

2021 General and Utility Operating Budget and 2021 - 2025 General and Utility Capital Plan

Date	March 24, 2021
To	City Council
From	Financial Strategy & Sustainability
Service Area	Financial Services
Item No.	

RECOMMENDATION

That City Council:

1. Approve the 2021 tax-supported General Operating Budget as outlined in Appendix A, including the following details:
 - a. Gross expenditures of \$480,239,000 and a net property tax levy of \$269,373,000;
 - b. 2021 mill rate of 9.45130 representing a 2.34% increase for all programs and services;
 - c. Funding for the Provincial Capital Commission (PCC), Economic Development Regina Inc. (EDR) and Regina Exhibition Association Limited (REAL); and
 - d. Regina Police Services (RPS) gross expenditures totaling \$99,563,000 and revenues totaling \$10,318,000.
2. Approve the 2021-2025 General Capital Budget with total gross expenditures of \$132,505,000 in 2021, as summarized in the City of Regina 2021 Budget, attached as Appendix A beginning on page 89.
3. Approve the General Capital Budget as outlined on page 88 of Appendix A for multi-year projects that require future year commitments with gross expenditures of \$200,000 underway in 2021, be approved as follows:
 - a. 2022 - \$810,000; and
 - b. 2023 - \$810,000.

4. Approve the 2021 Recreation & Culture Capital Budget with total gross expenditures of \$5,336,000 in 2021, as summarized in Appendix D with funding provided by the funds described in Recommendation 2 of this report.
5. Approve funding for the Provincial Capital Commission (PCC), Economic Development Regina Inc. (EDR), and Regina Exhibition Association Limited (REAL), as outlined on page 19 of this report, with funding provided by the funds described in Recommendation 1 of this report.
6. Approve the Regina Public Library Board approved budget and mill rate request of 0.85098 representing a 2.9% increase for the Regina Public Library.
7. Instruct the City Solicitor 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 spring 2021 once the City receives the education mill rate from the Government of Saskatchewan and approves the mill rates for the Business Improvement Districts.
8. Approve a transfer of \$1,036,000 from the previously approved Parliament/Queen Lot Servicing project to the Land Development Reserve ensuring these funds are available to fund development of the Land Development Master Plan as described on page 12 of this report.
9. Approve a transfer of \$7,200,000 from the previously approved 2020 capital programs that were not spent due to COVID-19 as outlined on page 13 of this report as follows:
 - a. \$4.7 million to the General Fund reserve to fund Aquatics Infrastructure; and
 - b. \$2.5 million to the Social Development Reserve to ensure sufficient 2021 funding for the Housing Incentive Program.
10. Approve the following 2021 Alley Maintenance Special Tax levies, proposed revenues and estimated costs:

Paved Alleys:
Levy \$3.90 per assessable foot
Proposed Revenue \$3,476,298
Estimated Cost: \$3,476,298

Gravel Alleys:
Levy \$2.72 per assessable foot
Proposed Revenue \$1,676,137
Estimated Cost \$1,676,137
11. Direct the City Solicitor to prepare the 2021 Alley Maintenance Special Tax Bylaw to include the paved and gravel alleys levies, proposed revenues and estimated costs as detailed in recommendation 10 above and Appendix E to this report.

12. Approve the 2021 fee-supported Utility Operating Budget as outlined in Appendix A beginning on page 105, with total revenues of \$148,254,000 and total gross expenditures of \$148,254,000.
13. Approve the 2021-2025 Utility Capital Budget with total gross expenditures of \$57,775,000 in 2021, as summarized in the City of Regina 2021 Utility Budget, beginning on page 115 of Appendix A.
14. Approve the Utility Capital Budget as outlined on page 114 of Appendix A for multi-year projects that require future year commitments with gross expenditures of \$10,100,000 underway in 2021, as follows:
 - a. 2022 - \$10,100,000
 - b. 2023 - \$10,100,000
 - c. 2024 - \$5,000,000
15. Authorize the City Solicitor to prepare any other necessary bylaw amendments not mentioned above to implement the above recommendations and the approved budgets.
16. Remove the following items from the List of Outstanding Items:
 - MHC20-1 (Plan to End Homelessness)
 - CR20-23 (Plan to End Homelessness)
 - CR20-69 (Events, Conventions and Tradeshows)
 - CR20-85 (Winter Maintenance Policy Update)
 - MN19-22 (Regina Board of Police Commissioners Budget)

ISSUE

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 2021 General Fund Operating and 2021-2025 General Fund Capital Plan. The detailed budget plans are included in the City of Regina 2021 General Fund Budget beginning on page 20 of Appendix A to this report.

The report also provides City Council with a summary of Administration’s recommendations for the 2021 Utility Fund Operating and 2021-2025 Utility Capital Plan. The detailed budget plans are included in the City of Regina 2021 Utility Fund Budget beginning on page 113 of Appendix A to this report.

The 2021 Budget is being presented in unprecedented times, there are many uncertainties facing the City surrounding the COVID-19 pandemic. A few key highlights of the 2021 Budget include:

- A proposed 2.34% mill rate increase. The proposed 2.34% mill rate increase includes a zero percent mill rate increase for civic operations but allows for the

continuation of the previously approved dedicated mill rates for Mosaic Stadium (0.45%) and the Recreation Infrastructure Program (0.5%), plus added investment in the Regina Police Service.

