



Finance & Administration Committee

**Tuesday, September 4, 2018
4:00 PM**

Henry Baker Hall, Main Floor, City Hall



OFFICE OF THE CITY CLERK

Public Agenda Finance & Administration Committee Tuesday, September 4, 2018

APPROVAL OF PUBLIC AGENDA

ADOPTION OF MINUTES

Minutes from the meeting held on June 13, 2018

ADMINISTRATION REPORTS

FA18-13 Heritage Building Rehabilitation Program (18-HBRP-04) 3038 - 3060 18th Avenue – Henderson Terrace

Recommendation

1. That a tax exemption for the property located at 3038 - 3060 18th Avenue, being Units 1-8, inclusive, in Condo Plan 78R58518, be approved in an amount equal to the lesser of:
 - a) Fifty per cent of eligible costs for the work completed as described in the Conservation Plan in Appendix B; or
 - b) An amount equal to the total property taxes payable on the subject property for 10 years.
2. That the provision of the property tax exemption be subject to the following conditions:
 - a) Eligibility for the property tax exemption includes the requirement that the property possesses and retains its formal designation as a Municipal Heritage Property in accordance with *The Heritage Property Act*.
 - b) The property owner shall submit detailed written documentation of payments made for the actual costs incurred (i.e. itemized invoices and receipts) in the completion of the identified conservation work as described in Appendix B. In the event the actual costs exceed corresponding estimates by more than 10 per cent the property owner shall provide full particulars as to the reason(s) for any cost overrun or portion thereof, if considered not to be reasonably or necessarily incurred for eligible work.



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- c) The work that is completed and invoices submitted by September 30th each year would be eligible for an exemption the following year for up to 50 per cent of the cost of approved work.
3. That the Executive Director of City Planning & Development or designate be authorized under the tax exemption agreement to make all determinations regarding reimbursements of the costs incurred for work done to the property based on the City's Heritage Building Rehabilitation Program and the Conservation Plan for the property (Appendix B to this report).
4. That the Executive Director of City Planning and Development or designate be authorized to apply to the Government of Saskatchewan on behalf of the property owner for any exemption of the education portion of the property taxes that is \$25,000 or greater in any year during the term of exemption.
5. That this report be forwarded to the September 24, 2018, meeting of City Council for approval.

FA18-14 Authorization to Extend the Toronto-Dominion Bank Business Banking and Auxiliary Services Agreement

Recommendation

1. That the Executive Director, Financial and Corporate Services be authorized to negotiate and approve a one-year extension to:
 - i. the existing five-year Business Banking and Auxiliary Services Agreement with The Toronto-Dominion Bank for business banking; and
 - ii. such additional auxiliary banking services agreements, that relate to the Business Banking and Auxiliary Services Agreement, and which are identified in the report below; as prepared by the City Solicitor;
2. That the City Clerk be authorized to execute the contract; and
3. That this report be forwarded to the September 24, 2018 City Council meeting for approval.



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FA18-15 2019 Alley Maintenance Program and Special Tax Levy Funding Options

Recommendation

1. That the City Solicitor be instructed to prepare the 2019 *Alley Maintenance Special Tax Bylaw* (Bylaw), which includes the following levies, proposed revenues and estimated costs.

Paved Alleys:

Levy	\$3.98 per assessable foot
Proposed Revenue	\$3,334,679
Estimated Cost	\$3,334,679

Gravel Alleys:

Levy	\$2.80 per assessable foot
Proposed Revenue	\$1,725,500
Estimated Cost	\$1,725,500

2. That this report be forwarded to the September 24, 2018 meeting of City Council for approval.

FA18-16 Regina Civic Employees' Long Term Disability Plan 2017 Annual Report

Recommendation

That this report be forwarded to the September 24, 2018, meeting of City Council for information.

FA18-17 Casual Employees' Superannuation and Elected Officials' Money Purchase Pension Plan 2017 Annual Report

Recommendation

That this report be forwarded to the September 24, 2018, meeting of City Council for information.

FA18-18 Employee Group Benefits – Request for Proposal

Recommendation

1. That the Executive Director, Financial & Corporate Services be delegated the authority to issue a Request for Proposal for a benefits carrier(s) to administer the City of Regina's comprehensive employee benefits package for a term of up to ten years.



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2. That the Employee Benefits Committee be delegated authority to review the existing employee benefits package and make amendments to employee benefits, subject to the collective bargaining and budget processes.
3. That the Executive Director, Financial & Corporate Services be delegated authority to negotiate, award and enter into and amend contracts with the highest ranked proponent from the public procurement process for a period of up to ten years with an employee group benefits provider.
4. That the City Clerk be authorized to execute the necessary agreements after review and approval by the City Solicitor.
5. That this report be forwarded to the September 24, 2018 meeting of City Council for approval.

FA18-19 Annual Debt Report

Recommendation

That this report be forwarded to the September 24, 2018 City Council meeting for information.

FA18-20 2018 Mid-Year Financial Report

Recommendation

That the 2018 Mid-Year Financial Report be forwarded to the September 24, 2018 meeting of City Council for information.

ADJOURNMENT

AT REGINA, SASKATCHEWAN, WEDNESDAY, JUNE 13, 2018

AT A MEETING OF FINANCE & ADMINISTRATION COMMITTEE
HELD IN PUBLIC SESSION

AT 4:00 PM

Present: Councillor Bob Hawkins, in the Chair
Councillor Sharron Bryce (Teleconference)
Councillor Jason Mancinelli
Councillor Barbara Young

Also in Attendance: Council Officer, Ashley Thompson
Legal Counsel, Jana-Marie Odling
Executive Director, Financial & Corporate Services, Barry Lacey
Director, Communications & Customer Experience, Alan Clay
Director, Land & Real Estate Management, Rob Court
Manager, Real Estate, Keith Krawczyk
Real Estate Officer, Sherri Hegyi

APPROVAL OF PUBLIC AGENDA

Councillor Jason Mancinelli moved, AND IT WAS RESOLVED, that the agenda for this meeting be approved, as submitted.

ADOPTION OF MINUTES

Councillor Barbara Young moved, AND IT WAS RESOLVED, that the minutes for the meeting held on June 5, 2018 be adopted, as circulated.

ADMINISTRATION REPORTS

FA18-12 Supplemental Report FA18-8, FA18-9, FA18-10, FA18-11- Lease of City
Property to Rogers Communications Inc.

Recommendation

That this report be received and filed.

Councillor Sharron Bryce moved, AND IT WAS RESOLVED, that this report be received and filed.

TABLED REPORTS

Allison Kaiser, representing Rogers Communications Inc., addressed the Committee.

Reports FA18-8, FA18-9, FA18-10 and FA18-11 were considered concurrently at the call of the Chair.

FA18-8 Lease of City Property at 1601 North Pasqua Street to Rogers Communications Inc.

Recommendation

1. That the lease of the City of Regina (City) owned property located at 1601 North Pasqua Street (Appendix A) to Rogers Communications Inc. be approved.
2. That the Administration be authorized to finalize any other commercially relevant terms and conditions of the lease documents.
3. That the City Clerk be authorized to execute the Telecommunications Site Agreement documents upon review and approval by the City Solicitor.
4. That this report be forwarded to the June 25, 2018 meeting of City Council for approval after public notice has been advertised.

Councillor Jason Mancinelli moved, AND IT WAS RESOLVED, that the recommendations contained in the report be concurred in.

FA18-9 Lease of City Property at 2950 Harding Street to Rogers Communications Inc.

Recommendation

1. That the lease of the City of Regina (City) owned property located at 2950 Harding Street (Appendix A) to Rogers Communications Inc. be approved.
2. That the Administration be authorized to finalize any other commercially relevant terms and conditions of the lease documents.
3. That the City Clerk be authorized to execute the Telecommunications Site Agreement documents upon review and approval by the City Solicitor.
4. That this report be forwarded to the June 25, 2018 meeting of City Council for approval after public notice has been advertised.

Councillor Jason Mancinelli moved, AND IT WAS RESOLVED, that the recommendations contained in the report be concurred in.

FA18-10 Lease of City Property at 3310 Lakeview Avenue to Rogers Communications Inc.

Recommendation

1. That the lease of the City of Regina (City) owned property located at 3310 Lakeview Avenue (Appendix A) to Rogers Communications Inc. be approved.
2. That the Administration be authorized to finalize any other commercially relevant terms and conditions of the lease documents.
3. That the City Clerk be authorized to execute the Telecommunications Site Agreement documents upon review and approval by the City Solicitor.
4. That this report be forwarded to the June 25, 2018 meeting of City Council for approval after public notice has been advertised.

Councillor Barbara Young moved, AND IT WAS RESOLVED, that the recommendations contained in the report be concurred in.

FA18-11 Lease of City Property at 4335 4th Avenue to Rogers Communications Inc.

Recommendation

1. That the lease of the City of Regina (City) owned property located at 4335 4th Avenue (Appendix A) to Rogers Communications Inc. be approved.
2. That the Administration be authorized to finalize any other commercially relevant terms and conditions of the lease documents.
3. That the City Clerk be authorized to execute the Telecommunications Site Agreement documents upon review and approval by the City Solicitor.
4. That this report be forwarded to the June 25, 2018 meeting of City Council for approval after public notice has been advertised.

Councillor Sharron Bryce moved, AND IT WAS RESOLVED, that the recommendations contained in the report be concurred in.

ADJOURNMENT

Councillor Sharron Bryce moved, AND IT WAS RESOLVED, that the meeting adjourn.

The meeting adjourned at 4:15 p.m.

Chairperson

Secretary

September 4, 2018

To: Members
Finance & Administration Committee

Re: Heritage Building Rehabilitation Program (18-HBRP-04) 3038 - 3060 18th Avenue –
Henderson Terrace

RECOMMENDATION

1. That a tax exemption for the property located at 3038 - 3060 18th Avenue, being Units 1-8, inclusive, in Condo Plan 78R58518, be approved in an amount equal to the lesser of:
 - a) Fifty per cent of eligible costs for the work completed as described in the Conservation Plan in Appendix B; or
 - b) An amount equal to the total property taxes payable on the subject property for 10 years.
2. That the provision of the property tax exemption be subject to the following conditions:
 - a) Eligibility for the property tax exemption includes the requirement that the property possesses and retains its formal designation as a Municipal Heritage Property in accordance with *The Heritage Property Act*.
 - b) The property owner shall submit detailed written documentation of payments made for the actual costs incurred (i.e. itemized invoices and receipts) in the completion of the identified conservation work as described in Appendix B. In the event the actual costs exceed corresponding estimates by more than 10 per cent the property owner shall provide full particulars as to the reason(s) for any cost overrun or portion thereof, if considered not to be reasonably or necessarily incurred for eligible work.
 - c) The work that is completed and invoices submitted by September 30th each year would be eligible for an exemption the following year for up to 50 per cent of the cost of approved work.
3. That the Executive Director of City Planning & Development or designate be authorized under the tax exemption agreement to make all determinations regarding reimbursements of the costs incurred for work done to the property based on the City's Heritage Building Rehabilitation Program and the Conservation Plan for the property (Appendix B to this report).
4. That the Executive Director of City Planning and Development or designate be authorized to apply to the Government of Saskatchewan on behalf of the property owner for any exemption of the education portion of the property taxes that is \$25,000 or greater in any year during the term of exemption.
5. That this report be forwarded to the September 24, 2018, meeting of City Council for approval.

CONCLUSION

The applicant, 1080 Architecture, Planning + Interiors, on behalf of the unit owners of Leopold Homes Condominium Corporation has requested a property tax exemption under the Heritage Building Rehabilitation Program to assist in recovering costs associated with conserving the building.

The proposed conservation work will ensure the continued existence of this historic place. The tax exemption provided for in the Heritage Incentive Policy has made it feasible for the property owner to conserve this heritage building.

Administration has determined that the conservation work proposed is eligible for assistance under the Heritage Building Rehabilitation Program. A property tax agreement between the property owners and the City will be prepared to secure the City's interests in ensuring the building is properly conserved and maintained.

BACKGROUND

On September 26, 1983, City Council approved Bylaw No. 7625 designating the property at 3038-3060 18th Avenue as a Municipal Heritage Property.

The Heritage Incentive Policy was approved by City Council on August 24, 2014, (CR14-100). It replaced the Municipal Incentive Policy for the Preservation of Heritage Properties, which was initially adopted in 1991 and amended in 2001. Under the Heritage Incentive Policy the designated properties eligible for assistance include Municipal Heritage Properties, Provincial Heritage Properties and properties within the Victoria Park Heritage Conservation District.

The types of work that may be eligible for assistance are:

- a) Professional architectural or engineering services.
- b) Façade improvements including conservation of original building elements, cleaning of surfaces and removal of unsympathetic materials.
- c) Structural stabilization.
- d) Improvements required to meet the National Building Code of Canada or City of Regina bylaw requirements, including the repair or upgrading of mechanical and electrical systems.
- e) Improvements to energy efficiency (i.e. windows, insulation).
- f) Conservation of significant or rare character-defining interiors or interior elements.

Financial assistance can be provided equivalent to the lesser of:

- a) Fifty per cent of eligible work costs, that is, expenses incurred to restore or preserve architecturally significant elements of the building or structure, to extend its effective life, and/or to ensure its structural integrity; or
- b) The total property taxes that would otherwise be payable in the 10 years immediately following the approval of the tax exemption by City Council.

Cosmetic improvements, regular maintenance and new additions are not eligible for assistance. The amount of the property tax exemption, including calculation of any percentage or portion, is determined by the City Assessor. The amount will only apply to the portion of the property containing the building structure or landscape with heritage value pursuant to Section 11(1) of *The Heritage Property Act*.

In general, property tax exemptions are initiated in the fiscal year following City Council's approval and are based on the actual value of the completed approved work items. It is noted that no abatement of outstanding or current taxes are eligible for the tax exemption.

DISCUSSION

Henderson Terrace was constructed in 1913 by Charles Gardiner Henderson, a contractor and partner in the firm of R & C.G. Henderson Real Estate. The design of Henderson Terrace was inspired by contemporary English Garden suburb developments, which featured tall, narrow houses connected together in a row with long narrow backyards. These kinds of developments were prominent in England during speculative building booms where developers would try to put as many houses as possible onto one street or plot of land. Henderson Terrace was a part of the building boom in Regina pre-World War I and is located in the Crescents neighbourhood of Regina, which was a part of Thomas Mawson's original City Beautiful Plan.

Henderson Terrace is of heritage value as it is a landmark within the historic Cathedral Leopold Crescent neighbourhood and the design of the row housing is unique to Regina. The row house development is divided into eight units and features a two-storey red brick building with gambrel roof. For more information about the heritage value, refer to the Bylaw No. 7625 in Appendix C.

Conservation Work

The applicant, 1080 Architecture, Planning + Interiors, on behalf of the unit owners of Leopold Homes Condominium Corporation, has submitted a request for approval to undertake certain alterations to Henderson Terrace, as described in the Conservation Plan attached as Appendix B. Conservation work, which would be eligible for assistance would include the following elements:

- Repair of exterior brick face and stucco and masonry repointing.
- Repair of stucco sills.
- Replace and/or repair windows.
- Wood shake replacement on dormer walls.
- Repair and/or replacement of south porches.
- Reinstating original landscaping.

Administration has determined that all of the above proposed work is eligible for assistance under the policy as this work is required to conserve the character-defining elements of the building's exterior.

As a designated Municipal Heritage Property, Administration's role in the evaluation of changes to the building is through issuance of a Heritage Alteration Permit. Administration will ensure

that the work that is being incentivized is being done in accordance with the Conservation Plan, which will be attached to the incentive agreement.

Tax Exemption

According to the Heritage Incentive Policy, the application must include financial evidence indicating why the tax exemption is required. The Conservation Plan in Appendix B details the work to be done and provides approximate costs associated with the required conservation work.

The Program provides a tax exemption equal to 50 per cent of the eligible costs for the work described in the Conservation Plan, Appendix B, or an amount equal to 10 years of property taxes, whichever is the lesser. The actual value of the tax exemption will be based on the invoices submitted for the work done.

Based on the cost estimates and financial assistance criteria in the Heritage Building Rehabilitation Program, Administration has determined the owner is eligible for an exemption of fifty per cent of the estimated cost of work.

RECOMMENDATION IMPLICATIONS

Financial Implications

Section 262(4) of *The Cities Act* limits the term of a tax exemption agreement to not more than five years. However, Section 28(a) of *The Heritage Property Act* enables City Council to provide tax relief to any person, organization, agency, association or institution with respect to heritage property notwithstanding any provisions of *The Cities Act*. The Heritage Incentive Policy approved by City Council in August 2014, established a tax exemption for a maximum of 10 years.

The value of the work to be done will qualify for a tax exemption equal to 50 per cent of the value of the approved work. Administration estimates that 10 years of property tax exemption based on a three per cent increase year over year would be approximately \$253,265.88. The estimated cost of the work as stated in the Conservation Plan is \$418,990.00. Fifty per cent of the estimated cost of the work would be \$209,995.00. This adheres to the Heritage Building Rehabilitation Program approved by City Council on August 24, 2014.

The annual property exemption based on estimated 2018 figures is estimated to be \$21,449.04 which is distributed as follows:

- Municipal portion: \$12,811.32
- Education portion: \$7,451.01
- Library portion: \$1,186.71

The final value of the tax exemption provided by the City will be based on receipt submissions for actual work completed and actual property taxes.

Environmental Implications

The conservation work proposed will ensure the building continues to be used and maintained. The work will protect the character defining elements of the building and improve the structural integrity of the building.

Policy and/or Strategic Implications

Conservation of Henderson Terrace meets the following policies outline in Part A of *Design Regina: The Official Community Plan Bylaw No. 2013-48*:

Section D5: Land Use and Built Environment

Goal 6 - Built Form and Urban Design

Build a beautiful Regina through quality design of its neighbourhoods, public spaces and buildings.

- 7.38 Consider impacts of alterations, development, and/or public realm improvements on or adjacent to an historic place to ensure its heritage value is conserved.

Section D8: Culture

Goal 1 – Support Cultural Development and Cultural Heritage

Enhance quality of life and strengthen community identity and cohesion through supporting cultural development and cultural heritage.

- 10.1 Build partnerships and work collaboratively with community groups, other levels of government, and the private and voluntary sectors to encourage cultural development opportunities and conserve historic places.
- 10.4 Protect, conserve and maintain historic places in accordance with the *Standards and Guidelines for the Conservation of Historic Places in Canada* and any other guidelines adopted by City Council.
- 10.5 Encourage owners to protect historic places through good stewardship and voluntarily designating their property for listing on the Heritage Property Register.
- 10.11 Leverage and expand funding, financial incentive programs and other means of support to advance cultural development, cultural resources and conservation of historic places.

The proposal is also consistent with the vision and objectives *Regina's Cultural Plan* respecting:

Goal 7.3 – Commemorate and Celebrate the City’s Cultural Heritage

Objectives:

- Demonstrate Leadership through the Management of the Heritage Conservation Program.
- Conserve Cultural Heritage Resources.

Other Implications

None with respect to this report.

Accessibility Implications

None with respect to this report.

COMMUNICATIONS

Heritage Regina and the Architectural Heritage Society of Saskatchewan will receive a copy of this report for information.

The Library Board will be provided with a copy of this report and will be advised of City Council’s decision.

DELEGATED AUTHORITY

Applications for assistance under the Heritage Building Rehabilitation Program must be approved by City Council.

Respectfully submitted,

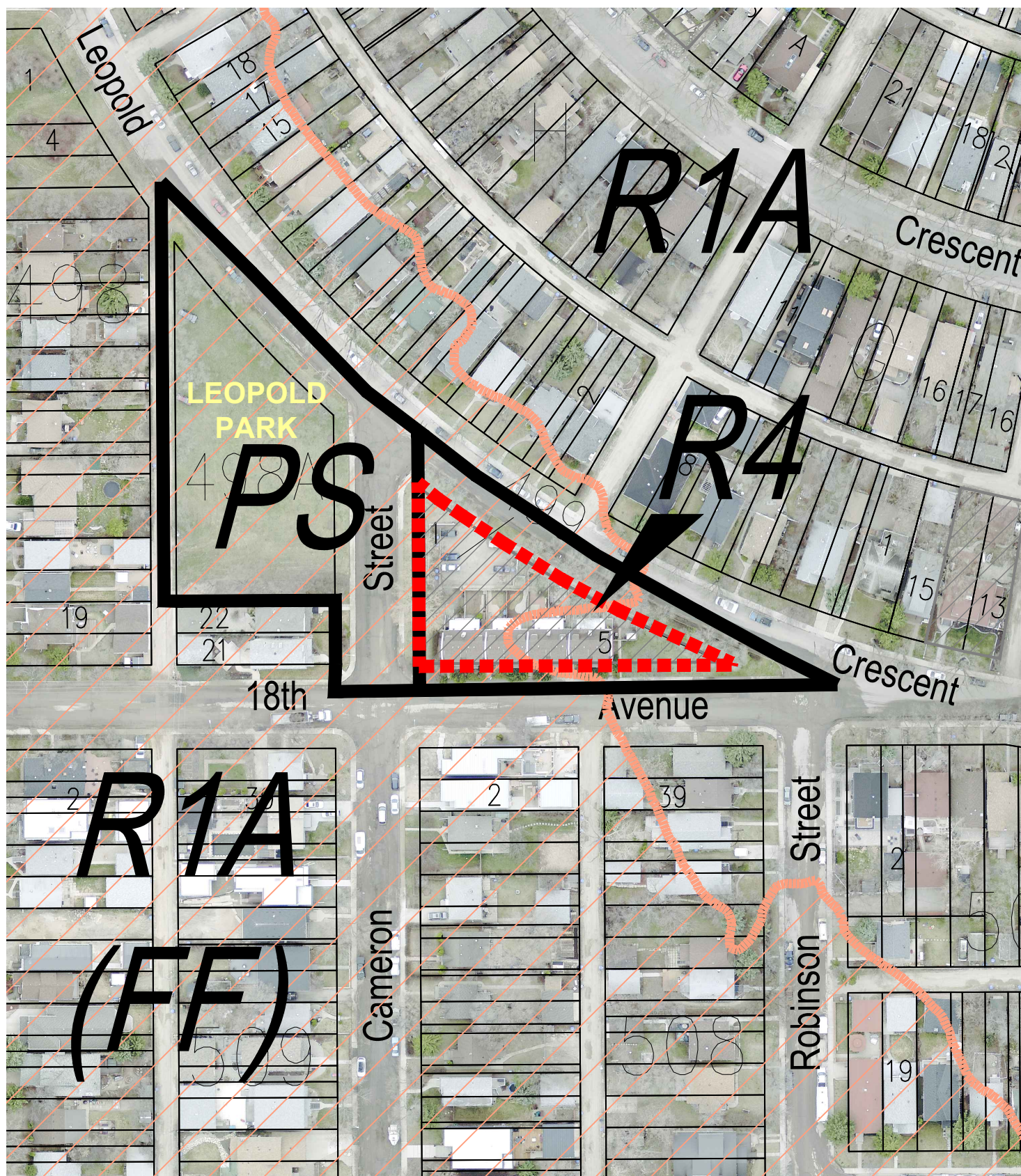


Fred Searle, A/Director
Development Services

Respectfully submitted,



Louise Folk, A/Executive Director
City Planning & Development



Date of Photography : 2016



Subject Property



Heritage



Project 18-HBRP-04

Civic Address/Subdivision

3052 18th Avenue
Condo Plan 78R58518 Ext 4



Subject Property



Heritage

Date of Photography: 2016



Project 18-HBRP-04

Civic Address/Subdivision

3052 18th Avenue
Condo Plan 78R58518 Ext 4



Heritage Conservation Plan for Henderson Terrace, 3038-3060 18th Avenue, Regina, SK.

Prepared for: The City of Regina
Prepared by: Jessica Gibson, Designer
August 01, 2018
Project Number: 1828





1080
Architecture
Planning +
Interiors

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1.0 UNDERSTANDING THE HISTORIC PLACE

Henderson Terrace is a Municipal Heritage Designated property in Regina, Saskatchewan. The building is a row house divided into eight units located in The Crescents Area, and features a two and a half storey red brick building with gambrel roof.

1.1 General Characteristics of Henderson Terrace

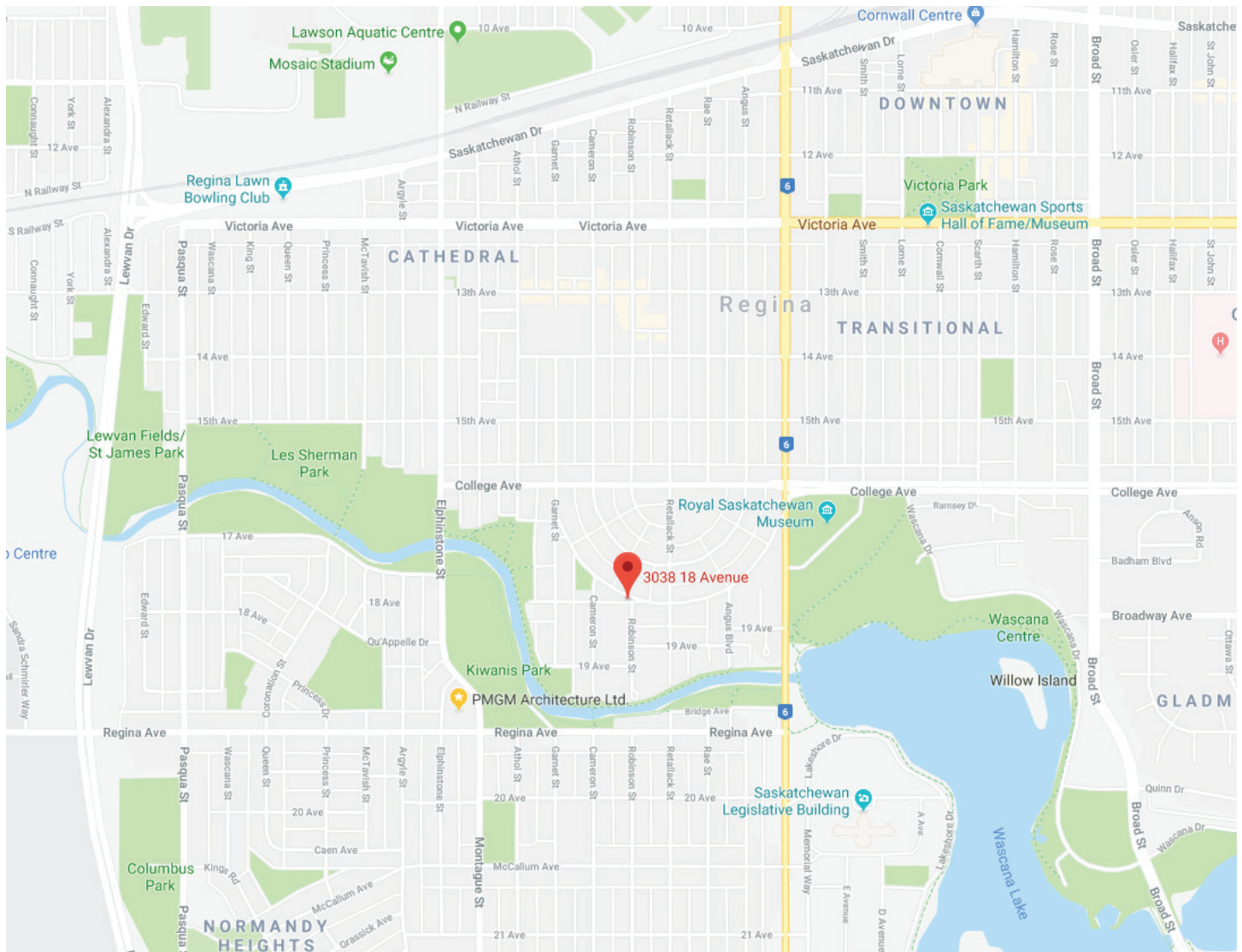
1.1.1 Site Boundaries

Leopold Crescent to the North, 18th Avenue to the South and Cameron Street to the West. Henderson Terrace is located in the Crescents area of Regina, West of the Wascana Centre and South of the Cathedral Area.

1.1.2 Legal Description

Legal Address: 3038 - 3060 18th Avenue, Regina, Saskatchewan, S4T 1W6

Legal Description: Plan: 78R58518 Unit 1 - Unit 8



1.2 Site History

- 1913: Construction of Henderson Terrace Row Houses. Owner of the building is Charles Gardiner Henderson.
- 1916: Sask Mortgage and Trust Corporation Limited is the owner of the building at this time, units are rented to tenants.
- 1923: John A. Mooney, founder of the Mooney Seed Company, purchases all eight units of Henderson Terrace. Units are subsequently rented to tenants.
- 1927: James A. Stein, farmer in Yellow Grass, purchases all eight units of Henderson Terrace. Units are subsequently rented to tenants, a number of the tenants during this period were employees of the Sask Wheat Pool.
- 1932: Raymond Oscar Berwick, farmer in Regina, purchases all eight units of Henderson Terrace. Units are subsequently rented to tenants, a number of tenants during this time period were enrolled in active service in the military during World War 2.
- 1945: George Pisch, Baker in Regina, purchases all eight units of Henderson Terrace. Units are subsequently rented to tenants.
- 1947: Theodore Diminyatz purchases all eight units of Henderson Terrace. Units are subsequently rented to tenants.
- 1963: James Bundige, Manager of Kenridge Men's Wear, purchases all eight units of Henderson Terrace. Units are subsequently rented to tenants. A number of tenants during this time were professors or students of the University of Saskatchewan, Regina campus.
- 1979: Henderson Terrace becomes condominium units. Each of the eight units have been privately owned by various owners from 1979 to the present day.

2.0 EVALUATE SIGNIFICANCE

2.1 Heritage Values

Henderson Terrace was inspired by contemporary English Garden suburb developments, which featured tall, narrow houses connected together in a row with long narrow backyards. These kind of developments were prominent in England during speculative building booms where developers would try to put as many houses as possible onto one street or plot of land.

Built in 1913 Henderson Terrace was a part of the building boom in Regina pre-World War 1, and was developed by Charles G. Henderson. Henderson was a contractor and partner of R & C.G. Henderson Real Estate, which was responsible for a number of residential developments in Regina. Henderson Terrace is located in the Crescents neighbourhood of Regina, which was a part of Thomas Mawson's original City Beautiful plan.

2.2 Character Defining Elements.

The heritage value of Henderson Terrace resides in the following character defining elements:

- Those elements which reflect the Georgian Row House style of architecture, including the gambrel roof, simple austere exterior with symmetrical facade elements, such as the large windows in a regular pattern.
- The division of the row house into 8 units, each with symmetrical plans that mirror each other.
- Building typology during pre-WW1 building boom in Regina.
- Part of Thomas Mawson's original City Beautiful Plan, and the location within the Crescents neighbourhood.
- The red brick exterior.
- The exterior entrances marked by a shared open porch.
- The Sandstone nameplate with "Henderson Terrace 1913".

3.0 ASSESS POTENTIAL IMPACTS

3.1 Current Building Conditions

3.1.1 Exterior Face Brick and Exterior Stucco

The exterior face brick of the east, west and south facades are a part of the original Georgian facade, thus they are an important character defining element of Henderson Terrace. The north facade was also faced in brick, though of a lesser grade and of a lighter red colour. Stucco was applied to the north facade, the age of the stucco is unknown.

The existing brick on the east, west and south facades are in generally good to excellent condition with limited spalling, cracking or overall degradation. The few spalled bricks that exist have been face patched with mortar. Some small areas of brick have been painted a red colour that is close to the existing brick. There are signs of differential movement and cracking throughout all four facades, though the south-east corner shows the most movement. The brick on the south-west corner above the basement window was removed, repaired and replaced at some point in the past. This repair was done poorly and incorrectly, brick appears to be missing, the mortar joints are large and the overall visual is inconsistent.



Spalled Brick



Missing and Degraded Mortar

The south face of brick is experiencing some pushed face brick, primarily at window headers and at areas where the porch roof ties into the face brick. The majority of mortar joints have been re-pointed or repaired throughout the years with a variety of mortars. The re-pointed mortar was done poorly with mortar overlapping the top and bottom of the brick. On the west and south-west facades the mortar shows extensive degradation with multiple areas having mortar missing. The mortar was sandy to the touch, and was rubbed away easily.

The north stucco has numerous cracks due to differential movement and settling of the building over the years. Multiple patches have been applied to the stucco, and do not match the colour or texture of the existing.



