting Pilot Project (Appendix C, page 13)

- Community and Protective Services Committee requested the inclusion of funding for a pilot project to test LED lighting and conventional power LED lighting along pathways be included for consideration in the 2020 Budget. The proposed 2020 capital budget includes funding in the amount of \$201,000 for the pilot project

Regent Park Par 3 (Appendix C, page 14)

- Council requested that an implementation and financing plan for the recreational redevelopment of the Regent Park Par 3 Golf Course be brought to Council for consideration as part of the 2020 budget process. Funding for this project is included as part of the 2020 (\$1.3 million) and 2021 (\$1.4 million) capital budgets. Administration is recommending this project receive multi-year approval to provide financial flexibility.

Heritage Building Rehabilitation Program & Heritage Inventory Workplan (Appendix C, page 16)

- Council directed Administration to include provisions for supporting the review of the Heritage Building Rehabilitation Program. Funding for this program has been included in the 2020 General Budget.

Maple Leaf and Wascana Pools (Appendix C, page 18)

- Council directed Administration to bring forward a financing plan for the construction of Maple Leaf Pool to the 2020 budget process. The 2020 capital plan includes funding for Maple Leaf Pool through the one-time Gas Tax Grant at a projected capital cost of \$4.5 million. The 2020-2024 Capital Plan includes funding for construction of Wascana Pool through the following funding sources:

(\$000s)

Funding Source	2020	2021	Total
Debt	7,500	3,000	10,500
Servicing Agreement Fees		1,500	1,500
Dedicated Lands Reserve		3,000	3,000
TOTAL	7,500	7,500	15,000

Pedestrian Connectivity Program (Appendix C, page 20)

- Public Works and Infrastructure Committee requested funding for the Pedestrian Connectivity Program be referred to the 2020 budget. The Pedestrian Connectivity Program provides new pedestrian network infrastructure to create more complete neighbourhoods and to provide access to existing transit routes. The proposed 2020-2024 General Capital Plan includes funding of \$100,000 in 2020 with a planned investment of \$1.8 million over the next five years.

Ring Road Railroad Relocation (Appendix C, page 21)

- Council directed Administration to bring forward a financing plan for consideration to fund the preliminary design for the Ring Road Railroad Relocation through the 2020 budget process. Funding for this project is included as part of the 2020 (\$1 million) and 2021 (\$1 million) capital budgets. Administration is recommending this project receive multi-year approval to provide financial flexibility.

Multi-Use Pathway Project – East Courtney Street, Connecting Rink Avenue to Whelan Drive (Appendix C, page 23)

- Council directed Administration to refer a plan to implement a permanent multi-use pathway on the east side of Courtney Street from Rink Avenue to the 2020 budget process; further to that, Council directed Administration to explore alternatives to pave the remaining portion of pathway from Whelan Drive to Mapleford Gate, including alternative funding sources and partnerships, and that the additional paving be considered as part of the 2020 budget process. The 2020 General Capital Budget includes funding for construction of a multi-use pathway along Courtney Street from Rink Avenue to Whelan Drive. Administration is continuing to explore third party funding to pave the

remaining portion of pathway from Whelan Drive to Mapleford Gate. If external funding for this project is not available, ultimately there may be an opportunity to use some funds from the newly created Recreation/ Culture Capital program to fund this project.

Transit Sunday and Statutory Holiday Service – Extending Service from 7 p.m. to 9 p.m.
(Appendix C, page 25)

- Community and Protective Services Committee recommended that through the 2020 budget process, consideration be given to extend the hours of paratransit and conventional service from 7 p.m. to 9 p.m. on Sunday and Statutory holidays. Administration reviewed Sunday night service ridership statistics in other municipalities. Sunday service after 7 p.m. has a low ridership in most municipalities. Given the feedback from other municipalities and ridership trends on Saturday night, it is estimated that Sunday night service would generate around 11.4 passengers per bus hour (PBH); which is below the City's service standard of 15 PBH. The net operating funding required to extend service for conventional and paratransit on Sundays is \$246,420. Administration is not recommending funding for this service enhancement as part of the 2020 Budget. The Transit Service Master Plan will be presented within the next two years, decisions on investments will be better informed once this is complete. Transit services scored lower compared to other higher priority items in the pre-budget and 2019 citizen satisfaction survey.