- New efficiencies and cost-savings in the amount of approximately \$5 million to enable a proposed zero mill rate increase for civic operations.
- Accessing funds from the COVID-19 Recovery Reserve which was established in 2020 using Federal Safe Restart Program funding to offset the projected \$12 million negative financial impact COVID-19 pandemic is expected to have on City operations.
- Reallocating \$7.2 million in 2020 capital carry forward program funding not required to address COVID-19 financial impacts in 2020 to fund the \$2.5 million Housing Incentive Program in 2021, and make a \$4.7 million investment specifically for a future new indoor pool and maintaining existing aquatic infrastructure.
- \$800,000 in funding for the development of the Energy & Sustainability Framework work in 2021, which includes items such as creating a community energy and emissions inventory.
- Investment of an additional \$800,000 in winter road maintenance in 2021, which will include enhanced service in school zones, plowing all sidewalks adjacent to transit stops and more attention to high traffic residential roads.

IMPACTS

Accessibility Impact

The proposed 2021 Budget includes funding for enhancements to the Winter Maintenance Policy. One of the enhancements to the Policy includes enhanced snow clearing on sidewalks adjacent to transit stops, making them more accessible for all users. Information on the Winter Maintenance Policy can be found in Appendix C.

The Provincial Capital Commission's (PCC) capital project submission includes the Candy Cane Park Accessibility and Safety Upgrades project which will incorporate accessibility features. The 2021 proposed budget includes funding to the PCC sufficient to complete this project. PCC's Budget submission can be found in Appendix G.

The proposed 2021 Budget continues to fund a variety of accessibility initiatives that were implemented in previous years.

Environmental Impact

The proposed 2021 Budget includes funding for the development of the Energy & Sustainability Framework and Action Plan that includes:

- Community and municipal-wide action plans, with timelines and targets to achieve a renewable Regina by 2050.
- Actions focused on land use and transportation planning, development and building permit guidelines, energy efficient building design, transportation demand management, waste management, energy conservation, regulatory tools, financial tools, advocacy for legislative change as well as public education and awareness.

- Community engagement through the development and implementation.
- A regular and ongoing progress reporting framework that includes community reporting at regular intervals.
- A preliminary estimate of the financial and economic impacts associated with implementing an action plan.

The proposed 2021 Budget also includes funding for the expansion of the recycling pilot program to all City-owned facilities and operated spaces, including outdoor spaces and fire stations. The funding will be used to collect the waste and process the recyclable and organic material.

Financial Impact

The financial implication of the recommended General Operating Budget is an increase in the property tax mill rate to 9.45130, representing a 2.34% increase from 2020.

For an average home assessed at \$315,000, the recommended 2021 mill rate increase of 2.34% will result in an approximate property tax increase of \$49.56 per year; an increase of \$4.13 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 \$53.28 per year; an increase of \$4.44 per month in 2021.

The strength of the City's financial performance has been acknowledged with an AAA credit rating by Standard & Poor's. 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.

Policy/Strategic Impact

The recommendations in this report and the resulting 2021 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 2021 Utility Budget, support the Official Community Plan (OCP), 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 OPTIONS

Council has the authority to direct Administration to make changes to the proposed Budget.

COMMUNICATIONS

Due to COVID-19, Administration focused on enhancing online pre-budget consultation opportunities using Be Heard Regina. A phased approach was introduced in 2020 with the hope of establishing more fulsome engagement on resident priorities. An initial survey was released in July and resulted in 2,567 responses. Roads, public safety, snow clearing and recreation were identified as the top spending priorities overall, with roads being ranked in the top three by 69 per cent of respondents.

This was followed by a second survey in September that sought to dig deeper into the responses provided in the first survey and get a better sense of how residents might feel about potential trade-offs to address their budget priorities. The second survey resulted in 1,690 responses, 83% of whom were homeowners.

In conjunction with the release of the proposed 2021 Budget, detailed information will be available online at [Regina.ca/budget](https://regina.ca/budget) including the proposed 2021 Budget Book and highlights. The release of the Budget will be promoted through scheduled advertising campaigns.

In accordance with the public notice requirements of The Public Notice Policy Bylaw, 2020, advertising for the Special Tax for Alley Maintenance occurred on March 13, 2021. In addition, advertising for the consideration of long-term borrowing occurred on March 13, 2021.

DISCUSSION

Despite financial challenges and uncertainty going into 2021, and the increased effort and costs involved in responding to the pandemic, the City will continue to deliver the important services that residents and businesses expect every day. Careful consideration was given to continue to take measures to reduce costs balanced with the need to protect core services.

The long-term strategic direction for the City is established in *Design Regina: The Official Community Plan Bylaw 2013-48* (OCP) along with the four-year strategic plan and longer-term master plans, which 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 2021 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;
3. Developing an operating and capital budget to address the plans; and
4. Continuous review for opportunities to implement efficiencies and cost-savings.

The Economic and Preliminary 2021 Budget Development Update, presented to Priorities and Planning Committee on July 6, 2020, provides the context, factors and City priorities that have influenced the development of the 2021 Budget and Five-Year Capital Plan. The Economic and Preliminary 2021 Budget Development Update highlighted the following:

- Looking at the impacts to the City, the Conference Board of Canada's (CBoC) March 2021 economic data estimates Regina's Real Gross Domestic Product (GDP) declined by approximately 3.8 per cent in 2020 due to COVID-19 and weak commodity prices. On the road to recovery this year, they see a sharp improvement of 5.0 per cent GDP growth in 2021.
- Due to fallout from the pandemic, the CBoC estimates the unemployment rate has sharply increased to 8.1 per cent in 2020. However, stronger labour markets are predicted in the immediate future, projecting a drop to 6.4 per cent unemployment rate in 2021.

