



City of Moose Jaw

COMMUNICATION #94

TITLE: 2019 Priority Based Budgets
TO: City Council
FROM: City Manager
DATE: November 17, 2018
PUBLIC: This is a Public Document
IN-CAMERA: Not applicable to this report

RECOMMENDATION

THAT the 2019 Preliminary Operating Budget Estimates, the 2019 – 2023 Preliminary Capital Budget Estimates, and the 2019 – 2023 Equipment Reserve Budget Estimates be referred to Budget Committee for a detailed review.

TOPIC AND PURPOSE

The purpose of this report is to present City Council with the Operating, Capital and Equipment Reserve Budgets for 2019.

BACKGROUND

Annually the City of Moose Jaw develops an Operating and Capital Budget as required by *The Cities Act*. The section of the *Act* reads as follows:

“Adoption of budget

128(1) A council shall adopt an operating and capital budget for each financial year.

(2) No council shall pass a property tax bylaw with respect to a financial year unless it has adopted the operating and capital budget for that year.”

The contents of the Capital Budget are outlined in the *Act* under Section 130 as follows:

“A capital budget is required to include the estimated amount of each of the following for a financial year:

- (a) the amount needed to acquire, construct, remove or improve capital property;
- (b) the anticipated sources and amounts of money to pay the costs described in clause (a).”

The Cities Act requires the preparation of only a one year Capital Plan; however, it has been the City of Moose Jaw's practice to prepare a five year plan.

Also included with this year's budgets is the Equipment Reserve Budget which provides for necessary equipment replacement and also establishes equipment contribution and rental rates.

The City of Moose Jaw undertook a priority based budgeting approach to this year's budgets. Expenditure prioritization, or Priority Budgeting, is a method of rationalizing expenditures based upon a fundamental shift in the approach to budgeting. That shift being to move from what is needed to what can be accomplished with available funding. In essence, to spend within a municipalities means of financing.

A key component of priority budgeting is to develop a program inventory. The City of Moose Jaw has developed those inventories as part of this year's budget preparation process. Steps in a priority driven budgeting process include:

1. Prioritize Programs and Services based upon things such as:
 - a) Immediate need
 - b) Essential programs and services
 - c) Safety
 - d) Impact on citizens
 - e) Alignment with City's goals & priorities
 - f) Identify programs that have a payback and increase priority
 - g) Identify programs that enhance the community's social and cultural needs.
2. Do the important things (priorities) well which means not doing other things of a lesser priority.
3. Question past patterns of spending; just because we have always allocated money in certain ways should not be a predetermination of future allocations.
4. Spend within your means.

As part of this priority budgeting process, City Council developed seven desired community outcomes. These outcomes have been utilized to evaluate the City's Capital and Operating programs and services.

| Community Outcomes | Percentage |
|---|-------------------|
| Fiscal Responsibility | 22% |
| Economic Vibrancy | 19% |
| Safe and Healthy Community | 18% |
| Sustainable Infrastructure | 19% |
| Community Partnership | 11% |
| Welcoming and Respectful Community | 8% |
| Social and Cultural Pride and Happiness | 3% |

DISCUSSION

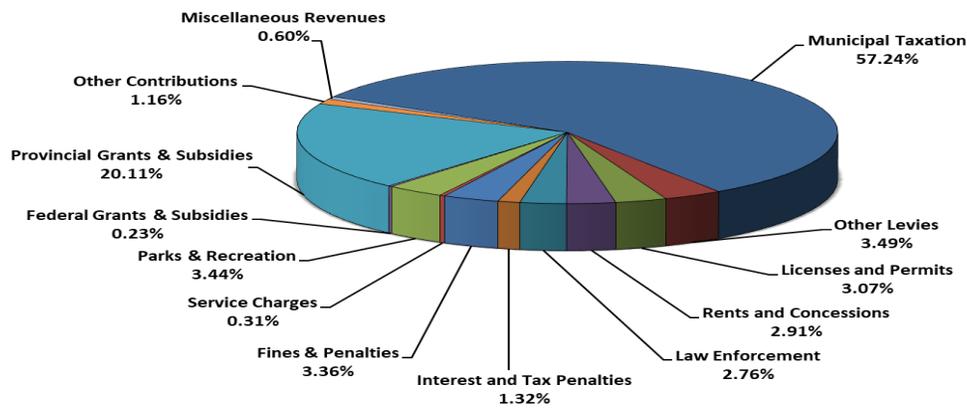
Operating Budget

The Operating Budget provides the funding for the City's various programs and services. These include things like transit services, garbage collection, waterworks, snow removal and recreational programs to name a few. The Operating Budget consists of the General Revenue Fund as well as the utility budgets for the Waterworks, Sanitary Sewer and Solid Waste areas. The utilities are intended to be self-funding which means they would not normally have access to municipal taxation, rather their funding would come from internally generated revenue from the various utility rates charged.

The Preliminary Budgets that are being presented are status quo budgets and requested enhancements will be presented separately as Departments present their business plans to Council.

General Revenue Fund

REVENUES



| Gross Revenue Budget | 2018 Budget | 2019 Budget | 2019-2018 INC(DCR) | % Change |
|-------------------------------|-------------------|-------------------|--------------------|-------------|
| Municipal Taxation | 27,155,332 | 27,082,821 | (72,511) | (0.27) |
| Other Levies | 1,617,114 | 1,652,326 | 35,212 | 2.18 |
| Licenses and Permits | 1,473,728 | 1,452,270 | (21,458) | (1.46) |
| Rents and Concessions | 1,357,869 | 1,378,427 | 20,558 | 1.51 |
| Law Enforcement | 1,167,099 | 1,307,099 | 140,000 | 12.00 |
| Interest and Tax Penalties | 495,398 | 623,753 | 128,355 | 25.91 |
| Fines & Penalties | 1,805,180 | 1,590,000 | (215,180) | (11.92) |
| Service Charges | 128,882 | 145,051 | 16,169 | 12.55 |
| Parks & Recreation | 1,610,201 | 1,627,359 | 17,158 | 1.07 |
| Federal Grants & Subsidies | 140,989 | 107,239 | (33,750) | (23.94) |
| Provincial Grants & Subsidies | 9,422,454 | 9,513,714 | 91,260 | 0.97 |
| Other Contributions | 570,037 | 550,000 | (20,037) | (3.52) |
| Miscellaneous Revenues | 282,988 | 282,988 | - | 0.00 |
| Gross Revenues | 47,227,271 | 47,313,047 | 85,776 | 0.18 |

Municipal Taxation is the City's largest single revenue source accounting for just over 57% of Operating Budget revenues. The City of Moose Jaw is not seeing any growth in tax revenues due to poor economic conditions and continued commercial appeal losses. The table below illustrates the tax losses to date for 2018:

| 2018 | | | | |
|--------------|---------|----------------------------------|----------------------------------|---------------------|
| | | AGREEMENTS TO ADJUST | BOARD OF REVISION DECISIONS | MUNICIPAL |
| Subclass | | Change in Assessed Taxable Value | Change in Assessed Taxable Value | Loss in Tax Revenue |
| CNDO | | | | - |
| COMM | Taxable | -984,780 | -5,300,200 | (\$81,834) |
| | Federal | -616,700 | | (\$8,030) |
| CRIR | | | | - |
| ELEV | | | -3,447,000 | (\$41,147) |
| GOLF | | | | - |
| MRES | | | | - |
| NAIR | | | | - |
| OAGR | | | | - |
| RESI | | -245,760 | 271,120 | \$174 |
| RRPL | | | | - |
| TOTAL | | -1,847,240 | -8,476,080 | \$ (130,837) |