Transit Sunday and Statutory Holiday Service – Additional Service Route 18 (Appendix C, page 27)

- Community and Protective Services Committee recommended that through the 2020 budget process, consideration be given to provide Sunday transit service for Route 18 (Harbour Landing/University). Through the analysis of the current Sunday service routes, Administration has determined that Route 18 would likely meet the service standard of 15 PBH. Route 18 is currently the best performer on Weekday and Saturdays, it is anticipated that this route will perform well on Sundays as well. The net operating funding required to provide Sunday service for Route 18 is \$75,300. Administration is not recommending funding for this service enhancement as part of the 2020 Budget. While the route is anticipated to meet the minimum service standard, the Transit Service Master Plan will be presented within the next two years, decisions on investments will be better informed once this is complete. Transit services scored lower compared to other higher priority items in the pre-budget and 2019 citizen satisfaction survey.

Transit Sunday and Statutory Holiday Service – Increased Frequency (Appendix C, page 29)

- Community and Protective Services Committee recommended that through the 2020 budget process, consideration be given to increase the frequency on five of nine current conventional Sunday transit routes. If the frequencies are increased from 60 minutes to 30 minutes, ridership is forecasted to exceed the service standard of 15 PBH on five of the nine routes. The net operating funding required to increase the frequency of conventional transit and operating an additional paratransit bus is \$588,000. Administration is not recommending funding for this service enhancement as part of the 2020 Budget. While the route is anticipated to meet the minimum service standard, the Transit Service Master Plan will be presented within the next two years, decisions on investments will be better

informed once this is complete. Transit services scored lower compared to other higher priority items in the pre-budget and 2019 citizen satisfaction survey.

Regina Airport Transit (Appendix C, page 31)

- Community and Protective Services Committee requested a new transit route for the expansion of service to the Regina Airport be brought forward for consideration as part of the 2020 budget process. Administration is not recommending funding for new service to the Regina Airport as part of the 2020 Budget. The Transit Master Plan will be completed within the next two years, decisions on additional investments will be better informed once this plan is complete. As well, transit services scored relatively low compared to higher priority items identified by residents in the pre-budget and 2019 Citizen Satisfaction Surveys.

2020 Utility Operating Budget

The Utility rates support four service areas:

1. Water supply and distribution – the water system provides water for residential, institutional, commercial and industrial customers, as well as for fire protection.
2. Wastewater collection and treatment – the wastewater system collects wastewater from residential, institutional, commercial and industrial customers in the City and treats wastewater in accordance with the federal and provincial government’s environmental regulations and industry standards.
3. Storm water collection and flood protection – the drainage system controls water runoff from rainfall and melting snow in and around the City.
4. Customer service including utility billing and collections functions in an efficient, accurate and timely manner. It also includes the communication function of responding to customer inquiries and needs.

Utility rates for 2020 were adopted by Council with the 2019 Utility Budget. The 2020 rates result in a 3% increase or for a typical residential customer about \$4.14 per month. Utility rates are set based on a long-range financial model which covers the cost of operating the Utility and the cost of ongoing asset management and renewal. This serves to moderate the need for dramatic rate increases in any given year.

Supplying safe drinking water and ensuring the management of sanitary sewage and storm water are essential services provided by the Waterworks, Sewer and Drainage Utility. Pressures due to aging infrastructure, population growth, climate change and changing regulations require utilities to plan and manage water in new ways. The Utility delivers a reliable, accessible and sustainable supply of high-quality drinking water. The Utility also strives to ensure that potable water is used efficiently and that the City is prepared for emergencies. The Utility creates and maintains sewer and storm water systems that protect public health and property.