Department and branch level plans are prepared for the City's operating areas. The plans outline upcoming priority plans for 2021 and provide a look ahead to the 2022-2025 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 2021 Budget reflects Administration's best advice on how to achieve Council's policy and service priorities, given existing resources. Ultimately, City Council determines the programs and services to be included in the 2021 Budget.

2021 General Fund Operating Budget

The 2021 General Fund Operating Budget outlines revenue and expense changes for Council's consideration, for a total 2021 General Fund Operating Budget of \$480.2 million, which is an increase of 1.6% or \$7.5 million from the 2020 Budget. Revenues reflect changes to existing property tax and user fee rates and changes in volumes.

The 2021 Budget strikes a balance between supporting evolving community needs during this pandemic and delivering essential municipal services, while also advancing Council priorities. This is integral both to our community's recovery and to the City's future prosperity.

Many residents and businesses in our community face continued financial hardship; it is more important than ever that Regina remain affordable. The 2021 Budget maintains services, while limiting the property tax increase. Through the development of the budget, Administration balanced the needs and expectations for municipal services with sensitivity to the current economic climate and fiscal reality facing residents and businesses. The 2021 Budget responds to these economic challenges by proposing a 2.34% mill rate increase. A breakdown of the mill rate increase is found in the table below:

	Mill Rate Increase (%)	
Civic Operations		0.00
Mosaic Stadium Dedicated Mill Rate	0.45	
Recreation Infrastructure Dedicated Mill Rate	0.50	0.95
Regina Police Services		1.39
Total Proposed Mill Rate Increase		2.34

The City is committed to providing services in an efficient and fiscally responsible manner. To offset increasing costs, close to \$15 million in savings have been achieved over the past three years with an additional approximately \$5 million in cost savings achieved in 2021 resulting in no mill rate increase related to Civic Operations. These cost savings have largely been achieved without major impacts to service levels. The efficiencies are from a number of areas across the organization, some examples of savings achieved for 2021 include:

- The City’s fuel budget is expected to decrease by \$1.3 million in 2021 due to a drop in fuel prices. This decrease in fuel is partially offset by an increase in electricity and natural gas costs, due primarily to an increase in the Carbon Tax. When these two items are combined, the City anticipates a mill rate related savings of approximately \$900,000.
- Administration is proposing a one-time reduction in conference and training budgets as physical distancing measures and travel restrictions are anticipated to continue into 2021. Total one-time mill rate related savings from this reduction are approximately \$600,000.
- Numerous smaller saving opportunities including a reduction in redundant equipment, sharing equipment with other City departments, altering cleaning practices to decrease electricity usage through cleaning during the day rather than at night and consolidation of departments eliminating a Director position.

COVID-19 2021 Financial Impacts and Funding Strategy (One-time Budget Impacts)

The City will manage the negative financial impacts of the COVID-19 pandemic on the 2021 budget of approximately \$12 million through a one-time budget adjustment that accounts for the impacts with an offsetting funding strategy. The negative financial impact is primarily related to reduced transit revenue and reduced revenue at the City’s recreation facilities.

Administration proposes using \$12 million from the newly created COVID-19 Recovery Reserve to address the 2021 COVID-related expenses with no impact on the 2021 tax levy. The budget impacts of COVID-19 will be treated as one-time until it is determinable what, if any, effects of COVID-19 are long-term, or that one-time funding strategies are no longer viable or realistic. This approach helps limit the impact to residents by utilizing all available options for funding, including the prudent use of federal and provincial funding provided for this purpose.

General Operating Revenues

Property taxation is the major source of revenue for the City of Regina, accounting for 56% of the total revenue. Legislation limits the City's ability to access other forms of taxation resulting in challenges to balance increasing costs of providing services with the desire to keep property taxes affordable. The following table found on page 17 of Appendix A provides a summary of General Fund 2021 budgeted operating revenues.

Revenues (\$000s)	2019 Actuals	2020 Budget	2020 Forecast	2021 Non COVID-19 Budget	2021 COVID-19 Impact	2021 Proposed Budget	2021 Change (\$)	2021 Proposed Change (%)
Civic Operations								
Taxation	249,765	261,413	260,896	269,373	-	269,373	7,960	3.04%
Fees and Charges Revenues	72,490	69,222	55,424	67,004	(10,648)	56,356	(12,866)	(18.59%)
Government Grants	45,930	48,670	49,520	49,738	(630)	49,108	438	0.90%
Other Revenues	74,352	63,992	62,150	65,052	-	65,052	1,060	1.66%
Licenses, Levies and Fines	21,500	12,807	10,756	12,831	(1,254)	11,577	(1,230)	(9.60%)
Reserve Transfers	6,019	6,236	12,176	6,430	12,025	18,455	12,219	195.94%
Civic Operations Total	470,056	462,340	450,992	470,428	(507)	469,921	7,581	1.64%
Police Operations	13,052	10,401	10,400	10,318	-	10,318	(83)	(0.80%)
Total Revenues	483,108	472,741	461,322	480,746	(507)	480,239	7,498	1.59%

The overall increase in revenues projected for 2021 is \$7.5 million or 1.6% primarily due to:

