Kim Franklin

From: Kim Franklin
Sent: Wednesday, February 14, 2018 11:30 AM
To: Councillors; Sheila Harmatiuk; Chris Holden
Subject: Letter to SUMA
Attachments: 02 13 18 SUMA.pdf

Good Morning,

Here is a copy of the letter that was sent to SUMA from Mayor Fougere for your records.

Thank you and have a great day!
Kimberly

Administrative Support
Office of the Mayor

P: 306.777.7339
F: 306.777.6824
E: kfranklin@regina.ca
Regina.ca

REGINA | City of Regina

Kim Franklin

From: Kim Franklin
Sent: Wednesday, February 14, 2018 11:28 AM
To: 'suma@suma.org'
Subject: Letter to Mr. Jean-Marc Nadeau
Attachments: 02 13 18 SUMA.pdf

Good Morning,

Please find an attached letter from Mayor Fougere to Mr. Jean-Marc Nadeau. Please note that we will also be sending the original out today by mail for you.

Thank you and have a great day!

Kimberly
Administrative Support
Office of the Mayor

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REGINA | City of Regina

emailed to general
Suma address
Feb14,2018 as
well mailed original

REGINA
Infinite Horizons

City of Regina

Office of the Mayor

February 13, 2018

Mr. Jean-Marc Nadeau
Chief Executive Officer
Saskatchewan Urban Municipalities Association
200 – 2222 13th Avenue
Regina, SK S4P 3M7

Dear Mr. Nadeau:

I would like to begin by extending congratulations to you and your staff for hosting a successful 113th Annual Convention. With the recent election of a new Premier and Cabinet, my Council colleagues and I found the discussions encouraging with respect to building and strengthening relationships with the Government of Saskatchewan; yet challenging in terms of managing the financial implications due to the Province's fiscal situation.

Further to our discussion at the Convention regarding priority issues and the perspective of the City of Regina, I am pleased to provide comments on a package of connected issues related to provincial transfer payments. Issues include Municipal Revenue Sharing (MRS) and its formula, the Provincial Sales Tax (PST), the Grants-in-Lieu (GIL) Program, alternative revenue sharing options and the Investing in Canada Infrastructure Program.

The City of Regina's position is based on the premise that the majority of Saskatchewan's growth can be attributed to the population and economic growth that occurs in our urban municipalities. As the 2016 Census statistics demonstrate, municipalities comprise approximately 63 per cent of our population. In addition, with immigration being primarily responsible for growth, most new citizens to the province migrate to cities. As such, it is important that municipalities have adequate funding to provide citizens with the services they require to maintain, grow and provide economic opportunities and stability.

.../2

Please note, although City Council and administration have discussed these issues, Council, as a whole, has not adopted an official position. In addition, I have not provided in-depth background on each of the specific issues, as you and your officials are aware of the background and collective concerns voiced through the Saskatchewan City Managers' Caucus meetings.

<u>Municipal Revenue Sharing (MRS):</u>

Since 2009, the Government of Saskatchewan has provided the equivalent of one per cent of the (PST) to municipalities through the MRS program. This funding has provided municipalities with a predictable, sustainable source of funding for nearly a decade.

Although this funding has provided significant and much needed financial support, when put in context, as a share of overall provincial funding, this amounts to approximately 3 per cent of the total provincial expenditures.

The Government of Saskatchewan's announcement to freeze the MRS funding at the 2018 level until 2020 has negative financial implications and does not align with the original intent and agreement of the MRS program. Cities are prepared to accept the fact that when the economy is in a downturn, the MRS (PST revenues) will decrease; and in years when the province is experiencing a robust economy, cities would share in this prosperity through an increase to the MRS.

In addition, as it relates to the intent of the MRS program, cities are to receive the equivalent of one per cent of the six per cent of the PST. Further, it is also fair for cities to expect to receive one per cent of the expanded PST base.

<u>MRS Allocation Formula:</u>

The City understands and supports the requirement, through government regulation, to review the MRS allocation formula by March 2018. This review provides the opportunity to revisit the split between rural, urban and northern pools; and, the distribution between cities, towns villages and resort villages from within the urban pool. This is important because as it currently stands, the rural per capita rate is double that of the urban per capita rate – a contentious issue for municipalities who provide services and support the majority of the population.