The loss of commercial assessment appeals has been a steady trend since the reassessment in 2013 with a total of \$96,713,350 in lost commercial assessment due to appeals. This translates into a loss in revenue of \$1,324,208 which loss has been borne by the commercial sector as a whole. It is also important to note that the City still has 61 outstanding assessment appeals that are yet to be rendered. The table below provides additional detail:

| Assessment Adjustment Type | 2013 | | 2014 | | 2015 | | 2016 | | 2017 | | 2018 | |
|--|---|------------------|---------------------------|------------------|---------------------------|------------------|---------------------------|------------------|---------------------------|------------------|---------------------------|------------------|
| | Assessment Lost on Appeal | Lost Tax Revenue | Assessment Lost on Appeal | Lost Tax Revenue | Assessment Lost on Appeal | Lost Tax Revenue | Assessment Lost on Appeal | Lost Tax Revenue | Assessment Lost on Appeal | Lost Tax Revenue | Assessment Lost on Appeal | Lost Tax Revenue |
| Agreement to Adjust | -10,707,200 | \$ (152,475) | (582,200) | \$ (8,305) | (3,853,600) | \$ (49,061) | (693,130) | \$ (11,214) | (6,733,170) | \$ (85,101) | (984,780) | \$ (12,822) |
| Agreement to Adjust(Federal) | | | | | | | | | | | (616,700) | \$ (8,030) |
| Board of Revision | -11,093,880 | \$ (157,981) | (17,129,000) | \$ (244,329) | (3,075,470) | \$ (39,155) | (3,874,400) | \$ (62,684) | -21,723,100 | \$ (274,560) | -5,300,200 | \$ (69,012) |
| Sask Muni Board | -7,080,420 | \$ (100,828) | (1,878,600) | \$ (26,796) | (1,060,200) | \$ (13,498) | (1,192,300) | \$ (19,290) | 865,000 | \$ 10,933 | | \$ - |
| Totals | -28,881,500 | \$ (411,284) | -19,589,800 | \$ (279,430) | -7,989,270 | \$ (101,714) | -5,759,830 | \$ (93,188) | -27,591,270 | \$ (348,728) | -6,901,680 | \$ (89,864) |
| Total Lost Assessment : 2013-2018 | -96,713,350 The BOR for 2018 has not been finalized. There are 61 outstanding decisions which will affect the values in the above chart for 2018 and the Total Lost Assessment. | | | | | | | | | | | |
| Total Lost Tax Revenue : 2013-2018 | \$ (1,324,208) The BOR for 2018 has not been finalized. There are 61 outstanding decisions which will affect the values in the above chart for 2018 and the Total Lost Revenue. | | | | | | | | | | | |
| Note: The change in the 2014 values result from a 2014 SMB Decision received in 2017. The change to the 2017 SMB value is a result of an 2017 SMB decision received in 2018. | | | | | | | | | | | | |

The continued loss of assessment and the resulting taxation in the commercial area has made the gap between residential and commercial taxes widen. In 2018, City Council took a first step in narrowing that gap by adopting the following motion:

"THAT future Municipal Tax increases be split between residential and commercial based upon the ratio of taxable assessment in each class and that this split be accomplished by adjusting the appropriate mill rate factors for each class of property"

The proposed adoption of a tax sharing approach to future tax increases results in a gradual shift in the level of taxation on commercial properties to residential properties. For example, the change in taxation on a 4% municipal tax increase shows that it would be shared with residential at approximately 79% and commercial at approximately 20% to reflect the actual taxable assessment ratios of those classes. This would result in an additional 1% increase in residential taxation (5%) and an increase in commercial of 2.5%. The overall increase in taxation would amount to 4% and generate that amount of revenue for the City. The result is a gradual shift of taxation from commercial to residential.

In 2017, the commercial to residential tax gap was 2.19 and the adoption of the tax sharing approach reduced this to 2.14 in 2018. Depending on the final mill rate increase, a further reduction in the tax gap of 3 or 4 basis points can be expected in 2019.

City Administration will ask City Council to continue with this tax sharing approach in 2019.

Law Enforcement revenues are up \$140,000 as a result of increased provincial funding and policing services revenues.

The Interest and Tax Penalties area saw an increase in revenues of just over \$128,000 from the 2018 budget to 2019 budget. This increase is attributable to an increase in interest earned on bank balances as well as increased penalties and surcharges on taxes.

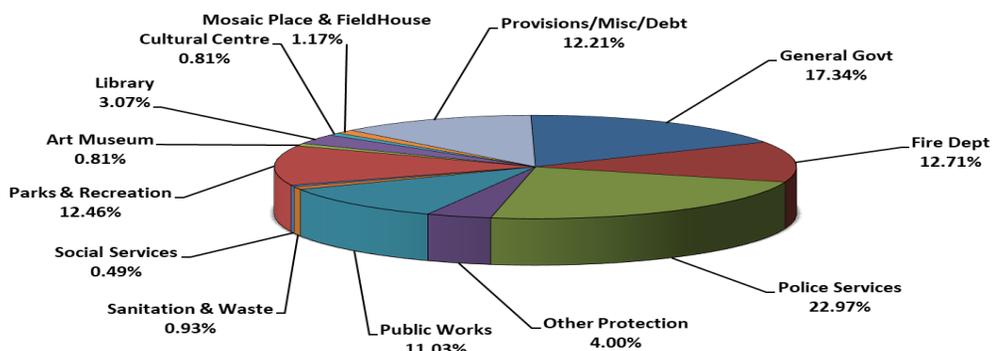
The Fines & Penalties areas is seeing a decrease in revenue of \$215,180 due to a decrease in automatic speed enforcement revenues. As well, a decline in parking meter penalties has occurred. A report on Automatic Speed Enforcement will be coming forward as part of budget deliberations. As well, a report on Parking Enforcement Penalties will be presented for Council's consideration as the penalties have not been adjusted in a number of years.

The Provincial Grants & Subsidies area also saw a small increase in revenue (\$91,260) primarily due to increases in utility franchise fees.

Overall, revenues are up by 0.18% or \$85,776 from the 2018 budget.

Expenditure Overview

EXPENDITURES



| Gross Expenditure Budget | 2018 Budget | 2019 Budget | 2019-2018 INC(DCR) | % Change |
|---------------------------|-------------------|-------------------|--------------------|-------------|
| General Govt | 8,100,002 | 8,391,178 | 291,176 | 3.59 |
| Fire Dept | 6,279,060 | 6,154,303 | (124,757) | (1.99) |
| Police Services | 10,658,373 | 11,116,746 | 458,373 | 4.30 |
| Other Protection | 2,033,989 | 1,934,593 | (99,396) | (4.89) |
| Public Works | 5,238,408 | 5,338,763 | 100,355 | 1.92 |
| Sanitation & Waste | 392,076 | 451,124 | 59,048 | 15.06 |
| Social Services | 252,512 | 239,157 | (13,355) | (5.29) |
| Parks & Recreation | 5,932,853 | 6,030,093 | 97,240 | 1.64 |
| Art Museum | 383,592 | 393,110 | 9,518 | 2.48 |
| Library | 1,440,167 | 1,485,903 | 45,736 | 3.18 |
| Cultural Centre | 375,559 | 390,587 | 15,028 | 4.00 |
| Mosaic Place & FieldHouse | 691,370 | 566,370 | (125,000) | (18.08) |
| Provisions/Misc/Debt | 5,449,310 | 5,910,774 | 461,464 | 8.47 |
| Gross Expenditures | 47,227,271 | 48,402,701 | 1,175,430 | 2.49 |

The budget presented is a status quo budget and there are no new enhancements contained within the budget numbers. The increases in the various areas are the result of negotiated Collective Agreement increases, or provisions for same, and inflation.