- Taxation - \$8 million increase. This consists of:
 - \$6.1 million increase as a result of the proposed mill rate increase;
 - \$2.3 million increase in tax revenue from projected 2021 growth and adjustments to reflect 2020 actual tax growth.
 - Offset by a reduction in Supplementary Property Taxes.
- Fees & Charges - \$12.9 million decrease primarily due to:
 - \$6.7 million decrease in Transit & Paratransit fees. The decrease is a one-time reduction as a result of COVID-19.
 - \$3.1 million decrease in Community Service Program and Operating Revenue. This decrease is as a result of a decrease in the recreation fees as a result of COVID-19.
 - \$1.3 million decrease primarily from an estimated reduction in facility fees collected for events at Mosaic Stadium.
 - \$800,000 decrease in parking fees largely as a result of COVID-19.
 - Close to a \$800,000 decrease in Building Permit revenue. The decrease in revenue can be attributed to the slowdown in construction activity.
- Government Grants - \$0.4 million increase primarily due to:
 - \$500,000 in increased Municipal Revenue Sharing Grant funding.
 - \$500,000 increase in Multi-Material Stewardship Western Grant funding.
 - Offset by a decrease of \$600,000 in Transit and Paratransit Grant funding. This decrease in funding is anticipated to be a one-time result of COVID-19.
- Other Revenue - \$1 million increase primarily due to:

- \$2 million increase in Electrical Distribution Revenue. The Electrical Distribution Revenue is SaskPower's 10 per cent surcharge on electricity sales.
- \$1.9 million increase in Tax Penalty revenues. The increase in revenue is to align the budget more accurately with actual penalties collected over the past few years.
- \$2.5 million decrease in Investment Income. The decrease is primarily related to decreased interest rates.
- Licenses & Levies - \$1.2 million decrease primarily due to:
 - \$600,000 decrease in parking ticket fines. The decrease is a result of COVID-19.
 - \$600,000 decrease in amusement tax. The Amusement Tax Bylaw establishes the rate and defines the nature of entertainment that is subject to the tax. This decrease is a result of COVID-19 with very few patrons currently visiting establishments that are subject to the amusement tax.
- Reserve Transfers - \$12.2 million increase. The increase is primarily related to the increased transfer from the COVID-19 Recovery Reserve to cover the anticipated 2021 financial impacts of COVID-19.

Alley Maintenance Program

The City's Alley Maintenance Program is intended to support a sustainable alley system that is passable, safe, affordable, efficient, equitable and environmentally responsible. Recommendation 10 of this report recommends decreasing the alley tax from \$3.98 per foot to \$3.90 per foot for paved alleys and \$2.80 per foot to \$2.72 per foot for gravel alleys. Appendix E contains further information on the Alley Maintenance Program and the requirements for bylaw amendments required to implement the revised alley tax.

General Operating Expenses

The following table found on page 22 of Appendix A provides a summary of General Fund 2021 budgeted operating expenditures. The General Fund Operating expenses, including Regina Police Service (RPS), are projected to increase by \$7.5 million in 2021.

Expenses (\$000s)	2019 Actuals	2020 Budget	2020 Forecast	2021 Non COVID-19 Budget	2021 COVID-19 Impact	2021 Proposed Budget	2021 Proposed Change	2021 Proposed Change (%)
Civic Operations								
Salary & Benefits	162,428	177,399	162,881	179,713	-	179,713	2,314	1.30%
Intramunicipal	45,702	32,278	33,792	30,861	(160)	30,701	(1,577)	(4.89%)
Professional & External Services	28,994	32,990	30,294	31,819	-	31,819	(1,171)	(3.55%)
Electricity & Natural Gas	9,160	10,098	9,498	10,779	(847)	9,932	(166)	(1.64%)
Office & Administrative	12,294	8,230	9,719	9,630	-	9,630	1,400	17.01%
Material, Goods & Supplies	8,487	9,089	9,202	9,092	500	9,592	503	5.53%
Other External	12,401	8,008	6,407	7,618	-	7,618	(390)	(4.87%)
Training & Travel	1,197	2,051	1,058	1,330	-	1,330	(721)	(35.13%)
Operations Subtotal	280,663	280,143	262,851	280,842	(507)	280,335	192	(0.07%)
Contribution to Capital	48,326	55,199	55,327	57,990	-	57,990	2,791	5.04%
Transfers to Reserve	29,005	15,523	18,059	16,020	-	16,020	497	3.20%
Debt Servicing	12,357	14,361	13,630	13,630	-	13,630	(731)	(5.09%)
Community Investment	11,127	11,486	12,638	12,701	-	12,701	1,215	10.58%
Other Expenses Subtotal	100,815	96,569	99,654	100,341	-	100,341	3,772	3.91%
Civic Operations Total	381,478	376,712	362,505	381,183	(507)	380,676	3,964	1.05%
Police Operations	94,730	96,029	96,029	99,563	-	99,563	3,534	3.68%
Total Expenses	476,208	472,741	458,534	480,746	(507)	480,239	7,498	1.59%

Specific increases and decreases reflected in the 2021 Budget include:

- Salaries & Benefits - \$2.3 million increase primarily related to increased costs to honour the City's collective agreements. The increase is also partially due to an increase in Canada Pension Plan (CPP) premiums.
- Intramunicipal - \$1.6 million decrease primarily related to a reduction in fuel and fleet costs. This category includes costs allocated to operating areas for internal trades, fleet costs and administrative support.
- Professional & External Services - \$1.2 million decrease primarily related to the removal of one-time costs related to the 2020 municipal election, efficiencies in operations and savings in the Roadways & Transportation department.
- Electricity & Natural Gas - \$0.2 million decrease from the 2020 Budget. This decrease is related to a 10% decrease on electricity charges by SaskPower to help reduce the impact of COVID-19, offset by a general increase in electricity costs.
- Office & Administrative - \$1.4 million increase related to an increase in bad debt expense to align the budget with actual bad debt experienced over the last couple of years. There is also an increase in insurance costs due to the hardening of the insurance market.
- Material, Goods & Supplies - \$0.5 million increase related to additional expenses due to COVID-19 pandemic including cleaning supplies and personal protective equipment (PPE).
- Other External - \$0.4 million decrease primarily due to a reduction in equipment rentals, banking fees and rental costs due to efficiencies.
- Training & Travel - \$0.7 million decrease primarily due to a one-time reduction in

spending in this category as a result of COVID-19 pandemic restrictions.