Stucco Cracking and Patching North Facade



North Facade Brick



Mortar Patching and Pushed Face Brick South Facade



Incorrect Brick Repair South Facade



Pushed Face Brick



Repointing with Different Mortar Types



Repointing with Different Mortar Types and Missing Joints



Mortar Sandy to the Touch

3.1.2 Sandstone Detailing

The initial heritage description of Henderson Terrace identified the window sills as being constructed of sandstone. As the years have progressed the sills have been identified as being brick with a concrete stucco overtop. This identification has occurred due to the degradation of the concrete stucco, which has cracked, chipped and spalled revealing the brick below. The brick sills are constructed of the same lighter coloured brick as the north facade and the basement. The existing sills are generally in moderate to poor condition, with the concrete stucco being cracked and in some places missing. The brick of the sills are in good condition and don't require extensive repair.

The sandstone nameplate on the south facade of the building is in good condition with limited visual wear. A previous inscription of 'Wascana' is visible to the eye under the name 'Henderson'. This does not affect the heritage value or state of the sandstone nameplate.



Sandstone Nameplate



Missing Stucco on Sills

3.1.3 Ground Floor Windows

The ground floor windows are of an undetermined age with aluminum casing and are a single solid pane of glass. It is unlikely that these windows are original, and would have been double hung windows with the upper window being composed of multiple panes of glass and muntins. At this time the existing ground floor windows are generally in good condition, and all windows are of a similar style and finish.



3.1.4 Second Floor Windows

The second floor Windows are of varying ages and styles, with approximately 4 of the second floor windows being original. Vinyl storm windows have been installed on most of the second floor windows, including the four original. The original windows appear to be in good condition and operability, and consist of double hung windows with the lower window being a single pane of glass, and the upper window consisting of six panes with intermediary muntins.

The original windows have been painted numerous times and are currently white. The new windows are predominantly white vinyl windows, some of which have decorative grilles to re-interpret the original 6 paned upper window. While the new windows are in general good condition they do not match the heritage intent.



New Second Floor Windows



Original Second Floor Window with New Storm Window

3.1.5 Third Floor Windows and Dormers

The third floor Windows are of varying ages and styles, with approximately 4 of the third floor windows being original. Vinyl storm windows have been installed on some of the third floor windows, including the four original. The original windows appear to be in good condition and operability, and consist of double hung windows with the lower window being a single pane of glass, and the upper window consisting of six panes with intermediary muntins.

The original windows have been painted numerous times and are currently white. The new windows are predominantly white vinyl windows, some of which have decorative grilles to re-interpret the original 6 paned upper window. While the new windows are in general good condition they do not match the heritage intent

The dormer walls are clad in wooden shakes, most of which are in good condition with some water staining on the south facade dormers, and sun bleaching on the north facade dormers. The shakes were installed in 1989, and appear to be a standard cedar shake varying 5-10" in width, and approximately 18" long. Full documentation of the shakes width, depth and height shall be conducted prior to removal and replacement.

3.1.6 Gambrel Roof

The existing gambrel roof is in good condition with new asphalt shingles, and newer metal caps and flashing on the firewall penetrations. The asphalt shingles, caps and flashing were replaced in 2013. The existing shingles are dimensional shingles in a medium brown colour, and extends from the gambrel roof onto the shed roof dormers. The estimated lifespan of the existing roof is 15 years. The fascia, soffit and eaves were repalced in 1989, and are in need of replacement in the next 5-10 years.

The existing brick chimneys were rebuilt in 2017. The new brick is similar in colour and type to the original brick, and largely indistinguishable from the original. The new chimneys will not require significant repair or replacement in the next 20 - 50 years.



3.1.7 Shared, Open Porches

The earliest documentation of the existing porches are from the 1970's, and were likely constructed around that time. Unfortunately no images prior to 1970 of the south facade of Henderson Terrace were available at the time of this report.

The existing shared, open porches are in generally poor condition and are pulling away from the face of the building, 1-2" of gapping was present at the time of inspection. The existing wood of the porch and railings are weathered with multiple layers of paint. Instability and rotting of the wood is present. The metal siding on the base of the porches is in general disrepair, and does not match the heritage intent of the building. The front doors are of varying ages, styles and materials.

The porch roofs are in poor condition with multiple roofing, and flashing patches being done over the years. The existing shingles are in moderate condition, though the age of shingle is unknown. Based on a combination of archival photographic material of similar row houses in Regina, as well as on site investigation the porch roofs do not appear to have been original to 1913, and were potentially introduced in the 1970's. The original porches likely had no roof element, and the existing anchorage for the porch roofs is placing considerable pressure on the face brick of the south facade. The porch roofs appear to be contributing to the displacement of the face brick on the South facade, as the anchors and weight are pulling the face brick away from the structure.



Existing Shared Open Porches



Separation of Porch Roof From Facade



Support for Porch Roof



Stair Replacement



Separation of Porch From Facade



Existing Porch Support

3.1.8 Landscaping

The existing landscaping of the south yards are varied in appearance with each unit creating it's own 'garden'. Much of the landscaping appears overgrown, with Mugo Pines and cedar shrubs being the dominant plants. Current landscaping was done in 1987. Earlier photographic documentation from the 1970's show a very simple landscape on the south facade, consisting primarily of lawn, with a few trees out front. Engineering reports from the 1990's recommended the removal of the trees on the east and west of the property due to the potential for structural damage of the basement masonry from tree roots. Trees to the south of the building were removed prior to 1988.

The existing landscaping of the north yards are generally very simple and consistent throughout the yards. Most yards have small masonry seating areas surrounded by lawn. Each yard is fenced and has it's own personal gate for access to the parking and 18th avenue.



Existing Front Yard Landscaping

3.1.6 Rowhouse Building Typology

Henderson Terrace exists as eight separate condominium units, which continues to maintain the row house building typology as it was originally intended. As each unit is privately owned the floor plans may have varied over the years, and the interiors of the condominiums are not included in this report.

The symmetry of the row house facade has been maintained, as all fenestration openings have been maintained throughout the years. Overall the building is in good condition, and is one of the few remaining pre-World War One row houses in Regina.

3.2 Client Requirements

The building is currently slated to continue to be utilized as condominium units, and is in alignment with the original intent of the building.

4.0 Conservation Heritage Report

4.1 Exterior Face Brick and Exterior Stucco

Though the majority of the face brick is in relatively good condition there are a number of points where the masonry will require repairs in order to prevent further degradation of the facade. It is recommended that a structural engineer who specializes in historic masonry is consulted at the time of the masonry repair in order to ensure that the masonry is removed and repaired in a manner that is appropriate.

Where the brick is showing pushed face brick, the brick will be removed carefully by hand and retained in order to reveal the cause of the pushed brick. The causation of the push brick should be determined by a structural engineer specializing in historic masonry. If the brick is pushed due to the rust jacking of the steel lintel or header this will require the removal of rusted areas, as well as potential replacement steel where required if the steel is deemed to be damaged for lasting repair. If the pushed brick is due to excessive compressive loading, or the brick is no longer securely attached to the backing structure then further investigation and solutions will be required in order to mitigate the issue. Retained brick will be reset with mortar that is compatible and matches existing historic mortar types that were utilized.

Throughout the west and south facades the mortar was found to be deteriorated or missing in multiple locations. The mortars in these locations were also sandy to the touch and disintegrated easily. Multiple previous repointings were done with incorrect mortar types, some of the mortar appears to be of a portland cement mixture, while others appear to be of a much softer mortar type. A full repointing of all brick facades is recommended. Prior to repointing a third party mortar assessment and brick compression test is to be completed and submitted to the City of Regina Heritage Department for approval and review. An appropriate and matching mortar will be chosen for construction based upon the results of the mortar assessment. The new mortar shall match the original in strength, colour and tooling. All deteriorated and incorrect mortar types will be removed by hand raking, and a test panel will be completed by the contractor in order to demonstrate all aspects of the repair procedure for the repointing of the face brick.

Any paint shall be gently removed via handscraping, or via low pressure hot water, type 'B' surfactant manufactured by Chemfax MS Cleaner and natural bristle brushes. A cleaning test panel will first be completed for review and approval in order to determine that methods utilized are appropriate.

The north facade brick was covered with a white stucco of an unknown age, and over the years the stucco has become a part of the heritage value of the building due to its inherent history. It is recommended that the stucco is retained and repaired appropriately. Over the years a number of patches have been conducted on the stucco to mitigate cracking, these patches do not match the original stucco in either type, texture or colour. The incorrect patches should be removed carefully in order to mitigate damage to the remaining stucco as well as the heritage brick below. It is recommended that the existing stucco on the north facade is assessed for composition, and new stucco patches should match the existing in strength, texture and colour.

If it is determined that the stucco should be removed in order to restore, repoint or further assess the heritage brick and structure below, then a test removal should be conducted at a number of locations in order to determine removal impact on the face brick.

4.2 Sandstone Detailing and Historic Stucco Sills

The existing sandstone name and date plates are in good condition and no further remediation is recommended at this time.

The masonry and stucco sills are in generally poor condition, with cracking, spalling and some missing pieces of stucco which have exposed the brick sill below. A full physical assessment of each sill is recommended in order to determine the full extent of damage. As cement stucco may have become unsound and partially delaminated from the brick, while visually appearing solid, it is imperative that each sill is inspected prior to repair. Third party stucco testing should be conducted in order to determine the original make up of the stucco. The new stucco shall match the original in strength, colour and tooling.

4.3 Ground Floor Windows

The existing windows are in good condition at this current time, we estimate the lifespan of the windows to be approximately another 5 years. Due to the limited degree of historical information on the missing architectural details of the ground floor windows, rehabilitation must be utilized as certain design assumptions must be made in their replacement.

Photographic evidence of the north face of the ground floor shows a double hung window typology. The lower pane of glass appears to have been a single pane of glass, while the upper pane of glass shows a six pane split with intermediary muntins. There are no existing photographs of the south face showing the original window typology, but based on other historical window typologies in the area at this time the south windows were likely a double hung window. It is recommended that the south facade utilize the same window composition as the ground floor windows on the north facade.

In order to comply with current and future building codes and regulations, as well as conformance to environmental and energy conservation standards it is recommended that the new ground floor windows be a double pane window with either wood, or metal clad wood frames. If PVC or fiberglass windows are preferred, the supplier and window type should be approved by a heritage consultant, or by the City of Regina Heritage department in order to confirm conformity with the heritage intent of the building. The intermediary muntins on the window should be exterior muntins, internal decorative grilles are not acceptable alternatives.

If paint or finishes are applied to the windows frames and muntins, special care must be taken in the choice of a harmonious and sensitive colour scheme. This scheme should also be reflective of the period of the building and the available paint colours at that time. All ground floor, second floor and third floor windows should be finished in the same colour, creating consistency throughout the patterning and expression of the fenestration and facades.

4.4 Second Floor Windows.

Approximately six of the existing second floor windows are original, four on the south facade and two on the north facade. Interior investigation of the windows was only available for one condominium unit, the remainder of the investigation was from the exterior of the building. The original windows that were inspected were in general good condition as the storm windows have helped protect the original frames and glazing. It is recommended that these windows are retained and repaired as necessary. In order to maintain these windows well into the future a full inspection by a contractor specializing in heritage windows is recommended, and a maintenance/repair cycle is determined at the time of inspection.

The remainder of the second floor windows are replacement windows of varying ages and styles. Each window has a different lifespan, though most will not require replacement in the next 5-10 years. As windows are replaced it is recommended that the replacement windows are double pane window with either wood, or metal clad wood frames. If PVC or fiberglass windows are preferred, the supplier and window type should be approved by a heritage consultant, or by the City of Regina Heritage department in order to confirm conformity with the heritage intent of the building. The intermediary muntins on the window should be exterior muntins, internal decorative grilles are not acceptable alternatives.

The replacement second floor windows shall replicate the original windows in the subsequent locations. They shall be double hung windows, with the lower pane being a single panel and the upper pane being six panes with intermediary muntins. Replacement windows shall match the existing windows in profile and size with all measurements being confirmed on the existing original windows, to within 1/8". The replacement windows shall have matching trim and muntin profiles as the existing.



Original Ground, Second and Third Floor Windows

4.5 Third Floor Windows and Dormers

Approximately six of the existing third floor windows are original, four on the south facade and two on the north facade. Interior investigation of the windows was only available for one condominium unit, the remainder of the investigation was from the exterior of the building. The original windows that were inspected were in general good condition as the storm windows have helped protect the original frames and glazing. It is recommended that these windows are retained and repaired as necessary. In order to maintain these windows well into the future a full inspection by a contractor specializing in heritage windows is recommended, and a maintenance/repair cycle is determined at the time of inspection.

The remainder of the third floor windows are replacement windows of varying ages and styles. Each window has a different lifespan, though most will not require replacement in the next 5-10 years. As windows are replaced it is recommended that the replacement windows are double pane window with either wood, or metal clad wood frames. If PVC or fiberglass windows are preferred, the supplier and window type should be approved by a heritage consultant, or by the City of Regina Heritage department in order to confirm conformity with the heritage intent of the building. The intermediary muntins on the window should be exterior muntins, internal decorative grilles are not acceptable alternatives.

The replacement third floor windows shall replicate the original windows in the subsequent locations. They shall be double hung windows, with the lower pane being a single panel and the upper pane being six panes with intermediary muntins. Replacement windows shall match the existing windows in profile and size with all measurements being confirmed on the existing original windows, to within 1/8". The replacement windows shall have matching trim and muntin profiles as the existing.

The dormer walls are clad in wooden shakes which are generally in good condition. The expected lifespan of the existing shakes is 5-10 years. It is recommended that the existing shakes are treated with a water-repellant preservative (WRP), or water-based stain within the next two years in order to extend the lifespan of the existing shakes. When replacement is necessary it is recommended that the existing cedar shakes are replaced in kind. The replacement shakes should be red cedar, matching the existing shake dimensions and depth.

In the instance that red cedar shakes are unavailable, or are not desirable for replacement due to the differences in durability from traditional old growth cedar shakes to new second growth cedar shakes, alternative options may be utilized. An acceptable alternative option would be the EnviroShake composite roof tile product. If replacing with Enviroshakes it is recommended that the 'Aged Cedar' colour palette is utilized. As the Enviroshake product is available in 8 different shake profiles, with all bundles pre-shuffled in order to include a mixture of profiles it reproduces the variances found in natural cedar shakes. Enviroshake comes in a standard dimension of 20" long, 12" wide, with a the thickness at the butt of the shake being 1/2" and the tip being 1/8".



4.6 Gambrel Roof

The existing asphalt shingles are relatively new and were replaced within the last five years. The lifespan of the existing roofing system is approximate 15-20 years, as such, replacement is not expected for the next 10-15 years.

Earlier photographic evidence from the early 1970's shows the original Gambrel roof to have been clad in wooden shakes, with light coloured metal caps and flashing on the firewalls. Due to the age of the image it is likely that the metal caps and flashing were of a newer construction, as the original caps likely would have been done in zinc, or galvanized steel.

When replacement is necessary it is recommended that the asphalt shingles are replaced with cedar shakes, as they match the original heritage intent of the building. The replacement shakes should be red cedar, matching the existing shake dimensions and depth of the shakes on the dormers, as these would have been similar in size to the original shakes on the gambrel roof.

In the instance that red cedar shakes are unavailable, or are not desirable for replacement due to the differences in durability from traditional old growth cedar shakes to new second growth cedar shakes, alternative options may be utilized. An acceptable alternative option would be the EnviroShake composite roof tile product. If replacing with Enviroshakes it is recommended that the 'Aged Cedar' colour palette is utilized. As the Enviroshake product is available in 8 different shake profiles, with all bundles pre-shuffled in order to include a mixture of profiles it reproduces the variances found in natural cedar shakes. Enviroshake comes in a standard dimension of 20" long, 12" wide, with a the thickness at the butt of the shake being 1/2" and the tip being 1/8".

Generally, the surfaces of older buildings were left untreated, and the natural colours of metal were allowed to show. As such, future replacement of the metal caps and flashing should reflect this. The predominant colours should be the natural colour of the original metal caps and flashing. As the original material is not known, it is recommended that the colour be reminiscent of aged zinc, or galvanized steel. If paint or finishes are applied to the metal caps and flashing, special care must be taken in the choice of a harmonious and sensitive colour scheme. This scheme should also be reflective of the period of the building and the available paint colours at that time.



Previous Roofing of Henderson Terrace

4.7 Shared Open Porches

Though the existing porch roofs do not appear to be original to the 1913 building, they have overtime become a part of the heritage of the building and represent a substantial portion of Henderson Terrace History. The existing roofs require extensive investigation and repair work. It is recommended that a structural engineer who specializes in historic masonry is brought in to inspect the existing shared, open porches, the surrounding masonry, as well as the structural methods utilized to connect the porch roofs to the south facade. This inspection will help inform the methodologies required to stabilize and repair the surrounding masonry. A full report on the existing conditions and recommended remediation is to be carried out prior to repair. Architecturally it is recommended that the porch roofs are retained and repaired where possible. If the porch roofs are deemed to be beyond repair, or if the brick behind requires structural stabilization then the existing porches are to be fully documented and detailed prior to removal. In the instance that full replacement is required the original form and detailing of the existing porch roofs are to be documented and the documentation is to be utilized as physical evidence as a model to reproduce the replacement roof. The original material palette should be utilized, and the use of shakes as a roof cladding material should be considered.

Due to the movement of the porches away from the south facade of the building it is likely that the existing porches will have to be removed and re-built. In the instance that full replacement is required the original form and detailing of the existing porches are to be documented and the documentation is to be utilized as physical evidence as a model to reproduce the porches. Where feasible, elements such as the wooden railings should be retained, repaired appropriately, and re-utilized. A full assessment of materials and features that are to be retained and repaired is to be completed prior to removal. The replacement porches should utilize the same material palette of the existing, though it is preferable for the metal siding is replaced with wood in keeping with the historical material palette of the building.

As the existing door ages are unknown rehabilitation is the best recommended methodology for future door replacement. Future door replacement should document the existing conditions and existing doors in Henderson Terrace. Existing doors that are found to be original should be fully documented, size, shape, profile and glazing. Existing photographic evidence show the back and front entrance doors as being constructed of wood, with a



Photograph from the 1970's of the Porches



Existing Profiles of Wood Railings and Features

half lite on the top portion of the door. It is recommended that future door replacements re-create the profile of the original, with a half lite on the top of the window and solid lower half. Where wood doors are not an economic or viable solution, other materials may be utilized upon approval of the City of Regina Heritage Department. The style of the door should be reflective of the period of the building, and the door styles available at that time.

If paint or finishes are applied to the doors, special care must be taken in the choice of a harmonious and sensitive colour scheme. This scheme should also be reflective of the period of the building and the available paint colours at that time. All ground floor, second floor and third floor windows should be finished in the same colour, creating consistency throughout the patterning and expression of the fenestration and facades.

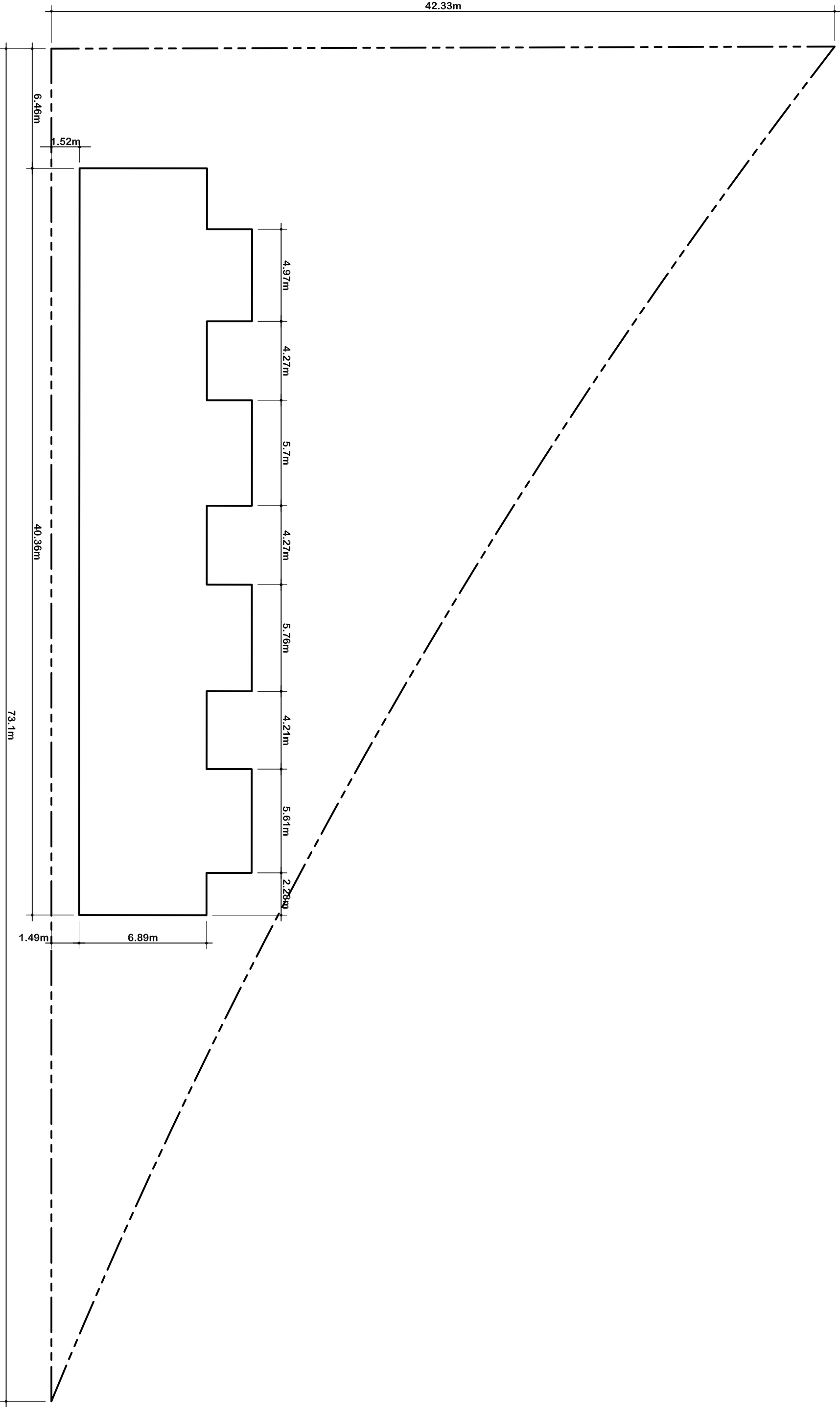


Landscaping of the Crescents, Henderson Terrace on the Far Right

4.5 Landscaping

Earlier photographic evidence from the 1970's shows the surrounding landscaping as very simple, with lawn and city trees being the primary plantings. As the crescents were developed as a part of the Mawson City Beautiful plan it is likely that the landscaping documented in the 1970's is close in intent to the landscaping in 1913. As the city beautiful movement emphasized well-tended front lawns and tree lined city streets, it is likely that the original landscaping of Henderson Terrace was a simple lawn, with small compact plantings such as sculpted Caragana bushes.

It is recommended that the existing landscaping is revitalized by appropriately trimming the existing plantings, and replacing any mugo pines that are too damaged to be trimmed and retained. Replacement shrubs should be considered in regards to the historical shrubs, ground cover and plants that would have been utilized for the Mawson Plan. It is not recommended to re-introduce trees to the front yards in order to continue to mitigate potential structural damage to the basement of Henderson Terrace.



PROJECT TITLE

3038-3060 18th Avenue Regina,
SK

DRAWING TITLE

SITE PLAN

DRAWN

SK

CHECKED

JG

DATE

06 JUN 18

PROJECT No.

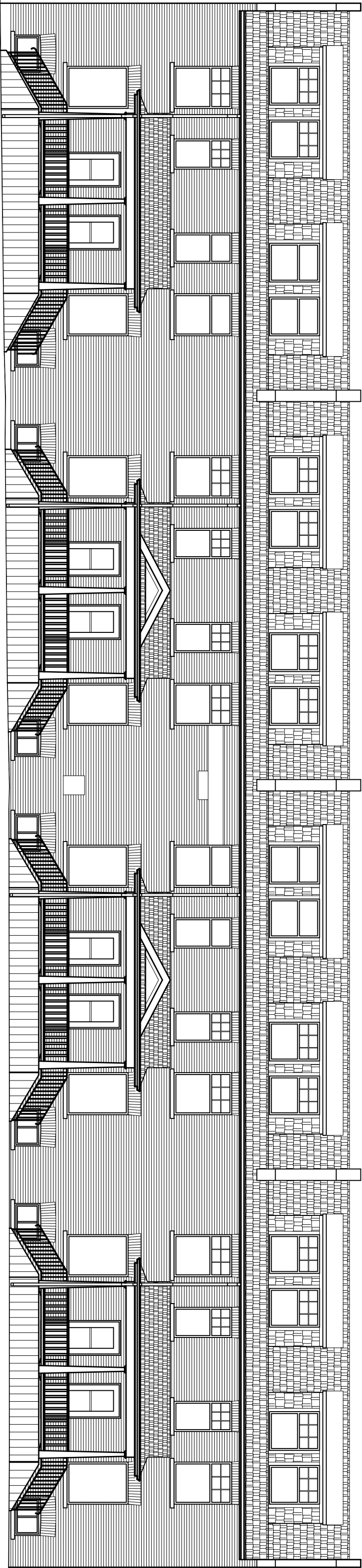
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DRAWING No.

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FRONT ELEVATION



REAR ELEVATION

PROJECT TITLE

3038-3060 18th Avenue Regina, SK

DRAWING TITLE

FRONT & REAR ELEVATION

DRAWN SK

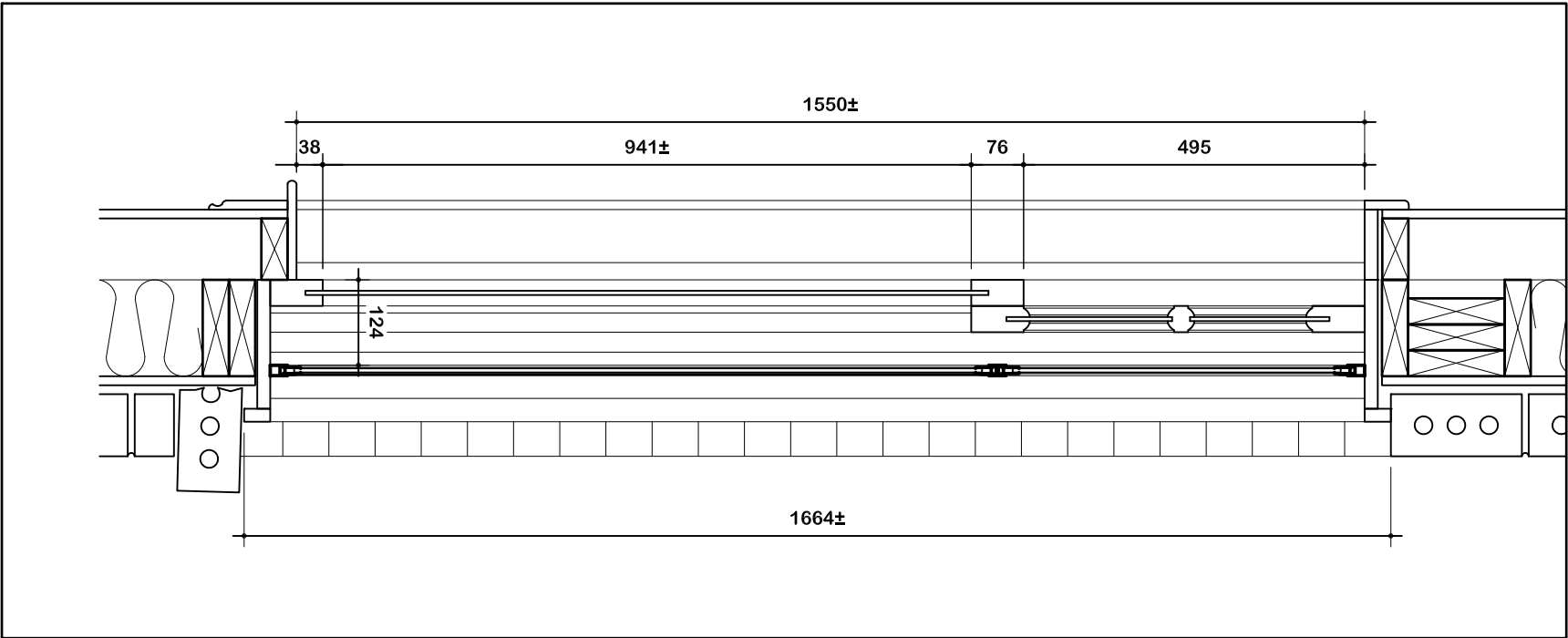
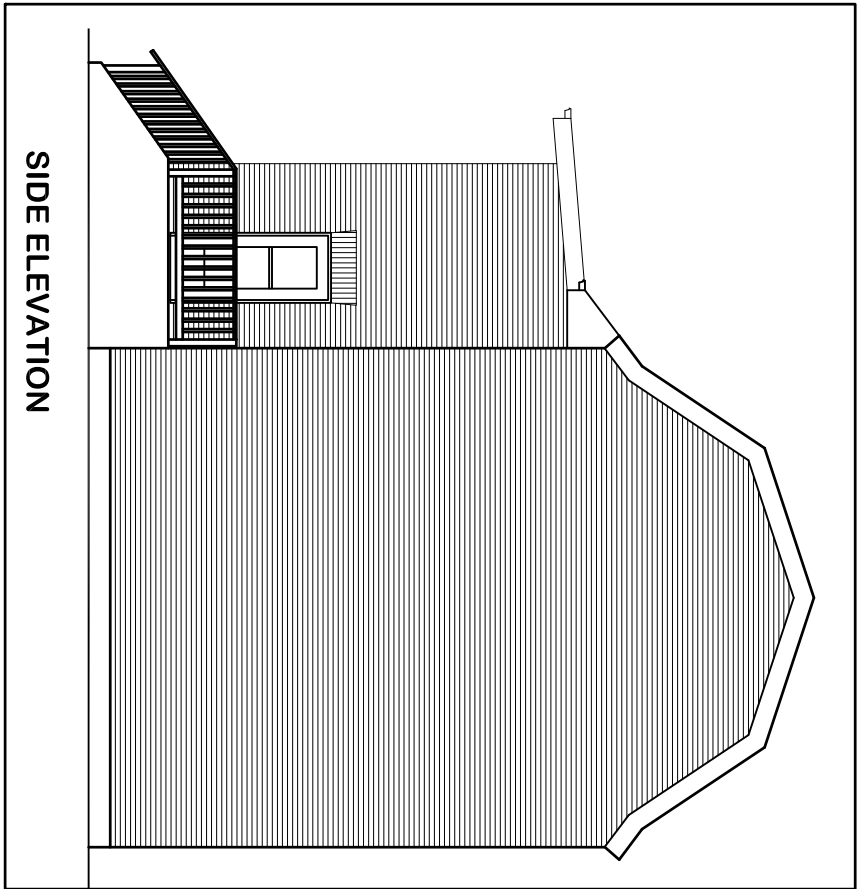
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BUDGET PLANNING
HENDERSON TERRACE

LEOPOLD HOMES
3038-3060 18th AVENUE, REGINA, SASKATCHEWAN, S4T 1W6

PROJ. NO. 1828



Assumptions:
Windows and Doors will be repaired/replaced as required by owner.
All preservation/restoration of heritage elements completed as per inventory of Exterior Architectural Features
Contingency acknowledges inflation and the change in the cost of construction over the years.

Cost Projections

Facade Repair		66,500
Re-pointing of compromised mortar	30,000	
Stabilization of compromised brick	6,000	
Stucco Repair/Replacement	25,000	
Sill Repair	5,500	
Front Porch Replacement		240,000
Demolition of Existing and Replacement	240,000	
Window/Door Replacement		54,400
Window Repair/Replacement	48,000	
Door Repair/Replacement	6,400	
Subtotal	360,900	360,900
Contingency	36,090	36,090
Project Cost of all Proposed Renovations	\$ 396,990	\$ 396,990

BUDGET PLANNING HENDERSON TERRACE

LEOPOLD HOMES
3038-3060 18th AVENUE, REGINA, SASKATCHEWAN, S4T 1W6

PROJ. NO. 1828



Assumptions:

Windows and Doors will be repaired/replaced as required by owner.

All preservation/restoration of heritage elements completed as per inventory of Exterior Architectural Features

Contingency acknowledges inflation and the change in the cost of construction over the years.

