
2018 Business Plan and Budget Update

Recommendation

That the information be received.

Topic and Purpose

The purpose of this report is to provide an update on the 2018 Business Plan and Budget process.

Report Highlights

1. The Administration has implemented several strategies in order to minimize the estimated 2018 property tax impact. The revised estimate for 2018 is 4.96%.
2. The 2018 Preliminary Budget is currently estimated at \$491.0 million which is a \$13.3 million increase over 2017.
3. Several service level reports have been presented to the appropriate Standing Policy Committee, including Snow & Ice, Street Sweeping and Urban Forestry. The various Standing Policy Committees have recommended a total of \$875,000 in additional funding to Budget Deliberations in order to maintain the Street Sweeping service level and increase the Snow & Ice service level. These recommendations were not included in the 4.96% estimate.
4. The Administration will implement some of the North Saskatoon Business Association's recommendations, including additional information on past performance and actual results on the City of Saskatoon's (City) performance measures. Further consideration to the remaining recommendation will be given as part of the City's multi-year budget implementation.

Strategic Goal

This report supports the Strategic Goal of Asset and Financial Sustainability by being open, accountable and transparent, particularly when it comes to the resource allocation and collection decisions the City makes.

Background

At its August 21, 2017 meeting, the Governance and Priorities Committee considered the 2018 Business Plan and Budget Update report which outlined a current projected property tax increase for 2018 of 5.59%. It also stated that the Administration was working on several strategies to develop ideas and help mitigate this property tax impact.

At the same meeting, a letter was received from the North Saskatoon Business Association (NSBA) outlining several recommendations regarding the City's Business

Plan and Budget presentation. The Governance and Priorities Committee resolved, in part:

- “10. That the letter dated August 15, 2017 from Keith Moen, Executive Director of the NSBA be referred to the Administration for further analysis and dialogue with the NSBA, following up with implementation where applicable.”

Report

2018 Budget Update

Since presenting the 2018 Business Plan and Budget Update report in August, the Administration has continued to review options to minimize the property tax impact in 2018. As a result of this continued review, the revised property tax estimate is 4.96% for 2018 and includes the following changes to the 2018 indicative budget:

- Decrease of \$250,000 in funding towards the sound attenuation debt repayments. Outstanding internal debt on sound wall projects will now be repaid over a 10-year term instead of a potential 5-year term.
- Removal of the \$240,000 growth allocation to roadways preservation and maintenance. Due to favourable contractor pricing and previous allocations, the Building Better Roadways program will be able to meet performance targets without this allocation.
- Decrease of \$600,000 to the transfer to Reserve for Capital Expenditures (RCE) in order to reduce the reliance on the property tax. If RCE requires additional funding beyond the revised annual allocation, City Council will have the option to allocate neighbourhood land development dividends to offset any shortfall.
- Adjustment of \$200,000 to traffic fines and penalties based on refined estimates. This adjustment results in an overall decrease in revenue of \$300,000 instead of the originally estimated \$500,000.

The next 2018 Business Plan and Budget Update will be the presentation of the 2018 Preliminary Business Plan and Budget book to Governance and Priorities Committee on October 16, 2017.

2018 Budget Overview

The 2018 Preliminary Civic Operating Budget is currently estimated at \$491.0 million which is a \$13.3 million increase over 2017's approved budget. This increase in expenditures is comprised of the following:

2018 Budget Expenditures - Civic	
Expenditure Estimates - Civic	Amount
Inflation (salaries, contracts, supplies, etc.)	\$5.8 million
Growth (new green space, population and road network growth)	\$1.9 million
Dedicated Snow & Ice Program Capacity Increase	\$1.2 million
Other (Service Saskatoon, Remail Modern Art Gallery)	\$0.9 million
Total Preliminary Expenditures (Civic excluding Police)	\$9.8 million

2018 Budget Expenditures - Police Service	
Expenditure Estimates - Police	Amount
Inflation (salaries, contracts, supplies, etc.)	\$2.7 million
Service level changes from programs mainly funded by the Provincial and Federal Governments	\$0.8 million
Total Preliminary Police Expenditures	\$3.5 million

2018 Total Expenditures (Civic & Police)	
Total Preliminary Expenditures	\$13.3 million

In order to support the \$13.3 million increase in expenditures and provide a balanced budget, the offsetting \$13.3 million in increased revenue is comprised of the following:

2018 Budget Revenue Estimates	
Revenue Estimates	Projected Increase/(Decrease)
Assessment Growth	\$3.2 million
Grants-in-Lieu mainly from Civic-owned utilities	\$3.2 million
Water & Wastewater Return on Investment	\$1.5 million
Provincial Impacts (Reduced Revenue Sharing, Elimination of Grants-in-Lieu Provincial Utilities)	(\$6.1 million)
Other Non-Tax Revenues	\$0.6 million
Total Preliminary Revenue Increase	\$2.4 million
Estimated Property Tax Required to Balance Budget (\$13.3 M Expenditures less \$2.4 M Revenues) = 4.96%	\$10.9 million

The \$10.9 million in additional property tax revenue that is collected from the 4.96% property tax will be distributed as follows:

Item	Property Tax Allocation
Dedicated Snow & Ice Levy	0.55%
Provincial Revenue Decreases	2.77%
Saskatoon Police Service	1.28%
All Other Civic Services	0.36%
TOTAL	4.96%

Service Level Reports

Over the past several months, the Administration has tabled several reports with the appropriate Standing Policy Committees outlining various services, and current service and funding levels. An overview of the service level reports to date and the recommendations to 2018 Budget Deliberations are as follows:

SPC/Date	Service Line/Funding	Recommendation	Property Tax %
EU&CS • June 12, 2017	Urban Forestry - adequate funding is currently in place in order to continue providing the current service level.	That the current service and funding levels be maintained.	-
Transportation • Aug. 15, 2017	Snow & Ice Management - adequate funding is currently in place in order to continue providing the current service levels	That an additional \$265,000 be added to the budget in order to provide more resources during snow events.	0.12%
Transportation • June 12, 2017	Street Cleaning & Sweeping - current level of funding is not sufficient to maintain the existing service level.	That an additional \$610,000 be added to the budget in order to align current service levels with the budget.	0.28%
PD&CS • Sept. 5, 2017	Fire Services - adequate funding is currently in place in order to continue providing the current service level.	<ul style="list-style-type: none"> • That the current service levels for Fire and Rescue Operational Response and Public Education and Community Relations be maintained and approved. • That the current service level for Fire Prevention be referred by Committee to City Council budget deliberations for consideration of a phased in increase of Fire Inspector staffing levels. 	-
TOTAL			0.40%

The Administration anticipates that further service level reports will be tabled with the appropriate Standing Policy Committee prior to Budget Deliberations, including Parks and Fire Services. It is important to note that the above recommendations from the various Standing Policy Committees have not been included in the currently estimated 4.96% budget, as they are currently pending City Council approval at budget deliberations. If all the recommended service level increases were added to the 2018 budget, the total property tax increase would be 5.36%.

NSBA Recommendations

As part of the multi-year budget process, significant updates to current financial policies, the budget book and presentation will be required to address several of the NSBA's recommendations for increased transparency and effectiveness of the 2018 budget document.

In order to avoid duplication of significant administrative effort, the Administration will be implementing the following NSBA recommendations in 2018 and will consider all other recommendations as part of the multi-year budget implementation:

- Inclusion of narrative surrounding the past performance (actuals compared to budget) of each individual service line.
- Each Business Line will include additional information regarding the City's performance measures including 2015 and 2016 actual results, and 2017 projections and targets.

Due Date for Follow-up and/or Project Completion

The Administration will present the 2018 Preliminary Business Plan and Budget to the Governance and Priorities Committee at its October 16, 2017 meeting.

Public Notice

Public Notice pursuant to Section 3 of Policy No. C01-021, Public Notice Policy, is not required.

Report Approval

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