The General Government area is seeing an increase in the costs to provide programs and services of \$291,176 or 3.59%. A portion of this increase, approximately \$50,000, relates to the recently approved Payroll/HR/Timekeeping system. The remainder relates to increased costs in the Clerk/Solicitor Area (\$56,417), Employer Paid Benefits are up

(\$60,143) and the Sundry Area (\$81,484) is seeing increased costs for elections and insurance.

The Police Service expenditure request is up \$458,373 or 4.3% from 2018 levels. The Board of Police Commissioners and Police Service Administration will present their budget request to Council at a future Budget Committee meeting.

The subsidy to be provided to Mosaic Place and Yara Centre has dropped by \$125,000 for 2019. This is due to a reorganization of how the facilities will be managed in the future as outlined in a recent report from the City Manager to Council.

Lastly, the Provisions/Misc/Debt area is seeing an increase in budgeted expenditures related to salary provisions and the appropriation of municipal taxation to the Waterworks Utility and the Capital Expenditure Fund.

As indicated earlier, there are no enhancements included in the status quo budget. The various City Departments have, however, included enhancement requests in their Business Plans and will present those requests to Council when they present their Business Plans. Council will then have the opportunity later in the budget process to consider the requests and they will be included in the budget if Council passes a specific motion to include that enhancement.

The overall increase in expenditures is 2.49%.

Water Utility and Sanitary Sewer Utility

City of Moose Jaw Budget Summary of Revenues & Expenditures For Waterworks

| Description | 2018 Projection | 2018 Budget | 2019 Budget | 2019 - 2018 INC (DCR) | % Change |
|---------------------------|--------------------|-------------------|-------------------|--------------------------|-------------|
| GENERAL SERVICE | 10,600,000 | 10,015,565 | 10,600,000 | 584,435 | 5.8% |
| UTILITY BILLING PENALTIES | 58,277 | 42,438 | 60,387 | 17,949 | 42.3% |
| CONNECTION FEES | 62,235 | 65,025 | 62,940 | (2,085) | (3.2)% |
| WATER DEPOTS | 35,075 | 27,361 | 28,390 | 1,029 | 3.8% |
| HOUSE CONNECTIONS | 300,000 | 250,000 | 300,000 | 50,000 | 20.0% |
| MISCELLANEOUS REVENUE | 1,092 | 5,700 | 1,000 | (4,700) | (82.5)% |
| WATER METER REVENUE | 17,000 | 29,000 | 20,000 | (9,000) | (31.0)% |
| REVENUES | 11,073,679 | 10,435,089 | 11,072,717 | 637,628 | 6.1% |
| PRODUCTION | 2,971,446 | 3,118,271 | 3,047,945 | (70,326) | (2.3)% |
| DISTRIBUTION | 4,018,372 | 3,933,184 | 4,032,213 | 99,029 | 2.5% |
| ADMINISTRATION | 1,361,636 | 1,337,706 | 1,500,084 | 162,378 | 12.1% |
| RESERVE CHARGE | 2,722,225 | 2,045,928 | 2,492,475 | 446,547 | 21.8% |
| EXPENDITURES | 11,073,679 | 10,435,089 | 11,072,717 | 637,628 | 6.1% |

The Waterworks Utility 2019 budget does not reflect any rate increases at this point. A separate communication on a proposed three-year, six percent rate increase (6%, 6%, 6%) for the Waterworks will be brought forward during budget deliberations for Council's consideration. As well, in 2016 Council passed a motion indicating a willingness to transition the Hospital Levy to a Waterworks Infrastructure Levy. This will be included in the utility rate report.

The continued high demand for infrastructure funding and the significant costs of cast iron watermain breaks continue to place a financial strain on the Waterworks Utility. The financial demands on the Waterworks Utility can best be put into perspective by realizing that annual revenues for the utility are approximately \$11.1 million dollars. The operating costs of the utility total about \$8.6 million leaving approximately \$2.5 million dollars to go towards funding infrastructure renewal.

The current proposed capital request over the next five years totals approximately \$120 million dollars. The ability to fund Waterworks infrastructure renewal is dependent on obtaining funding from other sources such as Municipal Taxation, Gas Tax Funding, Waterworks Infrastructure Levy and Provincial and Federal Grant funding.

The Production costs for the Waterworks area are stable in 2019 as the increased costs from Buffalo Pound Water Treatment Corporation (BPWTC) are marginal at a 1.9% increase for 2019. In future years, the water cost from BPWTC will increase significantly with an expected increase of about 44% over the next five years. The majority of this increase relates to increased costs associated with plant renewal.

The distribution area is showing modest cost increases of approximately \$99,000 due to stabilization of costs related to repair of distribution lines, and increased house connection and pumping station costs.

The Administration area is showing an increase of 12.1% due to increased employer paid benefit recoveries, salary provisions and higher franchise fees.

The amount set aside in the Reserve Charge is used to fund the capital improvements necessary for the utility and in 2019, it is projected that this will be \$2,492,475 before any utility rate increase. The capital demands of the utility are far greater than the current reserve contribution and increased utility rate increases will be needed to provide the appropriate level of funding.

**City of Moose Jaw
Budget Summary of Revenues & Expenditures
For Sanitary Sewer**

| Description | 2018 Projection | 2018 Budget | 2019 Budget | 2019 - 2018 INC (DCR) | % Change |
|---------------------------|--------------------|------------------|------------------|--------------------------|-------------|
| GENERAL SERVICE | 7,670,000 | 7,636,647 | 7,670,000 | 33,353 | 0.4% |
| SEWER BLOCKS | 450 | 4,663 | 806 | (3,857) | (82.7)% |
| UTILITY BILLING PENALTIES | 44,998 | 40,127 | 46,217 | 6,090 | 15.2% |
| SEPTAGE FEES | 34,793 | 21,171 | 26,811 | 5,640 | 26.6% |
| HOUSE CONNECTIONS | 400,000 | 275,000 | 400,000 | 125,000 | 45.5% |
| REVENUES | 8,150,241 | 7,977,608 | 8,143,834 | 166,226 | 2.1% |
| ADMINISTRATION | 1,000,542 | 994,790 | 1,038,449 | 43,659 | 4.4% |
| RESERVE CHARGE | 3,876,344 | 3,694,414 | 3,833,354 | 138,940 | 3.8% |
| SEWAGE TREATMENT | 2,043,742 | 2,119,753 | 2,083,785 | (35,968) | (1.7)% |
| SANITARY SEWERS | 1,229,613 | 1,168,651 | 1,188,246 | 19,595 | 1.7% |
| EXPENDITURES | 8,150,241 | 7,977,608 | 8,143,834 | 166,226 | 2.1% |

The Sanitary Sewer Utility Budget reflects the costs to operate the utility and provide reserve monies to fund both the utility's capital projects and long-term borrowing costs. The Sanitary Sewer Utility revenues do not reflect any rate increases at this point. Rather, this has been deferred for Council's consideration when the report on Utility Rate increases comes forward to Budget Committee.

The Sanitary Sewer area of the utility along with the Sewage Treatment segment are seeing stable costs. The overall reserve contribution from the utility which is used for capital projects and debt financing is expected to be \$3,833,354 in 2019 before any rate increases. The monies being generated by the Sanitary Sewer Utility are making a significant contribution to Capital needs. In 2023, the long-term debt of the utility will be retired and the annual amount generated from utility revenues for infrastructure should be on a sustainable level.