Cost Projections

Facade Repair		66,500
Re-pointing of compromised mortar	30,000	
Stabilization of compromised brick	6,000	
Stucco Repair/Replacement	25,000	
Sill Repair	5,500	
Front Porch Replacement		240,000
Demolition of Existing and Replacement	240,000	
Landscaping		20,000
Demolition of Existing and Replacement	20,000	
Window/Door Replacement		54,400
Window Repair/Replacement	48,000	
Door Repair/Replacement	6,400	
Subtotal	-	380,900
Contingency	-	38,090
Project Cost of all Proposed Renovations	\$ 380,900	\$ 418,990

September 4, 2018

To: Members
Finance & Administration Committee

Re: Authorization to Extend The Toronto-Dominion Bank Business Banking and Auxiliary Services Agreement

RECOMMENDATION

1. That the Executive Director, Financial and Corporate Services be authorized to negotiate and approve a one-year extension to:
 - i. the existing five-year Business Banking and Auxiliary Services Agreement with The Toronto-Dominion Bank for business banking; and
 - ii. such additional auxiliary banking services agreements, that relate to the Business Banking and Auxiliary Services Agreement, and which are identified in the report below; as prepared by the City Solicitor;
2. That the City Clerk be authorized to execute the contract; and
3. That this report be forwarded to the September 24, 2018 City Council meeting for approval.

CONCLUSION

Per section 127(2) of *The Cities Act*, City Council must designate a financial institution. The appointment of the current Financial Institution expires August 31, 2019. Administration is seeking a one-year extension with The Toronto-Dominion Bank, our existing financial institution, to fully assess the current and future banking and auxiliary service needs of the City before issuing a Request for Proposal (RFP) seeking a new Business Banking and Auxiliary Services Agreement.

BACKGROUND

In 2014, The Toronto-Dominion Bank was appointed as the City of Regina's financial institution for a five-year term. The existing agreement allows for amendments as stated in the Business Banking and Services Agreement in section 26 'Amendments and Waiver' where either party may amend the agreement or change any services by providing written notice with no time restrictions.

The current scope of services rendered by our Financial Institution include business banking services such as:

- Wire transfers;
- Deposit services;
- Remote deposits;

- Lockbox;
- Business web banking;
- Overdraft processing;
- Payroll direct deposits;
- Direct payment receipts (cashiering/pin pads);
- Automated withdrawals for property tax and utility bill payments;
- Electronic funds transfers for vendor payments and/or grant collections;
- Fraud protection including positive pay;
- Remote deposit capture;
- Investment services; and
- Merchant services.

Past procurement of business banking services required a minimum of 18 months for requirements gathering and RFP evaluation processes, followed by a minimum six month implementation period should a new Financial Institution be selected. A one-year extension will allow time required to gain insight into the rapidly evolving needs of our business areas to ensure a comprehensive RFP process to meet our banking and auxiliary service needs both now and into the future.

DISCUSSION

The landscape of the market and technology for banking and auxiliary services continues to evolve. In addition, the City has identified the need for new services such as on-line payments. A recent survey done by merchant providers has highlighted that customers are expecting enhanced services and more flexible payment options such as direct debit or credit card. The credit card is a form of payment the City only uses on a limited basis, whereas other utilities such as SaskPower, SaskEnergy and SaskTel have incorporated these more fully.

Organizational readiness is the main reason for the extension request. Given the landscape of banking services and ensuring the City is prepared to identify and execute proper requirements that fall in line with existing and expanding needs of the organization for business banking. Asking for the extension in advance affords the required time to gather and understand any new requirements to ensure the City meets industry standards and customer demands in a way that provides consistency, ensures maximization of financial resources and provides a seamless, simple and safe interaction for the external customer regardless of what payment method chosen.

Due to the multitude and complexity of the banking and auxiliary services, due diligence must be taken in the selection and implementation of such services. An extension to the current Financial Institution contract is requested to allow sufficient time to ensure the needs of the organization and our external customers are clearly identified in the requirements of the RFP for Banking and Auxiliary Services. Our service partners will also be included in the requirements gathering process to ensure their needs are also met.

The requirements gathering phase will review what banking and auxiliary services are required now and into the future, research of what merchant services other municipalities are using, and evaluate the appropriate length of term for the City's Banking and Auxiliary Services

Agreement, to ensure a five-year term continues to be sufficient in meeting the organizations needs in a complex and ever evolving technology within banking services.

Upon completion of this work, Administration will return to the Finance and Administration Committee seeking further approval to initiate the procurement process.

RECOMMENDATION IMPLICATIONS

Financial Implications

The operating budget includes the annual costs for banking and auxiliary services. It is anticipated an extension to the current contract will not impact the current budget of \$490,000.

Environmental Implications

None related to this report.

Policy and/or Strategic Implications

None related to this report.

Other Implications

None related to this report.

Accessibility Implications

None related to this report.

COMMUNICATIONS

None related to this report.

DELEGATED AUTHORITY

The recommendation of this report requires City Council approval.

Respectfully submitted,



June Schultz, Director
Finance

Respectfully submitted,



Barry Lacey, Executive Director
Financial & Corporate Services

Report prepared by:
Lorrie Schmalenberg, Manager Corporate Accounting

September 4, 2018

To: Members
Finance & Administration Committee

Re: 2019 Alley Maintenance Program and Special Tax Levy Funding Options

RECOMMENDATION

1. That the City Solicitor be instructed to prepare the 2019 *Alley Maintenance Special Tax Bylaw* (Bylaw), which includes the following levies, proposed revenues and estimated costs.

Paved Alleys:

Levy	\$3.98 per assessable foot
Proposed Revenue	\$3,334,679
Estimated Cost	\$3,334,679

Gravel Alleys:

Levy	\$2.80 per assessable foot
Proposed Revenue	\$1,725,500
Estimated Cost	\$1,725,500

2. That this report be forwarded to the September 24, 2018 meeting of City Council for approval.

CONCLUSION

There is no proposed increase for the 2019 Alley Maintenance Program. The expected taxes received from 2019 will be sufficient to cover planned expenses. However, if there are unforeseen circumstances that arise outside of the planned expenditures, the deferred revenue account will be drawn upon for 2019.

Going forward, the amount of deferred revenue will be reduced substantially and drawn down, due to realigning the budget to reflect the cost of services, balanced with the appropriate draw on the deferred revenue. Historical Data on the deferred revenue can be found in Appendix A.

Based on the last five years average of the reconstruction of 5.7 km/year of paved alleys and refreshing 13.4 km/year of gravel alleys, this program is on target to meet both the 30-year cycle for paved alley reconstruction and the 10-year cycle for refreshing gravel alleys.

BACKGROUND

The City of Regina's (City) Alley Maintenance Program is intended to provide a sustainable alley system that is passable, safe, affordable, efficient, equitable and environmentally responsible.

There are approximately 306 km of alleys consisting of 172 km of paved alleys and 134 km of gravel alleys in the city. The alley tax is designed to cover annual maintenance activities such as tree pruning, sweeping, snow removal, regrading of gravel alleys and pothole patching on asphalt alleys, in addition to the capital renewal of these assets.

In a typical season, the Sweeping & Alleys Branch accomplishes the following tasks:

Paved Alleys:

- Full depth reconstruction of approximately 5.7 km each year, to accomplish a 30-year cycle of the program.
- One sweep of alleys, typically after the completion of the spring sweep.
- Repairing potholes, depressions and failures.
- Snow plowing, as outlined in the Winter Maintenance Policy.
- Pruning of trees located within the alley and any trees hanging into the alley. This is to ensure there are no obstructions that may cause safety or operational concerns for City operational needs.

Gravel Alleys:

- Maintenance of alleys four to five times per summer which includes blading performed by a maintenance grader to ensure even surfaces, proper drainage, as well as adding additional gravel as required.
- Refreshing of 13.4 km each year which includes excavating and repairing soft spots, correcting minor drainage concerns, removing contaminated material and replacing with new granular material.
- Cleaning of catch basin sumps, as required.
- Snow plowing as outlined in the Winter Maintenance Policy.
- Pruning of trees located within the alley and any trees hanging into the alley, to ensure there are no obstructions that may cause safety or operational concerns for City operational needs.

The City's Alley Maintenance Program is governed by *The Cities Act, Sections 275-278*, which provides the authority to levy a special tax on properties for specific services. Property owners adjacent to paved or gravel alleys are required to pay the special tax, with revenues collected providing 100 per cent of the operating and maintenance funds dedicated to the Alley Maintenance Program.

Appendix B provides a summary of the Alley Maintenance Program, as well as progress from the 2017 program, a status update for the 2018 program and details on the proposed 2019 program.

DISCUSSION

Proposed 2019 Paved & Gravel Alley Budgets

The proposed special tax levy for 2019, for paved and gravel alleys are summarized in Table 1 and Table 2, respectively.

Table 1: Existing and Proposed Paved Alley Special Tax Levy

Paved Alley Levy	2018 Levy	Proposed 2019 Levy
Assessable Footage*	837,859	837,859
Levy Rate	\$3.98/ft.	\$3.98/ft.
Levy Amount per 50 ft. lot	\$199.00	\$199.00

* Any change in assessable footage can be attributed to continual updating of City records.

Table 2: Existing and Proposed Gravel Alley Special Tax Levy

Gravel Alley Levy	2018 Levy	Proposed 2019 Levy
Assessable Footage*	616,250	616,250
Levy Rate	\$2.80/ft.	\$2.80/ft.
Levy Amount per 50 ft. lot	\$140.00	\$140.00

* Any change in assessable footage can be attributed to continual updating of City records.

Full Level of Service Cost Recovery:

The maintenance and reconstruction of alleys is based on the principle of full cost recovery. This means that the costs associated with the maintenance and reconstruction of alleys is fully offset by the levy collected. The original 1996 Alley Maintenance Strategy, which was approved by City Council, provided basic clarity on the reconstruction/gravel refresh components of the gravel and paved alleys. Additional background information on details of the program can be found in Appendix B.

The current strategy provides a 30-year reconstruction lifecycle for paved alleys and a 10-year systematic gravel refreshment cycle of gravel alleys. The strategy also covers all costs necessary to provide basic maintenance needs/tasks (i.e. tree trimming, pothole patching, snow clearing, sweeping, etc.). Based on the last five years of alley construction work, Administration is on track to meet both the 30-year cycle of reconstruction of paved alleys and the 10-year cycle of refreshing gravel alleys.

Thin lift asphalt overlays have also been applied to paved alleys that are suitable for such treatment. This has helped extend the life of these assets at a lower cost. Additional light treatments, such as thin lift overlays or pavement rejuvenators, will be introduced to keep alleys in good or fair condition for longer periods of time, where suitable. This may extend the lifecycle of paved alleys well beyond 30 years, which would reduce the overall cost to maintain these assets. It would also delay the inconvenience associated with alley reconstruction.

RECOMMENDATION IMPLICATIONS

Financial Implications

The Alley Maintenance Program is fully funded by revenues obtained through the special alley tax levy from property owners adjacent to alleys.

Due to the existing deferred revenues, there will be no increase to the fees in 2019, as the taxes proposed for the planned expenditures will be sufficient. The deferred revenue will be used to offset any inflationary increases to the program, as well as covering additional work that will be required by contractors in 2019 to complete additional paved alley reconstructions; this will draw down funding from the deferred revenue.

Appendix A will provide a summary of the Deferred Revenue-Historical Data.

Environmental Implications

Well maintained alleys reduce the wear and tear on vehicles and equipment, as well as reducing fuel usage that leads to greenhouse gases.

Policy and/or Strategic Implications

The Alley Maintenance Strategy approved by City Council in 1996, was intended to maintain the alley inventory in an acceptable and sustainable condition. Funding to fully implement that strategy was phased in over a 10-year period. Full funding for the strategy was achieved in 2006 and has continued since that time. The primary focus of the strategy is the provision of a 30-year reconstruction cycle in paved alleys and a 10-year systematic gravel refreshment cycle in gravel alleys. This strategy ensures the City provides a safe and reliable alley network that follows the vision of the *Design Regina: The Official Community Plan* (OCP) as follows:

- *Section B Financial Policies, Goal 1 - Financial Principles, 1.1.2 “Where the benefits of a program or service are directly attributable to specific beneficiaries, the costs are to be paid through user fees or other similar charges.”*
- *Section B, Financial Policies, Goal 2 - Sustainable Services and Amenities, 1.3.2, “Provide affordable and cost-effective services and amenities in accordance with available financial resources and capabilities.”*
- *Section B, Financial Policies, Goal 4 - Revenue Sources, 1.14.1, “Secure sustainable sources of municipal funding for both capital and operating needs of the City.”*
- *Section D4 Infrastructure, Goal 1 – Safe and Efficient Infrastructure, 6.2, “Ensure new and reconstructed infrastructure follows industry best practices and overall City standards for design and construction.”*

Other Implications

None with respect to this report.

Accessibility Implications

None with respect to this report.

COMMUNICATIONS

Public notice of the special tax levy will be carried out in accordance with the requirements contained in *The Cities Act*. Administration also provides information to various parties, including affected property owners upon request. In addition, construction notices, where the scope of construction is significant, are hand delivered to affected property owners prior to the commencement of work.

DELEGATED AUTHORITY

The recommendation contained in this report requires City Council approval.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'N. Kyle'.

Norman Kyle, Director
Roadways & Transportation

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'Karen Gasmo'.

Karen Gasmo, Executive Director
Transportation & Utilities

Report prepared by:
Danielle Fortin, Project Engineer, Sweeping & Alleys Services
Tyler Bien, Manager, Sweeping & Alleys Services

**Appendix A:
Historical Data (Deferred Revenue)**

Table 1: Deferred Revenue – Historical Data

Gravel Alley Deferred Revenue	
Year	End of Year Amount
2003	\$370,442.78
2004	\$207,943.40
2005	\$25,676.71
2006	\$187,677.68
2007	\$319,795.66
2008	\$196,469.88
2009	\$93,294.11
2010	\$90,102.11
2011	\$162,081.54
2012	\$294,173.54
2013	\$636,506.67
2014	\$943,648.85
2015	\$928,086.01
2016	\$760,526.84
2017	\$807,841.70

Paved Alley Deferred Revenue	
Year	End of Year Amount
2003	\$166,959.97
2004	\$86,032.21
2005	\$283,700.51
2006	\$302,293.43
2007	\$109,536.61
2008	\$142,193.07
2009	\$282,509.23
2010	\$7,013.23
2011	\$390,651.62
2012	\$1,020,655.97
2013	\$1,742,235.33
2014	\$2,413,196.59
2015	\$2,398,757.68
2016	\$2,507,692.02
2017	\$2,102,622.13

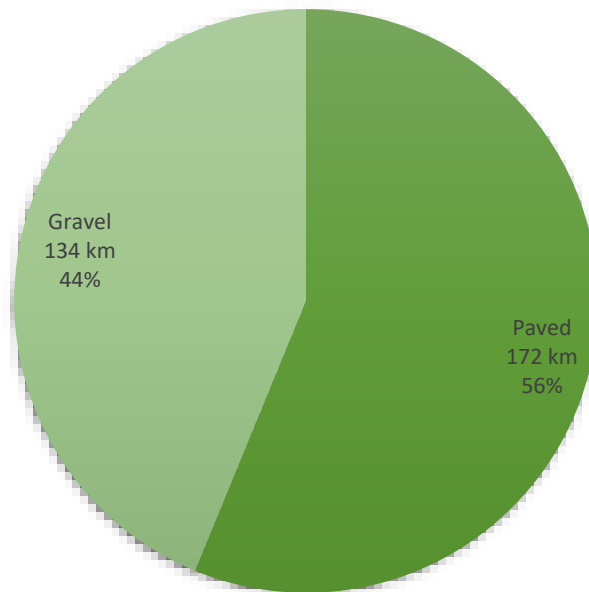
Alley Maintenance Program



Introduction

The City of Regina's (City) Alley Maintenance Program is intended to provide a sustainable alley system that is passable, safe, affordable, efficient, equitable and environmentally responsible. There are approximately 306 km of alleys in the city consisting of 172 km of paved alleys and 134 km of gravel alleys. Gravel alleys should not increase as they are not allowed in the City's current Design Standards, however, paved alleys will continue to increase as they are put into new developments. The alley tax is designed to cover annual maintenance activities such as tree pruning, sweeping, snow removal, regrading of gravel alleys and pothole patching on asphalt alleys, as well as the capital costs to renew these assets.

City of Regina Alley Network



2017 Accomplishments

- Completed the Gravel Alley Refresh Program on 13 km of these alleys to keep the 10-year cycle on track
- Reconstructed 5.7 km of paved alleys or 3.3 per cent of the network
- Ensured trees encroaching the alley way were pruned and maintained to allow safe passage of equipment
- Cleared alley ways after major snow and wind events

2018 What's Happening

- On Schedule to complete the Gravel Alley Refresh Program on 13.9 km of these alleys to keep the 10-year cycle on track
- On schedule to complete 5.6 km of paved alleys reconstructed
- On schedule to complete two paved alley reconstruction projects using private contractor services. (This will allow us to compare in house costs to contracted services)
- Ensuring trees encroaching the alley way are pruned and maintained to allow safe passage of equipment
- Clearing alley ways after major snow and wind events
- Ensuring catch basins are in good shape and cleaned after gravel refreshes and paved alley reconstructions

2019 What's Planned

- Scheduled to complete the Gravel Alley Refresh Program on 13.9 km of these alleys to keep the 10-year cycle on track
- Scheduled to complete 5.8 km of paved alleys reconstructed
- Planning to contract four paved alley reconstruction projects using private contractor services. After evaluation of 2018 programs success.
- Ensuring trees encroaching the alley way are pruned and maintained to allow safe passage of equipment
- Clearing alley ways after major snow and wind events
- Ensuring catch basins are in good shape and cleaned after gravel refreshes and paved alley reconstructions

History of Alley Maintenance

Paved Alley Maintenance

In 1996, a condition survey estimated that over 47 per cent of paved alleys required extensive repair or reconstruction. The majority of those alleys were constructed in the 1960s or 1970s and had far exceeded their design life expectancy; meaning that they were in poor shape and required significant maintenance or rebuilding.

As a result, in 1996, City Council adopted a strategy to achieve a 30-year reconstruction cycle for paved alleys. This approved strategy was phased in over a 10-year period by increasing the number of paved alley reconstructions by four alleys per year, until a full implementation of 45 alley reconstructions per year was achieved. During the first half of the 10-year period, annual funding increases were approximately in the order of 10 percent. In 2001, City Council deferred the increase to the special tax levy for one year, pending the results of an

evaluation on strategy objectives, design methodology and construction costs. The 2001 evaluation concluded that the approach was sound. In 2002, the strategy continued along with the requested special tax increases. There has been no increase requested as current funding has been sufficient to grow the program since 2017. This is evaluated on a yearly basis.



Gravel Alley Maintenance

Typical maintenance activities help to maintain stable surfaces in gravel alleys. This work includes:

- regular maintenance blading, which evens out the surface
- systematic gravel refreshing or adding of gravel
- re-grading to improve significant drainage concerns and direct water towards catch basins
- spot gravelling to touch up trouble spots



During the 1996 review, a 40-year reconstruction life cycle strategy was adopted by City Council for gravel alleys, with the original intent that the 40-year life cycle of gravel alleys be fully phased in by 2005.



Increasing funding levels between 1996 and 2001 resulted in the completion of the originally identified reconstruction locations. As a result, the long-term strategy was shifted to focus on providing additional efforts aimed towards improving surface maintenance rather than the deeper, structural reconstructions. The revised gravel alley maintenance

strategy involves maintenance blading approximately four to five times during the non-winter months, spot gravelling, cleaning of catch basin sumps, minor reconstruction, drainage improvements and achieving a systematic program of gravel refreshment, based on a 10-year cycle. The number of full depth reconstructions was reduced to roughly the equivalent of two locations per year.

Budget & Expenditures

The Alley Maintenance Budget is funded exclusively through the Alley Tax Levy. There are several programs and activities funded by this tax that help maintain the overall alley network.

What Does the Alley Tax Pay For?

Catch Basin Cleaning	Snow Plowing	Tree Pruning	Street Sweeping
<ul style="list-style-type: none"> occurs after a gravel alley has been refreshed to ensure good drainage occurs during reconstruction of paved alleys if more maintenance is required, Water & Sewer Construction is notified 	<ul style="list-style-type: none"> following a winter storm or high winds that make the alley impassable as per the Winter Maintenance Policy 	<ul style="list-style-type: none"> occurs in conjunction with gravel alley refresh or paved alley reconstruction ensuring there are no obstructions that may cause safety or operational concerns collaboration with Solid Waste - they will report any encroaching tree branches and our crews will prune as required 	<ul style="list-style-type: none"> every paved alley receives one sweep during the summer months.

Gravel Alleys

Maintenance of the 134 km of gravel alleys occurs four to five times per summer through a systematic maintenance program. Additionally, resident requests via Service Regina will trigger an inspection and if necessary, additional maintenance will be performed. Gravel alley work consists of four main tasks.



Maintenance

- blading the alley to ensure the surface is even and free of potholes and wash board surface

Spot Gravelling

- adding additional gravel where needed to ensure a safe driving surface

Refreshing

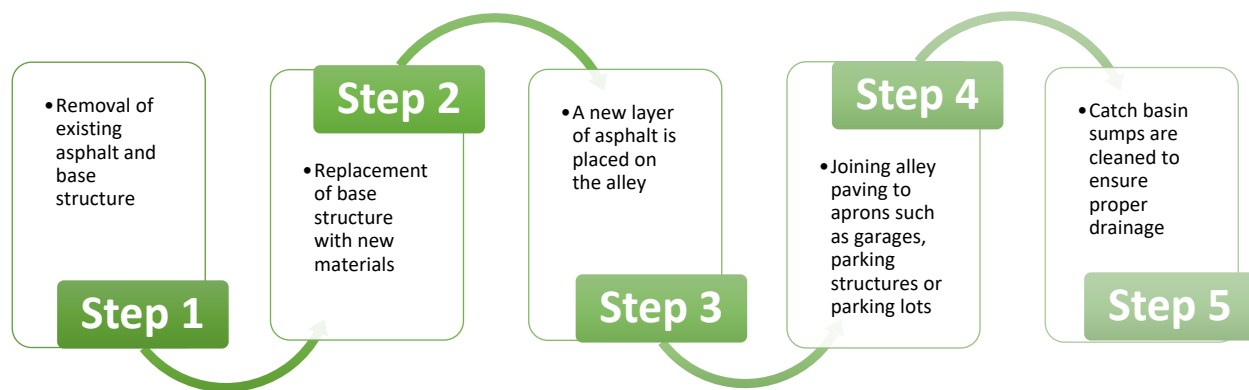
- removing the top portion (3-5") of the material and replacing it with fresh road gravel
- helps to repair soft spots, correct minor drainage issue, remove contaminated material and fix any other deficiency (potholes or failures) that maybe present at the time
- generally take approximately one day, but residents are able to drive on the alley, around crews if absolutely necessary
- done on a 10-year cycle
- approximately 13.4 km refreshed each year

Reconstruction

- removing all materials in the alley and rebuilding from the road from the subgrade surface up, including adding all new gravel
- generally takes approximately 10 days to complete
- done when required due to condition

Paved Alleys

Paved alley reconstruction is done on a 30-year cycle. Each year we complete approximately 5.7 km of the 172 km are reconstructed. Alley reconstruction is undertaken in a systematic manner. As shown below.



Maintenance Activities include:

- Repairs to potholes
- Repairs to failures & depressions

Our Proactive Approach:

- Waste collection drivers are constantly visiting these locations when performing their activities, this helps to identify problems and provide notification when action is required.

Did You Know...

Recycled road gravel from the refresh and the base from the paved alley reconstruction is used for:

- Helping to build roads at the Snow Storage Site
- High grade roads
- To improve driving surfaces at the landfill

Costing by Activity

Tree Pruning

Year	Cost (\$)
2016	35,000
2017	74,000
2018	68,000
Three-Year Average	59,000

Snow Plowing

Event	Five Year Average (\$)
Snow Event (two per season)	28,000
Wind Event (two per season)	10,500
Overall Average	75,000

Maintenance

Activity	Cost (\$)
Paved Alley	1,000,000
Gravel Alley	180,729
Spot Graveling	44,222
Total	1,224,951

Note: This is a five-year average

Alley Program Costs

Activity	Cost (\$) per linear meter
Gravel Alley Refresh	60
Paved Alley Reconstruction	376

Note: This is a three-year average

How Weather Impacts the Alley Programs

Because of the nature of our work, the alley programming is significantly impacted by the weather. Our crews perform both sweeping activities and alley programming; a late spring means sweeping activities are delayed, which in turn delays the start of alley work. This is also the case at the end of the season as the fall sweep is scheduled.



Warm, dry summers provide the best conditions for alley work, as rain has a significant impact on the types of work performed. Rain not only causes delays in completing projects, but also negatively impacts the condition of an alley, creating potholes in paved alleys and wash boarding in gravel alleys. Construction generally stops when there is rain, as gravel alleys need to drain and dry and paved alleys require pumping of water to ensure the base is dry enough to keep working.

September 4, 2018

To: Members
Finance & Administration Committee

Re: Regina Civic Employees' Long Term Disability Plan 2017 Annual Report

RECOMMENDATION

That this report be forwarded to the September 24, 2018, meeting of City Council for information.

CONCLUSION

Mobius Benefit Administrators Inc. (Mobius) has provided the 2017 annual report for the Regina Civic Employees' Long Term Disability Plan. Net assets are up to \$1.8M and the plan target funding status remains highly robust.

BACKGROUND

The Regina Civic Employees' Long Term Disability Plan is a multi-employer plan with contributing members from City of Regina, Saskatchewan Health Authority, Regina Board of Education (non-teaching staff), Regina Public Library, Buffalo Pound Water Administration Board and Mobius Benefit Administrators Inc. The plan is intended to provide eligible members with protection against loss of income when experiencing illness or injury.

The Regina Civic Employees' Long Term Disability Plan is governed by an Administrative Board that consists of members representative of each employee group in the plan and this governance structure is in accordance with the plan text outlined within *Bylaw No. 9566*. The Administrative Boards responsibilities include: compliance, strategy and stewardship.

Mobius administers this plan in accordance with *Bylaw No. 9566* on behalf of the six participating employers. Manulife provides adjudication and administrative services to support Mobius. This annual report has been prepared based on the requirements defined in Schedule A of the *Bylaw No. 9566* and has been forwarded to City Administration for the purpose of ensuring City Council is informed.

DISCUSSION

As outlined within Schedule A of *Bylaw No. 9566*, Section 9.4(3), the board shall annually report to Council on the operation of the Plan. Appendix A is a copy of the 2017 Annual Report, which includes the following information:

- An overview of the plan status, its governance and claims management
- Actuarial valuation highlighting the Plan is solvent and outlining the Plan changes that took effect on July 1, 2017
- Management of investments including investment results
- Audited financial statements for the period ending December 31, 2017

Plan enhancements to the Regina Civic Employees' Long Term Disability Plan were presented to Council in June 2017 and approved. The 2017 plan amendments include:

1. Limitations and Exclusions - add exclusion for pre-existing condition
2. Employment Insurance (EI) Offset – Remove requirement for benefit to be offset by EI payments
3. Own Occupation Period – Increase to 24 months from 12 months
4. Cost of Living Adjustment – change to mirror the pension plan
5. Benefit amount – Increase to 75 per cent of earnings from 65 per cent of earnings
6. Contribution rate – Reduce contribution rates by 50 per cent for both employers and employees

A report containing the 2016 Annual Report was forwarded to City Council on September 25, 2017. Highlights captured within this 2017 report in comparison to that reported within 2016 annual report are:

- Net assets available for Benefits \$51.8 M in 2017, up from \$50.2 M in 2016
- Disability Obligations \$17.9 M in 2017, up from \$14.4 M in 2016
- Surplus \$33.9 M in 2017 from \$35.8 M in 2016
- Funding Status 290 per cent in 2017, down from 350 per cent in 2016 (target funding status of 136 per cent)
- Investment Returns \$2.8 M in 2017, up from \$2.0 M in 2016
- Administration expenses \$0.8M in 2017, from \$0.9M in 2016
- Disability Benefit Payments \$2.7M in 2017, up from \$1.8M in 2016

RECOMMENDATION IMPLICATIONS

Financial Implications

Based on the information contained within this report, the Plan is considered to be solvent reporting a \$33.9M surplus and a funding status of 290 per cent. The target funding status is 136 per cent. The Plan amendments implemented in 2017, which included a reduction in premium rates, were partially intended to address the overfunding in this Plan. It will take time to realize the impact of these changes.

Environmental Implications

None with respect to this report.

Policy and/or Strategic Implications

None with respect to this report.

Other Implications

None with respect to this report.

Accessibility Implications

None with respect to this report.

COMMUNICATIONS

None with respect to this report.

DELEGATED AUTHORITY

The recommendation contained in this report is within the delegated authority of City Council.

Respectfully submitted,



Steve Eger, Director
Human Resources

Respectfully submitted,



Diana Hawryluk, Executive Director
City Planning and Development

Report prepared by:
Christine Heroux, Manager Payroll, Analytics & Employee Administration



Regina Civic
Employees'
Long Term
Disability Plan



ANNUAL REPORT 2017

Administered by

möbius
BENEFIT ADMINISTRATORS INC.

ANNUAL REPORT

REGINA CIVIC EMPLOYEES' LONG TERM DISABILITY PLAN

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Administered by:



Mail	Web www.mobiusbenefits.ca
B101,2055 Albert St.	E-mail pensions@mobiusbenefits.ca
Regina, SK	Phone (306) 777-7402
S4P 2T8	Fax (306) 777-6912

MESSAGE FROM THE CHAIRPERSON

The Plan provides self insured coverage for eligible employees experiencing disability preventing them from continuing their active employment. It serves as a financial and rehabilitation bridge with claims adjudicated by a third party professional firm. The Board administers the Plan and its assets for the sponsors.

For a considerable number of years, the Plan has achieved strong financial results to ensure the capacity to meet all employee needs. That has supported a strategic investment approach to immunize the Plan against claims exposure and allocate surplus dollars to grow funds for future benefit. Active rehabilitation programming and consultation has ensured early return to own occupation or alternate employment.

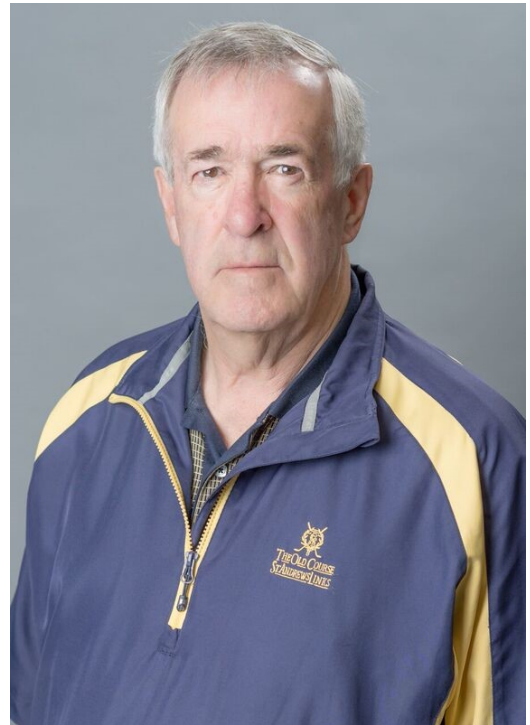
The Working Group of employee and employer representatives achieved as very successful negotiation to improve benefits and reduce contributions all for the increased benefit of, and support to, the members who may unfortunately require this plan in time of need. It is of considerable comfort to know this plan and its benefits exist and are fully supported by employers who recognize their interest in healthy, productive employees.

The Board and its administrative staff can take justifiable pride that through difficult and volatile times the Plan has thrived and increased benefits and reduced contributions. It is proof in the exemplary standing that persevered commitment, good governance and prudent, strategic investment and policies can produce the desired stable and enhanced results.

As I leave the Board this year after 31 years I reflect so very positively on the time served with caring, committed people of all backgrounds focused on being there when the need for support arises for fellow employees. My thanks and respect to all.

BOB LINNER

CHAIRPERSON,
ADMINISTRATIVE BOARD



“The Board and its administrative staff can take justifiable pride that through difficult and volatile times the Plan has thrived and increased benefits and reduced contributions. It is proof in the exemplary standing that persevered commitment, good governance and prudent, strategic investment and policies can produce the desired stable and enhanced results.”