- Contribution to Capital - \$2.8 million increase due to the dedicated 0.5% mill rate increase for the Recreation Infrastructure Program as well as a planned annual increase of 3% to address deferred infrastructure spending.
- Transfers to Reserve - \$0.5 million increase primarily related to an increased transfer to the Solid Waste Reserve. The additional transfer to the Solid Waste Reserve is primarily due to an expected increase in Multi-Material Stewardship Western funding.
- Debt Servicing - \$0.7 million decrease due to the City not having to take out debt to fund the construction of the Wascana Pool as provincial Municipal Economic Enhancement Program (MEEP) funding will be used instead.
- Community Investments - \$1.2 million increase related to increases in funding provided to Regina Exhibition Association Limited and Economic Development Regina to help these organizations continue operations through the COVID-19 pandemic.

The 2021 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.

Land Development Reserve

Previously, City Council approved funding be transferred from the Land Development Reserve to fund the Parliament/Queen Lot Servicing project. Due to market conditions and other City priorities the development of Parliament/Queen has not advanced at the pace originally planned. As a result, Administration is recommending a transfer of \$1,036,000 from funding allocated to Parliament/Queen Lot Servicing to the Land Development Reserve to fund the Land Development Master Plan.

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 14 of Appendix A provides a summary of FTE positions. Overall, civic operations (General and Utility Fund Operations) decreases by two (2) FTEs resulting in a total of 2,274 FTEs. While civic operations decreased FTEs by two, this was largely achievable from reallocating existing positions to priority work. An example of this is the addition of three FTEs to support infrastructure planning as it relates to growth. These FTEs are funded through developer contributions rather than the mill rate. If these positions were not added to the Budget, the overall civic operation FTE count would decrease by five. The Regina Police Service (RPS) FTE budget increases by 11 FTE resulting in a total of 625 FTEs. The overall net FTE increase for the City, including RPS, is nine (9) FTEs; resulting in an overall budget of 2,899 FTEs for 2021.

2021-2025 General Capital Plan

The City's capital budget process has been developed to ensure assets and investments are managed comprehensively in a manner that ensures the City is achieving value for money and that staff resources are used efficiently. 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. Further information on the development of the Five-Year Capital Plan including funding sources can be found in Appendix B. The proposed 2021-2025 General Capital Plan totals \$133 million in 2021; with a planned investment of \$610 million over the next five years. Council is only approving the 2021 year except where noted otherwise. Further detail on the proposed Five-Year General Capital Plan can be found, starting on page 89 of Appendix A, 2021-2025 General Capital Plan.

Senior Government Partnership and Funding

With its limited funding sources, it will not be possible for the City to address the critical infrastructure and community needs in a meaningful way without strategic intergovernmental partnerships and a predictable, long-term funding arrangements.

On May 6, 2020, the Government of Saskatchewan unveiled a two-year capital infrastructure program as part of its response plan to the COVID-19 recovery. The Municipal Economic Enhancement Program (MEEP) allocated almost \$150 million on a per capita basis to all Saskatchewan municipalities. The City has received approximately \$30.9 million under this program.

Page 102 of Appendix A outlines the projects which have been approved to receive funding through this program. MEEP funding must be used by March 31, 2022.

2020 Capital Deferral (COVID-19)

On April 15, 2020 (CM20-8), City Council approved recommended actions to offset the financial impact of COVID-19 on the City's 2020 operations. One of those actions was to have up to \$7.2 million of Current Contributions to the Capital Program be redirected to 2020 General Operations if required. The transfer was not required since savings resulting from the proactive actions taken in 2020 are expected to offset the financial impact of COVID-19. The majority of projects that were deferred due to COVID-19 were later approved to be funded from the provincial MEEP grant, keeping the impacted capital programs and projects whole. As the affected capital programs and projects are now funded by MEEP and the \$7.2 million capital carry forward is projected not to be required to offset COVID-19 costs in 2020, the funds will carry forward into 2021 as capital carry forward funding.

Administration is recommending that these funds be reallocated to address two priorities in the 2021 Budget. The proposed 2021 Budget includes \$4.7 million in funding for the Aquatic Infrastructure capital project. An indoor aquatic facility is a high priority in the Recreation Master Plan. In addition to addressing the City's indoor aquatic facilities, these funds could be used to perform asset management on our existing outdoor pool facilities. As a result, Administration is recommending a transfer of \$4.7 million from the capital carry forward projects to the General Fund Reserve to fund the Aquatic Infrastructure capital project.

Secondly, the remaining \$2.5 million will be used to fund the Housing Incentive Program (HIP) in 2021. The HIP currently does not have a long-term sustainable funding source so

this ensures the program will have funding for 2021. As a result, Administration is recommending a transfer of \$2.5 million from the capital carry forward projects to the Social Development Reserve to fund the HIP in 2021.