Utility Revenues

Revenue (000s)	2017 Actuals	2018 Actuals	2019 Budget	2019 Forecast	2020 Budget	Dollar Change	% Change
Utility Fund - Revenues							
Water	68,463	70,651	68,335	70,844	70,009	1,673	2.4
Wastewater	51,654	53,520	51,851	53,052	53,364	1,513	2.9
Drainage	15,994	16,666	17,225	17,215	17,847	622	3.6
Administrative Fees and Other Charges	1,592	1,255	1,638	1,248	1,124	(514)	(45.7)
Total Revenue	137,703	142,092	139,049	142,359	142,344	3,295	2.4

The user-pay structure of the Utility Fund means that fees paid by customers support the cost of providing the service and maintaining the assets required to provide the service. An overall Utility rate increase of 3% in 2020 has been previously approved by Council. The rate increases will be effective January 1, 2020.

Revenues from Utility rates are estimated to total \$142.3 million, an increase of \$3.3 million over 2019. The increase includes the Council approved 3% rate increase.

Rate increases approved for 2020 and 2021 will provide reliable revenues for the City based on assumed growth rates for the future as well as predictable future cost for customers.

Utility Operating Expenditures

Expenditures (000s)	2017 Actuals	2018 Actuals	2019 Budget	2019 Forecast	2020 Budget	Dollar Change	% Change
Utility Fund - Expenses							
Water	17,067	18,225	16,710	16,129	17,129	419	2.5
Wastewater	9,005	7,531	9,316	8,244	9,610	294	3.2
Drainage	2,665	5,545	3,623	3,316	3,667	44	1.2
Wastewater Treatment	7,656	7,871	12,436	12,494	9,589	(2,847)	(22.9)
Water Purchase	13,322	17,032	15,995	17,000	16,741	746	4.5
Customer Services	13,490	15,067	15,428	15,316	15,775	347	2.2
Utility Operations Total	63,205	71,271	73,508	72,498	72,511	(997)	(1.4)
Access Fee	9,856	10,218	10,386	10,386	10,827	441	4.1
Debt Payment	6,279	6,156	14,060	14,060	5,118	(8,942)	(174.7)
Transfer to Reserve	58,363	54,447	41,095	42,595	53,888	12,793	23.7
Utility Other Expenses	74,498	70,821	65,541	67,041	69,833	4,292	6.1
Utility Fund Total	137,703	142,092	139,049	139,539	142,344	3,295	2.4

Similar to the General Operating Fund, the Utility Fund is committed to continually implementing innovations to improve efficiencies and reduce costs. The recommended Utility Operating Budget for 2020 totals \$142.3 million; an increase of \$3.3 million from 2019.

Substantial changes reflected in the 2020 Utility Budget include:

- Expenditure increases in Water, Wastewater, Drainage and Customer Services primarily due to increased operating costs related to increased salary and benefit costs and increased fuel, electricity and natural gas costs related to the Carbon Tax, consistent with similar increases in the General Fund.
- A decrease in Wastewater Treatment expenditures primarily the result of the removal of a one-time expense in the 2019 Budget related to planned maintenance payments that were due to EPCOR in 2019.
- Water Purchase expenditures are projected to increase due to increased payments to Buffalo Pound for the purchase of water due to a projected increase in the quantity of water purchased as well as an increase in the capital rate charged by Buffalo Pound Water Treatment Corporation as approved by its Board.
- The City had a large planned debt retirement expenditure in 2019 that does not exist in 2020 resulting in a decrease in debt repayment expenditures.

2020-2024 Utility Capital Plan

Future capital investments and financial forecasts are reviewed and updated annually through the budget process, which includes a review of changing conditions, the Utility’s capital investment planning and the development of master plans. Over the last ten years, capital investment to fund projects and programs such as the wastewater treatment plant upgrade project, has closely matched projections that address service needs for the continued delivery of safe, reliable services to customers.

The recommended 2020-2024 Utility Capital Plan, highlighted in Appendix A beginning on page 101, includes a total expenditure of \$426.2 million. The proposed 2020 Utility Capital Plan totals \$70 million.

Similar to General Fund Capital, Utility Fund Capital utilizes various sources of funding to support infrastructure. The Utility Reserve supports the majority of the infrastructure costs ensuring that the infrastructure is maintained over the long-term through a full-cost recovery, user-pay model.