Solid Waste Utility

City of Moose Jaw

Budget Summary of Revenues & Expenditures

For Solid Waste

| Description | 2018 Projection | 2018 Budget | 2019 Budget | 2019 - 2018 INC (DCR) | % Change |
|-------------------------------------|--------------------|------------------|------------------|--------------------------|--------------|
| GARBAGE COLLECTION | 1,144,617 | 900,000 | 1,368,777 | 468,777 | 52.1% |
| SANITARY LANDFILL | 2,400,000 | 2,634,000 | 2,500,000 | (134,000) | (5.1)% |
| SOLID WASTE MISCELL REVENUE | 10,000 | 10,000 | 10,000 | 0 | 0.0% |
| ECOCENTRE REVENUES | 12,960 | 12,000 | 12,000 | 0 | 0.0% |
| CURBSIDE RECYCLING REVENUES | 955,000 | 955,155 | 986,928 | 31,773 | 3.3% |
| MULTI-MATERIAL RECYCLING GRT | 188,000 | 188,000 | 340,290 | 152,290 | 81.0% |
| REVENUES | 4,710,577 | 4,699,155 | 5,217,995 | 518,840 | 11.0% |
| TRAVEL & CONVENTIONS | 6,180 | 6,180 | 9,000 | 2,820 | 45.6% |
| EDUCATION & TRAINING | 1,723 | 1,723 | 1,757 | 34 | 2.0% |
| GENERAL REPAIRS & SUPP | 6,615 | 6,615 | 6,662 | 47 | 0.7% |
| SICKNESS & HOLIDAYS | 60,000 | 43,178 | 43,178 | 0 | 0.0% |
| WAGES & EQUIPMENT | 600,000 | 517,762 | 679,176 | 161,414 | 31.2% |
| INSPECTIONS | 5,000 | 10,683 | 10,747 | 64 | 0.6% |
| SUPERINTENDENT & ADMIN | 82,315 | 84,793 | 85,692 | 899 | 1.1% |
| HOUSEHOLD HAZ WASTE | 25,806 | 25,806 | 26,298 | 492 | 1.9% |
| WASTE RECYCLING PRGM | 100,000 | 133,092 | 133,057 | (35) | (0.0)% |
| RECYCLING INITIATIVES | 15,000 | 21,630 | 21,630 | 0 | 0.0% |
| SANITARY LANDFILL OPER | 1,104,539 | 1,104,539 | 1,127,462 | 22,923 | 2.1% |
| LANDFILL CLOSURE | 722,443 | 396,112 | 72,465 | (323,647) | (81.7)% |
| SOLID WASTE RESERVE CONT | 860,281 | 1,243,246 | 1,804,129 | 560,883 | 45.1% |
| ADMINISTRATION | 128,794 | 128,794 | 151,464 | 22,670 | 17.6% |
| CURBSIDE RECYCLING PROGRAM | 802,595 | 778,133 | 805,000 | 26,867 | 3.5% |
| SOLID WASTE UTLY-FRANCHISE FEE | 187,329 | 191,711 | 234,958 | 43,247 | 22.6% |
| RESERVE DOUBTFUL ACCOUNTS | 1,957 | 5,158 | 5,320 | 162 | 3.1% |
| SCAVENGING & TRADE WASTE | 4,710,577 | 4,699,155 | 5,217,995 | 518,840 | 11.0% |

The Solid Waste area was established as a utility in 2002. In 2008, City Council passed a motion and later a bylaw to make the Solid Waste Utility a self-funded utility. A self-funded utility is one in which the charges for its services are such as to provide for all funding necessary to operate the utility. Steps taken in 2017 to charge the utilities' customers directly for the services they receive have made this a self-funded utility. The garbage collection and curbside recycling revenue is reflective of these charges for residential garbage and recycling collection.

Revenues for the utility will exceed \$5.2 million dollars in 2019. The largest source of revenues is from the landfill followed by garbage collection fees and curbside recycling revenues.

On the expenditure side, the Wages & Equipment area is seeing an increase of 31.2% due to increased costs related to residential garbage collection. Landfill closure and post closure costs will be lower in 2019 at approximately \$72,000. Solid Waste Franchise Fees are also up which reflects the increased revenues being generated by the utility.

The new structure of the utility has provided for additional revenue sources and stable expenditures, which has resulted in increased reserve contributions. The annual planned reserve contribution is \$1,804,129. These funds will be utilized to fund landfill replacement and other capital needs. The magnitude of the annual contribution is now such that external borrowing will not be necessary for the landfill replacement or expansion project and the utility is in a sustainable financial state.

Transit Service

City of Moose Jaw

Budget Summary of Revenues & Expenditures For Transit

| Description | 2018 Projection | 2018 Budget | 2019 Budget | 2019 - 2018 INC (DCR) | % Change |
|----------------------------------|--------------------|------------------|------------------|--------------------------|---------------|
| BUS EARNINGS | 88,800 | 100,000 | 100,000 | 0 | 0.0% |
| BUS EARNINGS CHARTER | 14,300 | 20,000 | 20,000 | 0 | 0.0% |
| MONTHLY PASSES | 165,330 | 203,400 | 203,400 | 0 | 0.0% |
| YEARLY PASSES-SENIORS | 22,002 | 32,000 | 32,000 | 0 | 0.0% |
| ADVERTISING | 9,000 | 29,000 | 29,000 | 0 | 0.0% |
| MISCELLANEOUS REVENUE | 4,700 | 0 | 0 | 0 | |
| SUBSIDY | 1,148,593 | 1,059,327 | 1,034,660 | (24,667) | (2.3)% |
| TRANSIT REVENUE | 1,452,725 | 1,443,727 | 1,419,060 | (24,667) | (1.7)% |
| VEHICLE MAINTENANCE | 415,000 | 415,000 | 415,000 | 0 | 0.0% |
| TRANSPORTATION | 475,986 | 449,523 | 489,900 | 40,377 | 9.0% |
| ADMINISTRATION | 561,740 | 579,204 | 514,160 | (65,044) | (11.2)% |
| TRANSIT EXPENDITURES | 1,452,725 | 1,443,727 | 1,419,060 | (24,667) | (1.7)% |
| USER FARES | 17,905 | 25,000 | 25,000 | 0 | 0.0% |
| BUS EARNINGS CHARTER | 4,400 | 5,000 | 5,000 | 0 | 0.0% |
| PROV GOVT FUNDING | 210,301 | 225,000 | 225,000 | 0 | 0.0% |
| SOC SERVICES FUNDING | 9,150 | 12,000 | 12,000 | 0 | 0.0% |
| SUBSIDY | 267,808 | 190,012 | 199,055 | 9,043 | 4.8% |
| PARA-TRANSIT REVENUES | 509,564 | 457,012 | 466,055 | 9,043 | 2.0% |
| VEHICLE MAINTENANCE | 121,308 | 75,000 | 75,000 | 0 | 0.0% |
| TRANSPORTATION | 266,718 | 247,842 | 273,817 | 25,975 | 10.5% |
| ADMINISTRATION | 121,538 | 134,170 | 117,238 | (16,932) | (12.6)% |
| PARA-TRANSIT EXPENDITURES | 509,564 | 457,012 | 466,055 | 9,043 | 2.0% |

Both the regular transit and para-transit services receive a subsidy from the City which totals \$1,233,715 in 2019 or approximately 65% of overall costs.

The most significant cost increase in the transit area are related to increased salary costs in transportation operations. Costs have decreased for equipment reserve contributions with the remainder of the budget being stable.

Operating Budget Summary

The Operating Budget has revenues totaling \$47,313,047 and expenditures totaling \$48,402,701 for a shortfall of \$1,089,654. Budgeted revenues are up 0.18% while expenditures are up 2.49%.