Recreation Infrastructure Program

Consistent with Council direction, Administration has included in its proposed 2021 Budget a dedicated mill rate increase of 0.5% for recreation infrastructure. On October 28, 2019, Council approved a long-term Recreation Infrastructure Program funded by a dedicated 0.5% mill rate for five years (2020 – 2024). In addition, \$3 million in funding is available annually in the Recreation/Culture Capital Program. These two programs combined will fund recreation infrastructure improvements based on the current Recreation and Cultural Master Plans, and other relevant considerations determined by City Council. Appendix D contains a list of projects that are planned to be funded through the Recreation Infrastructure Program and Recreation/Culture Capital Program in 2021.

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 2021 through to 2025 for projects that commence in 2021 allows the City to commit the total cost of the project from tendering through to their completion.

(\$000s)

Division	Department	Project/Program Name	2021	2022	2023	2024	2025	5-Year Total
Citizen Experience, Innovation & Performance	Innovation, Energy & Technology	EBS 12.2 Upgrade	200	810	810	-	-	1,820
Total			200	810	810	-	-	1,820

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

Council and its Committees referred items to the 2021 budget development process. These items are described below with additional detail on each included as Appendix C of this report.

Plan to End Homelessness (MHC20-1 and CR20-23)

The Plan to End Homelessness provides direction on the investments and service levels required to end chronic homelessness in Regina. Administration has prepared a recommendation for a new Permanent Supportive Housing Operating Grant which will come forward for Council's consideration on March 31, 2021. If approved, Administration will complete preparations in 2021, and funding will be required beginning with the 2022 Budget. The 2021 Budget represents a status quo approach with \$2.5 million allocated to capital grants under the Housing Incentives Policy (HIP), funded from reserve transfers.

Events, Conventions and Tradeshows (CR20-69)

The 2021 Budget includes funding of \$325,000 to support the attraction of Events, Conventions and Tradeshows to Regina. There is no incremental cost added to the 2021 General Operating Budget. The 2020 approved General Operating Budget included expenditures related to providing support for the 2020 Grey Cup. Some of these one-time expenditures were funded by ongoing corporate revenue. This was done intentionally so that this funding would be available for reallocation in 2021 and future years to address other financial barriers encountered by community organizations in organizing and operating community events.

Winter Maintenance Policy Update (CR20-85(1))

The 2021 Budget includes \$778,000 to support enhancement of the winter maintenance activities. This increase in expenditure is offset by an ongoing savings of \$1.22 million in the winter maintenance operating budget due to reduced historical snowfall and aligning the budget to actuals.

The new Winter Maintenance Policy includes enhanced service in school zones, plowing all sidewalks adjacent to transit stops, and more attention to high traffic residential roads. Approval of the 2021 Budget by Council approves these policy changes and the new policy will be presented to Council for information later in 2021.

2021 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. Stormwater collection and flood protection – the stormwater 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 2021 were adopted by Council in the 2019 Utility Budget. The 2021 rates result in a 3% increase or for a typical residential customer about \$4.44 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.

Council requested information at Executive Committee on January 6, 2021 on the impact of a 0% rate increase in 2021. If the Utility rates were reduced to 2020 levels, in order to maintain a fully funded sustainable Utility model there would be impacts on the future rates of the Utility as well as the Utility capital programs. To ensure the long-term sustainability of the Utility model, \$18.5 million of capital projects would need to be deferred over the next five-years. The deferral of capital work poses risks to service delivery and may lead to increased service disruptions and other negative service level implications for water, wastewater, and/or stormwater services. Capital program deferral will also mean increased unpredictability in operations leading to negative service level implications. These risks are expected to continue until the program deferrals are addressed. Additional rate increases and/or debt may be required in future years.

The deferral of planned renewal work, including approximately 18-25 km of wastewater pipe and 200 water service connections, will increase the risk of future watermain breaks, sewer backups, sewer overflows to environment, surface flooding and sewer collapses. In addition, stormwater upgrade projects would need to be deferred which will not reduce the risk of flooding for residents. Other upgrade projects would also be deferred which slows building resilience to adverse events that present risks to service delivery.

Supplying safe drinking water and ensuring the management of wastewater and stormwater are essential services provided by the Utility. Pressures due to aging infrastructure, population growth, climate change and changing regulations require the Utility to plan and adapt to the changing conditions. 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 wastewater and stormwater system that protects public health and property.

Council has requested information related to water, water affordability and conservation options. Administration will be returning to Council with a report in Q3 of 2021.

Utility Revenues

Revenues (\$000s)	2019 Actuals	2020 Budget	2020 Forecast	2021 Proposed Budget	2021 Change (\$)	2021 Change (%)
Water	68,004	69,364	69,699	71,343	1,979	2.85%
Wastewater	52,066	53,359	53,315	54,713	1,354	2.54%
Stormwater	17,255	17,847	18,004	18,656	809	4.53%
Administrative & Other Fees	9,235	2,674	3,677	3,542	868	32.46%
Total Revenues	146,560	143,244	144,695	148,254	5,010	3.50%

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 2021 has been previously approved by Council. The rate increase was effective January 1, 2021.

Revenues from Utility rates are estimated to total \$148.3 million, an increase of \$5 million over 2020. Revenue increases related to Water, Wastewater, and Stormwater relate primarily to the previously approved 3% rate increase and projected population growth. Administrative & Other Fees increase is primarily due to an increase of \$0.9 million from the Service Agreement Fee deferred revenue account for the growth portion of the Buffalo Pound water treatment plant renewal.