.../3

The City supports the creation of a Working Committee, comprised of senior municipal and Government of Saskatchewan officials, for the purpose of renewing and revising the formula, with a request for a six-month extension for completion of the review.

Grants-in-Lieu (GIL):

The 2017-18 Provincial Budget saw the reduction for some municipalities, and elimination for others, of $33 million in GIL payments paid to cities, towns and villages by SaskPower, SaskEnergy and TransGas.

The GIL is based on consumption of electricity or natural gas; it has no relationship to property values. In fact, these payments are more like franchise fees, as has been acknowledged by the Province.

The impacts to the City, due to the elimination of the GIL, will result in a loss of approximately $10.7 million, when fully implemented.

The City's position remains that the GIL funding be reinstated immediately.

Alternate Revenue Sources:

It is recognized that property tax revenue does not raise the sufficient level of revenues required to maintain and increase services to a growing population. In addition, municipalities are limited in their ability to raise revenues. The City of Regina has discussed several options to raise additional revenue; however, the authority to do so requires Provincial legislation amendments. Opening *The Cities Act* and other related legislation for amendment would be necessary to allow municipalities the ability to implement alternative revenue sources (amusement tax, hotel tax, fuel tax).

Legislation allowing municipalities to implement alternative revenue sources should be considered in the Spring 2018 legislative session.

.../4

Investment in Canada Infrastructure Plan (ICIP):

Municipalities across the country are pleased with the ICIP announcement and the influx of funding relief this will provide. The Government of Canada is providing a 40 per cent contribution to the funding streams, with the direction to provincial governments to provide at least 33.3 per cent, with the remaining 26.7 per cent contribution coming from municipalities.

At this point in time, there has been no commitment from the Government of Saskatchewan in terms of the provincial contributions to the ICIP. Further, the Province did not provide a contribution to the Provincial Transit Infrastructure Fund (PTIF), which does not bode well as an indicator of their willingness to contribute to the IPIC transit stream.

The Government of Saskatchewan should provide a minimum of 33.3 per cent to all funding streams under ICIP; those being the Green, Social (Community, Culture and Recreation) and Public Transit.

In closing, I appreciate the opportunity to provide the City of Regina's perspective on these crucial issues, and look forward to further discussions with SUMA and the Government of Saskatchewan.

Sincerely,

Michael Fougere
Mayor

cc: Regina City Council
Chris Holden, City Manager, City of Regina
Sheila Harmatiuk, Senior Advisor, Government & Indigenous Relations, City of Regina

Susan Lloyd

From: Sheila Harmatiuk
Sent: February-12-18 10:47 AM
To: Michael Fougere; Chris Holden; Susan Lloyd
Cc: Patrick Book; Kyle Addison; Jim Nicol
Subject: Letter to SUMA
Attachments: Letter to SUMA Municipal concerns February 2018.doc

Importance: High

For your review and consideration, and further to this morning's discussion, please see the revised letter to SUMA regarding provincial transfer payments.

Thank you ...

Sheila

February 12, 2018

Mr. Jean-Marc Nadeau
Chief Executive Officer
Saskatchewan Urban Municipalities Association
200 – 2222 13th Avenue
Regina, SK S4P 3M7

Dear Mr. Nadeau:

I would like to begin by extending congratulations to you and your staff for hosting a successful 113th Annual Convention. With the recent election of a new Premier and Cabinet, my Council colleagues and I found the discussions encouraging with respect to building and strengthening relationships with the Government of Saskatchewan; yet challenging in terms of managing the financial implications due to the Province's fiscal situation.

Further to our discussion at the Convention regarding priority issues and the perspective of the City of Regina, I am pleased to provide comments on a package of connected issues related to provincial transfer payments. Issues include Municipal Revenue Sharing (MRS) and its formula, the Provincial Sales Tax (PST), the Grants-in-Lieu (GIL) program, alternative revenue sharing options and the Investing in Canada Infrastructure Program.