Revenue growth is marginal due to general economic conditions and continued losses of tax revenue through the appeal process. The expenditures reflected in this preliminary budget reflect the maintenance of programs and services and does not include any enhancements with the exception of the recently approved funding for a new Payroll/HR/Timekeeping service. A 1% increase in municipal taxation generates \$285,091 in additional revenue for the City and for the average homeowner with a 2018 assessed value of \$255,000, each 1% increase in the mill rate amounts to an additional \$14 annually.

The current shortfall in the Preliminary Operating Budget is \$1,089,654 which would require a mill rate increase of 3.82% to maintain City Programs and Services. In the Departmental Business Plans that form part of this budget submission, departments have included potential enhancements. Department's will speak to these requests when they present their business plans. Enhancement requests will only be included if City Council approves a specific motion to include them in the budget.

In 2018, City Council directed City Administration to implement a priority based budgeting approach for both the Operating and Capital Budgets. Considerable work was done in the spring of 2018 with City Council to develop that framework including the desired community outcomes of the City's various programs and services.

As a result of Council's initiative in this area, all Operating and Capital Programs have been evaluated utilizing a priority based approach. This results in a scoring of the various programs and services based upon the community outcomes developed by City Council. The Operating Budget contains a summary in each departmental area of their programs and services and relative weighting based on the desired community outcomes. An electronic document will be provided to Council with all of the detailed analysis of each program and service.

This priority based budgeting has resulted in the following:

- Identification of all City programs and services.
- A ranking of their importance based upon desired community outcomes.
- The initial development of level of service indicators or as they are more commonly known as key performance indicators (KPIs).

The work done on priority budgeting will provide Council and Administration with a relative ranking of programs and services which can be used should rationalization of programs and services be desired or required. In addition, the development of key performance indicators will allow the City in the future to move toward a budget and program monitoring system based upon more than just the dollars expended. Ultimately, as KPIs are measured and reported, the success or failure of programs and services will become more apparent and allow for adjustments in the program or service to occur.

Also, included in the Financial Service Business Plan is an estimate of financial services provided to the Police Service. The City also provides services to the Police Service through a number of other departments such as Clerk/Solicitors, Human Resources, Information Technology, and Engineering Services. The true cost of policing services should reflect these costs and not be absorbed in the City's budgets.

City Administration would recommend that in 2019, work be undertaken to identify all the services provided to the Police Service and that an agreement be developed in partnership with the Police Service in that regard. Although, overall the financial impact of this is likely neutral, it will provide a framework for the management of those services and the correct costing of those services to the Police Service.

As discussed in the City Manager's Business Plan, the review and fine tuning of the City's core services has started with the 2019 budget processes and will be an ongoing endeavor over the next year or two as all programs and services will be reviewed and streamlined to reduce overlap and duplication of services. Equally important will be the never ending effort to improve customer service through the refinement of City programs.

In 2019, a concentrated approach will be undertaken to co-ordinate City Departments in areas such as purchasing, advertising, electrical contractors, plumbing contractors, legal and external consultants. An effort will also be made to embrace continuous improvement of programs and services utilizing process mapping and identifying value added strategies to improve service. In doing all of this, technology will be utilized, where possible, to leverage productivity and enhance services.

In conclusion, one can see that 2019 will present a number of budget challenges to the City of Moose Jaw with a limited increase in revenues and increased expenditures. As the budget sits now, it would require a 3.82% municipal tax increase to fund a status quo budget. In reviewing this preliminary budget, the City will need to take a close look at expenditures to ensure all monies are being judiciously spent and it will be necessary to increase taxation as well as utility rates. At the end of the budget process, a combination of increased revenues from taxation and utility rates, efficiencies in operational areas coupled with careful scrutiny of expenditures, will allow the City to move forward with a budget that is reasonable and affordable for the citizens of Moose Jaw.

Capital Budget

The Capital Budget provides for the provision of funds to allow the City of Moose Jaw to undertake major construction, renovation and rehabilitation projects. The Capital Budget consists of five components, the General Capital Reserve, the Water Utility Reserve, the Sanitary Sewer Utility Reserve, the Solid Waste Utility Reserve, and the Land Development Reserve.

**GENERAL CAPITAL RESERVE SUMMARY
2019 - 2023**

| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | Total |
|-----------------------------------|----------------------|----------------------|-----------------------|------------------------|------------------------|------------------------|----------------------|
| Carry over from previous year | \$ 7,010,116 | \$ 8,454,449 | \$ - | \$ (9,619,771) | \$ (12,422,476) | \$ (15,529,192) | |
| SPC Funds Available | \$ 2,818,667 | \$ 2,814,524 | \$ 2,913,032 | \$ 3,014,988 | \$ 3,120,513 | \$ 3,229,731 | \$ 15,092,788 |
| Hospital Levy | \$ 1,620,000 | \$ 257,000 | \$ - | \$ - | \$ - | \$ - | \$ 257,000 |
| Taxation Revenue | \$ 3,069,761 | \$ 3,728,283 | \$ 3,759,781 | \$ 3,794,635 | \$ 3,908,474 | \$ 4,025,729 | \$ 19,216,902 |
| Capital Expenditure Fund Interest | \$ 1,315,000 | \$ 1,755,000 | \$ 2,310,000 | \$ 2,900,000 | \$ 2,925,000 | \$ 3,075,000 | \$ 12,965,000 |
| Land Sale Proceeds | \$ 1,530,000 | \$ 910,000 | \$ 910,000 | \$ 1,125,000 | \$ 880,000 | \$ 880,000 | \$ 4,705,000 |
| Parks Dedication Reserve | \$ 82,500 | \$ 98,000 | \$ 38,500 | \$ 39,000 | \$ 39,500 | \$ 40,000 | \$ 255,000 |
| Traffic Safety Reserve Cont | \$ 1,093,087 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Accumulated Surplus | \$ 1,613,791 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| SaskEnergy Mun. Surcharge | \$ - | \$ 912,500 | \$ 930,750 | \$ 949,365 | \$ 968,352 | \$ 987,719 | \$ 4,748,686 |
| Fundraising Contributions | \$ 206,989 | \$ 296,989 | \$ 329,495 | \$ - | \$ - | \$ - | \$ 626,484 |
| Transfer to Waterworks | \$ (2,193,874) | \$ (2,836,492) | \$ (2,921,587) | \$ (3,009,234) | \$ (3,099,511) | \$ (3,192,497) | \$ (15,059,321) |
| Uncompleted Works | \$ (5,531,900) | \$ (6,207,278) | \$ - | \$ - | \$ - | \$ - | \$ - |
| Capital Funding Available | \$ 12,634,137 | \$ 10,182,975 | \$ 8,269,971 | \$ (806,017) | \$ (3,680,148) | \$ (6,483,510) | \$ 42,807,539 |
| Transportation | \$ 6,030,800 | \$ 6,135,400 | \$ 13,261,000 | \$ 8,123,000 | \$ 8,276,930 | \$ 9,063,000 | \$ 44,859,330 |
| Parks and Recreation | \$ 1,642,115 | \$ 981,130 | \$ 1,895,995 | \$ 1,300,885 | \$ 1,304,010 | \$ 818,153 | \$ 6,300,173 |
| Other Services | \$ 3,914,222 | \$ 2,546,445 | \$ 1,875,247 | \$ 1,452,574 | \$ 1,445,604 | \$ 1,430,620 | \$ 8,750,490 |
| Police Services | \$ 50,000 | \$ 65,000 | \$ 67,500 | \$ 70,000 | \$ 72,500 | \$ 75,000 | \$ 350,000 |
| Fire Services | \$ 89,000 | \$ 50,000 | \$ - | \$ - | \$ - | \$ - | \$ 50,000 |
| Downtown Facility & FieldHouse | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Storm Sewers | \$ 800,000 | \$ 405,000 | \$ 790,000 | \$ 670,000 | \$ 750,000 | \$ 840,000 | \$ 3,455,000 |
| Total Funding Required | \$ 12,526,137 | \$ 10,182,975 | \$ 17,889,742 | \$ 11,616,459 | \$ 11,849,044 | \$ 12,226,773 | \$ 63,764,993 |
| Surplus/Shortfall | \$ 108,000 | \$ - | \$ (9,619,771) | \$ (12,422,476) | \$ (15,529,192) | \$ (18,710,283) | |
| | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| Final Surplus/Shortfall | \$ 108,000 | \$ - | \$ (9,619,771) | \$ (12,422,476) | \$ (15,529,192) | \$ (18,710,283) | |

The General Capital Reserve component of the Capital Budget provides for funding for all the core infrastructure projects for the City of Moose Jaw. These projects include sidewalks, pavement rehabilitation, bridges, building improvements and general parks upgrades to name only a few.