2017 PLAN HIGHLIGHTS

YEAR AT A GLANCE

Net Assets Available for Benefits

\$51.8 Million

Disability Obligations (current and future disability benefits)

\$17.9 Million

Surplus

\$33.9 Million



Funding Status

290%

Target Funding Status of 136%

Total Membership

3,768

Contribution Rate

(a percentage of basic earnings)

Members

0.46%

Employers

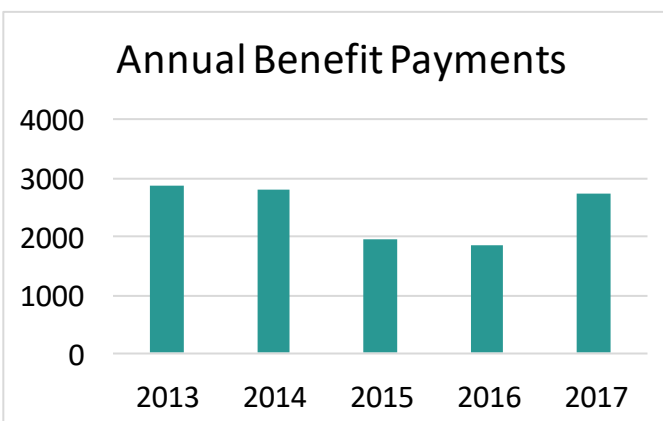
0.46%

Summary of Financial Position

As at December 31, 2017

(thousands)	2017	2016
Net Assets Available for Benefits	\$ 51,807	\$ 50,193
Disability Obligations	17,867	14,353
Surplus	\$ 33,940	\$ 35,840

('000's)



2017 Revenues and Expenses

Investment Returns

\$2.8 Million

Contributions

\$2.3

Million

Administration Expenses

\$0.8 Million

Disability Benefit Payments

\$2.7

Million

Active Claims

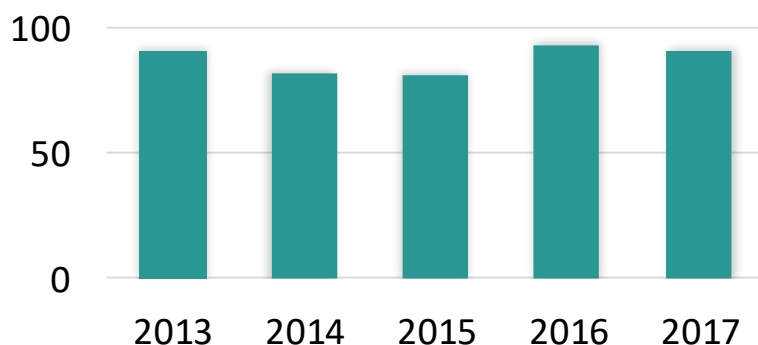
At December 31

91 Down from 93 at the end of 2016

\$3,352 Average Monthly benefit before offsets, up from \$2,426 in 2016

4.4 Average Duration of Disablement, up from 4.1 in 2016
Years

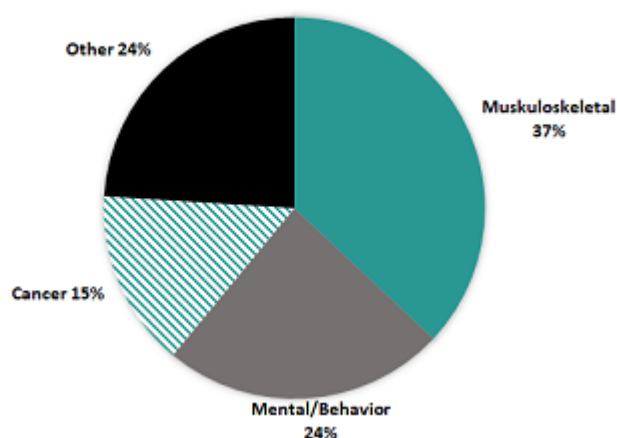
ACTIVE CLAIMANTS BY YEAR



New Claims

72 Up from 62 during 2016

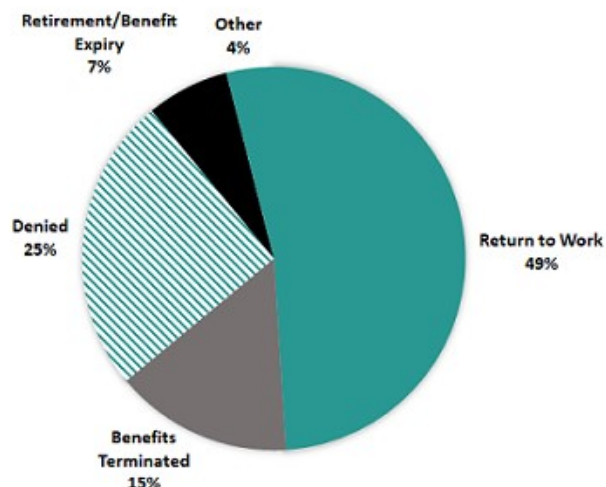
NEW DISABILITY CLAIM TYPE



Resolved Claims

61 Up from 55 in 2016

RESOLVED CLAIMS BY TYPE





ABOUT THE PLAN

INCOME PROTECTION

The Plan provides eligible members with protection against the potential loss of income in the event they become ill or accidentally injured. Benefits include:

MONTHLY DISABILITY BENEFITS

Equal to 75% of pre-disability salary

Coverage for Recurrent Disabilities

Early Access

To diagnostics and surgeries

COORDINATION WITH OTHER BENEFITS

The Plan is designed to :

- complement the members' sick leave plans; and
- to integrate with government disability programs.

REHABILITATION

- Access to therapy, conditioning and rehabilitation
- Access to return to work programs including cross-jurisdictional placement, split shifts and work from home programs.

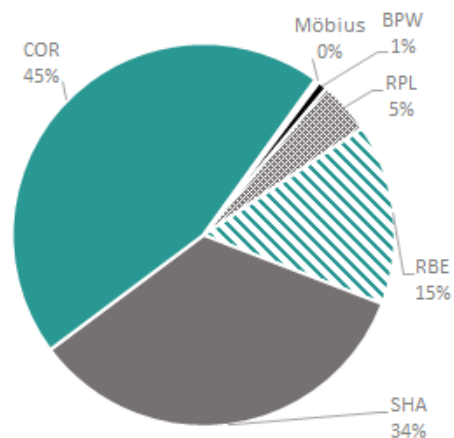
HIGH QUALITY CLAIMS ADMINISTRATION

Two Year Any Occupation

The Plan provides benefits to members from six employers:

- City of Regina;
- Saskatchewan Health Authority;
- Regina Board of Education (non-teaching staff);
- Regina Public Library;
- Buffalo Pound Water Administration Board; and
- Möbius Benefit Administrators Inc.

Members by Employer



PLAN GOVERNANCE

ADMINISTRATIVE BOARD



*Back Row Left to Right: Brian Seidlik, John Gangl, Rod Wiley, John McCormick, Colin Jensen, Bob Linner, Brian Smith
Front Row Left to Right: Deb Cooney, Lorna Glasser, Jo-ann Hincks, Kathy Lewis, Tanya Lestage, Barbara March-Burwell*

PLAN TEXT—SCHEDULE A—BYLAW NO. 9566

The Plan is sponsored by the City of Regina and the Civic Pension and Benefits Committee, which consists of representatives of each of the employee groups in the Plan.

Plan governance is outlined in the Plan Text which was established January 1, 1992 under Schedule A of Bylaw No. 9566. The Plan Text establishes the Administrative Board as the **Administrator** for the Plan. The Administrative Board consists of twelve voting members, six representing the employers and six representing the employee groups. Two of the employer representatives are appointed by the City Manager, and four others are appointed by City of Regina City Council, one of which must be from the Regina Qu'Appelle Regional Health Authority. The employee representatives are elected annually by the membership.

The Administrative Board has adopted a number of policy documents. These policy documents and the Plan text are available online at www.mobiusbenefits.ca.

These governing documents, together with Canada Pension Plan, Income Tax and other federal and provincial legislation, determine how the Plan operates and how members' benefits are calculated and paid.

The Administrative Board is required to meet at least quarterly, and quorum is eight members. Under the terms of the Plan, an affirmative vote of at least eight members is required for the passing of any motion relating to:

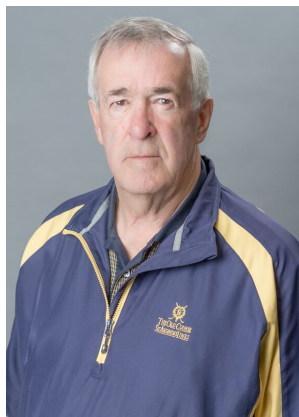
- Management of the fund;
- An amendment to an existing policy; and
- Adoption of a new policy relating to the fund.

The Board met 4 times during 2017. Board meeting attendance for each Member was as follows:

Member	Number of Meetings Attended
John Gangl	4
Lorna Glasser	2
Jo-ann Hincks	3
Colin Jensen—Vice-Chairperson	3
Tanya Lestage	4
Kathy Lewis	4
Bob Linner—Chairperson	4
Barbara March-Burwell	4
John McCormick	3
Brian Seidlik	2
Brian Smith	4
Rod Wiley	3
Deb Cooney (alternate)	2
Glenn Polivka (alternate)	3

ADMINISTRATIVE BOARD MEMBERS

EMPLOYEE AND EMPLOYER REPRESENTATIVES



Bob Linner-Chairperson

Employer Representative since 1987

Mr. Linner was appointed by City Council in 1987 while holding the position of City Manager for the City of Regina. Mr. Linner retired from the City in May of 2006 but continues in his role as Trustee. Mr. Linner holds a Bachelor of Arts Honors equivalent in Urban Geography and Economics from the University of Saskatchewan and is a frequently invited speaker on urban issues and leadership.



Colin Jensen—Vice-Chairperson

Employee Representative since 2011

Mr. Jensen has been employed with the Regina Public School Board since 1999 working in Information Technology Services, currently Senior Systems and Database Administrator. Previous he had a ten year career with Wascana Energy Inc. as a Financial Accountant. Mr Jensen holds Degrees of Bachelor of Administration (Accounting) and Bachelor of Science (Computer Science) from the University of Regina. Mr Jensen is also a member of the Civic Pension and Benefits Committee, serving since 2008.



John Gangl

Employee Representative since 2006

Mr. Gangl retired in 2012 after 33.5 years with the City of Regina overseeing the Sewer maintenance operations, supervising 30 employees in the last position he held, Supervisor of Sewage Collection. He was a member of the Civic Pension & Benefits Committee since the early 1990's until he retired. He was also very active in his union, CUPE Local 21, for over 25 years and the Secretary Treasurer for the last 17 years. He also represented Saskatchewan CUPE members on CUPE National's National Advisory Committee on Pension.



Lorna Glasser

Employee Representative since 2011

Ms. Glasser was elected by the plan members in 2006 to assume the seat designated for the Saskatchewan Health Authority. She was a member of the Civic Pension & Benefits Committee from 2003 up until her retirement. Ms. Glasser worked as a laboratory technologist for 29 years. During that time she assumed a variety of leadership roles in her professional association, her union, and her community. Ms. Glasser was a non-voting employee alternate until the resignation of another trustee late in 2015.



John McCormick

Employee Representative since 2007

Mr. McCormick retired from his position as Transit Operator with the City of Regina after 31 years of service and held the position of President of the Amalgamated Transit Union Local 588 for 18 years. Mr. McCormick was appointed to the Labour Relations Board in July of 2002 as member representing employees and continues in that role today. Also, he was formerly a ATU Canadian Council Executive Board Member for 9 years representing Western Canadian ATU Locals and was the Pension Committee Chair for 3 years.



Brian Seidlik

Employee Representative since 2012

Mr. Seidlik was elected by the plan members in 2012. Mr. Seidlik joined the City of Regina in 1983 and is currently a Captain with the Regina Fire Department.



Brian Smith

Employer Representative since 2011

Mr. Smith was appointed by the City Manager in 2009. Mr. Smith had been employed by the Government of Saskatchewan for 27 years and was serving in the role of Assistant Deputy Minister, Saskatchewan Finance, in the Public Employee Benefits Agency until his retirement. Mr. Smith is an Honorary Life Member of the Canadian Pension & Benefits Institute and a Fellow of the Life Management Institute.



Rod Wiley

Employer Representative since 2013

Mr. Wiley is currently an Associate with Praxis Management Consulting. Previous positions include: Chief Financial Officer with Saskatchewan Liquor and Gaming Authority; Executive Director Finance and Administration with Saskatchewan Ministry of Health; and Controller with Wascana Energy Inc. He is currently a member of the National Board of Directors of the Chartered Professional Accountants of Canada.



Jo-ann Hincks

Employee Representative since 2009

Ms. Hincks has been employed with the Regina Public School Board commencing September 3, 1974 and entered the Civic Pension Plan on that date. Ms. Hincks has been a payroll officer with the Public School Board since October 1976 and has also been an Employee Representative on the Civic Pension & Benefits Committee continuously since 1975.



Tanya Lestage

Employer Representative since 2015

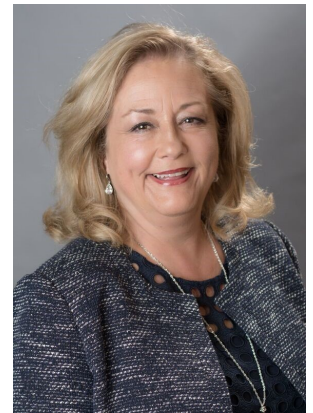
Ms. Lestage was appointed by City Council in 2015 as nominated by the Saskatchewan Health Authority. She has been employed for 17 years with the Saskatchewan Health Authority, currently in the position of Manager, Financial Support. She holds a degree from the University of Regina and is a professionally designated accountant. She also serves on the board of directors for the Financial Management Institute – Regina Chapter.



Kathy Lewis

Employer Representative since 2013

Ms. Lewis was appointed by City Council in 2013 as nominated by the Saskatchewan Health Authority. She has been employed for 16 years with the Saskatchewan Health Authority and has been in the position of Director of Payroll and Benefits for the past number of years. Ms. Lewis also serves on the 3SHealth Employee Benefits Committee in a fiduciary role as well as other oversight committees.



Barbara March-Burwell

Employee Representative since 2015

Ms. March-Burwell was appointed to represent the Regina Public Library in 2015. She has been a member of the Board of Directors of the Regina Public Library since 2014, and is the current Board Vice Chair, and the Chair of the Audit and Finance Committee. Ms. March-Burwell is a Certified Financial Planner and Investment and Wealth Advisor with RBC Dominion Securities. Her other current board position is Executive Committee Member and Audit and Finance Chair for the South Saskatchewan Community Association.

Employee and Employer representatives are appointed as set out in Section 9.1 of Schedule A—Bylaw No. 9566

9.1 (ii) The Board shall consist of the following:

- (a) six (6) employer representatives consisting of:
 - (1) two persons to be appointed by the City Manager; and
 - (2) four (4) persons to be appointed by Council of whom one shall be a person nominated by the Regina Health District Board; and
- (b) six (6) employee representatives elected annually at a meeting of all Members of the Plan who shall hold office for a term of two years of whom one shall be an employee of the Regina Health District working at the Regina General Hospital.

EMPLOYEE ALTERNATES



Deb Cooney

Employee Representative since 2011

Ms. Cooney was elected by the plan members in 2011. She joined the City of Regina in 1999 as a Business Analyst and has worked in numerous areas. She has also served as an Employee Representative on the Civic Pension & Benefits Committee since 2006.



Glenn Polivka

Employee Representative since 2017

Mr. Polivka has been employed by the Transit Department of the City of Regina for the past 10 years. He has been an active member of his union and the Civic Pension and Benefits Committee during his tenure at the City.

BOARD RESPONSIBILITIES

COMPLIANCE

STRATEGY

STEWARDSHIP

The Board's key duties include:

Compliance with Plan Provisions	The Board ensures the Plan is administered in compliance with the Plan document and benefits are paid appropriately to members.
Disability Administration	The Board has engaged Möbius Benefit Administrators Inc. to provide disability administration services on behalf of the Plan. The Board reviews the performance of Möbius on an ongoing basis and ensures that reports provided to the Board are appropriate and adequate to meet their fiduciary duties. Möbius reports to the Board on all aspects of Plan administration. The Board has engaged Manulife to provide claims adjudication services on behalf of the Board.
Annual Financial Statements	The Board ensures that the annual financial statements for the Plan are prepared, an annual audit of the financial statements is conducted. The current auditors for the Plan are KPMG LLP and the statements audited by them are included in this report. In addition, Annual Returns must be filed with the Canada Revenue Agency.
Plan Funding and Valuations	The Board must ensure the Plan is able to meet the long term disability obligations as they occur and ensure the long-term solvency of the Plan. In order to accomplish this, the Plan Text requires that a valuation of the Plan be completed every three years. The purpose of the valuation is to provide an actuarial estimate of the present value of the Plan's liabilities and assets plus determine whether the assets are adequate to meet the obligations or a contribution increase is required. The Plan's current actuary is Aon.
Custody of Plan Assets	The Board must ensure all monies due to the Fund are kept separate and apart from other funds of the employers. This is accomplished by hiring a fund custodian to ensure the money is kept separate from the employer's funds and is only used for disability purposes. In addition to holding the Plan's securities, the custodian is required to verify that any transfer requested by those involved with the Plan complies with the Plan's rules and governing legislation. The current custodian is Northern Trust, Institutional and Investor Services.
Fund Management	The Board is responsible for establishing the investment strategy and ensures it is executed by establishing the Plan's Statement of Investment Policies & Procedures. The activities the Board performs to fulfil this responsibility include regular reviewing of investment activities, ensuring compliance with the Statement of Investment Policies & Procedures, monitoring investment results and meeting with the Plan's fund managers.
Risk Management	The Board defines risk and outlines appropriate risk management practices. The Board works with Möbius Benefit Administrators to identify the principal risks to the Plan and set an overall risk budget. The Board provides direction with regards to risk objectives and approach to risk management through its policies, and provides guiding principles for risk tolerance.
Performance Measurement	The Board ensures the various investment managers are managing the fund assets in an appropriate manner and in compliance with the Statement of Investment Policies & Procedures.
Policy Documents	<p>To support the objectives of the Plan the Board has adopted the following policies:</p> <ul style="list-style-type: none">· Administration Policy · Code of Conduct · Communication Plan · Disability Management Policy· Funding Policy · Privacy Policy · Procedural Rules · Purchasing Policy · Risk Management Framework · Statement of Investment Policies & Procedures · Statement of Investment Beliefs· Travel Policy · Trustee Education Policy



EDUCATION AND TRAINING

The Administrative Board of the Regina Civic Employees' Long Term Disability Plan recognizes the importance of education to the successful fulfillment of the fiduciary duty to the members of the Plan.

To that end, the Board has developed the Trustee Education Policy based on the following principles:

- Board members are required to make policy decisions to facilitate the administration of the Plan;
- Board members have an obligation to participate in Board meetings in a meaningful way; and
- a unique body of knowledge is required to carry out the roles and responsibilities of the Board.

The Administrative Board of the Regina Civic Employees' Long Term Disability Plan is comprised of the same members as the Regina Civic Employees' Superannuation and Benefit Plan. Educational opportunities attended by trustees are considered education credits for both plans.

Minimum Annual Training Requirements

The Trustee Education Policy requires that, in addition to basic education obtained within the first three years of becoming a Trustee:

- new Trustees must attend a minimum of 60 hours of educational opportunities on an triannual basis; and
- senior Trustees must attend a minimum of 60 hours of educational opportunities on an biannual basis.

406

Total number of hours spent by Board Members in Education and Training during 2017—*excluding Board meetings.*

The following table provides the details of Administrative Board Conferences and Seminars. Where board members serve on the board of more than one Plan, costs are shared with those other Plans. The total cost of Board Member Travel, Education, Membership Fees and Training for the Regina Civic Employees' Long Term Disability Plan for 2017 was \$3,250.

Trustee	Conference or Seminar	Date	Location	Hours	Amount
Bob Linner	Trustee Education Workshop	May 3	Regina	8	\$ 94
Colin Jensen	When Spousal Relationships Break Down	Mar 16	Regina	2	40
	CPBI Saskatchewan Regional Conference	Apr 24 to 27	Saskatoon	21	1,211
	Trustee Education Workshop	May 3	Regina	8	94
	IF Canadian Annual Conference	Aug 20 to 23	Montreal	23	2,597
	Illiquid Investments: Are they a free lunch	Nov 16	Regina	2	39
				56	\$ 3,981
John Gangl	Global Economic & Financial Outlook	Jan 18	Regina	2	40
	TDAM Sharing of Knowledge	Mar 30	Regina	2	-
	CPBI Saskatchewan Regional Conference	Apr 24 to 27	Saskatoon	21	1,194
	Trustee Education Workshop	May 3	Regina	8	94
				33	\$ 1,328
Lorna Glasser	Global Economic & Financial Outlook	Jan 19	Regina	2	40
	CPBI Saskatchewan Regional Conference	Apr 24 to 27	Saskatoon	21	932
	Trustee Education Workshop	May 3	Regina	4	94
				27	\$ 1,066
Jo-ann Hincks	When Spousal Relationships Breakdown	Mar16	Regina	2	40
	CPBI Saskatchewan Regional Conference	Apr 24 to 27	Saskatoon	21	950
	Trustee Education Workshop	May 3	Regina	8	94
	IF Canadian Annual Conference	Aug 20 to 23	Montreal	23	2,564
	Illiquid Investments: Are they a free lunch	Nov 16	Regina	2	39
				56	\$ 3,687
Kathy Lewis	Global Economic & Financial Outlook	Jan 19	Regina	2	40
	Benefits, Beyond the Basics	Mar 1 to 2	Regina	14	-
	When Spousal Relationships Break Down	Mar 16	Regina	2	40
	TDAM Sharing of Knowledge	Mar 30	Regina	2	-
	CPBI Saskatchewan Regional Conference	Apr 24 to 27	Saskatoon	21	-
	Trustee Education Workshop	May 3	Regina	8	94
	Key Trends for Canadian Institutional	Jun 1	Regina	2	-
				51	\$ 174

Trustee	Conference or Seminar	Date	Location	Hours	Amount
Tanya Lestage	Public Sector Performance Measurement	Feb 16	Regina	2	-
	Trustee Education Workshop	May 3	Regina	8	94
	Financial Management Institute—PSMW	May 29 to 30	Winnipeg	15	-
	MSL Catchball Planning Session	Oct 31	Regina	2	-
				27	\$ 94
Barb March-Burwell	CFA Society Dinner	Jan 24	Regina	4	-
	Board Evaluations	Mar 15	Regina	1	-
	Trustee Education Workshop	May 3	Regina	8	94
	Legal Decisions with Boards	Oct 18	Regina	1	-
	Measuring Management Actions	Nov 15	Regina	1	-
	The Post Truth Era-Issue for the Audit Committee	Nov 16	Regina	2	-
	Employee Benefits Plans	Nov 16	Regina	1	-
				18	\$ 94
John McCormick	CPBI Saskatchewan Regional Conference	Apr 24 to 27	Saskatoon	21	1,163
	Trustee Education Workshop	May 3	Regina	8	94
	ACPM National Conference	Sep 12 to 14	Banff	32	4,985
				61	\$ 6,242
Brian Smith	CFA Society Dinner	Jan 24	Regina	4	-
	TDAM Sharing of Knowledge	Mar 30	Regina	2	-
	Trustee Education Workshop	May 3	Regina	8	94
				14	\$ 94
Rod Wiley	Trustee Education Workshop	May 3	Regina	8	94
	CPA Board Skills Development	Dec 4	Regina	8	-
				16	\$ 94
Deb Cooney	CFA Society Dinner	Jan 24	Regina	4	-
	When Spousal Relationships Break Down	Mar 16	Regina	2	40
	CPBI Saskatchewan Regional Conference	Apr 24 to 27	Regina	21	1,225
	Trustee Education Workshop	May 3	Regina	8	94
	Key Trends for Canadian Institutional Investors	Jun 1	Regina	2	-
				37	\$ 1,359
Glenn Polivka	Key Trends for Canadian Institutional Investors	Jun 1	Regina	2	\$ -
2017 Total				406	\$ 18,307



CLAIMS MANAGEMENT

PROFESSIONAL ADJUDICATION AND ADMINISTRATIVE SERVICES

The Board engages the services of an external service provider to provide adjudication and administration services for the Plan.

The services have been provided by Standard Life since 2012. In 2015, Standard Life was acquired by Manulife Financial. As a result of this acquisition, these services are now provided by Manulife with the transition being completed in April 2016.

The operational activities of the Plan are performed by Möbius Benefit Administrators Inc. Staff of Möbius provide assistance to members regarding their individual benefit entitlements.

The following table illustrates the flow through of claims managed during 2017:

Active Claims as of December 31, 2016	93
New Claim Applications	72
Claims withdrawn prior to Adjudication	(13)
Claims Resolved and Denied	(61)
Active Claims as of December 31, 2017	91

CLAIMS ADJUDICATION

Benefits are payable subject to the provision of medical evidence supporting disability, and the approval of the Plan adjudicator.

A member may not receive disability benefits while in receipt of sick leave benefits or ongoing vacation leave payments.

Disability benefits are reduced by payments received from the Workers' Compensation Board, the Canada Pension Plan for Disability Benefits, the Canada Employment and Immigration Commission, the Saskatchewan Government Insurance Personal Injury Protection Plan, Veterans Affairs Canada and salary or wage loss awarded as a result of action against any third party for the same disability except for benefits received from a member's private disability plan.

Definition of a Disability

Under the terms of the Plan, the Definition of a Disability varies depending upon the length of time from the date of disability.

Within Two Years:

Disability benefits are payable to a member who suffers any physical or mental condition which, based on medical evidence, is **so severe that he/she is prevented from performing the duties of their own occupation** during the 120 calendar day qualifying period and the first twenty four (24) months immediately following the qualifying period.

After Two Years:

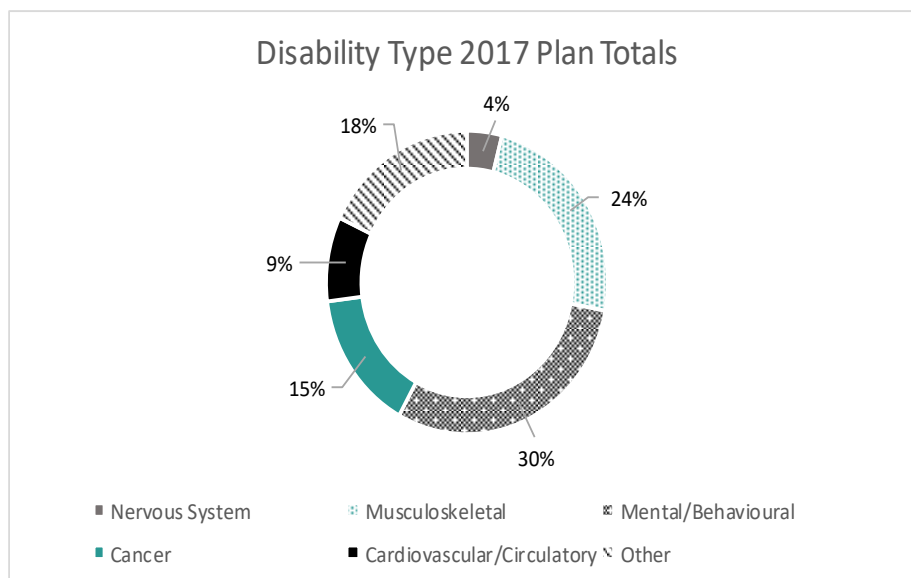
Thereafter, benefits may continue, if the condition continues to limit the member from engaging in **any gainful occupation or employment for remuneration or profit, for which he/she is reasonably well qualified by education, training or experience.**

Determination of Benefit Amount

The total disability payment is based on 75% (65% prior to July 1, 2017) of the current salary rate at the date of disability or the date the disability payments become effective, whichever is greater. After having received total disability benefits for a period of **twenty four (24) months**, partial disability payments may be payable if the medical evidence indicates that the member is not totally disabled from employment but a permanent medical impairment does exist.

Disability Type

The chart below shows the five most prevalent types of disability at year end within the Plan. The most significant change in 2017 was a slight increase in Mental/Behavioural illnesses up from 26% in 2016.



**Other includes: Gastrointestinal, Endocrine Illness and Chronic Pain.*

ACTUARIAL VALUATIONS

MEASURING AND PLANNING TO FUND BENEFITS



ONE OF THE MOST IMPORTANT FUNCTIONS OF THE BOARD IS TO ENSURE THAT ACTUARIAL VALUATIONS ARE CARRIED OUT.

The Board must ensure the Plan is able to meet the disability obligations as they occur and ensure the long term solvency of the Plan.

There is no legislative requirement for a long term disability plan to carry out actuarial valuations. However, in order to ensure the Plan remains solvent, the Board has adopted a policy which requires valuations to be performed every two years.

The Plan's actuary is chosen through a competitive process as outlined in the Board's Purchasing Policy. Aon was selected for a five year term beginning with the 2014 valuation.

SURPLUS

The purpose of an actuarial valuation is to provide an actuarial estimate of the present value of the Plan's liabilities and assets—and then determine whether the assets are adequate to meet the obligations.

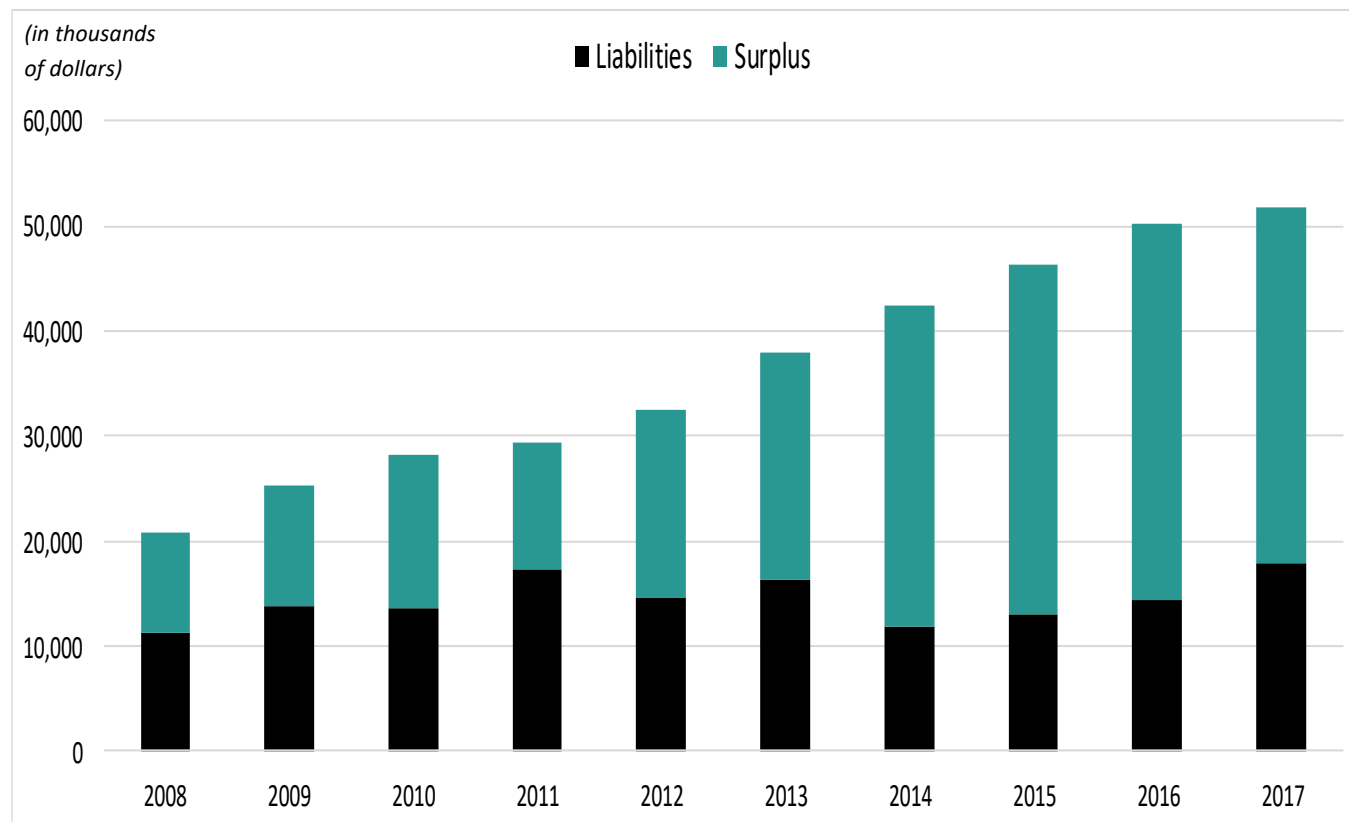
When liabilities exceed assets, the Plan has an unfunded liability, which indicates a contribution increase or change in benefits is required.

A plan is considered **solvent** when the present value of the assets exceed the actuarial estimate of the Plan's liabilities.

The Regina Civic Employees' Long Term Disability Plan has been in a surplus position for several years. Following the completion of the 2014 Actuarial Valuation, which indicated the Plan had a surplus exceeding \$30 million dollars, the Board established a Working Group consisting of representatives of the Plan sponsors, with support from Möbius Benefit Administrators Inc. staff, to carry out a review of the Plan.