The City of Regina's position is based on the premise that the majority of Saskatchewan's growth can be attributed to the population and economic growth that occurs in our urban municipalities. As the 2016 Census statistics demonstrate, municipalities comprise approximately 63 per cent of our population. In addition, with immigration being primarily responsible for growth, most new citizens to the province migrate to cities. As such, it is important that municipalities have adequate funding to provide citizens with the services they require to maintain, grow and provide economic opportunities and stability.

Please note, although City Council and Administration have discussed these issues, Council, as a whole, has not adopted an official position. In addition, I have not provided in-depth background on each of the specific issues, as you and your officials are aware of the background and collective concerns voiced through the Saskatchewan City Managers' Caucus meetings.

Municipal Revenue Sharing (MRS):

Since 2009, the Government of Saskatchewan has provided the equivalent of one per cent of the Provincial Sales Tax (PST) to municipalities through the MRS program. This funding has provided municipalities with a predictable, sustainable source of funding for nearly a decade.

Although this funding has provided significant and much needed financial support, when put in context, as a share of overall provincial funding, this amounts to approximately 3 per cent of the total provincial expenditures.

The Government of Saskatchewan's announcement to freeze the MRS funding at the 2018 level until 2020 has negative financial implications and does not align with the original intent and agreement of the MRS program. Cities are prepared to accept the fact that when the economy is in a downturn, the MRS (PST revenues) will decrease; and in years when the province is experiencing a robust economy, cities would share in this prosperity through an increase to the MRS.

In addition, as it relates to the intent of the MRS program, cities are to receive the equivalent of one per cent of the six per cent of the PST. Further, it is also fair for cities to expect to receive one per cent of the expanded PST base.

<u>MRS Allocation Formula:</u>

The City understands and supports the requirement, through Government regulation, to review the MRS allocation formula by March 2018. This review provides the opportunity to review the split between rural, urban and northern pools; and, the distribution between cities, towns villages and resort villages from within the urban pool. This is important because as it currently stands, the rural per capita rate is double that of the urban per capita rate – a contentious issue for municipalities who provide services and support the majority of the population.

The City supports the creation of a Working Committee, comprised of senior municipal and Government of Saskatchewan officials, for the purpose of renewing and revising the formula, with a request for a six-month extension for completion of the review.

<u>Grants-in-Lieu (GIL):</u>

The 2017-18 Provincial Budget saw the reduction for some municipalities, and elimination for others, of $33 million in GIL payments paid to cities, towns and villages by SaskPower, SaskEnergy and TransGas.

The GIL is based on consumption of electricity or natural gas; it has no relationship to property values. In fact, these payments are more like franchise fees, as has been acknowledged by the Province.

The impacts to the City, due to the elimination of the GIL, will result in a loss of approximately $10.7 million, when fully implemented.

The City's position remains that the GIL funding be reinstated immediately.

<u>Alternate Revenue Sources:</u>

It is recognized that property tax revenue does not raise sufficient revenues required to maintain and increase services to a growing population. In addition, municipalities are limited in their ability to raise revenues. The City of Regina has discussed several options to raise additional revenue; however, the authority to do so requires Provincial legislation amendments. Opening *The Cities Act* and other related legislation for amendment would be necessary to allow municipalities the ability to implement alternative revenue sources (amusement tax, hotel tax, fuel tax).

Legislation allowing municipalities to implement alternative revenue sources should be considered in the Spring 2018 legislative session.

Investment in Canada Infrastructure Plan (ICIP):

Municipalities across the country are pleased with the ICIP announcement and the influx of funding relief this will provide. The Government of Canada is providing a 40 per cent contribution to the funding streams, with the direction to provincial governments to provide at least 33.3 per cent, with the remaining 26.7 per cent contribution coming from municipalities.

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The Government of Saskatchewan should provide a minimum of 33.3 per cent to all funding streams under ICIP; those being the Green, Social (Community, Culture and Recreation) and Public Transit.

In closing, I appreciate the opportunity to provide the City of Regina's perspective on these crucial issues, and look forward to further discussions with SUMA and the Government of Saskatchewan.