The source of funding for the General Capital Reserve core infrastructure projects comes from eight main sources totalling \$42,807,539 over the five year period:

- SPC Municipal Surcharge \$15,092,788
- Hospital Levy \$257,000
- General Taxation \$4,157,581
- Investment Income \$12,965,000
- Land Sale Proceeds \$4,705,000
- Parks Dedication Reserve \$255,000
- Sask Energy Municipal Surcharge \$4,748,686
- Fundraising Contributions \$626,484.

The Capital Expenditure Fund Interest revenue is forecast to increase significantly in revenue from \$1,315,000 in 2018 to \$3,075,000 in 2023. The majority of this increase in revenues is a result of Council's initiative to look at broadening the scope of the City's Investment Policy and investing in an array of financial assets that will provide a higher return on invested monies.

The SaskEnergy Municipal Surcharge, which was reinstated in 2018, is a new revenue for the General Capital Reserve. Prior to its elimination in 2017, these monies were directed to the Operating Budget; since Operating shortfalls had been made up through municipal tax increases, Council decided to re-direct the reinstated monies to the General Capital Reserve.

The General Capital Reserve expenditures provide for the upkeep and replacement of the City's core infrastructure in areas such as streets and roads, storm sewers, parks and recreation. The General Capital Reserve also contains the expenditures related to servicing of the borrowing costs related to the Multiplex project. The capital request for this area totals \$63,764,993 over the five years.

Since expenditure requests are exceeding revenue sources in the General Capital Reserve, City Administration applied budget prioritization to the 2019 year of the budget. This resulted in a reduction in Paving of \$550,000, reduction in Traffic Control Upgrades of \$400,000, reduction in Structure Upgrades of \$650,000 and a reallocation of a Kinsmen Sportsplex upgrade of \$226,000 to 2020.

The reality is that there are more requests for expenditures than there is revenue to fund them. In 2017 and 2018, the City dipped into reserves for accumulated surplus and automated speed enforcement to balance the annual capital spending. Those reserves have been exhausted and that was no longer an alternative for 2019.

The majority of the work that has been removed will need to be done in the future. The expenditure requests for 2020 through 2023 were not amended and present a realistic reflection of the expenditure needs of the General Capital Reserve. As can be seen from the summary chart, a shortfall of \$18.7 million exists at the end of the five year period.

In order to address these future shortfalls, Council will need to look at additional revenue sources. City Administration would suggest that Council consider a special levy starting in 2020 for Paving. This levy has been done in other communities and when directed to a specific rehabilitation effort has generally been well received.

A second and more important source of additional revenues is Federal and Provincial funding. The City of Moose Jaw has not received any significant amount of Federal and Provincial funding for its Capital Budget as a whole. When one does comparisons to the major cities in Saskatchewan and cities in general, Moose Jaw has not received any significant amount of funding other than its annual gas tax funding. Going forward, a concerted effort needs to be made to lobby the Federal and Provincial Governments for Moose Jaw's share of grant funding.

**WATER UTILITY RESERVE
2019 - 2023**

| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | Total |
|-------------------------------|-----------------------|----------------------|--------------------|--------------------|------------------|----------------------|--------------|
| Opening Balance | \$8,793,648 | \$18,138,802 | (\$3,743,594) | \$4,086,191 | \$7,075,031 | \$445,975 | |
| Contributions during the year | \$6,587,995 | \$9,373,362 | \$9,939,785 | \$10,206,127 | \$10,597,231 | \$10,936,761 | \$51,053,266 |
| Loan Proceeds | \$30,000,000 | \$20,000,000 | \$15,000,000 | \$10,000,000 | \$0 | \$0 | \$45,000,000 |
| less Water Works Projects | \$35,408,000 | \$23,833,349 | \$17,110,000 | \$17,217,287 | \$17,226,287 | \$17,126,287 | \$92,513,210 |
| less Uncompleted Works | \$20,557,830 | \$27,422,409 | \$0 | \$0 | \$0 | \$0 | |
| Year End Balance | (\$10,584,187) | (\$3,743,594) | \$4,086,191 | \$7,075,031 | \$445,975 | (\$5,743,551) | |

The Waterworks Utility is a separate component of the Capital Budget as it receives all of its funding from the surplus from the operation of the Waterworks Utility, available grant funding (Gas Tax funding) and in recent years, Council has directed 10.06% of Municipal Taxation to fund Waterworks Capital projects.

The utility is facing a significant number of major capital projects which include Water Distribution \$3,379,000, Water Reservoirs \$28,400,000, Buffalo Pound Water Transmission Line \$7,710,000, Feeder Lines \$9,772,494, Cast Iron Watermain Replacement \$34,310,534, completion of the Buffalo Pound Water Treatment Plant Upgrade project at \$5,629,381, and borrowing repayments estimated at \$30,534,210. In total, over the five years the planned capital expenditures will be \$119,935,619.

A comparison to the City of Regina may be helpful in understanding the magnitude of the Capital works being undertaken by the City of Moose Jaw Waterworks Utility. The City of Regina's approved 2018 to 2022 Capital Budget for Waterworks capital projects totaled \$189.8 million dollars. The City of Moose Jaw is facing a Capital Expenditure of \$119.9 million dollars.

Given that the City of Regina is six times the size of Moose Jaw, one can extrapolate that if Moose Jaw was in a similar situation to the City of Regina, in terms of Waterworks rehabilitation, then our five year spending would be in the \$32 million dollar range over five years. Unfortunately, due to years of not doing the appropriate amount of rehabilitation, Moose Jaw is faced with an unprecedented demand for capital renewal in its waterworks utility.

The utility's current funding sources are insufficient to fund all of these projects, therefore the use of long-term borrowing of \$75 million has been planned to provide the necessary cashflow. In order to be able to repay the planned borrowing, significant rate increases will be required over the next five years. In looking at rate increases and comparing Moose Jaw's water rates to other communities, the City has some of the lower rates amongst Saskatchewan cities. A report on Utility Rate increases will be brought to Budget Committee for Council's consideration as part of the Budget process.

A key area of revenues that the Waterworks Utility needs to have is Federal and Provincial infrastructure funding. The Utility needs to participate in Federal and Provincial grant funding programs in order to help fund these shortfalls.

Also on the horizon for the Waterworks Utility is participating in a major plant renewal project for the Buffalo Pound Water Treatment Corporation (BPWTC). This project has a current estimate of \$127 million to \$224 million dollars. Moose Jaw's share of this project would be 26%. BPWTC is hopeful that a significant portion of the costs will come from Federal and Provincial funding. It is likely the funding for this renewal will come from increased costs for water purchased from the plant which alleviates the need for direct financing by the two cities, but will still impact the City's debt limits and ultimately the City's ability to borrow further monies for infrastructure renewal funding.

**SANITARY SEWAGE UTILITY RESERVE
2019 - 2023**

| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | Total |
|-------------------------------|----------------------|--------------------|------------------|----------------------|----------------------|----------------------|--------------|
| Opening Balance | (\$529,634) | \$3,994,859 | \$1,460,754 | \$618,951 | (\$4,946,385) | (\$7,421,338) | |
| Contributions during the year | \$3,673,545 | \$4,127,389 | \$4,542,475 | \$4,813,125 | \$5,070,115 | \$5,476,454 | \$24,029,558 |
| less Sewer Projects | \$4,347,688 | \$4,253,494 | \$5,384,278 | \$10,378,461 | \$7,545,068 | \$2,344,832 | \$29,906,133 |
| less Uncompleted Works | \$537,252 | \$2,408,000 | \$0 | \$0 | \$0 | \$0 | |
| Year End Balance | (\$1,741,029) | \$1,460,754 | \$618,951 | (\$4,946,385) | (\$7,421,338) | (\$4,289,716) | |

The Sanitary Sewer Utility provides for all of its Capital Funding from the surplus that comes from the operation of the utility and any available grant funding. The Financial Model for this utility calls for 6% rate increases over the next five years which if approved, would put the utility in a position to be able to fully fund its capital works from the utility rates that it generates. This is the definition of a self-funded utility and where all of the City's utilities need to work towards.

The Five Year Capital Plan calls for \$32,314,133 over the next five years. The planned expenditures include Sanitary Sewer Mains \$8,800,000, Wastewater Treatment Plant \$4,678,000, Lift Stations \$12,010,000 and borrowing repayments of \$6,826,133. The borrowing repayments will be completed in 2023.

**SOLID WASTE UTILITY RESERVE
2019 - 2023**

| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | Total |
|-------------------------------|----------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------|
| Opening Balance | (\$1,084,664) | \$340,344 | \$2,057,649 | \$3,970,244 | \$5,992,679 | \$7,123,835 | |
| Contributions during the year | \$1,331,491 | \$1,832,305 | \$1,927,595 | \$2,037,435 | \$2,146,156 | \$2,097,450 | \$10,040,941 |
| less Solid Waste Projects | \$2,066,000 | \$15,000 | \$15,000 | \$15,000 | \$1,015,000 | \$10,015,000 | \$11,075,000 |
| less Uncompleted Works | \$3,000,000 | \$100,000 | \$0 | \$0 | \$0 | \$0 | |
| Year End Balance | (\$4,819,173) | \$2,057,649 | \$3,970,244 | \$5,992,679 | \$7,123,835 | (\$793,715) | |

The utility faces a major landfill expansion or replacement project at an estimated cost of \$10 million dollars. This project will see the landfill's life extended or a new landfill developed. Overall capital expenditures for the utility are estimated to be \$11,175,000 over the next five year period.

Decisions made by City Council in 2017 to move towards a fully self-funded utility model, bi-weekly garbage collection, partial curbside collection, increased landfill rates and a residential garbage fee have significantly increased the annual contribution from Solid Waste operations to capital. The contributions are of a magnitude such that borrowing is not anticipated to be needed over the next five year period.

**LAND DEVELOPMENT RESERVE
2019 - 2023**

| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | Total |
|-------------------------------|----------------------|----------------------|----------------------|----------------------|-------------------|------------------|--------------|
| Opening Balance | (\$2,016,533) | (\$2,076,549) | (\$6,139,003) | (\$5,395,470) | (\$1,771,937) | (\$68,404) | |
| Contributions during the year | \$2,187,066 | \$3,103,100 | \$743,533 | \$3,623,533 | \$1,703,533 | \$993,533 | \$10,167,232 |
| Loan Proceeds | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| less Land Dev Projects | \$4,760,000 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| less Uncompleted Works | \$2,499,600 | \$7,165,554 | \$0 | \$0 | \$0 | \$0 | |
| Year End Balance | (\$7,089,067) | (\$6,139,003) | (\$5,395,470) | (\$1,771,937) | (\$68,404) | \$925,129 | |

The Land Development Reserve provides for the funding needed for land development projects. Excess revenues over expenditures are redirected to the General Capital Reserve of the Capital Budget to fund needed infrastructure projects in that area.

There are currently two major land development projects in this capital plan, those being Westheath Phase V at \$4,855,554 and the Southeast Industrial Subdivision at \$2,310,000. The key benefits to the City of land development are that it gives the City a tool to influence land development in the direction that best benefits the City overall and also generates profits which can be utilized to fund other capital projects. The current contribution from land development to the general reserve is \$4,705,000 over the next five years.

Capital Budget Summary

The Capital Budget process includes City Council forwarding the 2019 - 2023 Five Year Capital Budget to Budget Committee for further review. Within the Capital Budget, each project has a detailed communication and a priority based budgeting project evaluation sheet. Past practice has been to not require a separate communication to City Council once the Five Year Capital Plan is approved. Once the final budget is approved, individual departments will proceed with the 2019 approved projects. Projects will go through the normal cycle, including tendering and commencement of construction without further consideration by City Council provided they are within budget.

The exception to this general practice is land development projects as both Westheath Phase V and the Southeast Industrial Subdivision will require Council approval before construction is undertaken.

The proposed 2019 - 2023 Five Year Capital Budget has expenditure requests totalling \$197,259,336 as well as uncompleted works carry forward requests totalling \$43,303,241 for total planned capital spending over the next five years of \$240,562,577. Highlights include:

- Transportation \$46,966,330
- Parks & Recreation \$7,793,067
- Other Services \$9,409,814
- Police & Fire Services \$789,352
- DFFH \$295,219
- Storm Sewers \$4,718,489
- Waterworks Utility \$119,935,619
- Sanitary Sewer Utility \$32,314,133
- Solid Waste Utility \$11,175,000
- Land Development \$7,165,554

The current Capital Budget's funding level is \$138,098,536 over the 2019 to 2023 period coupled with \$30,000,000 of borrowing in 2018 and new borrowing of \$45,000,000, reserves and short-term self-financing will provide the cashflow for these projects to come to fruition. However, additional funding sources do need to be identified in order to provide sustainable funding in the future.

The Provincial Government's 2017-18 budget reduced revenues or increased costs about \$2,100,000 annually or approximately \$10,500,000 over five years to the Capital Budget. This lost revenue has been partially recouped with the reinstatement of the SaskEnergy Municipal Surcharge which will generate \$4,748,686. The impact of the Provincial Budget coupled with a pressing need to rehabilitate the City's infrastructure has created unprecedented funding demands.

The General Capital Reserve portion of the Capital Budget is in a deficit position over the five year period. Since expenditure requests are exceeding revenue sources in the General Capital Reserve, City Administration applied budget prioritization to the 2019 year of the budget. This resulted in a reduction in Paving of \$550,000, reduction in Traffic Control Upgrades of \$400,000, reduction in Structure Upgrades of \$650,000 and a reallocation of a Kinsmen Sportsplex upgrade of \$226,000 to 2020.

The reality is that there are more requests for expenditures than there is revenue to fund them. In 2017 and 2018, the City dipped into reserves for accumulated surplus and automated speed enforcement to balance the annual capital spending. Those reserves have been exhausted and that was no longer an alternative for 2019.

The majority of the work that has been removed will need to be done in the future. The expenditure requests for 2020 through 2023 were not amended and present a realistic reflection of the expenditure needs of the General Capital Reserve. As can be seen from the summary chart, a shortfall of \$18.7 million exists at the end of the five year period.

In order to address these future shortfalls, Council will need to look at additional revenue sources. City Administration would suggest that Council consider a special levy starting in 2020 for Paving. This levy has been done in other communities and when directed to a specific rehabilitation effort has generally been well received.