ACTUARIAL SURPLUS

POSITIVE TREND



The chart above illustrates the 10 year trend, with the actuarial liability for disability obligations steady or declining slightly while assets continue to grow. The measurement of disability obligations is based on actuarial valuations as they are carried out, with extrapolations prepared for financial statement purposes for years between the full actuarial valuations.

$$\begin{array}{|c|} \hline \text{Plan} \\ \text{Assets} \\ \hline \end{array} - \begin{array}{|c|} \hline \text{Actuarial} \\ \text{Liability} \\ \hline \end{array} = \begin{array}{|c|} \hline \text{Surplus} \\ \hline \end{array}$$



PLAN CHANGE

WORKING GROUP

The Working Group met several times over the course of 2016 and 2017 refamiliarizing themselves with the current structure and benefits of the Plan including the evolution of the Surplus.

During this time the group focused on developing an understanding of some of the administrative challenges that have developed over the years. The group also outlined a path to amend the governance structure as a final step.

Upon gaining a better understanding of the Plan, the group along with Aon who provided consulting services developed the following changes to address the growing surplus. These changes were presented to the Administrative Board on May 24, 2017.

On June 26, 2017 the amendments to Bylaw No. 9566 were approved by City Council and authorization was received to negotiate changes to the Plan governance.

PLAN CHANGES EFFECTIVE JULY 1, 2017

Pre-existing conditions diagnosed or treated in the twelve month period prior to coverage will no longer be covered

Benefits received from Veterans Affairs Canada will be offset by the Plan

Offset for Employment Income (EI) has been removed

“Own occupation” period has been extended from twelve months to twenty-four months

Cost of living adjustments, over and above the existing 50% of the CPI provision, will be permitted on an ad-hoc basis and be granted on January 1 for ease of administration

The core benefit has been increased to 75% from 65% of pre-disability salary

The contribution rate has been lowered by 50% to 0.46% of salary, effective January 1, 2017

INVESTMENTS

BALANCING RISK AND RETURN



The Administrative Board oversees the investments of the Long Term Disability Plan in accordance with the Statement of Investment Policies & Procedures (SIP&P) which is reviewed annually, and whenever a change is required.

The SIP&P provides general policy guidelines for the management and investment of the assets of the Plan and sets out the Board's investment beliefs and risk philosophy, the asset mix and diversification policy, and permitted investments.

The primary investment objectives are:

1. Earn a minimum inflation-adjusted return of 1.8%;
2. Earn a rate of return that exceeds a benchmark portfolio;
3. Earn rates of return that exceed the returns earned on the relevant market index over rolling 4-year periods (active mandates) or rates of return within 15 basis points of the returns earned on the relevant market index over rolling 4-year periods (passive mandates).

ASSET CLASS TARGET MIX

The assets of the Plan are separated into two portfolios: The Return Seeking Portfolio and the Liability Matching Portfolio.

Assets held in the Return Seeking Portfolio are intended to earn a market return as outlined in the Statement of Investment Policies & Procedures.

Assets held in the Liability Matching Portfolio are meant to fluctuate in correlation with the value of the liabilities of the plan.

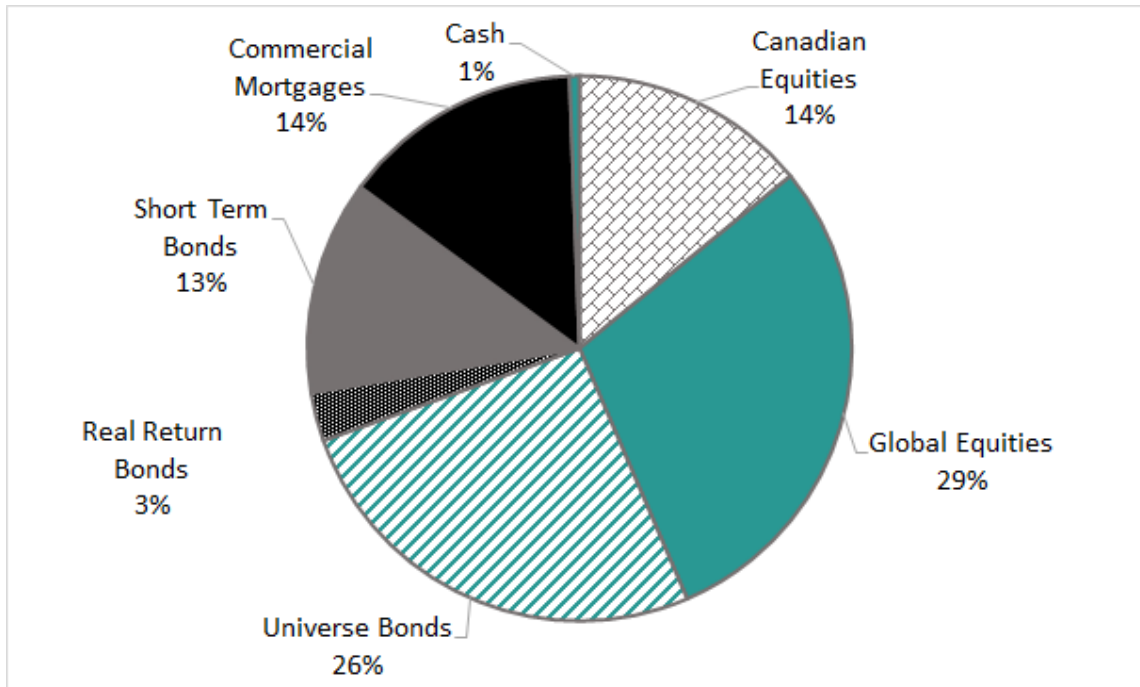
The Plan does not manage currency within the portfolios, preferring to take a longer term approach that currencies will fluctuate in the short term, but will achieve some equilibrium over time.

\$51.9 Million

Total Invested Assets
of the Plan,
December 31, 2017

The Plan's assets are invested across several asset classes and with multiple investment managers to reduce the overall risk to the Plan. By spreading the investments out among different types of assets, different geographical areas and different investment styles, the overall risk to the Plan is reduced and the returns of the Plan become less volatile.

Asset Allocation



Asset Class		Actual % Allocation	Minimum %	Target %	Maximum %
Return Seeking Portfolio					
Equities					
Canadian	S&P/TSX 300 Index	20.1	15	20	25
Global	MSCI World GD	39.1	35	40	45
		59.2		60	
Fixed Income					
Universe Bonds	FTSE TMX Canada Universe Bond Index	39.5	30	40	50
Cash	n/a	1.3		-	
Total Return Seeking Portfolio		100.00		100	
Liability Matching Portfolio					
Fixed Income					
Real Return Bonds	FTSE TMX Canada Real Return Bond Index	9.3	8	12	16
Short Term Bonds	FTSE TMX Canada Short Term Overall Bond Mix	42.3	38	43	48
Commercial Mortgages	FTSE TMX Canada Universe Bond Index +2%	48.4	40	45	50
Total Liability Matching Portfolio		100.00		100	

MANAGEMENT OF INVESTMENTS

MANAGER SELECTION, MONITORING AND REBALANCING

Professional investment management services are obtained through competitive procurement processes. The Board performs regular performance reviews on all managers, ensuring they are meeting objective targets as set out in the SIP&P.

As the performance of individual managers and markets move the assets in the Fund away from the normal strategic positions, the assets are rebalanced to bring the Fund back within the parameters of the current strategic asset allocation policy set by the Administrative Board. Such rebalancing is achieved through directed cash flow or by actively transferring funds among managers when specified trigger points are reached. The actual management and asset allocation structure of the Regina Civic Employees' Long Term Disability Plan as at December 31, 2017 is shown below:

Asset Class	Manager	Start Date	Amount* (thousands)	% of Holdings
Return Seeking Portfolio				
Equities				
Canadian	QV Investors Inc.	2014	7,354	14.2
Global	Franklin Templeton Investments Corp.	1998	14,320	27.6
			\$21,674	41.8
Fixed Income				
Universe Bonds	TD Asset Management	2004	14,475	27.9
Cash		n/a	513	1.0
Total Return Seeking Portfolio			\$36,662	70.7
Liability Matching Portfolio				
Fixed Income				
Real Return Bonds	Internal	n/a	1,412	2.7
Short Term Bonds	TD Asset Management	2010	6,436	12.4
Commercial Mortgages	Addenda Capital Inc.	2010	7,365	14.2
Total Liability Matching Portfolio			\$15,213	29.3
Total Fund			\$51,875	100.00

*Amount includes small cash balances held by each manager within their investment portfolio.

INVESTMENT RESULTS

ACTUAL VERSUS TARGET

**Overall fund
return 5.7%**

On a total fund basis the 2017 return of the Regina Civic Employees' Long Term Disability Plan was 5.7%, in line with the custom benchmark. 2017 returns were driven by strong equity markets worldwide while fixed income also contributed positively. The Plan outperformed the real return expectation goal by 2.5%.

OBJECTIVE

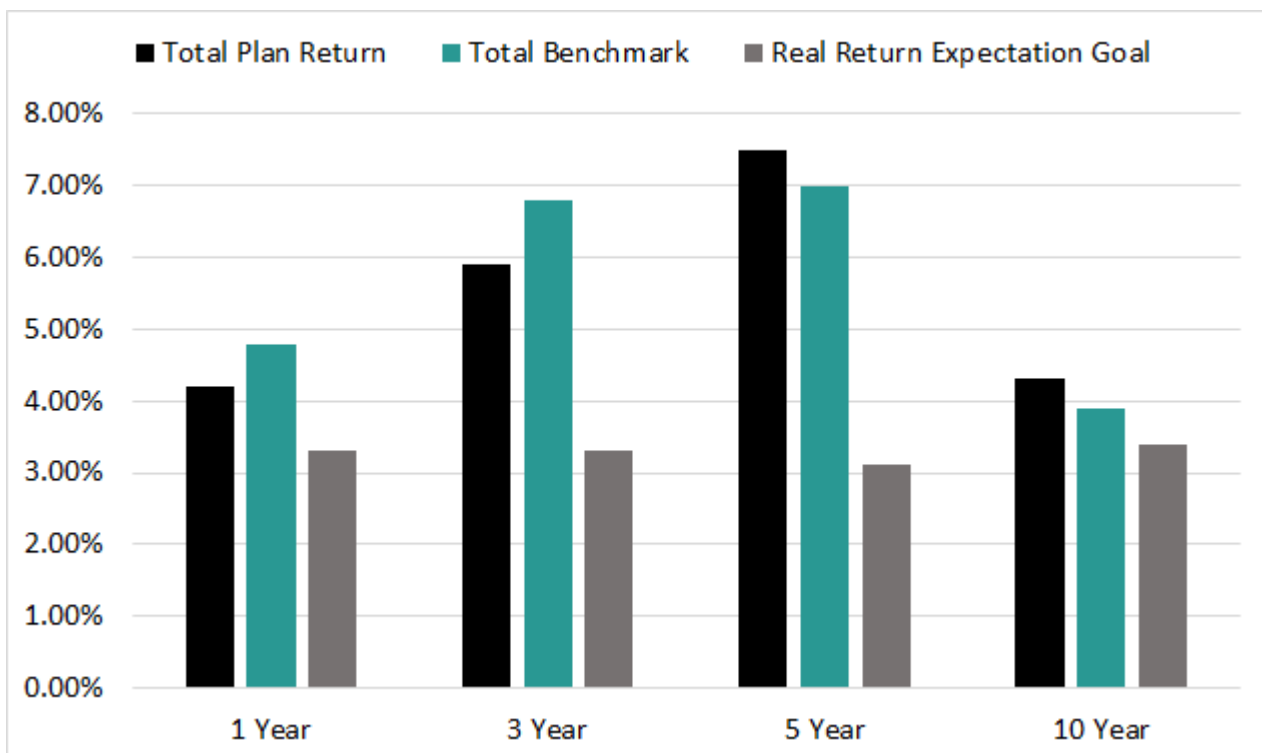
1 Year 3 Year 5 Year 10 Year

Earn a minimum inflation-adjusted investment return of 1.6%

Total Plan Return	5.7	5.2	7.2	4.5
Real Return Expectation Goal (CPI+1.6%)	3.5	3.3	3.1	3.2
Excess Return	2.2	1.9	4.1	1.3

Earn a rate of return that exceeds the benchmark portfolio

Total Plan Return	5.7	5.2	7.2	4.5
Total Plan Benchmark Return	5.8	5.5	6.9	4.4
Excess Return	-0.1	-0.3	0.3	0.1



INVESTMENT RESULTS

ACTUAL VERSUS TARGET—Continued

OBJECTIVE: Earn rate of return that exceeds the returns earned on the relevant market index over rolling 4-year periods (Actively managed investments) for the years ended December 31

	2017	2016	2015	2014	2013	2012
Canadian Equity	7.7	11.1	8.0	5.1	6.4	8.2
Benchmark	7.6	8.5	5.3	5.2	6.8	11.7
Excess Return	0.1	2.6	2.7	-0.1	-0.4	-3.5
Global Equity	10.2	17.9	23.0	15.4	13.5	6.9
Benchmark	13.4	18.3	21.0	15.1	12.8	6.9
Excess Return	-3.1	-0.4	2.0	0.3	0.7	0.0
Mortgages	3.7	4.0	4.3	4.9	-	-
Benchmark	6.1	5.1	5.6	7.1	-	-
Excess Return	-2.4	-1.1	-1.3	-2.2	-	-
Short Term Bonds	1.0	1.1	1.1	1.2	-	-
Benchmark	1.7	2.1	2.4	2.9	-	-
Excess Return	-0.7	-1.0	-1.3	-1.7	-	-

OBJECTIVE: Earn rates of return within 0.15% of the returns earned on the relevant market index over rolling 4-year periods (Passively Managed Investments) for the years ended December 31

Universe Bonds	4.06	3.07	3.56	4.88	4.33	6.02
Benchmark	4.09	3.13	3.62	5.13	4.63	6.33
Excess Return	-0.03	-0.06	-0.06	-0.25	-0.30	-0.31
Real Return Bonds	3.94	0.85	1.24	4.64	4.59	11.00
Benchmark	4.78	0.99	0.99	4.61	4.12	11.55
Excess Return	-0.84	-0.14	0.25	0.03	0.47	-0.55

DISABILITY PLAN EXPENSES

DETAIL BY VENDOR AND EXPENSE TYPE

Description	Amount* (thousands)
Actuarial Services	
Aon Hewitt	24
Audit Services	
KPMG LLP	10
Custodial and Performance Management Fees	
Northern Trust Corporation	37
Investment Management Fees	
QV Investors Inc.	23
Franklin Templeton Investments Corp.	108
TD Asset Management	5
Addenda Capital Inc.	37
	173
Legal Services	
McDougall Gauley	69
Lawson Lundell	5
	74
Other Administrative Expenses	
Möbius Benefit Administrators Inc.	331
Manulife	40
Medical and Rehabilitation Services	66
SaskCentral	20
Conferences, Seminars & Travel	3
Software Licensing and Maintenance	3
Office Supplies	2
Other	2
	467
Total	\$ 785



KPMG LLP
Hill Centre Tower II
1881 Scarth Street, 20th Floor Regina Saskatchewan S4P 4K9
Canada
Telephone (306) 791-1200
Fax (306) 757-4703

INDEPENDENT AUDITORS' REPORT

To the Administrative Board of The Regina Civic Employees' Long Term Disability Plan

We have audited the accompanying financial statements of Regina Civic Employees' Long Term Disability Plan, which comprise the statement of financial position as at December 31, 2017, the statements of changes in net assets available for benefits and changes in disability obligations for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for pension plans, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Regina Civic Employees' Long Term Disability Plan as at December 31, 2017, and the changes in its net assets available for benefits and changes in disability obligations for the year then ended in accordance with Canadian accounting standards for pension plans.

KPMG LLP

Chartered Professional Accountants
May 23, 2018
Regina, Canada

AUDITED FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

(in thousands of dollars)

As at December 31

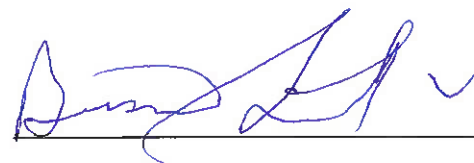
	2017	2016
ASSETS		
Investments—Note 4	\$ 51,875	\$ 50,167
Accounts Receivable	105	150
Contributions Receivable		
Members	-	57
Employers	-	57
Accrued Investment Income Receivable	3	3
	51,983	50,434
LIABILITIES		
Accounts Payable	176	241
Net Assets Available for Benefits	51,807	50,193
Disability Obligations—Note 5	17,867	14,353
Surplus	\$ 33,940	\$ 35,840

See accompanying notes.

APPROVED BY:



Board Member



Board Member

AUDITED FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

(in thousands of dollars)

For the Year Ended December 31

	2017	2016
INCREASE IN NET ASSETS		
Investment Income—Note 6	\$ 3,280	\$ 1,913
Increase in Fair Value of Investments		
Realized Gain	691	101
Unrealized Gain	-	8
Contributions		
Member	1,167	2,246
Employers	1,157	2,246
	6,295	6,514
DECREASE IN NET ASSETS		
Disability Payments	2,747	1,846
Administration Expenses—Note 10	785	902
Decrease in Fair Value of Investments		
Realized Loss	-	-
Unrealized Loss	1,149	-
	4,681	2,748
Net Increase for the Year	1,614	3,766
Net Assets Available for Benefits, Beginning of Year	50,193	46,427
Net Assets Available for Benefits, End of Year	\$ 51,807	\$ 50,193

See accompanying notes.

AUDITED FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN DISABILITY OBLIGATIONS

(in thousands of dollars)

For the Year Ended December 31

	2017	2016
INCREASE IN DISABILITY OBLIGATIONS		
Accrual of Disability Benefits	\$ 3,547	\$ 5,618
Change in Assumptions—Note 5	377	-
Interest Accrued on Benefits	330	307
Change in Benefit Design	2,811	-
	7,065	5,925
DECREASE IN DISABILITY OBLIGATIONS		
Disability Payments	2,830	1,901
Experience Gain	721	2,677
	3,551	4,578
Net Increase/Decrease for the Year	3,514	1,347
Disability Obligations, Beginning of Year	14,353	13,006
Disability Obligations, End of Year	\$ 17,867	\$ 14,353

See accompanying notes.

AUDITED FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

(in thousands of dollars)

For the Year Ended December 31, 2017

1. Description of Plan

The Regina Civic Employees' Long Term Disability Plan (the "Plan") is a multi-employer disability plan covering eligible employees of the City of Regina and the following participating employers: Saskatchewan Health Authority, Regina Public Library Board, Board of Education of the Regina School Division No. 4 of Saskatchewan (non-teaching staff), Buffalo Pound Water Administration Board and Möbius Benefit Administrators Inc. The following description is a summary only. For more complete information, reference should be made to the Plan text.

Following the completion of the 2014 actuarial valuation it was revealed that the Plan had a surplus of approximately \$30 million dollars which continued to grow. Therefore the Board authorized establishing a working group comprised of representatives of Möbius and Sponsors for the purpose of reviewing the Plan. The working group, along with Aon, developed changes to the Plan which were implemented July 1, 2017.

a) Contributions

Prior to July 1, 2017, members contributed 0.92% of salary. On July 1, 2017, this contribution rate was lowered to 0.46% and, due to the surplus in the plan, no contributions were collected from July 1, 2017 to December 31, 2017. The employer matches the members' contributions to the Plan.

b) Benefits

Effective July 1, 2017 disability benefits are based on 75% of the member's salary (65% prior to July 1, 2017). Benefits will be paid either throughout the duration of the disability, until the member elects voluntary early retirement, reaches age 65 or upon death, whichever occurs first.

c) Income Taxes

The Plan is a self insured disability income plan and as such is not subject to income taxes under *The Income Tax Act*. Disability benefits paid from the Plan are subject to deductions that are withheld and remitted to the Canada Revenue Agency.

2. Basis of Preparation

a) Statement of Compliance

The financial statements for the year ended December 31, 2017, have been prepared in accordance with Canadian accounting standards for pension plans as outlined in Part IV of the CPA Canada Handbook Section 4600, Pension Plans. For matters not addressed in section 4600, International Financial Reporting Standards (IFRS) guidance has been implemented. The financial statements were authorized and issued by the Plan's Administrative Board on May 23, 2018.

AUDITED FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

(in thousands of dollars)

For the Year Ended December 31, 2017

2. Basis of Preparation (continued)

b) Basis of Measurement

The financial statements have been prepared using the historical cost basis except for financial instruments which have been measured at fair value.

c) Functional and Presentation Currency

These financial statements are presented in Canadian dollars, which is the Plan's functional currency and are rounded to the nearest thousand unless otherwise noted.

3. Summary of Significant Accounting Policies

The following policies are considered to be significant:

a) Basis of Presentation of Financial Statements

These financial statements are prepared on the going concern basis and present the aggregate financial position of the Plan as a separate financial reporting entity independent of the Plan sponsors and Plan members. They are prepared to assist Plan members and others in reviewing the activities of the Plan for the fiscal period, but they do not portray the funding requirements of the Plan or the benefit security of individual Plan members.

Employers of members are responsible for the accuracy and completeness of members' contributions remitted and of employee payroll information on which benefit payments are determined. Accordingly, these financial statements presume the accuracy and completeness of the members' contributions and payroll information received from employers of the members.

b) Investments

All investments are recorded at fair value. The fair value of bonds is based on model pricing techniques that effectively discount prospective cash flows to present value taking into account duration, credit quality and liquidity.

Pooled funds are recorded at fair value based on the net asset value per unit determined by the investment manager with reference to the underlying investments' year-end market prices.

Short-term investments are recorded at cost, which together with accrued interest income, approximates fair value.

AUDITED FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

(in thousands of dollars)

For the Year Ended December 31, 2017

3. Summary of Significant Accounting Policies (continued)

c) Investment Income and Transaction Costs

Investment income includes interest and dividends. Interest income is recorded on the accrual basis. Distributions from pooled funds are recognized as entitlement arises. Changes in fair value of investments includes both realized and unrealized gains and losses. Realized gains and losses from the sale of investments are calculated using a weighted average cost basis and are reflected in earnings as incurred. Investment transactions are accounted for on the trade date. Transaction costs are recognized in the statement of changes in net assets available for benefits in the period incurred.

d) Foreign Exchange

Foreign investment purchases, sales and income are recorded in Canadian dollars at exchange rates in effect at the transaction date. Foreign denominated investments and accrued income are translated at year end exchange rates. The unrealized gains and losses arising from the transaction are included in the Statement of Changes in Net Assets Available for Benefits as part of the change in fair value of investments.

e) Contributions

Contributions are accounted for on the accrual basis.

f) Use of Estimates and Judgements

The preparation of the financial statements in accordance with Canadian accounting standards for pension plans requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include the valuation of investments and disability obligations. Actual results could differ from these estimates and changes in estimates are recorded in the accounting period in which they are determined.

g) Future Accounting Policy Changes

The relevant new guidance issued by the International Accounting Standards Board not yet adopted by the Plan includes:

- IFRS 9, Financial Instruments. The new standard will replace IAS 39, Financial Instruments: Recognition and Measurement, and includes guidance and derecognition of financial assets and financial liabilities, impairment and hedge accounting. The new standard will come into effect January 1, 2018.

Management does not expect any significant impact to the Plan's financial statements upon adopting the new standard.

AUDITED FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

(in thousands of dollars)

For the Year Ended December 31, 2017

4. Investments

The investment objectives of the Plan are to ensure the Plan has sufficient assets to optimize the risk/return relationship of the Plan and to generate sufficient cash flows to meet disability benefits payments. The Plan has the following investments:

INVESTMENTS	2017	2016
Canadian Bonds	\$ 1,412	\$ 1,444
Cash	513	295
Pooled Funds:		
Short Term	6,436	6,371
Fixed Income	21,840	20,216
Canadian Equities	7,354	7,074
Global Equities	14,320	14,767
Total Investments	\$ 51,875	\$ 50,167

Investment concentration in any one investee or related group of investees is limited to no more than 10% of the total book value of the Plan's assets or no more than 30% of the votes that may be cast to elect the directors of the investee.

The Plan's assets may be invested through in-house investment activities or through external investment managers including without limitation, mutual funds, pooled funds, segregated funds, unit trusts, limited partnerships, and similar vehicles.

The Statement of Investment Policies and Procedures permits investment in all bonds, debentures, notes, non-convertible preferred stock, real return bonds and other debt instruments of Canadian issuers whether denominated and payable in Canadian dollars or a foreign currency including mortgage-backed securities, guaranteed under *The National Housing Act (Canada)*, asset backed securities, term deposits and guaranteed investment certificates. It also permits investment in private placement of bonds that are rated by a recognized rating agency. The Plan's investment policy states that a minimum of 80% of fixed income must be invested in investment grade as rated by a recognized credit rating service.

The Plan may invest in equity securities, and equity substitutes that are convertible into equity securities, which are listed and traded on recognized exchanges, and unlisted equity securities, such as private placement equity, where the investment manager determines the security will become eligible for trading on a recognized exchange within a reasonable and defined timeframe, not to exceed six months, and the issuing company is publicly listed on a recognized exchange.

AUDITED FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

(in thousands of dollars)

For the Year Ended December 31, 2017

4. Investments (continued)

The Plan may also invest in cash and short term investments which consist of cash on hand, Canadian and US money market securities, such as treasury bills issued by the federal and provincial governments and their agencies, obligations of trust companies and Canadian and foreign banks chartered to operate in Canada, including bankers' acceptances, commercial paper, term deposits and contracts with life insurance companies.

Canadian Bonds

The Plan holds Government of Canada bonds with a term to maturity greater than five years with a carrying value of \$1,412 (2016 - \$1,444). The effective average interest rate on the bonds is 1.83% (2016 - 1.76%).

Pooled Funds

The Plan owns units in Canadian and Global pooled equity funds as well as Canadian bonds and unit trust mortgage funds. These pooled funds have no fixed distribution rate. Fund returns are based on the success of the fund managers.

Fair Value of Investments

Fair value is best evidenced by an independent quoted market price for the same instrument in an active market. An active market is one where quoted prices are readily available, representing regularly occurring transactions. The determination of fair value requires judgement and is based on market information where available and appropriate. Fair value measurements are categorized into levels within a fair value hierarchy based on the nature of the inputs used in the valuation.

Level 1 – where quoted prices are readily available from an active market.

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the investment, either directly (for example, as prices) or indirectly (for example, derived from prices).

Level 3 – inputs for the investment that are not based on observable market data.

AUDITED FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

(in thousands of dollars)

For the Year Ended December 31, 2017

4. Investments (continued)

The following table illustrates the classification of the Plan's investments within the fair value hierarchy as at December 31.

2017				
Asset Class	Level 1	Level 2	Level 3	Total
Equity Pooled Funds	\$ -	\$ 21,674	\$ -	\$ 21,674
Canadian Bonds	1,412	-	-	1,412
Fixed Income Pooled Funds	-	21,840	-	21,840
Short Term Investments	-	6,436	-	6,436
Cash	513	-	-	513
Total Investments	\$ 1,925	\$ 49,950	\$ -	\$ 51,875

2016				
Asset Class	Level 1	Level 2	Level 3	Total
Equity Pooled Funds	\$ -	\$ 21,841	\$ -	\$ 21,841
Canadian Bonds	1,444	-	-	1,444
Fixed Income Pooled Funds	-	20,216	-	20,216
Short Term Investments	-	6,371	-	6,371
Cash	295	-	-	295
Total Investments	\$ 1,739	\$ 48,428	\$ -	\$ 50,167

There were no investments transferred between levels during 2017.

AUDITED FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

(in thousands of dollars)

For the Year Ended December 31, 2017

5. Disability Obligations

There is no external legislative requirement for actuarial valuations to be performed for disability plans. Schedule A of Bylaw 9566 requires that actuarial valuations for the Plan are carried at a minimum every three years to determine the funding requirements. On an annual basis, the Board reviews the Plan's activities to determine whether a valuation is required. The last valuation was carried out as of December 31, 2016.

Aon is the appointed actuary of the Plan. The actuarial value of disability obligations as of December 31, 2017 has been determined by extrapolating the figures from December 31, 2016, the date of the last actuarial valuation.

The assumptions used in the valuation were developed by reference to expected long term market conditions. Significant long term assumptions used in the valuation were:

Assumption	2017 Rate (%)	2016 Rate (%)
Inflation Rate	2.2	2.2
Discount Rate	1.8	2.55
Retirement Age	65	65
Rehabilitation Earnings Increase	2.2	2.2
Continuing in Year Claims Expense	3.0	3.0
Termination Rates	Adjusted. 2004-2008 LTD termination study conducted by CIA	Adjusted. 2004-2008 LTD termination study conducted by CIA

During 2017 the disability obligation increased by \$721 (2016 – \$2,677) as a result of the Plan's experience. The disability obligation is sensitive to changes in the inflation rate and the discount rate, which impacts future claims benefits and the assumed real rate of return on Plan assets. The 2017 extrapolation also accounts for changes made to the Plan and increases the overall liability by \$2,811.

A change in the following assumptions (with no other change in other assumptions) would have the following approximate effects on the disability obligations:

50 Basis Point Decrease/Increase	Approximate Effect on Disability Obligations	
	\$	%
Discount Rate	+553/-520	+3.1/-2.9
Inflation	-270/+277	-1.5/+1.6

AUDITED FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

(in thousands of dollars)

For the Year Ended December 31, 2017

6. Investment Income

	2017	2016
Cash and Short Term Investments	\$ 103	\$ 96
Bond Interest	707	796
Pooled Fund Distributions	2,470	1,021
Total	\$ 3,280	\$ 1,913

7. Capital Management

The Plan defines its capital as consisting of net assets available for benefits, which consists primarily of investments. Investments are managed to fund future disability obligations. The extent that net assets available for benefits are greater than disability obligations is reflected as a surplus or deficit. The objective of managing the Plan's capital is to ensure that the Plan is fully funded to pay the Plan's benefits over time.

The Plan receives new capital from member and employer contributions. The Plan also benefits from investment income and market value increases on its invested capital. The Plan's capital is invested in a number of asset classes including short-term investments, bonds, and pooled funds. The Board has delegated the operational investment decisions to a number of different investment management firms through a number of different investment mandates as defined in the Plan's Statement of Investment Policy and Procedures.

8. Investment Risk Management

Investment risk management relates to the understanding and active management of risks associated with invested assets. Investments are primarily exposed to foreign currency, interest rate volatility, market and credit risk. They may also be subject to liquidity risk. The Plan has set formal policies and procedures that establish an asset mix among equity and fixed income investments; requires diversification of investments within categories; and sets limits on the size of exposure to individual investments. The Administrative Board approves the Statement of Investment Policies and Procedures which is reviewed annually.

Market Risk

Market risk is the risk that the value of an investment will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual investment, or factors affecting all securities traded in the market. The Plan's policy is to invest in a diversified portfolio of investments, based on criteria established in the Statement of Investment Policies and Procedures.

The impact on the net assets of the Plan due to a 10% change in the respective benchmark stock index using a three year historical measure of the sensitivity of the returns relative to the returns of The benchmark stock index, as of December 31, 2017 would result in an increase/decrease of 9.1% (2016 – 9.5%) in the value of the portfolio.

AUDITED FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

(in thousands of dollars)

For the Year Ended December 31, 2017

8. Investment Risk Management (continued)

Credit Risk

Credit risk is the risk that one party does not pay funds owed to another party. The Plan's credit risk arises primarily from certain investments. Credit risk is mitigated by entering into contracts with the parties that are considered high quality. Quality is determined via the following credit rating agencies: DBRS, Standard and Poor's and Moody's Investor Service. The maximum credit risk to which it is exposed at December 31, 2017 is limited to the carrying value of the financial assets summarized as follows:

Asset Class	2017	2016
Canadian Bonds	\$ 1,412	\$ 1,444
Contributions Receivable	-	114
Accounts Receivable	105	150
Accrued Investment Income Receivable	3	3
Cash	513	295
Total	\$ 2,033	\$ 2,006

The Plan's Canadian Bonds consist of Government of Canada Bonds rated AAA.

Interest Rate Risk

Interest rate risk refers to the effect on the market value of the Plan's investments due to fluctuation of interest rates. The risk arises from the potential variation in the timing and amount of cash flows related to the Plan's assets and liabilities. Disability obligations are relatively short term. Asset values are affected by equity markets and short-term changes in interest rates. The fixed income portfolio has guidelines on duration and distribution which are designed to mitigate the risk of interest rate volatility.

At December 31, 2017 a 1% increase/decrease in interest rates would result in a \$1,435 (2016 – \$1,340) change in the value of the Plan's fixed income portfolio.

Foreign Currency Risk

Foreign currency exposure arises from the Plan holding investments denominated in currencies other than the Canadian Dollar. During the year, the Plan held only investments denominated in Canadian Dollars.