Sincerely,

Michael Fougere
Mayor

cc: Regina City Council
Chris Holden, City Manager, City of Regina
Sheila Harmatiuk, Senior Advisor, Government & Indigenous Relations, City of Regina

Susan Lloyd

From:	Sheila Harmatiuk
Sent:	February-09-18 3:25 PM
To:	Michael Fougere
Cc:	Kyle Addison; Patrick Book
Subject:	Letter to SUMA
Attachments:	Letter to SUMA Municipal concerns February 2018.doc
Importance:	High

Mayor Fougere, as per your request at the Wednesday Briefing Meeting, please see attached, for your review and consideration, a letter to SUMA regarding the City's perspective on issues related to provincial transfers.

I believe SUMA would like to receive the letter at your earliest convenience, please ...

Thank you ...

Sheila

February 12, 2018

Mr. Jean-Marc Nadeau
Chief Executive Officer
Saskatchewan Urban Municipalities Association
200 – 2222 13th Avenue
Regina, SK S4P 3M7

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Cannabis Legalization:

With legalization of cannabis expected this summer and the recent federal government announcement that provincial governments will receive 75 per cent of the revenue generated from cannabis sales, the City maintains that municipalities should receive one-third of the cannabis revenue to recoup the one-time and ongoing costs to municipalities.

MRS Allocation Formula:

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Sincerely,

Michael Fougere
Mayor

cc: Regina City Council
Chris Holden, City Manager, City of Regina
Sheila Harmatiuk, Senior Advisor, Government & Indigenous Relations, City of Regina

Susan Lloyd

From:	Sheila Harmatiuk
Sent:	December-20-17 4:25 PM
To:	Chris Holden; Michael Fougere
Cc:	Jim Nicol; Barry Lacey; Kyle Addison; Patrick Book
Subject:	Min of Govt. Relations - MRS program pool allocations
Attachments:	20171220145130884.pdf

Please see attached a "holding letter" from Minister Doke to Gordon regarding MRS.

Thank you.
Sheila

-----Original Message-----
From: Sean McEachern [mailto:pcsdir@suma.org]
Sent: Wednesday, December 20, 2017 4:12 PM, Good Afternoon,

Attached is the response received from the Minister of Government Relations to SUMA's letter that outlined our position on the MRS pool allocation review.

Our letter was sent prior to the response deadline of November 13, 2017. As you will read in the letter, we continue to be in a holding pattern until we hear from Government Relations officials on what the next steps will be.

Sean McEachern
Director of Policy and Communications
Saskatchewan Urban Municipalities Association
Telephone: 306-525-4394
200-2222 13th Avenue, Regina, SK S4P 3M7 www.suma.org

Founded in 1905, SUMA is the voice of urban Saskatchewan, representing cities, towns, and villages.

Susan Lloyd

From: Sean McEachern <pcsdir@suma.org>
Sent: December-20-17 4:12 PM
To: Kyle Addison; Mayor Bob Maloney (Yorkton); Mayor Charlie Clark (Saskatoon); Mayor Denis Perrault (Swift Current); Mayor Fraser Tolmie (Moose Jaw); Mayor Gary Vidal (Meadow Lake); Mayor Gerald Aalbers (Lloydminster); Mayor Greg Dionne (Prince Albert); Mayor Kent Muench (Martensville); Mayor Marcel Roy (Weyburn); Michael Fougere; Mayor Rick Lang (Mellfort); Mayor Rob Muench (Humboldt); Mayor Roy Ludwig (Estevan); Mayor Ryan Bater (North Battleford); Mayor Sheryl Spence (Warman); Mayor Walter Streelasky (Melville); Michelle Beveridge (Saskatoon); Mike Jordan (Saskatoon); Saskatoon Mayors Office; Sheila Harmatiuk; Shelley Burke (Saskatoon); Susan Lloyd
Cc: Audrey Ulmer, Interim City Manager (City of Melville); Chris Holden; Diana Burton, City Manager (City of Meadow Lake); Jeff Ward, City Manager (City of Estevan); Jim Puffalt, City Manager (City of North Battleford); Jim Toye, City Manager (City of Prince Albert); Joe Day, City Manager (City of Humboldt); Lonnie Kaal, City Manager (City of Yorkton); Matt Noble, City Manager (City of Moose Jaw); Michael Hotsko, City Manager (City of Melfort); Murray Totland, City Manager (City of Saskatoon); Rick McDonald, Interim City Manager (City of Lloydminster); Robert Smith, City Manager (City of Warman); Roy W. Hardy, City Manager (City of Weyburn); Scott Blevins, City Manager (City of Martensville); Tim Marcus, CAO (City of Swift Current); Jeff.Jorgenson@Saskatoon.ca; Kyle Addison; Jean-Marc Nadeau
Subject: RE: Min of Govt. Relations - MRS program pool allocations
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Director of Policy and Communications
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Mayor's Briefing Issues Note