A second and more important source of additional revenues is Federal and Provincial funding. The City of Moose Jaw has not received any significant amount of Federal and Provincial funding for its Capital Budget as a whole. When one does comparisons to the major cities in Saskatchewan and cities in general, Moose Jaw has not received any significant amount of funding other than its annual gas tax funding. Going forward, a concerted effort needs to be made to lobby the Federal and Provincial Governments for Moose Jaw's share of grant funding.

The Waterworks Utility is facing extreme capital pressures with almost \$120 million of planned spending and debt repayment costs over the next five years. The only way the utility will be able to fund these capital needs is with continued rate increases, implementation of an infrastructure levy and Federal and Provincial grant funding.

Also on the horizon for the Waterworks Utility is participating in a major plant renewal project for the Buffalo Pound Water Treatment Corporation (BPWTC). This project has a current estimate of \$127 million to \$224 million dollars. Moose Jaw's share of this project would be 26%. BPWTC is hopeful that a significant portion of the costs will come from Federal and Provincial funding. It is likely the funding for this renewal will come from increased costs for water purchased from the plant which alleviates the need for direct financing by the two cities, but will still impact the City's debt limits and ultimately the City's ability to borrow further monies for infrastructure renewal funding.

On the positive side of things are the Sanitary Sewer Utility, Solid Waste Utility and the Land Development Reserve all of which are fully self-funded and are in a sustainable financial position.

Equipment Reserve Budget

The Equipment Reserve is funded by an annual contribution from Operating to the reserve such that sufficient funds are in place to purchase equipment when required. The annual contribution is based upon a detailed analysis of equipment needs, replacement values and expected life. The annual contribution then earns interest and is also credited to this account. The attached budget request represents the spending plan for the replacement of this equipment.

**2019 - 2023 Equipment Reserve Budget
SUMMARY**

| DESCRIPTION | 2019 | 2020 | 2021 | 2022 | 2023 | TOTAL |
|--------------------------------------|---------------------|---------------------|---------------------|-------------------|---------------------|---------------------|
| PARKS & RECREATION | 536,299 | 234,304 | 271,464 | 92,375 | 216,714 | 1,351,156 |
| FINANCE | 23,224 | 39,540 | 183,840 | 24,070 | 5,224 | 275,898 |
| INFORMATION TECHNOLOGY | 273,008 | 1,338,488 | 183,252 | 140,335 | 76,486 | 2,011,569 |
| FIRE SERVICE | 769,051 | 51,442 | 432,830 | 136,437 | 271,779 | 1,661,539 |
| CITY MANAGER, MAYOR | 2,000 | 27,304 | 4,000 | 29,354 | 2,000 | 64,658 |
| CITY CLERK/SOLICITOR | 33,918 | 24,931 | 2,046 | 7,309 | 1,000 | 69,204 |
| HUMAN RESOURCES | 6,917 | 13,655 | 4,881 | 1,676 | 3,070 | 30,199 |
| PLANNING & DEVELOPMENT | 25,095 | 55,740 | 1,531 | 1,000 | 39,000 | 122,366 |
| LIBRARY | 33,823 | 227,296 | 161,662 | 47,665 | 234,027 | 704,473 |
| ART MUSEUM | 35,597 | 17,864 | 13,098 | 21,007 | 22,570 | 110,136 |
| CULTURAL CENTRE | 55,668 | 166,302 | 29,856 | 30,357 | 10,661 | 292,844 |
| MOSAIC PLACE & YARA CENTRE | 371,596 | 60,363 | 86,105 | 42,899 | 145,810 | 706,773 |
| FUNDING REQUIRED | \$ 2,166,196 | \$ 2,257,229 | \$ 1,374,565 | \$ 574,484 | \$ 1,028,341 | \$ 7,400,815 |
| FUNDING SOURCES: | | | | | | |
| AVAILABLE FROM DEPRECIATION | 1,987,295 | 2,257,229 | 1,374,565 | 574,484 | 1,028,341 | 7,221,914 |
| AVAILABLE FROM CONTROL ACCOUNT | 178,901 | - | - | - | - | 178,901 |
| | \$ 2,166,196 | \$ 2,257,229 | \$ 1,374,565 | \$ 574,484 | \$ 1,028,341 | \$ 7,400,815 |
| 5YR BUDGET IMPLICATIONS | \$ (47,753) | \$ (114,099) | \$ (24,435) | \$ (3,029) | \$ (11,115) | \$ (200,430) |
| BUDGET IMPLICATIONS ALL YEARS | | | | | | \$ (260,288) |

The ability of the Equipment Reserve to earn and accumulate interest significantly reduces the overall contribution for equipment replacement. If interest was not earned on these monies, it would be necessary to collect these monies from additional depreciation contributions. On top of this, many communities do not have any type of reserve system so when it comes time to replace equipment, it is necessary to borrow to be able to finance the replacement of an equipment item.

The summary shows that the budget implications for all years are decreased costs of \$260,288 which represents the budget impact that all of the revised equipment depreciation rates and operating rates will cause for 2019 and subsequent years. These costs are spread over the Operating, Utility and Capital Budgets. The decreased costs are reflective of a number of factors. The first is in the Information Technology area, where the City is seeing a shift from outright software purchases to an annual use based fee for software. As a result, costs are shifting from an equipment contribution to an annual software fee.

The second area that noticed a reduction was the Fire Service as they were able to reduce the annual contribution on a number of pieces of equipment. These had been increased in previous years to provide funding and now that replacements are occurring, this higher level of funding is no longer required. The last thing that contributed to a lower contribution rate in 2019 was that there was no 2018 equipment budget. The 2018 budget was skipped as previous budgets had become later and later each year which provided for the opportunity to skip a year. As such, many areas only decreased their equipment life one year which provided for some catchup in overall funding requirements.

OPTIONS TO RECOMMENDATION

Other direction as Council deems appropriate.

PUBLIC AND/OR STAKEHOLDER INVOLVEMENT

A community survey was undertaken by the City's communication area and presented to Council earlier. This provided input from the community on what citizens would like to see as budget outcomes. Also, an information brochure on the budget was circulated in utility bills to provide citizens with background on the upcoming budget.

COMMUNICATION PLAN

All Budget Committee meetings will be held in Council Chambers and are open to the general public. Third party groups requesting increases in funding will also come before Budget Committee to make presentations to Council.

A number of items have been referred, tabled or will be presented at budget discussions. These items include:

- 1) Police Service Budget
- 2) Public Library Budget
- 3) Information Technology Request for Service System
- 4) Recreation Facilities and Sportsground Fees.
- 5) Snow and Winter Maintenance Policy.

STRATEGIC PLAN

The Strategic Plan should form the foundation of any budget deliberations. The City is in the process of reformulating its Strategic Plan so that in future years, budget can provide for the implementation of the strategic initiatives derived from the new Strategic Plan.

PRESENTATION

VERBAL: AUDIO/VISUAL:X NONE:

ATTACHMENTS

1. City of Moose Jaw 2019 Preliminary Operating Budget.
2. City of Moose Jaw 2019 to 2023 Preliminary Capital Budget.
3. City of Moose Jaw 2019 to 2023 Equipment Reserve Budget.

Respectfully Submitted By,

Jim Puffalt
Jim Puffalt, City Manager

BA/sp

Brian Acker
Brian Acker, B. Comm., CPA, CMA
Director of Financial Services

APPROVAL OF REPORT RECEIVED

COMMENTS RECEIVED

Fraser Tolmie
Fraser Tolmie, Mayor

To be completed by the Clerk's Department only.

Presented to Regular Council or Executive Committee on _____.

No. _____ Resolution No. _____

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