AUDITED FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

(in thousands of dollars)

For the Year Ended December 31, 2017

8. Investment Risk Management (continued)

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Plan maintains an adequate amount of liquid assets with varying maturities in order to ensure that the Plan can meet all of its financial obligations as they fall due. Liquidity risk is managed by limiting the Plan's exposure to illiquid assets and through positive net cash inflows from contributions.

9. Related Party Transactions

These transactions are in the normal course of operations and are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The following transactions with related parties are included in the financial statements:

Related Party Transactions	2017	2016
Accounts Receivable includes the following amounts due from:		
Möbius Benefit Administrators Inc.	\$ 88	\$ 107
Accounts Payable include the following amounts due to:		
City of Regina	\$ -	\$ 1
Regina Civic Employees' Superannuation and Benefit Plan	20	34
Möbius Benefit Administrators Inc.	88	60
	\$ 108	\$ 95

Administration expenses include \$331 (2016 — \$304) paid to Möbius Benefit Administrators Inc. and \$- (2016 — \$63) paid to the City of Regina.

10. Administration Expenses

Administration Expenses	2017	2016
Möbius Benefit Administrators Inc.	\$ 331	\$ 304
Investment Manager Fees	173	159
Legal Services	74	62
Medical & Rehabilitation Services	66	64
Adjudication Services	40	104
Custodial and Portfolio Measurement Fees	37	35
Other Administrative Expenses	30	146
Actuarial Services	24	18
Audit Services	10	10
Total	\$ 785	\$ 902

September 4, 2018

To: Members
Finance & Administration Committee

Re: Casual Employees' Superannuation and Elected Officials' Money Purchase Pension Plan
2017 Annual Report

RECOMMENDATION

That this report be forwarded to the September 24, 2018, meeting of City Council for information.

CONCLUSION

Mobius Benefit Administrators Inc. (Mobius) has provided the 2017 annual report for the Casual Employees' Superannuation and Elected Officials' Money Purchase Plan. In comparison to 2016 results, total plan assets, interest returns, and average member balances are higher than 2017.

BACKGROUND

The Casual Employees' Superannuation and Elected Officials' Money Purchase Pension Plan has been established for Elected Officials who wish to join and City of Regina casual employees within the jurisdiction of CUPE Local 21 who meet the eligibility requirement. The Plan is intended to provide eligible members with retirement income based on their contributions, the employer's contributions and interest earnings associated with those contributions.

The Casual Employees' Superannuation and Elected Officials' Money Purchase Pension Plan is governed by an Administrative Board that consists of three members appointed by the City Manager and one member of City Council. The Administrative Boards responsibilities include: compliance, strategy and stewardship.

In 2017, Mobius administered this plan in accordance with *Bylaw No. 8589* on behalf of the City of Regina. Industrial Alliance provides custodial, record keeping and investment management services and the City employee benefits team manages day-to-day administration of the membership.

DISCUSSION

The annual report has been prepared based on the requirements defined in Schedule A of *Bylaw No. 8589*.

As outlined within Schedule A of *Bylaw No. 8589*, Section 15.7, in each fiscal year, the board shall submit to Council a financial statement showing the business of the plan for that year. Appendix A is a copy of the 2017 Annual Report, which includes the following information:

- An overview of the Plan status, its membership and governance
- Management of investments including investment results
- Audited financial statements for the one-year period ending December 31, 2017

Highlights captured within this 2017 report in comparison to that reported within the 2016 annual report are:

- Total invested assets in the Plan are \$12.2 M in 2017, up from \$11.5 M in 2016
- Overall fund return 8.7 per cent in 2017, up from 2.8 per cent in 2016
- Average member balance is \$11,237 up from \$10,505

This Plan is a defined contribution plan. Members of the Plan have an account that accumulates their own contributions, plus the City's contributions made on the members behalf, plus accumulated interest.

RECOMMENDATION IMPLICATIONS

Financial Implications

The Plan provides eligible members with retirement income based on the accumulated total of member and employer contributions, plus the earnings associated with those contributions. Based on the information contained within the annual report, the plan is holding \$12.2M in net assets available for benefits. There is no financial obligation for the organization beyond the employer contributions as this is a defined contribution plan.

Environmental Implications

None with respect to this report

Policy and/or Strategic Implications

None with respect to this report

Other Implications

None with respect to this report

Accessibility Implications

None with respect to this report

COMMUNICATIONS

None with respect to this report

DELEGATED AUTHORITY

The recommendation contained in this report is within the delegated authority of City Council.

Respectfully submitted,

A handwritten signature in black ink, appearing to be 'SE', with a horizontal line extending to the right.

Steve Eger, Director
Human Resources

Respectfully submitted,

A handwritten signature in blue ink, appearing to be 'Diana Hawryluk', written in a cursive style.

Diana Hawryluk, Executive Director
City Planning and Development

Report prepared by:
Christine Heroux, Manager Payroll, Analytics & Employee Administration



Casual Employees'
Superannuation
& Elected Officials'
Money Purchase
Pension Plan



ANNUAL REPORT 2017

Administered by

möbius
BENEFIT ADMINISTRATORS INC.

ANNUAL REPORT

CASUAL EMPLOYEES' SUPERANNUATION & ELECTED OFFICIALS MONEY PURCHASE PENSION PLAN

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Administered by:



Mail	Web www.mobiusbenefits.ca
B101,2055 Albert St.	E-mail pensions@mobiusbenefits.ca
Regina, SK	Phone (306) 777-7402
S4P 2T8	Fax (306) 777-6912

MESSAGE FROM THE CHAIRPERSON

On behalf of the Board it gives me great pleasure to share with you the Annual Report for the Casual Employees' Superannuation & Elected Officials' Money Purchase Pension Plan for the year 2017.

Contained within the report you will find important and useful information regarding:

- membership, enrolment and demographics;
- who is on the Administrative Board, governance of the plan and the role of the trustee;
- how the Board conducts its business and fulfils its responsibilities and commitment to the members of the Plan;
- investment of the fund assets and overall performance of the plan for 2017, as well as year by year comparators of Plan performance; and
- the annual financial statements for the Plan, audited by KPMG.

Over the last several years the Plan has seen a seamless transition of overall pension and benefit administration from the City of Regina to Mobius Benefits Administrators Inc. On behalf of the Board I would like to share our appreciation of Colyn Lowenberger, CEO of Mobius, and his valued team of professionals in providing excellent services in the administration of the Plan.

I would like to take this opportunity to thank the members of the Administrative Board for their contribution and valued work throughout the year. Together, we are committed to providing the leadership, integrity and stewardship to support members as they save for retirement.

Marco Deiana

CHAIRPERSON,
ADMINISTRATIVE BOARD



“I would like to take this opportunity to thank the members of the Administrative Board for their contribution and valued work throughout the year. Together, we are committed to providing the leadership, integrity and stewardship to support members as they save for retirement. “

2017 PLAN HIGHLIGHTS

YEAR AT A GLANCE

Net Assets Available for Benefits

\$12.2 Million

New Enrollments

51 *down from 104 in 2016*

Average Member Balance

\$11,237 Dollars

Pension Refunds

85 *Up from 69 in 2016*

Total Membership

1,135

Up from 1,063 in 2016

Total Inactive Members

314

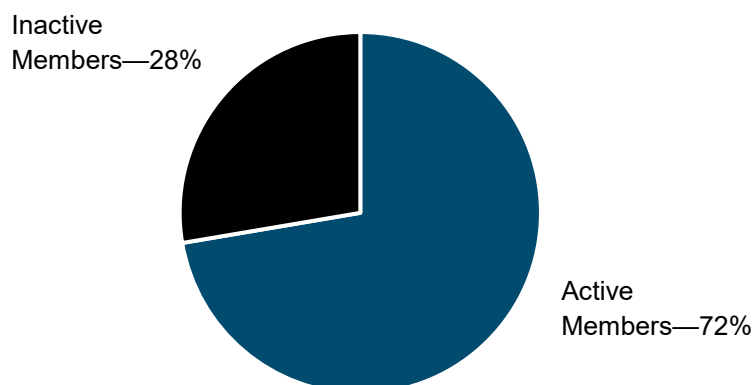
Up from 256 in 2016

Summary of Financial Position

As at December 31, 2017

(thousands)	2017	2016
Net Assets Available for Benefits	\$ 12,206	\$ 11,535

Member Demographics



2017 Revenues and Expenses

Investment Returns

\$927
thousand

Contributions

\$667
thousand

Administration Expenses
\$22 thousand

Pension Refund
Payments

\$901
thousand

Active Members

813 Active CUPE Local 21 Members

8 Active Elected Official Members

821 Total Active Members—Up from 807 in 2016

Non-active Members

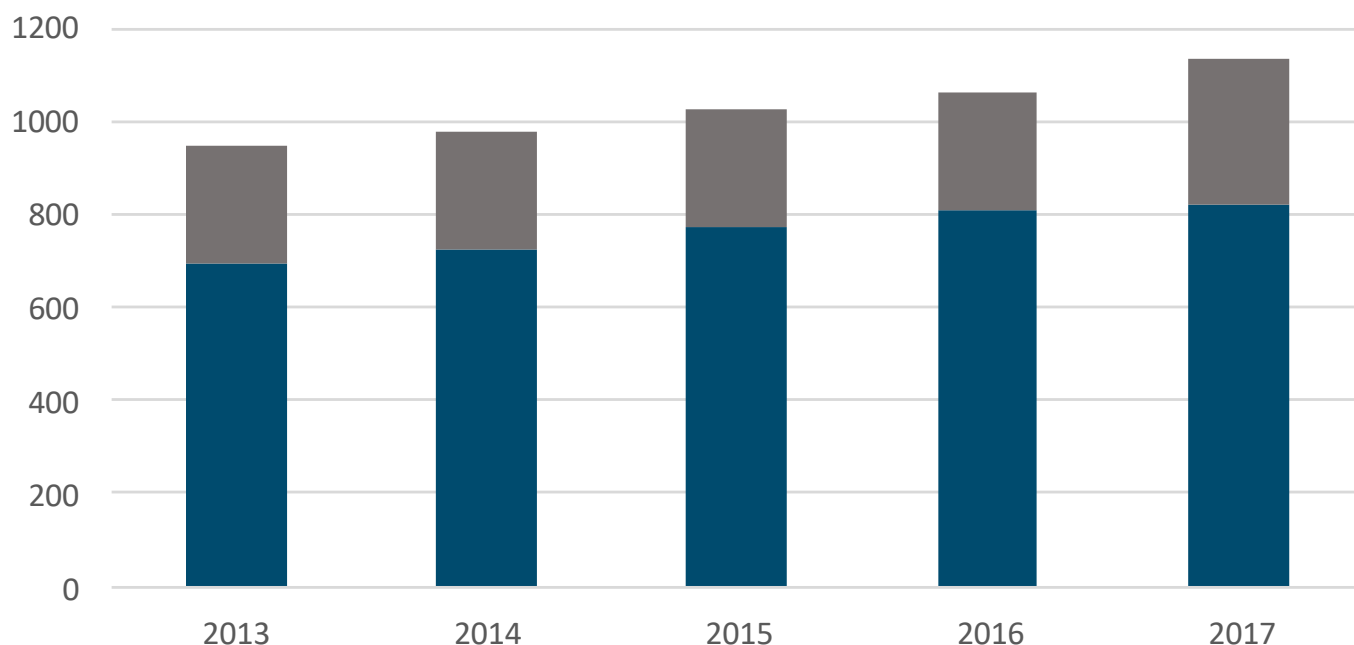
311 Non-Active CUPE Local 21 Members

3 Non-Active Elected Official Members

314 Up from 256 in 2016

5 Year Member Demographics

■ Active Members ■ Inactive Members





ABOUT THE PLAN

DEFINED CONTRIBUTION PLAN

The Plan provides eligible members with retirement income based on the accumulated total of member and employer contributions, plus the earnings associated with those contributions

IMMEDIATE VESTING

Vesting means members are entitled to keep the employer's contributions plus earnings to date upon leaving the Plan.

IMMEDIATE LOCKING-IN

Locked in refers to the fact that both member contributions and the matching employer's contributions are immediately locked-in upon joining the Plan. Those funds cannot be taken as a cash withdrawal when a member leaves the Plan. They must be transferred to a locked-in account with no withdrawals until age 55.

PORTABILITY

Funds may be transferred to other registered retirement accounts or pension plans upon termination.

SURVIVOR BENEFITS

The member's account balance is payable to a designated beneficiary.

The Plan includes:

- Elected Officials of the City of Regina who elect to join the plan; and
- All employees who have acquired seniority (accumulated 2,069 hours of service) in accordance with the Collective Agreement between the City of Regina and the Canadian Union of Public Employees (CUPE) Local No. 21.

CUPE Local No. 21 employees contribute 3% of pensionable earnings to the Plan, and the City contributes an equal amount. City of Regina Elected Officials contribute 6.95% of pensionable earnings to the Plan, and the City contributes an equal amount.

The member's contributions and those paid by the City on behalf of the member are credited to an account established at the time the employee becomes a member of the Plan. These amounts, together with interest credited at regular intervals, comprise the member's individual account.

Upon termination a member may transfer the individual account balance to a locked-in retirement account, another registered pension plan, a registered retirement savings plan (RRSP), or an insurance company to purchase a deferred annuity.

PLAN GOVERNANCE

ADMINISTRATIVE BOARD



Left to Right: Marco Deiana; Councillor Sharron Bryce; Brent Rostad; Tim Anderson (advisory committee); Curtis Smith

PLAN TEXT

The Plan was established December 25, 1985 under Schedule “A” and Schedule “B” of Bylaw No. 8589.

Plan governance is outlined in these documents, which are available online at

www.mobiusbenefits.ca.

These governing documents, together with Pension, Income Tax and other federal and provincial legislation, determine how the Plan operates and how members’ benefits are calculated and paid.

The Plan is governed by an Administrative Board made up of four voting members; three persons to be appointed by the City Manager, and one member of City Council appointed by the Finance and Administration Committee of the City of Regina.

A Pension Advisory Committee, as specified under *The Pension Benefits Act, 1992 (Saskatchewan)*, appointed by the Executive of the Canadian Union of Public Employees Local No. 21, is also invited to attend all regular and special meetings of the Board.

A pension plan represents the combined retirement assets of its membership. The value of the benefit earned is often the largest financial asset belonging to any given member and forms the basis of their livelihood in retirement. As a result, plan beneficiaries and the law demand that those charged with administering a pension plan conduct their affairs to the highest standards.

The Administrative Board is required to meet at least quarterly, and quorum is three members. The board met 4 times during 2017.

Board meeting attendance for each Member was as follows:

Member	Number of Meetings Attended
Marco Deiana	3
Curtis Smith	4
Councillor Sharron Bryce*	3
Brent Rostad	4
Tim Anderson (Advisory Committee)	0

*Appointed May 2017

ADMINISTRATIVE BOARD MEMBERS

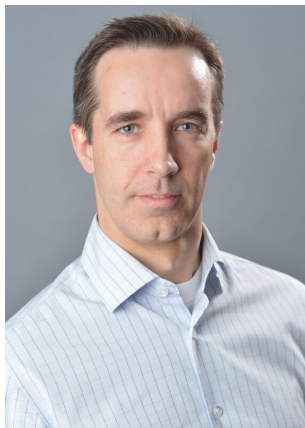
EMPLOYER REPRESENTATIVES



Marco Deiana

Chairperson

Mr. Deiana has been employed by the City of Regina since 1999 and was appointed to the Board by the City Manager in 2010. He currently holds the position of Manager, Workplace Health & Safety.



Curtis Smith

Vice-Chairperson

Mr. Smith was appointed by the City Manager in 2012. He has been employed by the City of Regina since 2008 and currently holds the position of Manager, Policy and Risk Management. Mr. Smith is a Chartered Professional Accountant (CPA-CA) and Certified Internal Auditor (CIA), and has a Bachelor degree in Business Administration from the University of Regina.



Councillor Sharron Bryce

Councillor Bryce was appointed by the Finance and Audit Committee in 2017. She is sitting for her fifth term as a member of Regina City Council, representing the residents of Ward 7 and is a Registered Nurse.



Brent Rostad

Mr. Rostad was appointed by the City Manager in 2012. He has worked for the City of Regina since 1998 and has had the opportunity to work in a number of areas including the Wastewater Plant, Sewage & Draining and Landfill. Mr. Rostad currently holds the position of Manager, Operational Services & Business Support.

Members of the Administrative Board are appointed as set out in Article 15.1 of Schedule A and of Schedule B of Bylaw 8589.

15.1 The City of Regina shall establish an Administrative Board comprised of:

- (a) Three persons to be appointed by the City Manager; and
- (b) A member of the City Council of the City of Regina appointed by the Finance and Administration Committee of the City of Regina.

15.1.1 The appointment of the members of the Administrative Board establishes pursuant to clause 15.1 shall be confirmed by resolution of City Council.

BOARD RESPONSIBILITIES

COMPLIANCE

STRATEGY

STEWARDSHIP

The Board's key duties include:

Compliance with Legislation	The Board ensures the Plan is administered in compliance with all appropriate legislation and benefits are paid appropriately to members. The Plan must comply with legislation under <i>The Pension Benefits Act, 1992 (Saskatchewan)</i> , <i>The Pension Benefits Regulations, 1993 (Saskatchewan)</i> , and <i>the Income Tax Act</i> .
Pension Administration	The Board has engaged Möbius Benefit Administrators Inc. to provide pension administration services on behalf of the Plan. The Board reviews the performance of Möbius on an ongoing basis and ensures that reports provided to the Board are appropriate and adequate to meet their fiduciary duties. Möbius reports to the Board on all aspects of Plan administration.
Annual Financial Statements	The Board ensures that the annual financial statements for the Plan are prepared, an annual audit of the financial statements is conducted, and the results are filed with the regulatory authorities. The current auditors for the Plan are KPMG LLP and the statements audited by them are included in this report. In addition, Annual Returns must be filed with the Superintendent of Pensions and Canada Revenue Agency.
Custody of Plan Assets	The Board must ensure all monies due to the Fund are kept separate and apart from other funds of the employers. This is accomplished by hiring a fund custodian to ensure the money is kept separate from the employer's funds and is only used for pension purposes. In addition to holding the Plan's securities, the custodian is required to verify that any transfer requested by those involved with the Plan complies with the Plan's rules and governing legislation. The current custodian is Industrial Alliance Insurance and Financial Services.
Fund Management	The Board is responsible for making investments in accordance with the investment requirements contained in <i>The Pension Benefits Act, 1992 (Saskatchewan)</i> and other relevant legislation. The activities the Board performs to fulfil this responsibility include regular reviewing of investment activities, ensuring compliance with the Statement of Investment Policies & Procedures, monitoring investment results and meeting with the Plan's fund managers.
Performance Measurement	The Board ensures the various investment managers are managing the fund assets in an appropriate manner and in compliance with the Statement of Investment Policies & Procedures.
Policy Documents	To support the objectives of the Plan the Board has adopted the following policies: · Procedural Rules · Statement of Investment Policies & Procedures · Trustee Education Policy



EDUCATION AND TRAINING

The Administrative Board of the Casual Employees' Superannuation & Elected Officials Money Purchase Pension Plan recognizes the importance of education to the successful fulfillment of the fiduciary duty to the members of the Plan.

To that end, the Board has developed the Trustee Education Policy based on the following principles:

- Board members are required to make policy decisions to facilitate the administration of the Plan;
- Board members have an obligation to participate in Board meetings in a meaningful way; and
- a unique body of knowledge is required to carry out the roles and responsibilities of the Board.

Minimum Annual Training Requirements

The Trustee Education Policy requires that, in addition to basic education obtained within the first three years of becoming a Trustee:

- new Trustees must attend a minimum of 60 hours of educational opportunities over a rolling 3 year period; and
- senior Trustees must attend a minimum of 60 hours of educational opportunities over a 2 year rolling period.



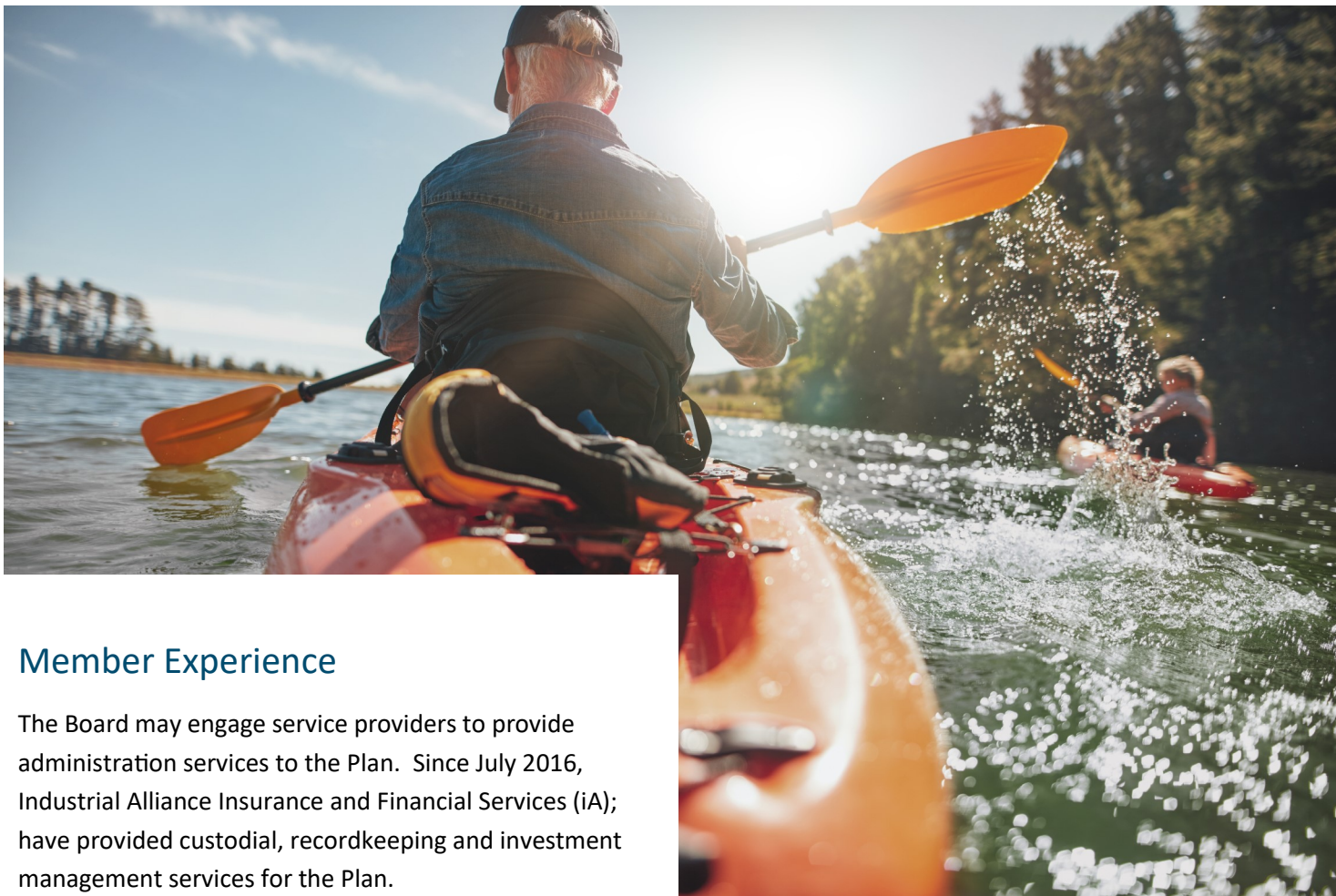
Total number of hours spent by Board Members in Education and Training during 2017—*excluding Board meetings*.

The following table provides the details of Administrative Board Conferences and Seminars. Where board members serve on the board of more than one Plan, costs are shared with those other Plans. The total cost of Board Member Travel, Education and Training for the Casual Employees' Superannuation and Elected Officials' Money Purchase Pension Plan was born by the City of Regina and totalled \$5,310.

Trustee	Conference or Seminar	Date	Location	Hours	Amount
Marco Deiana	IF Canadian Annual Conference	Aug 20 to 23	Montreal	23	2,500
				23	\$ 2,500
Curtis Smith	Trustee Education Workshop	May 3	Regina	8	94
	ACPM National Conference	Sep 12 to 14	Banff	32	1,480
				40	\$ 1,574
Brent Rostad	CPBI Saskatchewan Regional Conference	Apr 24 to 27	Saskatoon	21	1,142
	Trustee Education Workshop	May 3	Regina	8	94
	Key Trends for Canadian Institutional Investors	Jun 1	Regina	2	-
				31	\$ 1,236
2017 Total				94	\$ 5,310

RECORDKEEPING

FULL MEMBER SERVICE



Member Experience

The Board may engage service providers to provide administration services to the Plan. Since July 2016, Industrial Alliance Insurance and Financial Services (iA); have provided custodial, recordkeeping and investment management services for the Plan.

As a service provider, iA consistently aims for simplicity, efficiency and innovation. For our plan members, this means:

- Simple, easy-to-use tools and reports
- Proactive administration and record keeping
- Continuous improvement team to fuel the evolution of their service offering

Member engagement is a top priority and in order to accomplish this iA has simplified plan enrolment, developed user-friendly, decision making tools and designed simple investment solutions.

Member Services

iA provides a secure website (My Client Space) which allows members to monitor their account and manage it in real time.

My Client space also includes tools for retirement planning which includes Retirement Simulator.

New tools for 2018:

Retirement Website

iA Retirement App

YouTube Videos

INVESTMENTS

BALANCING RISK AND RETURN



The Administrative Board of the Casual Employees' Superannuation & Elected Officials' Money Purchase Pension Plan oversees the investments of the Plan in accordance with the Statement of Investment Policies & Procedures.

The Statement of Investment Policies & Procedures addresses such issues as investment objectives, risk tolerance, asset allocation, permissible asset classes, investment diversification, liquidity requirements, expected rates of return and other issues relevant to the investment process, thereby establishing a framework within which all the investment managers must operate. The primary objective of the investment policy is to maximize the returns of the Plan members without incurring undue risk.

The Statement of Investment Policies & Procedures is reviewed annually and updated when necessary to ensure that it continues to meet legal standards and the investment requirements of the membership.

The Casual Employees' Superannuation & Elected Officials' Money Purchase Pension Plan measures investment performance against a custom benchmark consisting of the indices that best represent each asset class.

ASSET CLASS TARGET MIX

The Statement of Investment Policies & Procedures includes the following asset class target mix:

Asset Class	Long Term Target Mix
Canadian Equities	20%
Global Equities	40%
Fixed Income	40%
Total	100%

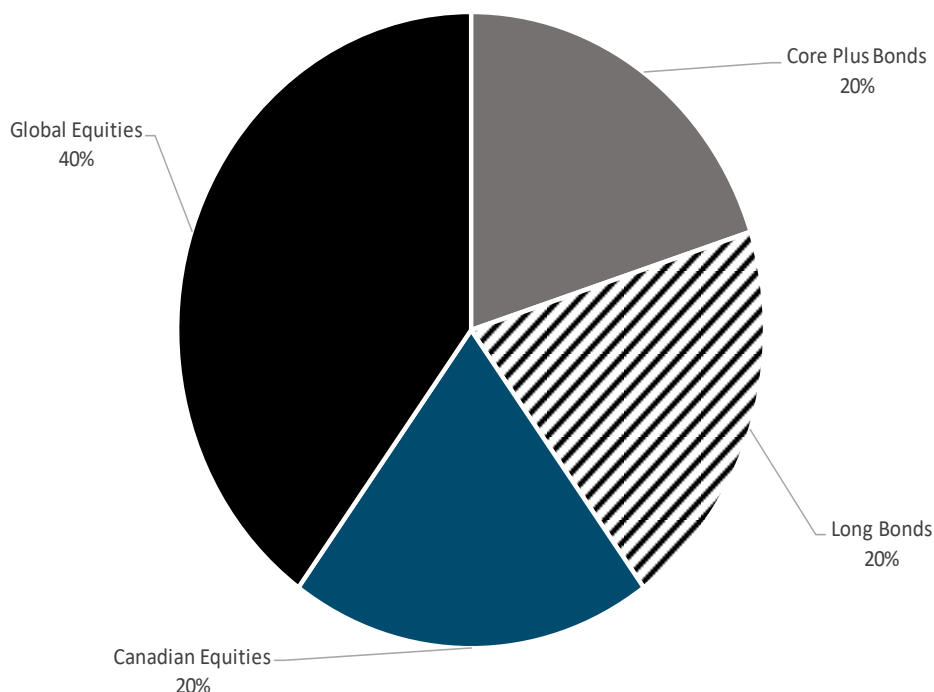
The Plan does not manage currency within the portfolios, preferring to take a longer term approach that currencies will fluctuate in the short term, but will achieve some equilibrium over time.

\$12.2 Million

Total Invested Assets
of the Plan,
December 31, 2017

The Plan's assets are invested across several asset classes and with multiple investment managers to reduce the overall risk to the Plan. By spreading the investments out among different types of assets, different geographical areas and different investment styles, the overall risk to the Plan is reduced and the returns of the Plan become less volatile.

Asset Allocation



Asset Class	Total Fund Benchmark	Actual % Allocation	Minimum %	Target %	Maximum %
Equities					
Canadian	S&P/TSX 300 Index	20	15	20	25
Global	MSCI World GD	40	35	40	45
		60		60	
Fixed Income					
Long Bonds	FTSE TMX Canada Long Term Overall Bond Index	20	15	20	25
Core Plus	FTSE TMX Canada Universe Bond Index	20	15	20	25
		40		40	
Total Fund		100		100	

MANAGEMENT OF INVESTMENTS

MANAGER SELECTION, MONITORING AND REBALANCING

Professional investment management services are obtained through competitive procurement processes. The Board performs regular performance reviews on all managers, ensuring they are meeting objective targets as set out in the SIP&P.

Industrial Alliance Financial Group offers over 80 funds from 25 unique investment managers. The Board elected to invest in the funds available on the Industrial Alliance platform outlined below based on the plan's current investment policy.

As the performance of individual managers and markets move the assets in the Fund away from the normal strategic positions, the assets are rebalanced to bring the Fund back within the parameters of the current strategic asset allocation policy set by the Administrative Board. Such rebalancing is achieved through directed cash flow or by actively transferring funds among managers when specified trigger points are reached. The actual management and asset allocation structure of the Casual Employees' Superannuation and Elected Officials' Money Purchase Pension Plan as at December 31, 2017 is shown below:

Asset Class	Fund Manager	Start Date	Amount*	% of Holdings
Equities				
Canadian	QV	2016	2,438	20
Global	Mawer	2016	2,438	20
	Hexavest	2016	2,437	20
			\$ 7,313	60
Fixed Income				
Long Bonds	Industrial Alliance	2016	2,438	20
Core Plus Bonds	Phillips Hager & North	2016	2,437	20
			\$ 4,875	40
Total Fund			\$12,188	100

*Amount includes small cash balances held by each manager within their investment portfolio.

INVESTMENT RESULTS

ACTUAL VERSUS TARGET

**Overall fund
return 8.7%**

On a total fund basis the 2017 return of the Casual Employees' Superannuation & Elected Officials' Money Purchase Pension Plan was 8.7%, falling short of the custom benchmark by 1.0%. 2017 returns were driven by strong equity markets worldwide while fixed income also contributed positively.

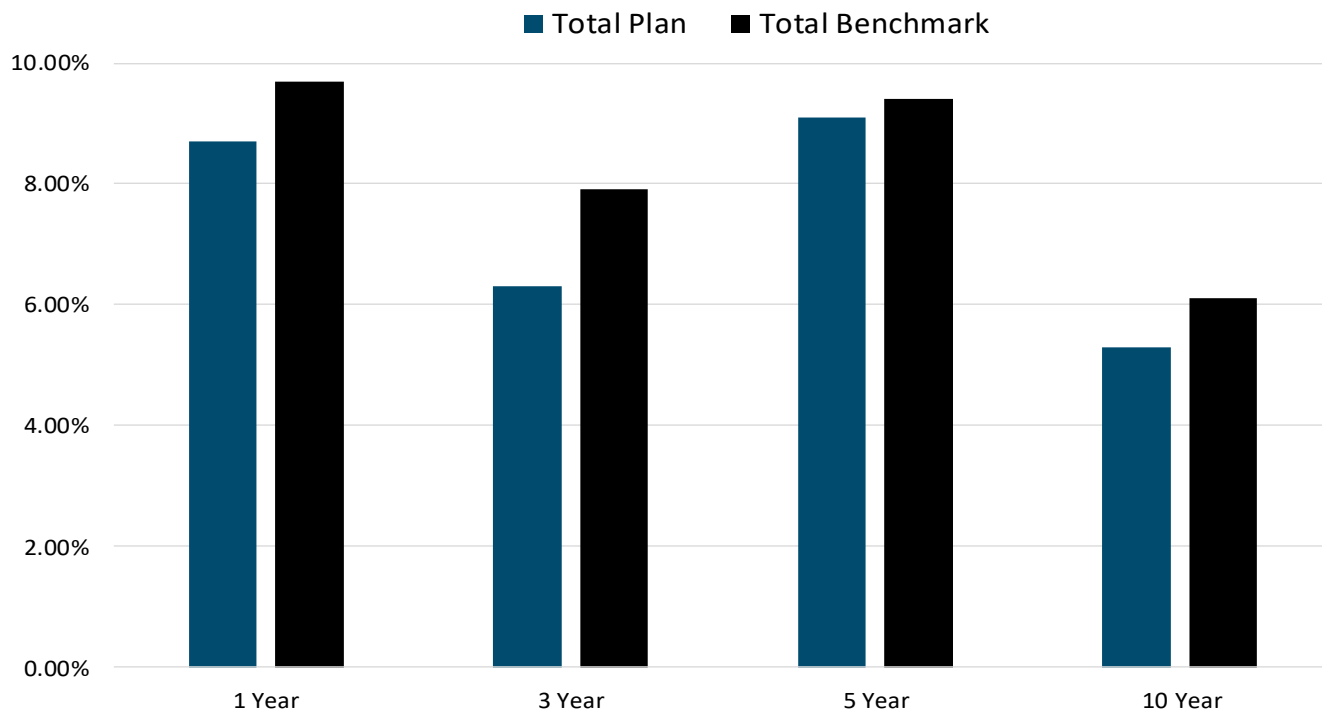
Underperformance was centred around Canadian equity where the Energy and Financial sectors surged. The Plan failed to capture all of the upside due to sector limits on Financials that are in place to ensure appropriate portfolio diversification. As well, the Plan was underweight the Energy sector in order to mitigate commodity exposure and volatility. The Plan trailed slightly in Global equity due to the defensive nature of one of the Plan's investment managers but still posted a strong overall return for the asset class of 13.5%.

OBJECTIVE

1 Year 3 Year 5 Year 10 Year

Earn a rate of return that exceeds the benchmark portfolio

Total Plan Return	8.7	6.3	9.1	5.3
Total Plan Benchmark Return	9.7	7.9	9.4	6.1
Excess Return	-1.0	-1.6	-0.3	-0.8



INVESTMENT RESULTS

ACTUAL VERSUS TARGET—Continued

OBJECTIVE

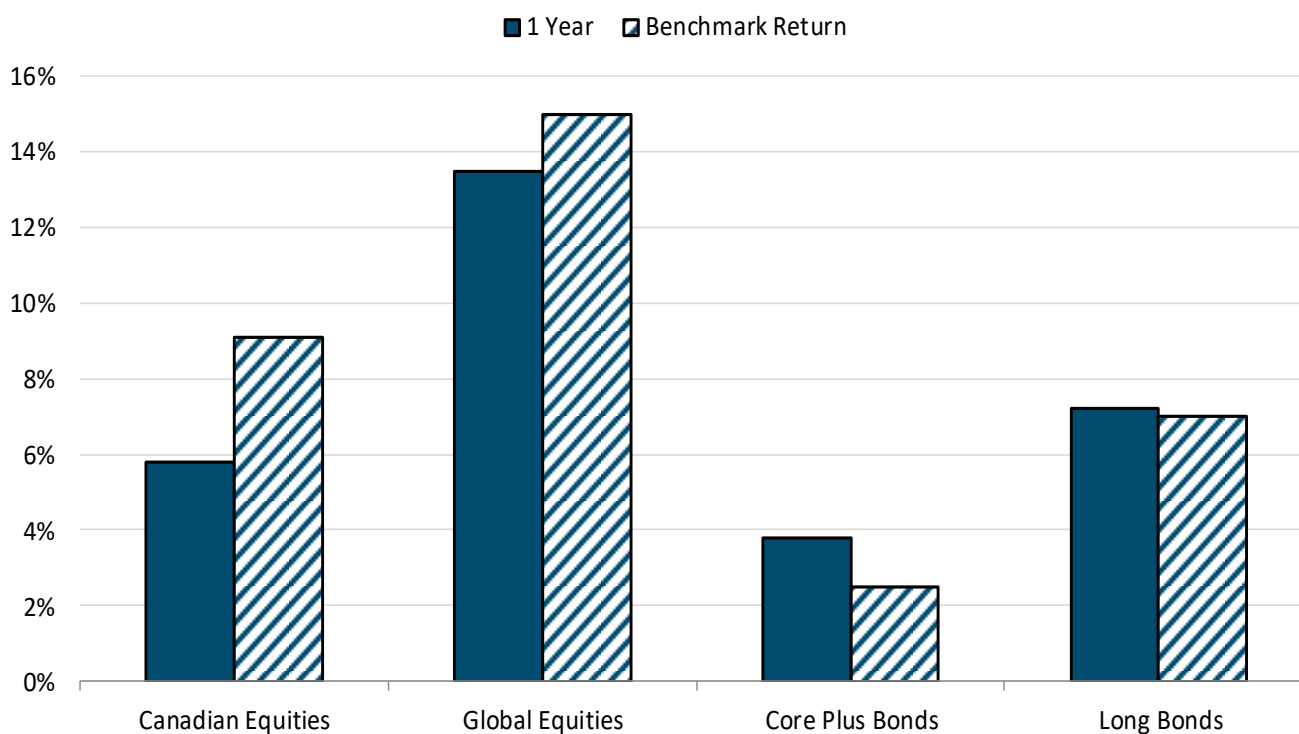
1 Year

Earn a rate of return that exceeds a comparable benchmark return for each asset class

Canadian Equity	5.8
Excess Return (>9.1%)	-3.3
Global Equity	13.5
Excess Return (>15.0%)	-1.5
Core Plus Bonds	3.8
Excess Return (>2.5%)	1.3
Long Bonds	7.2
Excess Return (>7.0%)	0.2

* 3, 5 and 10 Year results are not available for these funds since the mandate changed in 2016

2017 Asset Class Returns





Hill Centre Tower II
1881 Scarth Street, 20th Floor Regina Saskatchewan
S4P 4K9 Canada
Telephone (306) 791-1200
Fax (306) 757-4703

INDEPENDENT AUDITORS' REPORT

To the Administrative Board of The Casual Employees' Superannuation and Elected Officials' Money Purchase Plan:

We have audited the accompanying financial statements of The Casual Employees' Superannuation and Elected Officials' Money Purchase Plan, which comprise the statement of financial position as at December 31, 2017, the statements of changes in net assets available for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for pension plans, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Casual Employees' Superannuation and Elected Officials' Money Purchase Plan as at December 31, 2017, and the changes in its net assets available for benefits for the year then ended in accordance with Canadian accounting standards for pension plans.

KPMG LLP

Chartered Professional Accountants
May 29, 2018
Regina, Canada

AUDITED FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

(in thousands of dollars)

As at December 31

	2017	2016
ASSETS		
Investments—Note 4	\$ 12,188	\$ 11,518
Accounts Receivable	-	1
Contributions Receivable		
Members	9	8
Employers	9	8
Net Assets Available for Benefits	\$ 12,206	\$ 11,535

See accompanying notes.

APPROVED BY:



Board Member



Board Member

AUDITED FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

(in thousands of dollars)

For the Year Ended December 31

	2017	2016
INCREASE IN NET ASSETS		
Investment Income	\$ -	\$ 103
Increase in Fair Value of Investments	927	145
Contributions		
Member	333	309
Employers	333	309
	1,593	866
DECREASE IN NET ASSETS		
Pension Refunds	901	533
Administration Expenses—Note 7	21	34
	922	567
Net Increase for the Year	671	299
Net Assets Available for Benefits, Beginning of Year	11,535	11,236
Net Assets Available for Benefits, End of Year	\$ 12,206	\$ 11,535

See accompanying notes.

AUDITED FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

(in thousands of dollars)

For the Year Ended December 31, 2017

1. Description of Plan

The Casual Employees' Superannuation & Elected Officials' Money Purchase Pension Plan (the "Plan") is a defined contribution plan. All casual employees who acquire and maintain seniority under the provisions of the Collective Agreement between the City of Regina and the Canadian Union of Public Employees, Local No. 21, are required to join the Plan as contributing members. Elected Officials of the City of Regina may also join the Plan.

a) Contributions

Casual Employee Members contribute of 3% of salary. Elected Officials contribute 6.95% of salary. The employer matches the members' contributions to the Plan.

b) Benefits

Benefits are received upon retirement, termination, or death by lump sum transfers to an individual's locked in retirement account with another financial institution. Cash payments may be made for non-vested or small benefit amounts.

2. Basis of Preparation

a) Statement of Compliance

The financial statements for the year ended December 31, 2017, have been prepared in accordance with Canadian accounting standards for pension plans as outlined in Part IV of the CPA Canada Handbook Section 4600, Pension Plans. For matters not addressed in section 4600, International Financial Reporting Standards (IFRS) guidance has been implemented. The financial statements were authorized and issued by the Plan's Administrative Board on May 29, 2018.

b) Basis of Measurement

The financial statements have been prepared using the historical cost basis except for financial instruments which have been measured at fair value.

c) Functional and Presentation Currency

These financial statements are presented in Canadian dollars, which is the Plan's functional currency and are rounded to the nearest thousand unless otherwise noted.

AUDITED FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

(in thousands of dollars)

For the Year Ended December 31, 2017

3. Summary of Significant Accounting Policies

The following policies are considered to be significant:

a) Basis of Presentation of Financial Statements

These financial statements are prepared on the going concern basis and present the aggregate financial position of the Plan as a separate financial reporting entity independent of the Sponsor and Plan members. They are prepared to assist Plan members and others in reviewing the activities of the Plan for the fiscal period, but they do not portray the funding requirements of the Plan or the benefit security of individual Plan members.

b) Investments

Investments in pooled funds are recorded at fair value on a trade date basis. Fair value is determined based on the net asset value provided by the pooled fund administrator using closing bid prices of the underlying investments.

c) Investment Income and Transaction Costs

Investment income consists of distributions earned from investments in pooled funds and is recorded on the accrual basis. Realized and unrealized gains and losses are recorded in the change in fair value of investments. Transaction costs are recognized in the statement of net assets available for benefits in the period incurred.

d) Other Assets and Liabilities

Contributions receivable and accounts payable are all short-term in nature and as such their carrying value approximates fair value.

e) Foreign Exchange

All year end balances for investments denominated in foreign currency are converted into Canadian dollars at the exchange rate prevailing at year end. Gains and losses due to translation are included in the change in fair value of investments for the period. Revenue and expenses are translated at the exchange rate on the date of the transaction.

f) Use of Estimates

The preparation of the financial statements in accordance with Canadian accounting standards for pension plans requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include the valuation of investments. Actual results could differ from these estimates and changes in estimates are recorded in the accounting period in which they are determined.

AUDITED FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

(in thousands of dollars)

For the Year Ended December 31, 2017

3. Summary of Significant Accounting Policies (continued)

g) Future Accounting Policy Changes

The relevant new guidance issued by the International Accounting Standards Board not yet adopted by the Plan includes:

- IFRS 9, Financial Instruments. The new standard will replace IAS 39, Financial Instruments: Recognition and Measurement, and includes guidance and derecognition of financial assets and financial liabilities, impairment and hedge accounting. The new standard will come into effect January 1, 2018.

Management does not expect any significant impact to the Plan's financial statements upon adopting the new standard.

4. Investments

The investment objectives of the Plan are to earn a rate of return that exceeds the rate of return earned on a benchmark portfolio. Due to the long-term horizon of the Plan's benefits, the Plan takes a long-term investment perspective. The Plan has the following investments:

INVESTMENTS	2017	2016
Pooled Funds:		
Fixed Income	4,875	4,606
Canadian Equities	2,438	2,304
Global Equities	4,875	4,608
Total Investments	\$ 12,188	\$ 11,518

Investment concentration in any one investee or related group of investees is limited to no more than 10% of the total book value of the Plan's assets or no more than 30% of the votes that may be cast to elect the directors of the investee.

The Plan's assets may be invested through in-house investment activities or through external investment managers including without limitation, mutual funds, pooled funds, segregated funds, unit trusts, limited partnerships, and similar vehicles.

The Plan may invest in equity securities, and equity substitutes that are convertible into equity securities, which are listed and traded on recognized exchanges, and unlisted equity securities, such as private placement equity, where the investment manager determines the security will become eligible for trading on a recognized exchange within a reasonable and defined timeframe, not to exceed six months, and the issuing company is publicly listed on a recognized exchange.

AUDITED FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

(in thousands of dollars)

For the Year Ended December 31, 2017

4. Investments (continued)

The Plan may invest in bonds, notes and other debt instruments of Canadian and foreign issuers, mortgage-backed securities guaranteed under the National Housing Act, term deposits and guaranteed investment certificates, and private placements of bonds that are rated by a recognized rating agency.

The Plan may invest in cash and short term investments which consist of cash on hand, Canadian and US money market securities, such as treasury bills issued by the federal and provincial governments and their agencies, obligations of trust companies and Canadian and foreign banks chartered to operate in Canada, including bankers' acceptances, commercial paper, term deposits and contracts with life insurance companies.

Pooled Funds

The Plan owns units in Canadian and Global pooled equity funds as well as Canadian fixed income pooled funds. These pooled funds have no fixed distribution rate. Fund returns are based on the success of the fund managers.

Fair Value of Investments

Fair value is best evidenced by an independent quoted market price for the same instrument in an active market. An active market is one where quoted prices are readily available, representing regularly occurring transactions. The determination of fair value requires judgement and is based on market information where available and appropriate. Fair value measurements are categorized into levels within a fair value hierarchy based on the nature of the inputs used in the valuation.

Level 1 – where quoted prices are readily available from an active market.

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the investment, either directly (for example, as prices) or indirectly (for example, derived from prices).

Level 3 – inputs for the investment that are not based on observable market data.

AUDITED FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

(in thousands of dollars)

For the Year Ended December 31, 2017

4. Investments (continued)

The following table illustrates the classification of the Plan's investments within the fair value hierarchy as at December 31.

2017				
Asset Class	Level 1	Level 2	Level 3	Total
Equity Pooled Funds	\$ -	\$ 7,313	\$ -	\$ 7,313
Fixed Income Pooled Funds	-	4,875	-	4,875
Total Investments	\$ -	\$ 12,188	\$ -	\$ 12,188

2016				
Asset Class	Level 1	Level 2	Level 3	Total
Equity Pooled Funds	\$ -	\$ 6,912	\$ -	\$ 6,912
Fixed Income Pooled Funds	-	4,606	-	4,606
Total Investments	\$ -	\$ 11,518	\$ -	\$ 11,518

There were no investments transferred between levels during 2017.

5. Capital Management

The Plan defines its capital as consisting of net assets available for benefits, which consists primarily of investments. Investments are managed to fund future obligations to its members.

The Plan receives new capital from member and employer contributions. The Plan also benefits from income and market value increases on its invested capital. The Plan's capital is invested in a number of asset classes including bonds and equities through pooled fund investments. The Board has delegated the operational investment decisions to an investment management firm through a number of different investment mandates as defined in the Plan's Statement of Investment Policies and Procedures.

AUDITED FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

(in thousands of dollars)

For the Year Ended December 31, 2017

6. Investment Risk Management

Investment risk management relates to the understanding and active management of risks associated with invested assets. Investments are primarily exposed to interest rate volatility, market risk and credit risk. They may also be subject to liquidity risk. The Plan has set formal policies and procedures that establish an asset mix among equity and fixed income investments; requires diversification of investments within categories; and sets limits on the size of exposure to individual investments. The Administrative Board approves the Statement of Investment Policies and Procedures which is reviewed annually.

Market Risk

Market risk is the risk that the value of an investment will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual investment, or factors affecting all securities traded in the market. The Plan's policy is to invest in a diversified portfolio of investments, based on criteria established in the Statement of Investment Policies and Procedures.

Credit Risk

Credit risk refers to the potential for counterparties to default on their contractual obligation to the Plan. Credit risk is mitigated by entering into contracts with the counterparties that are considered high quality. Quality is determined via the following credit rating agencies: DBRS, Standard and Poor's and Moody's Investor Service.

The maximum credit risk to which it is exposed at December 31, 2017 is limited to the carrying value of the financial assets summarized as follows:

Asset Class	2017	2016
Contributions Receivable	\$ 18	\$ 16
Accounts Receivable	-	1
Total	\$ 18	\$ 17

Interest Rate Risk

Interest rate risk refers to the effect on the market value of the Plan's investments due to fluctuation of interest rates. The risk arises from the potential variation in the timing and amount of cash flows related to the Plan's assets and liabilities. Asset values are affected by equity markets and short-term changes in interest rates. The Plan's investment policy has guidelines on duration and distribution which are designed to mitigate the risk of interest rate volatility.

At December 31, 2017 a 1% increase/decrease in interest rates would result in a \$539 (2016 – \$496) change in the value of the Plan's fixed income portfolio.

AUDITED FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

(in thousands of dollars)

For the Year Ended December 31, 2017

6. Investment Risk Management (continued)

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Plan maintains an adequate amount of liquid assets with varying maturities in order to ensure that the Plan can meet all of its financial obligations as they fall due. Liquidity risk is managed by limiting the Plan's exposure to illiquid assets and through positive net cash inflows from contributions.

7. Administration Expenses

Administration Expenses	2017	2016
Administration Expenses Paid by the Plan:		
Investment Manager Fees	\$ -	\$ 19
Administrative Services	21	14
Custodial Fees	-	1
Total	\$ 21	\$ 34

All Other Administrative Expenses as well as 75% of the Administrative Services are paid by the City of Regina on behalf of the Plan.

September 4, 2018

To: Members
Finance & Administration Committee

Re: Employee Group Benefits – Request for Proposal

RECOMMENDATION

1. That the Executive Director, Financial & Corporate Services be delegated the authority to issue a Request for Proposal for a benefits carrier(s) to administer the City of Regina's comprehensive employee benefits package for a term of up to ten years.
2. That the Employee Benefits Committee be delegated authority to review the existing employee benefits package and make amendments to employee benefits, subject to the collective bargaining and budget processes.
3. That the Executive Director, Financial & Corporate Services be delegated authority to negotiate, award and enter into and amend contracts with the highest ranked proponent from the public procurement process for a period of up to ten years with an employee group benefits provider.
4. That the City Clerk be authorized to execute the necessary agreements after review and approval by the City Solicitor.
5. That this report be forwarded to the September 24, 2018 meeting of City Council for approval.

CONCLUSION

Regular review of employee benefit plans is necessary to ensure effective management, cost-efficiency to remain abreast of trends in the employee benefits market. The City of Regina's (City) benefit coverage levels have remained unchanged since inception. The current insurers, Blue Cross and RBC Insurance have administered the City's contract for 11 and 20 years respectively, without a review of the benefit plan.

An Employee Benefits Committee (the Committee) was established in May 2018 to provide governance and oversight to employee benefit programs and to represent the best interests of the organization, its employees and other stakeholders. The Committee agreed to initiate an RFP for an insurer to administer the City's group benefits programs subsequent to a benchmarking analysis which compared the City's benefit programs to other comparable organizations and found a mix of below average, average and above average benefits.

Goals of the benefits carrier Request for Proposal (RFP) process include:

- providing plan designs that meet current requirements and consider future benefits options for employees

- delivering superior customer service
- reviewing competitiveness of rates
- adopting leading edge technology to support HR in administering benefit programs.

Future changes to employee benefit programs will be reviewed and endorsed by the Committee and negotiated with the Unions in alignment with existing practices.

BACKGROUND

The City's Benefits program has evolved over time. Group life insurance plans had been in place prior to 1970 and in 1978, the first dental plan was bargained by the Regina Police Service. In 1986, the International Association of Fire Fighters (IAFF) joined the dental plan, followed by the remaining unions. A medical plan was established in 2007 for Out of Scope (OOS), with the Unions bargaining the plan for their members in the following years. The current provisions of the City's group plans remain the same today as were implemented in 1978, 1986 and 2007.

In 2006, the Pension & Benefits Department initiated an RFP to acquire a benefit carrier to administer the City's existing group life and dental programs, as well as, add a medical program. Saskatchewan Blue Cross has been the City's benefit carrier for medical, dental and group life insurance since 2007 and RBC Insurance Company has been the benefit carrier for Accidental Death and Dismemberment insurance (AD&D) since 1995.

HR assumed responsibility of employee benefits in 2008 and has been focused on building a solid foundation. This includes contract management, funding policy development, managing reserves, refreshing documentation and employee materials, streamlining benefit program options, managing benefit changes/additions and building all benefit programs and eligibility into Oracle, as part of the larger Human Resource Management System (HRMS) project.

DISCUSSION

In May 2018, the Executive Leadership Team (ELT) established a Committee to provide governance and oversight of the employee benefit programs, group benefit funding and reserves. In particular the Committee is accountable to ensure a high degree of certainty that the promised benefits will be delivered, ensure benefit costs are fair and sustainable over a long-term basis and examine opportunities to enhance existing benefit programs.

Working alongside advisors from the HR Department and Mercer Benefits Consultants (Mercer), the membership of the Employee Benefits Committee includes:

- Executive Director, Financial & Corporate Services
- City Solicitor
- Director, Human Resources
- Management representative from the organization

The Committee has decision making authority for Employee Benefit Programs, including benefit premium rate setting, reserve funding targets, allocating surplus, contract renewals and plan design. The Committee makes recommendations to the City Manager and/or City Council for approval of major plan enhancements and changes that impact collective bargaining, strategic use of surplus funding, new benefit programs or vendor changes.

Mercer has provided the City with benefits consulting services since the 1990's in the areas of annual renewal calculations, evaluating the health of our benefit programs, benefit carrier negotiations, benefit plan benchmarking and pricing, advice regarding governance, the establishment of the Benefits Funding Policy and support on issues as they arise. The City uses this information to make decisions regarding the employee benefits programs and benefits offered.

Recently, HR engaged Mercer in conducting a benchmarking analysis to evaluate the City's benefit plans. In comparison to 88 other public-sector organizations, the City's benefit plans provide both generous and below median benefits options. The City was identified to have generous life and child eyeglass coverage. Only 33 per cent of comparators offer a health spending account and 13 per cent offer a flex spending account, where currently this is offered to Out of Scope employees. Areas where improvement is needed include increasing group life insurance maximums to ensure full coverage obligations are met, enhancing accidental death and dismemberment coverage levels and reviewing dental and health benefits. A review will allow for rebalancing of benefit coverage levels resulting in overall enhancement to the programs.

In June 2018, the Committee considered the benchmarking results provided by Mercer and agreed that an RFP is the next step in the process of reviewing benefit programs.

Mercer Consulting will work closely with the City throughout the RFP to meet the following goals:

- Plan Design: Deliver benefits equivalent to the current program and the flexibility to accommodate future plan design changes
- Financial: Ensure competitiveness of rates, low administration expenses and guaranteed rates for length of contract
- Service Team: Enable a superior level of customer service, including maintaining exceptional service standards by supporting the City of Regina in plan administration and accuracy in claim processing and reporting
- Technology: Deliver leading edge technology to support HR in administering the program and for employees in managing their coverage

Throughout the RFP and review of employee benefits programs, any potential changes to existing programs will be contemplated and endorsed by the Committee. Changes, if required, will be bargained with the Unions.

While the *Regina Administration Bylaw No. 2003-69*, Section D, Part 2, Multiple Year Contracts allows for the purchase of Contractual Services for a term not greater than five years without getting Council approval; it is recommended the successful proponent (s) be awarded a ten year contract for the City's group benefits. Because the recommended term is for more than five years, this action requires the approval of City Council. The selection from this process may be used to establish the City's standard for future negotiated services.

RECOMMENDATION IMPLICATIONS

Financial Implications

Benefit costs are included within the operating budget process and rates are reviewed annually to ensure sustainability of the plans. Established benefits reserves may be used to offset costs, if required and endorsed by the Committee and the City Manager; and if approved by City Council under recommendation number two of this report.

Approximately \$267K is paid to Blue Cross annually for the administration services provided, this expense is included within the current benefit premium rates, therefore, no additional budget dollars are required to undertake this RFP process as it will be completed by Administration.

Benefit premium rates are reviewed annually to ensure that the premiums collected cover the expenses of the plan plus administration fees of both Blue Cross and Mercer. If the annual rate review determines that the premiums collected are insufficient, the premium rates are adjusted automatically and communicated to employees. The City's current dental and group life plans have seen minimal rate changes over the past 10 years, the medical plan has not had a rate change since inception in 2007. The 2017 annual rate review indicated that expenses for the dental and medical plans are continuing to rise and rate changes may be recommended in the future.

Environmental Implications

None with respect to this report.

Policy and/or Strategic Implications

The majority of collective agreements expire at the end of 2018. Initiating the review aligns with bargaining and can help to support negotiations, particularly in a period of fiscal austerity. The RFP process will provide costing options for benefits that may be used during the collective bargaining process.

Other Implications

None with respect to this report.

Accessibility Implications

None with respect to this report.

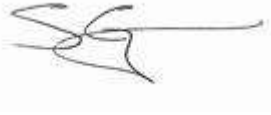
COMMUNICATIONS

Communication materials will be provided to stakeholders throughout the process, including Saskatchewan Blue Cross and all employee groups.

DELEGATED AUTHORITY

The recommendations contained in this report require City Council approval.

Respectfully submitted,

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Steve Eger, Director
Human Resources

Respectfully submitted,

A handwritten signature in blue ink, appearing to be 'Diana Hawryluk', written in a cursive style.

Diana Hawryluk, Executive Director
City Planning and Development

Report prepared by:
Christine Heroux, Manager Payroll, Analytics & Employee Administration

September 4, 2018

To: Members
Finance & Administration Committee

Re: Annual Debt Report

RECOMMENDATION

That this report be forwarded to the September 24, 2018 City Council meeting for information.

CONCLUSION

The 2018 Annual Debt Report (Appendix A) provides information regarding the City of Regina's (City) debt profile. This report shows that the City is in a strong, stable financial position as it relates to debt as of December 31, 2017. Selected indicators used to inform debt-related decisions can identify areas that require enhanced and careful monitoring, if necessary. The debt report also shows the methods in which the City's consolidated debt is assessed to arrive at a decision of its reasonableness. All benchmarks and targets that are modelled after best practices have been met and are projected to be met for 2018.

The City received an AA+ credit rating with a positive outlook from the rating agency S&P Global in May 2018, which is an improvement from the prior year. This rating along with comparisons to other cities and the performance ratio indicators used in this report, shows that the City maintains a strong capacity to meet current financial commitments and obligations. While debt has increased in recent years due to investments in large capital projects (stadium, Wastewater Treatment Plant (WWTP), and Buffalo Pound Water Treatment Plant), the thoughtful and planned approach taken by the City has allowed its debt to remain at a reasonable level.

The current debt limit for the City is \$450 million. Currently, the City of Regina is using 71 per cent of its debt limit. There are potential large capital projects, such as the Buffalo Pound Water Treatment Plant Renewal Project that will likely require debt funding in the next few years. Balancing these and other capital needs over the next ten years will require strong financial management, decision making, and prioritization of community priorities to achieve long-term financial viability. Any increase to the City's debt limit must be approved by the Saskatchewan Municipal Board (SMB).

BACKGROUND

The City's Debt Management Policy (Administration policy) requires the Director of Finance to provide an annual report to Council on the status of City debt in the context of its debt limit and debt ratios to help determine the reasonability and affordability of debt.

DISCUSSION

The Annual Debt Report (Appendix A) provides details on the current and projected debt of the City. Due to strong financial practices, such as the City's Financial Policies Framework, planned and sustainable debt issuances continue to be maintained. The City uses a conservative approach in issuing debt and will continue to reserve debt mainly for large capital projects, such as the Stadium, Wastewater Treatment Plant (WWTP), and the Buffalo Pound Water Treatment Plant Electrical Upgrade Project. The City's consistent and strong credit rating of AA+ with a positive outlook, reflects a strong commitment by the City to prudent fiscal planning through positive budgetary performance as well as strong financial management.

Key highlights from the Annual Debt Report include:

- The total debt outstanding at December 31, 2017 is \$319.6 million (71 per cent of debt limit);
- The current debt is planned debt;
- The projected debt for 2018 is \$311.2 million (69 per cent of debt limit);
- All debt ratios fall within the Debt Management Policy targets at current and projected debt levels; and
- There are potential large capital projects that will likely require debt funding in the next few years, including Buffalo Pound Water Treatment Plant Renewal Project, as identified in the corporation's 2017 Annual Report.

Historically, the City has used a traditional approach to issuing debt for large capital projects. This approach put the City of Regina in a good position relative to the management of its debt in comparison to its peers across Canada. While debt has increased over the last two years, this has been consistent with the plan for funding major capital projects.

The attached 2018 Annual Debt Report reviews the current debt position as at December 31, 2017 and provides information on known future debt. Administration continues to review and assess the need for debt and other forms of financing to meet City needs in the long-term.

RECOMMENDATION IMPLICATIONS

Financial Implications

Over the years, the City of Regina has demonstrated strong financial management, balancing service level sustainability with affordability. Maintaining long-term financial viability and service sustainability is a key challenge facing the City. Financial practices and policies already in place including those related to debt will support this work.

The analysis completed by Administration and presented in the attached report confirms that all past debt issuances and obligations are affordable and allow the City to meet its current needs as per the criteria identified in the Debt Management Policy. The repayment of external debt and the related interest costs are budgeted for in the annual operating budget of the Utility and General Operating Funds. The external financing requirements for the Utility Fund are

accommodated within the long-term utility financial model and funded through water rates. Principal and interest payments of debt undertaken for General Fund capital is included in annual operating budgets.

The City has a number of service partners whose financial results are consolidated with the City's financial reporting, such as Buffalo Pound Water Treatment Corporation (BPWTC) and Regina Exhibition Association Limited (REAL). Although these entities are responsible for the repayment of the debt they take on, the debt they borrow counts against the City's overall debt limit and may limit the ability of the City to access debt as a funding source for future capital projects.

This report does not result in any new debt being issued or approved. As new debt is considered in the future, it will require City Council approval. For each new debt issue, Administration will review and analyze the financial capacity to service new debt as part of the decision-making process. Also, it is important to note that City Council always retains the ability to adjust mill rates and utility rates to accommodate new debt servicing requirements from time to time.

Environmental Implications

None related to this report.

Policy and/or Strategic Implications

Debt management provides a long-term view of the City's debt, with a focus on addressing the future funding requirements of the City of Regina. It responds directly to "Achieve long-term financial viability" Community Priority and Financial Policies section in *Design Regina: The Official Community Plan* (OCP) and is intended to ensure the City can deliver on all the Community Priorities in a financially responsible way.

Periodic reviews of debt levels and related policies are required to ensure the City's debt is effectively managed. The current Debt Management Policy and other financial policies were recently reviewed and updated.

Other Implications

None related to this report.

Accessibility Implications

None related to this report.

COMMUNICATIONS

None related to this report.

DELEGATED AUTHORITY

This report must be forwarded to City Council as an information item.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "June Schultz", with a long, sweeping horizontal line extending from the end of the signature.

June Schultz, Director
Finance

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Barry C. Lacey", with a long, sweeping horizontal line extending from the end of the signature.

Barry Lacey, Executive Director
Financial & Corporate Services

Report prepared by:
Curtis Smith, Manager, Policy & Risk Management

2018 Annual Debt Report

Contact: June Schultz, Director, Finance

Prepared By: Curtis Smith, Manager, Policy & Risk Management



BACKGROUND

The City of Regina maintains and follows an Executive Director, Financial & Corporate Services approved Debt Management Policy with authority under section 25 (k) & (l) of the *Regina Administration Bylaw, Bylaw No. 2003-69*. The Debt Management Policy provides formal guidance regarding authorities, debt structural features, target debt ratios and other conditions and strategies related to the use of debt. This policy reinforces the commitment by the City to manage its financial affairs in a manner that will minimize risk and ensure transparency while still meeting the capital needs of the City.

In addition, the City's Financial Policies Framework establishes proper and effective financial management and control to the day-to-day activities of the City. It sets out principles and benchmarks to help guide Administration in making recommendations to City Council on decisions related to debt issuance. The framework, which is being used as the foundation in the development of the long range financial plan, will continue to place the City's finances on a sound and sustainable footing so that financial, service and infrastructure standards can be met without resorting to unplanned or excessive increase in rates, fees and service charges or disruptive cuts to services.

DEBT OVERVIEW

The City funds a variety of programs and services as well as invests in infrastructure to support these programs and services. While programs and services are funded from revenues generated through property taxes, user fees and grants from other levels of governments, investments in capital assets are funded from reserves, development charges, grants and debt.