The 2020 Utility Capital Plan focuses investment in key areas:

- Linear Renewal Work - \$29.5 million investment in infrastructure renewal that will support the goal of providing ongoing reliable service of a suitable quality and capacity as outlined in our Master Plans.
- Drainage Upgrades - \$14 million investment to upgrade drainage systems in older neighbourhoods to reduce the risk of flooding.
- Water Meter and AMR Replacement - \$5.1 million investment in the City’s water meter and Automated Meter Reading (AMR) system require upgrading to restore system reliability and reduce downtime costs.
- Infrastructure Growth - \$3.2 million for projects that support growth such as Creeks Wastewater Pumping Station Expansion funded from Service Agreement Fees.
- \$18.2 million for other projects such as pumping station upgrades, chlorine booster stations and equipment replacement.

Multi-Year Capital Projects

Recommendation 11 of this report recognizes the multi-year financial commitments associated with capital projects that require more than one year to complete and require advance approval. Approving funds in 2020 through to 2024 for projects that commence in 2020 allows the City to commit the total cost of the project from tendering through to their completion.

(\$000s)

Division	Department	Project/Program Name	2020	2021	2022	2023	2024	5-Year Total
Citizen Services	Water, Waste & Environmental Services	Wastewater Infrastructure Renewal	10,310	10,310	-	-	-	20,620
Total General Fund			10,310	10,310	-	-	-	20,620

By approving the commitment of these funds, the City increases the assurance among bidders that the City will fund the entire project. This should increase the attractiveness of the City's bid calls for the work and facilitate more competitive bid pricing. It also maximizes the flexibility and accountability for managing the capital budget by matching the provision of funds with the year in which they are required, which is a best practice in capital budgeting. Council maintains the discretion to cancel any project at any time, following consideration of the costs associated with doing so.

Council Referred Items

Utility Fund Rates (Appendix D)

- Council requested a report to be brought back as part of the 2020 budget that includes implications of lowering the base utility rate and/or shifting the cost of consumption. The 2020 Budget does not include any shifts from the base utility rate to the consumption rate. Adjusting the rates to have more revenue coming from the variable consumption rate would benefit some residents, but would not be connected to their means but rather to their use profile. Additional information is provided in a report attached as Appendix D.

Utility Reserves & Debt

In 2020, the City plans to transfer \$53.9 million to the General Utility Reserve to fund current and future capital projects. The reserve balance at the end of 2020 is projected to be \$81 million to fund the five-year capital plan. The reserve balance at year-end 2024 will be an estimated \$26 million.

The December 31, 2019 outstanding debt balance for the City of Regina's Utility Fund is projected to be \$74 million and is projected to decrease to \$72.4 million at the end of 2020, as noted in the 2020 Budget. This outstanding debt is related to the Wastewater Treatment Plant.

Capital work is funded through a combination of reserves and debt. Debt is typically used to fund large extraordinary work, while the ongoing capital plan is funded from the General Utility Reserve and the Utility Servicing Agreement Fee Reserves.

Service Partner Budgets

The City works with key service partners, including the Provincial Capital Commission (PCC), Economic Development Regina (EDR) and the Regina Exhibition Association Limited (REAL). PCC, EDR and REAL each make annual requests to City Council for funding through Executive Committee (EX19-35, attached as Appendix E). The table below reflects the actual funding to each agency in 2017 and 2018, the 2019 Budget, and the level of funding included in the proposed 2020 Budget.

Expenses (#'s are in 000s)	2017 Actuals	2018 Actuals	2019 Budget	2019 Forecast	2020 Budget	Dollar Change	% Change
General Fund							
Provincial Capital Commission	2,912	2,719	2,719	2,719	2,719	-	-
Regina Economic Development	1,820	1,720	1,812	1,812	1,848	36	2.0
Regina Exhibition Association Limited	400	400	200	200	100	(100)	(50.0)
General Fund Expenditures	5,132	4,839	4,731	4,731	4,667	(64)	(1)

Other Budgets

The Regina Police Service submits its budget request to the Board of Police Commissioners who, in turn, make their recommendation to City Council for approval. The Regina Public Library requests a separate mill rate approval from City Council.