Utility Operating Expenditures

Expenses (\$000s)	2019 Actuals	2020 Budget	2020 Forecast	2021 Proposed Budget	2021 Change (\$)	2021 Change (%)
Intra-municipal	23,925	25,419	23,777	25,862	443	1.74%
Natural Gas, Power & Water Purchase	20,172	20,721	20,655	21,545	824	3.98%
Salary & Benefit Expenses	21,145	18,273	16,130	18,505	232	1.27%
Professional & External Services Expenses	12,933	9,786	10,243	9,965	179	1.83%
Debt Servicing Expenses	13,135	6,018	6,018	6,018	-	0.00%
Other External Expenses	4,708	5,012	4,839	5,058	46	(0.02%)
Material, Goods & Supplies Expenses	3,985	2,740	3,345	2,671	(69)	(2.52%)
Office & Administrative Expenses	1,147	1,218	1,168	1,221	3	0.25%
Training & Travel Expenses	118	260	99	173	(87)	(32.46%)
Transfers to Reserve Expenses	41,094	53,797	53,797	57,236	3,439	6.39%
Total Expenses	142,362	143,244	140,073	148,254	5,010	3.50%

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 2021 totals \$148.3 million; an increase of \$5 million from 2020. Substantial changes reflected in the 2021 Utility Operating Budget include:

- Intramunicipal - \$0.4 million increase due to increased transfers to the General Fund.
- Natural Gas, Power & Water Purchase - \$0.8 million increase due to:
 - \$1.1 million increase in water purchased from Buffalo Pound. This is reflective of Buffalo Pound Water Treatment Corporation’s (BPWTC) 7% rate increase. The increase in rates from BPWTC is primarily due to the in-progress plant renewal project.
 - \$300,000 decrease in electricity costs due to a one-time 10% rebate on electrical sales from SaskPower.
- Salary & Benefit - \$0.2 million increase due to increased costs to honour the City’s collective agreements. The increase is also partially due to an increase in Canada Pension Plan (CPP) premiums.

- Training & Travel - \$87,000 decrease due to a one-time reduction in spending in this category as a result of COVID-19 pandemic restrictions.
- Transfers to Reserve - \$3.4 million increase primarily due to the 3% rate increase. This transfer to the reserve is a planned increase included in the City’s Utility Model, which funds future capital projects and programs.

2021-2025 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 10 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 2021-2025 Utility Capital Plan highlighted in Appendix A beginning on page 116, includes a total expenditure of \$462.1 million. The proposed 2021 Utility Capital Budget totals \$57.8 million.

Similar to the 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 2021 Utility Capital Plan focuses investment in key areas:

- Water Infrastructure Renewal - \$10.9 million
- Wastewater Infrastructure Renewal - \$10.7 million
- Water Meters and AMR Replacement - \$10.1 million

Multi-Year Capital Projects

Recommendation 14 of this report recognizes the multi-year financial commitments associated with Utility Capital projects that require more than one year to complete and require advance approval. Approving funds in 2021 through to 2025 for projects that commence in 2021 allows the City to commit the total cost of the project from tendering through to their completion.

(\$000s)

Service	Project/Program Name	2021	2022	2023	2024	2025	5-Year Total
Water	Water Meters and AMR Replacement	10,100	10,100	10,100	5,000	-	35,300
Total		10,100	10,100	10,100	5,000	-	35,300

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.

Lead Service Connection Program

The Utility Capital Plan includes approximately \$5 million of work over the next five years to replace lead service connections, this work is funded as part of the *Water Infrastructure Renewal Program*. The estimated cost of replacing all of the City owned lead service connections is approximately \$36 million. This work is currently planned to be completed by 2050 to align with industry best practice. However, Administration plans on bringing forward a report in April 2021 that addresses funding and policy options to accelerate the lead service connection management program.

Utility Reserves & Debt

In 2021, the City plans to transfer \$57.2 million to the General Utility Reserve to fund current and future capital projects. The reserve balance at the end of 2021 is projected to be \$88.8 million to fund the five-year capital plan. The reserve balance at year-end 2025 will be an estimated \$26.2 million. The minimum balance guidelines for this reserve is \$25 million.

The December 31, 2020 outstanding debt balance for the City of Regina's Utility Fund is \$72.4 million and is expected to decrease to \$70.9 million at the end of 2021, as noted in the 2021 Budget. The outstanding debt is related to the Wastewater Treatment Plant.

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 (EX20-32) and (EX21-3), attached as Appendix G.

Economic Development Regina

Economic Development Regina has requested an increase in their core funding of \$36,965 to reflect cost of living increases. This funding is to address cost of living pressures EDR is facing in 2021. In addition to this request they have also requested a one-time increase in grant funding of \$200,000, the intent is to use this funding to support the long-term growth and recovery of events, conventions and tourism sectors. Together with its partners, EDR is working to attract and maximize high-impact events for future years. Appendix F provides further detailed information on specifics surrounding this additional one-time grant.

The 2021 Proposed Budget includes a one-time funding increase of \$200,000 to EDR; however, Administration is not recommending increasing EDR's core funding by \$36,965 in 2021. In evaluating their 2021 budget submission, EDR will continue to be impacted by the COVID-19 pandemic in 2021 through reduced revenues from the Destination Marketing Fee

it receives from Regina Hotels Association. The \$200,000 one-time grant increase will help partially off-set the funding loss EDR is projecting in 2021.

The core funding increase of \$36,965 has not been included in the 2021 Budget. Administration is recommending EDR absorb all cost of living increases in 2021 similar to Administration's objective to reduce any impact on the mill rate related to Civic operations.

Regina Exhibition Association Limited

REAL requested \$300,000 in additional grant funding through Executive Committee Report EX21-3. This additional \$300,000 is to address loss of revenues experienced due to the COVID-19 pandemic. REAL has committed to reducing this grant amount (\$400,000) in half next year in an effort to become financially sustainable.

On December 16, 2020 Council considered report CR20-96 *REAL COVID-19 Cashflow* which authorized Administration to provide annual grant funding to REAL of \$700,000 per year beginning in 2021 with the grant to be included in the 2021 General Operating Budget. This is a conditional grant that is to be used for the sole purpose of making principal and interest payments on the outstanding debt REAL has with HSBC Bank Canada. This grant will be reviewed annually to determine if REAL has sufficient cashflows to support their debt obligations.

The table below reflects the actual funding to each agency in 2018 and 2019, the 2020 Budget and forecast, and the level of funding included in the proposed 2021 Budget.

Expenses (\$000s)	2018 Actuals	2019 Actuals	2020 Budget	2020 Forecast	2021 Budget	Dollar Change	% Change
Provincial Capital Commission	2,719	2,719	2,719	2,719	2,719	-	-
Economic Development Regina	1,720	1,812	1,848	1,848	2,048	200	11%
Regina Exhibition Association Limited	400	200	100	100	400	300	300%
Total Ongoing Operating Grants	4,839	4,731	4,667	4,667	5,167	500	11%
Regina Exhibition Association – Grant to address debt payment	-	-	-	-	700	700	-%
Total Service Partner Grants	4,839	4,731	4,667	4,667	5,867	1,200	26%

Other Budgets

The Regina Police Service submits its budget 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

As described by the RPS within the December 16, 2020 report to Council (CR20-108), the Regina Police Service proposed 2021 Operating and Capital Budget has been prepared

based on a thorough review of challenges and opportunities that align with the Strategic Plan and Organizational Review for the Regina Police Service. The 2021 operating budget includes gross operating expenditures of \$99,562,700 and revenues of \$10,317,600, resulting in a Net Operating Budget of \$89,245,100. This is an increase of \$3.6 million from 2020.

During the 2020 Budget deliberations City Council considered Notice of Motion MN19-22 (2020 Proposed Regina Board of Police Commissioners Budget) and approved the following resolution:

“That the issues raised in MN19-22 be referred to the Board of Police Commissioners for a review that includes spending determined by the Regina Police Strategic Plan and Operational Review and comments and concerns raised by Regina City Councillors, for consideration during the 2021 Regina Police Service budget process.”

Recommendation 16 of this report recommends removing this item from the List of Outstanding Items. This item has been dealt with through the Regina Police Service’s 2021 Budget. Inquiries about this motion can be directed to the Regina Police Service during the 2021 Budget deliberations.

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 0.85098 for 2021; an increase of 2.9% from 2020. RPL increased the mill rate by 2.3% in 2020. If approved by Council, Administration will bring forward a bylaw in the spring of 2021 to formally levy the mill rate.

Summary

Despite financial challenges and uncertainty going into 2021, and the increased effort and costs involved in responding to the pandemic, the City continues to deliver the important services that residents and businesses expect every day. The City will continue to take measures to reduce costs but must balance this with the need to protect core services.

The bylaw to formally levy the mill rate will be brought forward in the spring of 2021 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 occurred on January 1, 2021, this is the last 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 stormwater services.

DECISION HISTORY

On July 6, 2020 (PPC20-12), the Executive Director, Financial Sustainability & Strategy presented an Economic and Preliminary 2021 Budget Development Update to the Priorities and Planning Committee.

On December 9, 2020 (EX20-32), the Provincial Capital Commission presented their annual Budget request to the Executive Committee.

On December 16, 2020 (CR20-96), City Council approved annual grant funding to Regina Exhibition Association Limited of \$700,000 per year beginning in 2021 with the grant to be included in the 2021 General Operating Budget. This is a conditional grant that is to be used for the sole purpose of making principle and interest payments on the outstanding debt REAL has with HSBC Bank Canada.

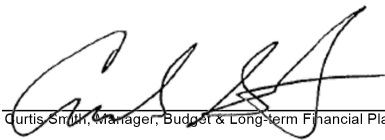
On January 6, 2021 (EX21-3), Economic Development Regina, Regina Exhibition Association Limited and Regina Public Library presented their annual Budget request to the Executive Committee.

On January 6, 2021 (EX20-37), the Executive Director, Financial Sustainability & Strategy presented a 2021 Budget Update to the Executive Committee.

The recommendations in this report require City Council approval.

Respectfully Submitted,

Respectfully Submitted,



Curtis Smith, Manager, Budget & Long-Term Financial Planning

3/4/2021



Barry Lacey, Exec. Director, Financial Strategy & Sustainability

3/4/2021

Prepared by: Sheena Carrick, Corporate Budget Consultant

ATTACHMENTS

- Appendix A - 2021 Budget Book
- Appendix B - Capital Plan, Reserves & Debt
- Appendix C - Council Referred Items
- Appendix D - Recreation Capital Plan
- Appendix D-1 - 10-Year Recreation Culture Capital Plan
- Appendix E - 2021 Alley Maintenance Special Tax Levies
- Appendix E-1 Historical Data
- Appendix E-2 Alley Maintenance Program
- Appendix F - Economic Development Regina
- Appendix G - 2021 Service Partners Budget