New Revenue Generation Options for Cities
Based on Recommendations from Enid Slack, Institute on Municipal Finance and Governance
University of Toronto to BCMC

November 30, 2017

BACKGROUND INFORMATION:

The City of Regina relies disproportionately on property taxes (a regressive form of taxation) to fund and maintain infrastructure and deliver services to its citizens. The revenues generated through property taxes are insufficient to keep pace with growth and increasing demands on services. Municipalities throughout Canada are seeking additional alternative revenue sources to help meet commitments for providing quality services to the public.

In terms of options for generating additional revenue for municipalities, taxation is the preferred revenue option due to its ability to generate significant revenue. Analysis shows that the greatest revenue can be generated through the introduction of a Municipal Sales Tax, sharing of the Personal and Corporate Income Tax, and a Business Tax.

Specifically, for Saskatchewan municipalities, we may benefit from asking the Government of Saskatchewan for 1% of the PST (which we currently receive), rather than 1% of the PST (MRS), distributed through an allocated formula (which is skewed towards rural areas). This would not cost taxpayers or the Government more; however, it would eliminate the ability for the Government to control how the funding is allocated, by the elimination of the MRS allocation formula. As such, it would be unlikely for the Government to provide approval or authority to proceed with this request.

An additional concern would be that if the Government loses the ability to distribute the PST as they choose to, through the MRS formula, there may be an appetite to use the federal Infrastructure programs (Phase II) to backfill and provide additional dollars to the rural areas vs the urban areas. In fact, the Province's lack of contributions to the Public Transit Infrastructure Fund, which was only applicable to urbans, is an example of this. It would be important in any new ask that we maintain the same (or more in the case of PTIF funding) access to the Phase II infrastructure funds.

Further analysis on this option will be done through the MRS Working Group, as it has been identified as a potential option.

Ms. Enid Slack provided an options paper to the Federation of Canadian Municipalities (FCM), Big City Mayors' Caucus (BCMC), Economic Summit in Toronto, ON on November 30, 2017. The options presented by Ms. Slack have, for the most part, all been previously analyzed by the City of Regina in 2011. The findings are below:

Options and analysis:

1. **Road pricing and parking levies:**
   Road Pricing: Currently, the City of Regina dedicates approximately 1% of the increase each year to property tax as a residential road infrastructure charge. However, Ms. Slack is likely referring to "toll roads" as road pricing. It may be possible to charge a toll when entering the City to use the local roads, although this would likely be criticized as a tax grab, and would come with expectations to have significantly and consistently upgraded roads (which may cost more than the toll fees).

   Major roads, such as the Bypass and Highways are not owned by the City; as such, any toll fees would be authorized, collected and allocated by the Government of Saskatchewan, which is not a likely scenario.

   Parking levies: The City of Regina does not have the same issues as larger urban centres in terms of housing density, creating a lack of on-street parking. In larger centres, some cities do charge fees (permits) to park on residential streets (i.e. in Toronto, there is a $25.00 per week permit charge for parking in a residential area). However, other than in Harbour Landing, the City of Regina does not have major issues with density, creating parking complaints. This could be initiated in areas where density becomes a problem (again, Harbour Landing).

2. **Gas tax:**
   Both the federal and provincial governments levy fuel taxes. Since 2006, the federal government has been sharing a portion of its gas/fuel tax with Saskatchewan municipalities, and is committed to continuing to do so until 2024.

   Provincially, fuel tax is levied on the purchase, importation, exportation and sale of taxable fuel. The revenue generated is not shared with municipalities. A few cities do share in provincial fuel tax revenues, such as Vancouver, Victoria, Calgary and Edmonton.

   Using a rate/levy of 2 cents per litre (which translates to approximately 13% of the 15 cent litre at the pump), the City of Regina would generate approximately $13 million, which could be used for transit and roadway capital expenditures. Although implementation of this tax would be relatively easy, the City does not have the legal authority to levy a fuel tax. The provincial legislation and the City's bylaws would need to be changed in order to proceed with this proposal.

3. **Motor vehicle registration tax:**
   A motor vehicle registration fee is a levy on SGI policies issued on vehicles registered in a Saskatchewan municipality. Vehicles registered in Regina contribute to roadway infrastructure costs, as well as costs for policing, fire and protective services. The City of Regina could impose a tax on vehicles that are registered and operating in the city.

This option was analyzed in 2011, and at that time, no municipality in Canada levied such a fee. In Saskatchewan, the province charges a 1% on gross motor insurance premium collected in the province.

If the City were to impose a 5% fee on vehicle insurance premiums collected in Regina, based on 2009 data, using an assumed number of approximately 220,000 vehicles registered in Regina, the City would generate revenue of about $8.1 million annually. Another option could include a flat fee on every vehicle on the road. Vehicles registered in Regina contribute to roadway infrastructure costs, therefore it is fair to say that those who use the services should pay part of the cost.

4. **City Income Tax:**
   Personal and corporate income tax sharing with the province, or an additional municipal surtax to the existing income tax, has the most potential to contribute a significant amount of revenue to the City. Based on rough estimates from 2011, the City could generate about $12.3 million annually, if the province were to share 2% of the personal and corporate taxes. The revenue generated is equal to approximately an 8% increase to the mill rate. The funds could be used for operational or capital expenditures, as a means to support and further develop economic growth in the region.

   Implementation of this option would be relatively easy; it is fair and does not adversely affect the City's competitiveness. Provincial legislation and municipal bylaws would need to be amended.

5. **City Sales Tax:**
   According to Mr. Kitchen and Ms. Slack, from previous discussions, they indicate that in the United States in 2011, 31 states and the District of Columbia levied general sales taxes. They further assert that "given the variety of local taxes used successfully in the developed world, Canadians interested in financing the growing needs of their municipalities would be wise to look beyond property taxes and user fees." As such, there is precedent that other jurisdictions in North America that would justify consideration of a Municipal Sales Tax (MST) in Regina.

   Based on 2009 statistics, if the City were to levy 1% of the 6% provincial sales tax, approximately $35 million in revenue would be generated. The funds could be used for both operating and capital expenditures.

   Implementation of this initiative would be relatively easy if the City were to piggyback the MST to the PST. However, the City would need provincial authority (change in legislation) to enact a MST.

   It is important to note that as the Municipal Revenue Sharing is based on 1% of the PST, any further request for an additional MST may not be viewed favourably by the province.

6. **Hotel and motel occupancy tax:**
   Hotel room occupancy tax is an additional tax to the provincial sales tax imposed on hotel and motels. There are two different types of taxes and one type of voluntary fee being levied in Canada with respect to hotel accommodations. The first is an accommodation tax levied by the municipality under the authority of the Province, used for tourism related purposes. The second is an accommodation tax imposed by a Province, used to promote tourism. In addition to these taxes, there are also various destination marketing fees, collected voluntarily by hotel/motel operators.

   Recent analysis from 2017 estimates that based on 3,889 hotel/motel rooms in Regina at $120 average daily room rate and a 70% occupancy rate, a 3% tax would generate approximately $3,577,102. A 5% tax would generate approximately $5,961,837.

The City has also analyzed several other alternative revenue sources, including those that the City has the legislative authority to enact: (1) amusement tax; (2) infrastructure levy; (3) tax increment funding; (4) expanded property sub-classes; and (5) business improvement district levy. Alternative revenue sources analyzed that would require Provincial Government authority include: (1) hotel tax; (2) municipal sales tax; (3) fuel tax; (4) vehicle registration tax; (5) business tax; (6) land transfer tax; and, (7) third party sign tax.

Next Steps:

Mayor Fougere has requested analysis be completed on Ms. Slack's options. Based on the analysis completed, it is likely that Mayor/Council and ELT will discuss further with respect to the City's 2018 budget preparation and deliberations.