Regina Police Service

The RPS budget included in Appendix A is considered draft until such time as the Board of Police Commission approved budget is presented to City Council on November 25, 2019.

Regina Public Library

The Regina Public Library (RPL) promotes and supports cultural, economic, educational and recreational development in the City through collections, programs and services. The Board of RPL has approved the library's budget and has requested a mill rate of 0.74971 for 2020; an increase of 2.3% from 2019. RPL increased the mill rate by 1.8% in 2019. If approved by Council, Administration will bring forward a bylaw in the spring of 2020 to formally levy the mill rate.

Summary

The proposed 2020 Budget balances affordability and strategic investment with the lowest mill rate increase in a decade, continued funding for resident priorities like roads, infrastructure renewal and public safety, and a stronger commitment to recreation and culture.

The bylaw to formally levy the mill rate will be brought forward in the spring of 2020 when the provincial government provides the City with the mill rates for the school divisions. At that time, City Council will also approve the mill rates for the Business Improvement Districts, as well as the Regina Public Library and the City.

The 3% utility rate increase on January 1, 2020 is the second of three consecutive rate increases approved by Council for 2019, 2020 and 2021. The rate increase supports a financially stable water utility that is based on full cost recovery. The rate increases provide for ongoing investment in infrastructure renewal that ensures the continued delivery of safe, reliable water, wastewater and drainage services.

RECOMMENDATION IMPLICATIONS

Financial Implications

The financial implication of the recommended General Operating Budget is an increase in the property tax mill rate to 8.37161, representing a 3.25% increase from 2019.

For a home assessed at \$350,000, the recommended 2020 mill rate increase of 3.25% will result in an approximate property tax increase of \$67.26 per year; an increase of \$5.60 a month.

The utility rate increase is consistent with the previously approved 3% rate increase which will support the current operating costs and the projected capital investments as planned in the Utility Model. The average household will pay an additional \$49.68 per year; an increase of \$4.14 per month in 2020.

The strength of the City's financial performance has been acknowledged with an AAA credit rating by Standard & Poor's. When developing its long-term financial plan, the City maintains a commitment to strong financial discipline and continued management of debt to ensure that capital investments will not unduly burden the Operating Budget through debt servicing, operating and asset lifecycle costs.

Environmental Implications

None related to this report.

Policy and/or Strategic Implications

The recommendations in this report and the resulting 2020 Budget align to the strategic objective to "deliver reliable service" as described in the City of Regina's Strategic Plan while continuing to make investments to advance our vision.

The recommendations in this report and resulting 2020 Utility Budget, support the Official Community Plan, specifically adhering to the benefits model based on a user pay system. They also support the objectives in the City of Regina's Strategic Plan, namely delivering reliable service and improving service financial sustainability.

Other Implications

None specifically related to this report.

Accessibility Implications

The recommended 2020 Budget continues to fund a variety of accessibility initiatives that were implemented in previous years.

COMMUNICATIONS

Administration actively engaged residents to understand their spending priorities as part of pre-budget planning. Between April 24 and May 13, 2019, an online survey was available on Regina.ca to obtain feedback on the spending priorities of residents. A total of just under 2,600 residents responded to the survey. Survey respondents identified roads, infrastructure and public safety as top spending priorities.

The *Conversation with the City* drop-in event held at City Hall on October 10, 2019 also provided the opportunity for residents to share their questions and ideas with members of City Council and Administration and to learn about City operations.

In conjunction with the release of the proposed 2020 Budget, detailed information will be available online at Regina.ca including the proposed 2020 Budget Book and highlights. The release of the Budget will be promoted through scheduled advertising campaigns.

DELEGATED AUTHORITY

The recommendations in this report require City Council approval.

Respectfully submitted,

Respectfully submitted,


Barry Lacey, Exec. Director, Financial Strategy & Sustainability 11/14/2019

Report prepared by: