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## 2018 Reserve for Capital Expenditures Process

### Recommendation

That the information be received.

### Topic and Purpose

The purpose of this report is to provide an update on the 2018 Reserve for Capital Expenditures (RCE) process for future Budget Deliberations.

### Report Highlights

1. RCE has historically been used to fund capital expenditures at City Council's discretion that are a strategic priority and do not have an existing dedicated funding source.
2. The 2018 proposed process would eliminate the dedicated RCE deliberations and treat RCE similar to all other capital reserves.
3. The 2018 indicative rate includes \$2.868 million in property tax supported contributions to RCE.

### 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 of Saskatoon (City) makes.

### Background

At its August 21, 2017 meeting when considering the 2018 Business Plan and Budget Update report, the Governance and Priorities Committee resolved, in part:

- “5. That the Administration report on temporary reduction to the annual allocation to RCE for 2018 Budget deliberations.”

### Report

#### Reserve for Capital Expenditures

The Capital Reserve Bylaw (Bylaw No. 6774), RCE is used to finance the cost of capital expenditures (at City Council's discretion) which have been authorized through the City's Capital Budget. Historically, this reserve has been used to fund projects that:

- are less than \$1,000,000;
- are a strategic priority of City Council; and
- do not have an existing dedicated funding source.

At previous budget deliberations, the Administration provided City Council with a “black line” report outlining recommended projects to be funded from RCE and projects that will remain unfunded. City Council then had the opportunity to move items either below

or above the funded line. This process has been confusing and unnecessarily complicated for such a small portion of the annual budget.

### 2018 Revised Process

The majority of the City's capital reserves have funding pressures that result in projects that are funded and unfunded on an annual basis. The RCE is the only reserve that has a dedicated review scheduled during budget deliberations. All other capital reserves' funded and unfunded projects are reviewed and debated during the appropriate business line. The proposed 2018 process is to treat RCE as any other capital reserve, in that there would be no dedicated deliberation scheduled, and funded and unfunded RCE projects would be listed in the respective business line to which the project relates.

While this process would eliminate the dedicated RCE deliberation, City Council would still have the opportunity to address any specific projects during business line discussions. In addition, Schedule XV (Reserve for Capital Expenditures Schedule) of the budget book, which provides a summarized listing of recommended funded and unfunded projects RCE projects, would still be prepared and available for City Council's reference and use (Attachment 1). There are currently no unfunded RCE projects for 2018.

### 30 Day Challenge Update

As part of the Administration's 30 Day Challenge, the idea for a reduction to RCE's annual funding was suggested as a way to assist with the 2018 budget pressures. As per Bylaw No. 6774, this RCE is funded by an annual allocation as authorized in the City's operating budget.

Currently included in the 4.96% indicative rate is a \$2.868 million allocation to RCE. For the past several years, the contribution has been \$3.678 million and has been reduced in 2018 indicative budget due to the following:

1. Reduction of \$210,000 in order to fund ongoing Local Area Planning and Neighbourhood Safety Implementation (Project No. 2034). This project has historically been funded by RCE every year. As this is an ongoing requirement and not a capital project, this has been transitioned to the operating budget along with appropriate funding.
2. Reduction of \$600,000 to RCE in order to reduce the reliance on property tax. While the property tax will still contribute \$2.868 million on an annual basis, if there are projects that require additional funding, the Administration will recommend the use of Neighbourhood Land Dividends to supplement the funding to RCE. This approach will have minimal impact on the amount of capital projects that are recommended and approved through this source.

In order to address the Committee's resolution regarding a temporary reduction, it is important to note that any adjustment made in the annual allocation, including the second point above, would be a base budget adjustment and would also exist in future years' budgets.

In order for an adjustment to the annual allocation to be temporary and return to \$3.678 million in future years, City Council would need to add back a budget allocation in 2019 or beyond, which would also impact the property tax requirement.

Options

The objective of dealing with the RCE funded projects like other projects funded from regular reserves is to avoid the cumbersome discussion at budget review. However, it is not meant to avoid City Council debating and approving these projects. By providing a schedule of funded RCE projects like in previous budgets, this still provides the information and also the ability for City Council to debate the projects at Budget Deliberations, not unlike any other project funded from any of the City's capital reserves.

If City Council is uncomfortable with this new approach and yet still wishes to avoid the sometimes lengthy discussion at Budget Review, an option would be for Governance and Priorities Committee to review these projects prior to the budget meeting and make a recommendation to City Council on the list of projects to be funded from the RCE.

**Financial Implications**

By using Neighbourhood Land Development Fund (NLDF) surplus to fund a portion of the contribution to RCE, it effectively reduces the requirement of the property tax to fund the reserve. A \$600,000 reduction from the property tax to fund the contribution to the RCE equates to 0.27% property tax reduction.

**Due Date for Follow-up and/or Project Completion**

The Administration will implement the revised RCE process for 2018 Budget Deliberations and beyond.

**Public Notice**

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

**Attachment**

1. 2018 Reserve for Capital Expenditures Project Listing

**Report Approval**

Written by: Clae Hack, Director of Finance  
Reviewed by: Kerry Tarasoff, CFO/General Manager, Asset & Financial Management Department  
Approved by: Murray Totland, City Manager

## 2018 Reserve for Capital Expenditures Project Listing

<b>Reserve for Capital Expenditures (in \$000's)</b>		
<b>RCE FUNDED (\$000's)</b>	<b>2018</b>	
	<b>Total Project Cost</b>	<b>RCE Budget</b>
2048 CY-FFP & ZOO MASTER PLAN IMPLEMENTATION	475	225
2349 CY-SASKATOON MINOR FOOTBALL FIELD UPGRADE	1,000	250
1657 CY-WOODLAWN CEMETERY ROADWAY UPGRADE	190	190
2519 COMMUNITY WINTER CITY STRATEGY DEVELOPMENT	350	350
2541 CY-GROWTH PLAN TO HALF A MILLION IMPLEMENTATION	1,230	1,230
2605 CY-REGIONAL PLAN IMPLEMENTATION	785	455
2622 SO-COMPREHENSIVE GOVERNANCE REVIEW	50	50
<b>TOTAL RCE FUNDED REQUESTS</b>	<b>4,080</b>	<b>2,750</b>