The City uses a traditional approach in issuing debt. Debt is not issued for ongoing operating expenditures but is mainly reserved for large capital projects, such as the stadium and waste water treatment plant (WWTP). In this way, the City maintains the overall objective of the use of debt to:

- Smooth the effect of spending decisions on property taxation and user fees;
- Finance unexpected/emergency spending requirements; and

- Enhance liquidity

To date, these strategies have benefited the City by providing consistently strong credit ratings. Positive and strong credit ratings, as determined by credit rating agencies, reflect the City's debt management ability and provide the following benefits:

- Facilitate borrowing and competitive rates for the City;
- Enable ease of and more access to debt; and
- Provide increased negotiating power with lenders.

Various strategies are employed to assess the trends, costs and affordability associated with the current and projected debt including the use of policies, established debt limits and ongoing monitoring of various ratios. Debt ratios are often used to assess a City's debt burden and debt trends. The affordability of debt is examined annually using the City's debt limit and four measures, including:

- Debt per Capita
- Debt Interest Payment Ratio
- Debt Service Ratio
- Tax-and-Rate Supported Debt Ratio

It is important to note that all debt taken on is planned debt. This report does not result in any new debt being issued or approved. As new debt is considered in the future, it will require City Council approval.

Typically, the City borrows simple types of debt with fixed term and fixed scheduled payments, similar to a mortgage. In securing debt, the City tries to find the most favourable interest rate and negotiates the loan period. *The Cities Act* specifies that The Saskatchewan Municipal Board (SMB) has the authority to establish a debt limit a city may incur. City Council has the authority to issue debt within this limit as per *The Cities Act*.

Analysis contained in the report is based on consolidated financial information and includes the following entities: City of Regina, Regina Downtown Business Improvement District, Regina Public Library, Economic Development Regina, Regina's Warehouse Business Improvement District, Buffalo Pound Water Treatment Corporation (BPWTC) and Regina Exhibition Association Limited (REAL).

ANALYSIS

CREDIT RATING

Standard & Poor's (S&P Global) affirmed the City's credit rating of AA+ with a positive outlook in May 2018. In affirming the City's credit rating, S&P Global identified the following strengths:

- A strong budgetary performance, bolstered by steady growth, to allow for internal financing of capital expenditures
- A solid economic base, grounded by a large public-sector presence, and strong financial management practices bolster the ratings while institutions remain broadly supportive
- Very predictable and well-balanced institutional framework
- Strong financial management with capable and experienced administration

A credit rating of AA+ is considered very high and signals that the City is a low credit risk. Therefore, access to capital markets and favourable interest rates would be relatively more available to the City compared to organizations with lower credit ratings.

S&P Global noted that the City's credit rating could be better in the next two years if the City continues to refine its financial management practices, promoting fiscal sustainability as demonstrated by budgetary performance metrics in line with those of 'AAA' rated peers and if provincial grants stabilized and do not materially affect the City's budgeting process.

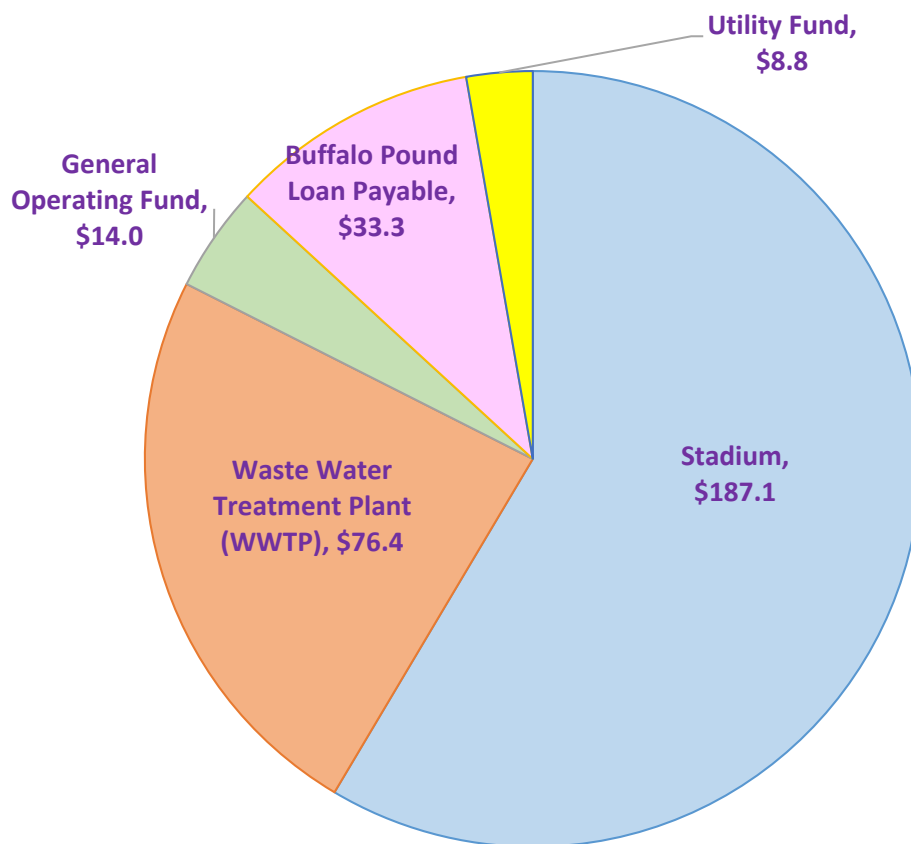
Conversely the City's credit rating could be worse in the next two years if there is a softness in the regional economy that resulted in weaker tax revenue generation or

materially lower provincial grants, weakening surplus and necessitating significant debt borrowing to finance its capital expenditures.

DEBT LIMIT AND DEBT BALANCE

The City's current debt limit approved by SMB is \$450 million. As of December 2017, Graph 1 below shows that the total outstanding debt for the City was \$319.6 million, 71% of the debt limit. This debt is made up of multiple issuances relating to general and utility capital funding, major projects funding and debt of subsidiaries. Any increase to the debt limit must be approved by SMB.

Graph 1: 2017 Consolidated Debt by Type (in \$ millions)



The December 2017 outstanding debt increased by \$26.1 million from December 2016. The increase is mainly due to a new loan taken on by PBWTC, offset by decreases in

other debt over the year. In November 2017, the City of Regina and the City of Moose Jaw approved BPWTC to enter into a term loan of \$45 million with the Bank of Montreal. Related to the term loan, BPWTC entered into an interest rate swap agreement for a 25-year term with a fixed interest rate. The City of Regina has guaranteed its proportionate share of the term loan, which is \$33.3 million (74%). This is the only new debt issued in 2017.

The remaining debt balance accounts for general and utility capital funding, major projects funding (WWTP and Stadium), all of which are decreasing. Graph 2 below provides detail on the change from 2016 to 2017.

Graph 2: Debt Comparison for 2016-2017 (\$ in millions)

Debt	2016	2017	Change
Stadium	\$190.8	\$187.1	\$ -3.7
Waste Water Treatment Plant (WWTP)	\$77.6	\$76.4	\$ -1.2
General Operating Fund	\$15.4	\$14.0	\$ -1.4
Buffalo Pound Loan Payable	\$0.0	\$33.3	\$33.3
Utility Fund	\$9.7	\$8.8	\$ -0.9
TOTAL	\$293.5	\$319.6	\$26.1

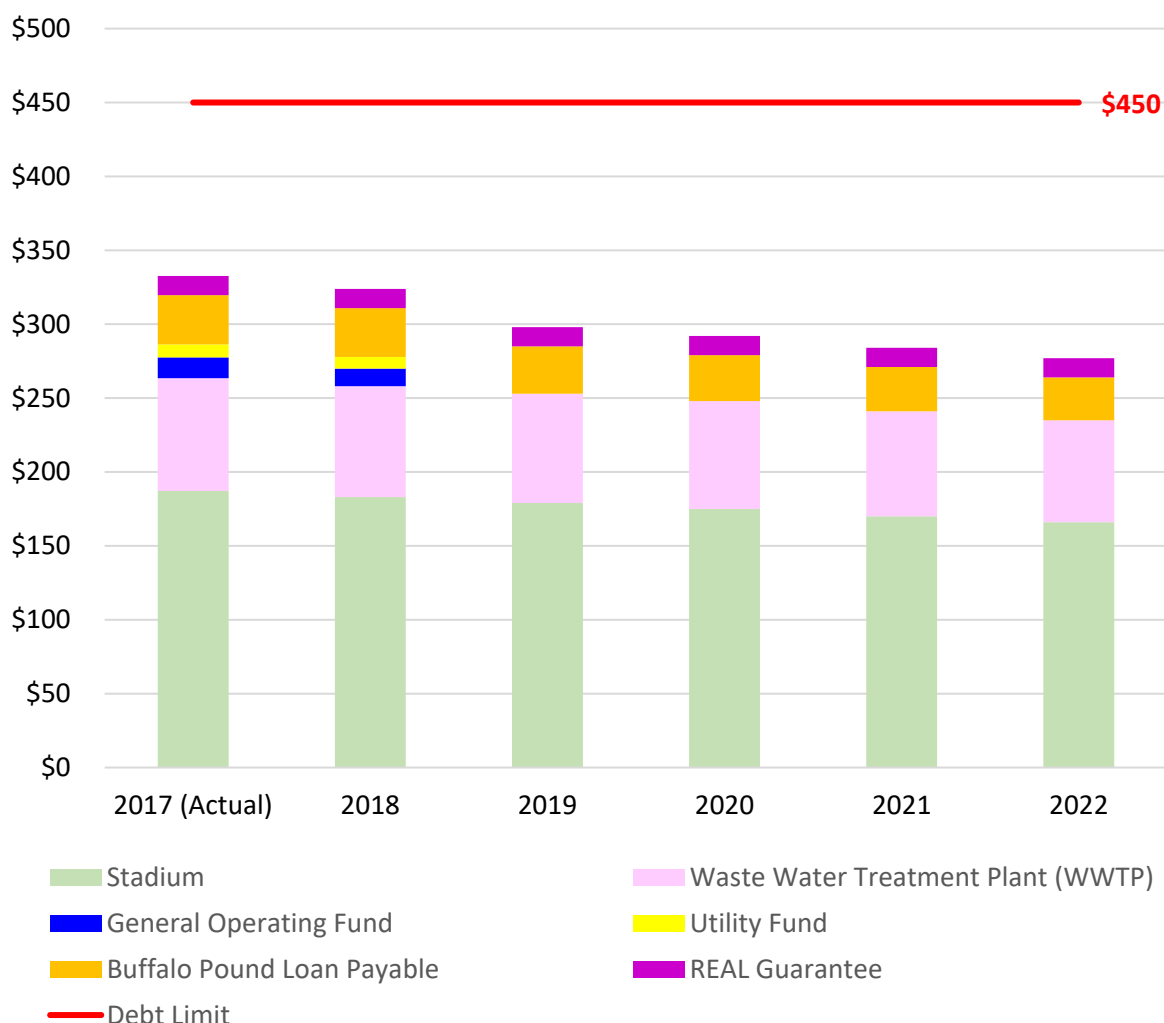
Notes:

- WWTP is not a typical loan, but a 30-year repayment stream obligation to the company that constructed the WWTP.

DEBT PROJECTION

Graph 3 below shows the current level of debt and the projected debt out to 2022 based on the five-year Capital Plan in the 2018 Budget. The debt balance is expected to decrease in 2018 to \$311.2 million, 69% of the debt limit.

Graph 3: Consolidated Debt Projections for 2018-2022 (\$ in millions)



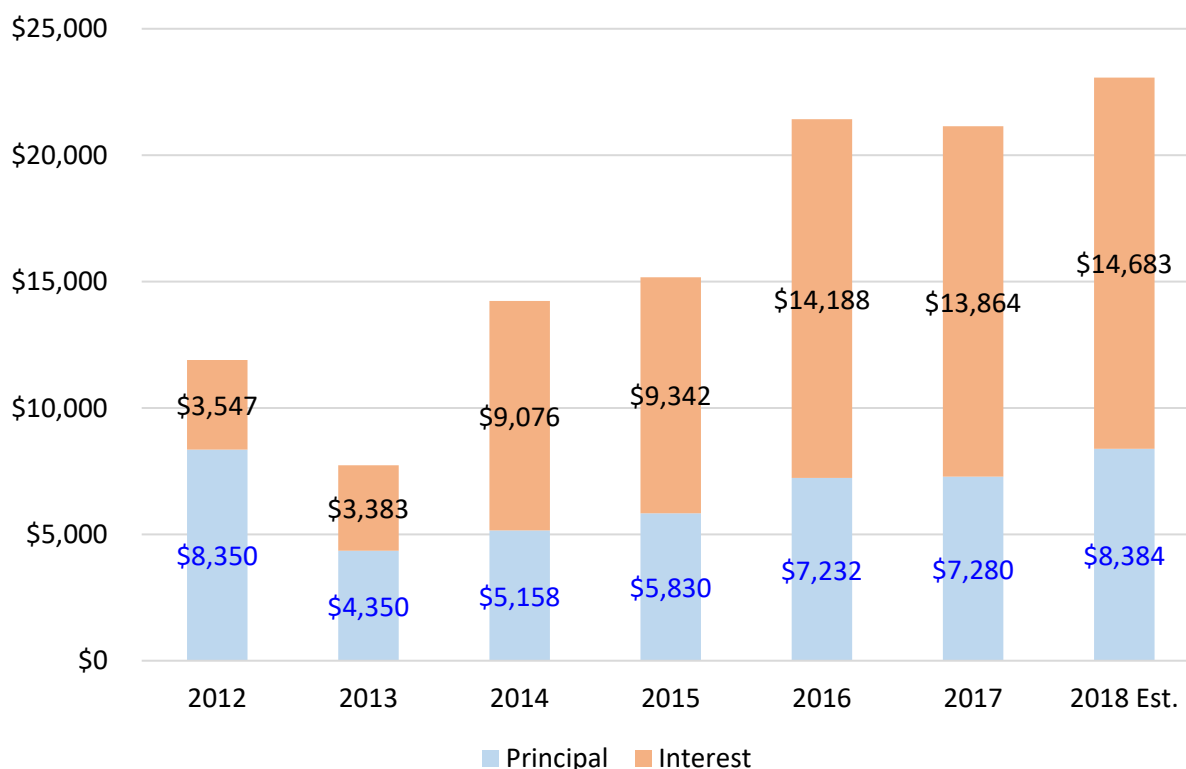
In March 2015, Council granted approval to REAL to issue up to \$13.0 million in debt (CR15-23). At the end of 2017, REAL had less than 1% of this amount outstanding. However, this guarantee does count against the City's debt limit, therefore, the entire guarantee amount has been added as a place holder.

The table above includes known and approved debt. There is the potential for increased debt in the future for the City and its related entities, such as BPWTC, to finance capital plans. Addressing these needs may limit the ability to access debt as a source of financing without applying to the Saskatchewan Municipal Board for an increase in the limit. Prior

to such an application, a full analysis and review would be undertaken to describe the opportunities, options, and risks for City Council consideration and approval.

In addition to the absolute level of debt, debt servicing (the annual principal and interest payments on debt) is an important indicator for the City. It illustrates the extent to which past borrowing decisions present a constraint on a City's ability to meet its financial and service commitments in the current period. Since the principal and interest payments are paid from the operating budgets, generally low debt servicing costs provide municipalities with an increased financial flexibility since they are not encumbered by fixed financial obligations.

Graph 4: Debt Service Costs for 2012-2018 (\$ in thousands)



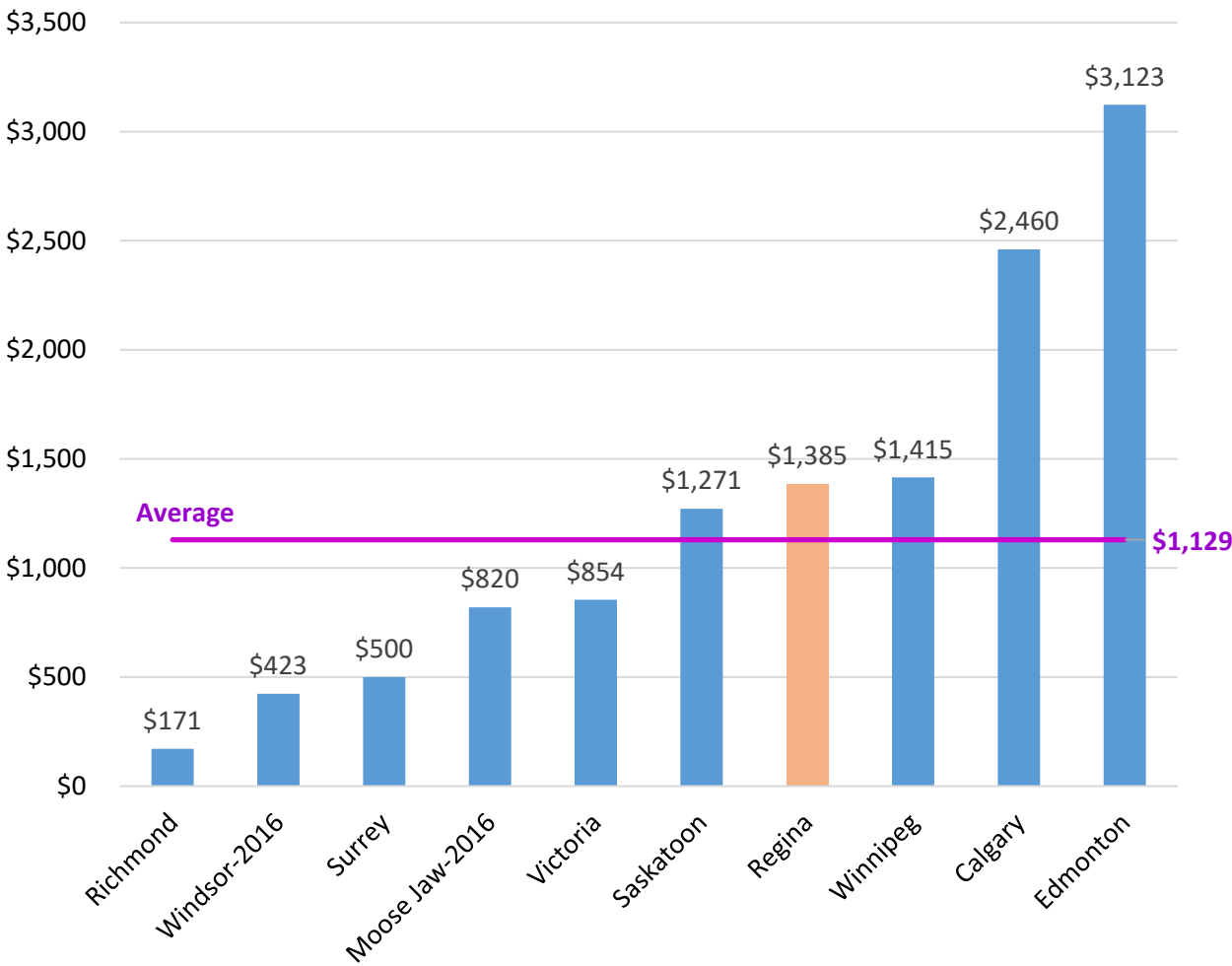
Graph 4 above shows that, from 2012 through 2018, the City of Regina's debt service costs are increasing. It means that the City has increased borrowing payments to meet

its financial and service commitments. This impacts its flexibility because once a City borrows; its first commitment must be to service its debt. While it has been increasing, the Debt Servicing to Total Revenue Ratio is still below the benchmark of 5% as noted later in this report.

DEBT PER CAPITA

Debt per capita is simply how much it will cost per person living in Regina, for example, if the City of Regina were to pay off its debt today. In the past few years, the City has taken on debt to fund a number of large capital projects. The City has and continues to be conservative in the issuance of debt and the debt level has historically compared favourably to those of other Canadian cities.

Graph 5: Debt per Capita Comparison to Other Cities (2017)



Graph 5 above shows that, of the selected cities, the City of Regina debt per capita (\$1,385) is slightly above the average.

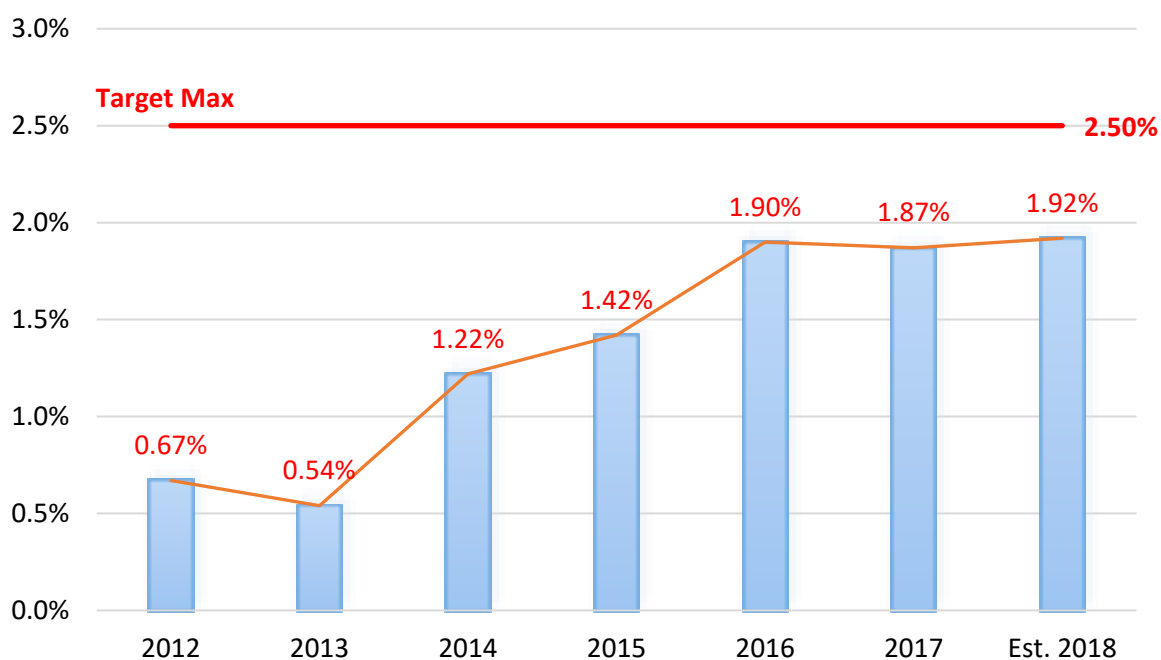
DEBT INTEREST PAYMENT RATIO

Calculation: Consolidated Debt Interest / Consolidated Revenues

The debt interest payment ratio (financial flexibility) measures the percentage of the City's total revenue that is used for debt interest payments. It is a measure of the degree to which an organization can change its debt and still meet its existing financial and service obligations. The more an organization uses revenues to meet the interest costs of past borrowing, the less that will be available for current program spending.

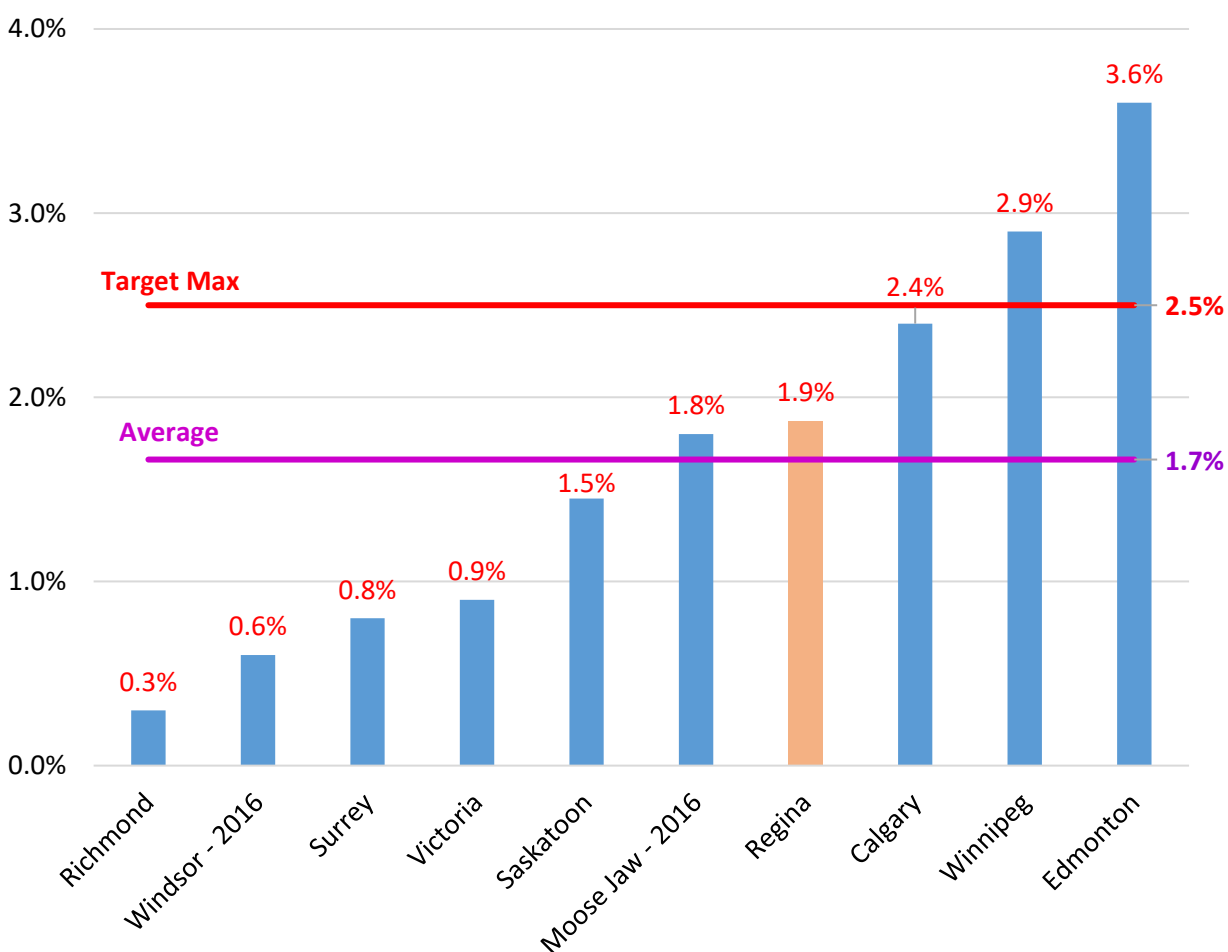
This ratio is an indicator used by S&P Global, with a benchmark of 0% to 5% being the desirable range. Through the City's debt management policy, a target of 2.5% or less has been set and is being used for monitoring, reporting and future debt considerations.

Graph 6: Regina Multi-Year Debt Interest Payment Ratio



Graph 6 above indicates the City of Regina's multi-year ratio comparison. The graph shows an increasing ratio but still below the target. The ratio increased to 1.22% in 2014 due to the stadium construction; increased to 1.90% in 2016 and 1.87% in 2017 primarily due to the increased annual interest payment of WWTP construction; and is projected to be 1.92% in 2018 due to new debt repayments related to the Buffalo Pound Water Treatment Plant Electrical Upgrade Project.

Graph 7: Debt Interest Payment Ratio Comparison to Other Cities (2017)



Graph 7 above indicates that, amongst the cities selected, the City is slightly above the average but below the target maximum. Regina's ratio means that 1.9% of its revenues

in 2017 was utilized for debt interest payments. A ratio more than 2.5% is considered high by credit rating agencies such as S&P Global.

This illustrates that Regina's debt management policy allows the City to keep debt levels and debt servicing costs as low as possible, thereby limiting financial pressures on its operating budget and taxpayers.

DEBT SERVICE RATIO

Calculation: Consolidated Debt Interest & Principal Payments / Consolidated Revenue

The debt service ratio measures the percentage of revenue which is required to cover debt servicing costs (interest and principal payments). This ratio indicates the amount of total revenue that is being used to service the municipality's debt. A high debt service ratio indicates that there is less revenue available for providing services.

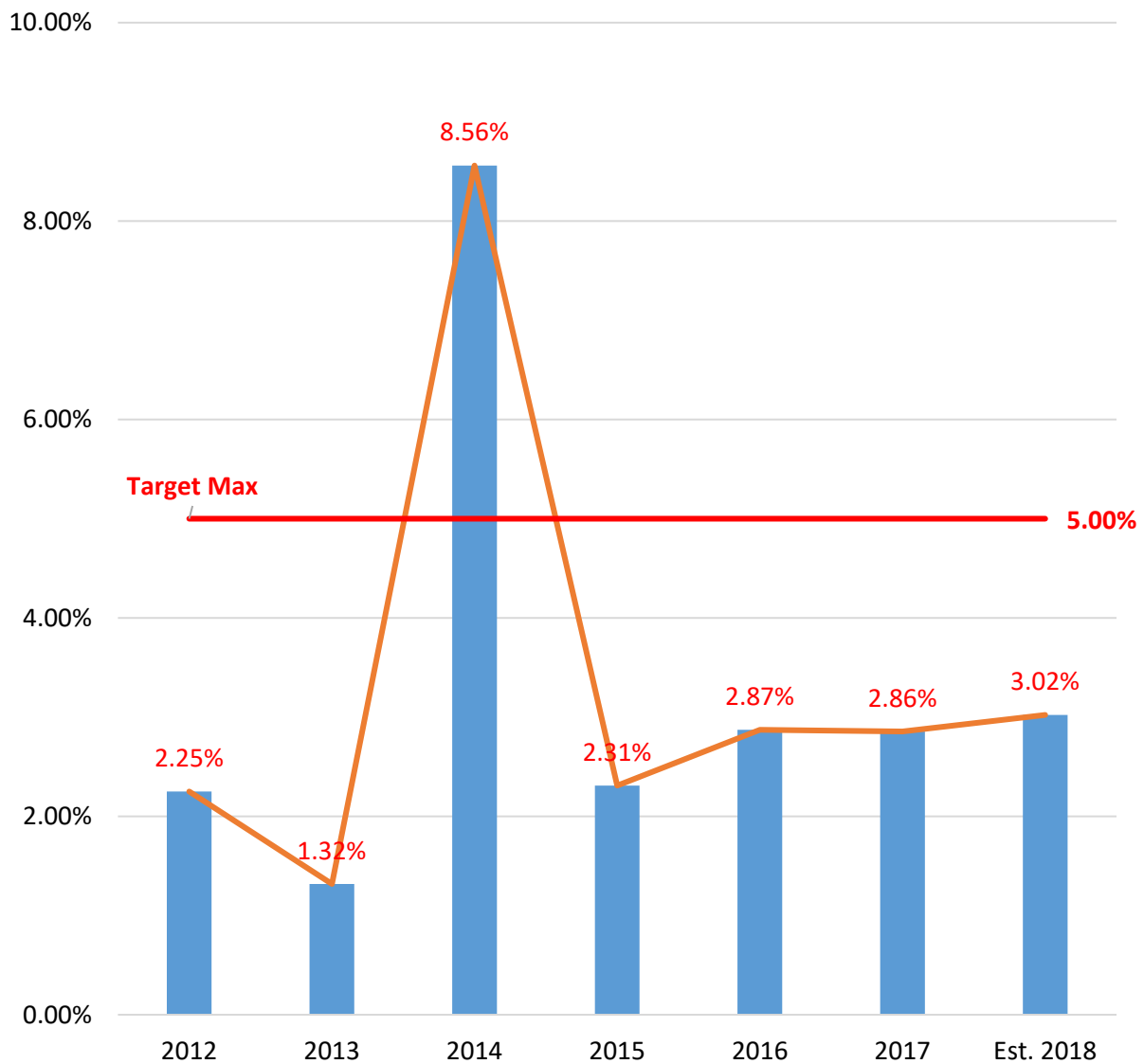
This is a key indicator used by S&P Global when assessing the overall debt burden of a municipality. A ratio in excess of 10% is seen to be where debt servicing costs tend to crowd other operating priorities out of the budget. Through the City's debt management policy, a target of 5% or less has been set and is used for monitoring, reporting and considering future debt considerations.

Graph 8 below shows that the City of Regina's debt service ratio was 2.86% at December 31, 2017, below the target. From 2012 to 2013 the ratio fluctuated slightly in the range of 1.3% to 2.5% with a large spike in 2014 at 8.56% due to a \$43.1 million balloon payment¹ on Utility debt. This spike did not affect the credit rating analysis as it was an infrequent occurrence. The ratio increased in 2016 and 2017 primarily due to the increased annual debt payment related to WWTP construction. The ratio is projected to increase in 2018 to

¹ A repayment of the outstanding principal sum made at the end of a loan period, interest only having been paid to that point.

3.02%, due to the new debt repayments related to the Buffalo Pound Water Treatment Plant Electrical Upgrade Project Loan of \$33.3 million.

Graph 8: Regina Multi-Year Debt Service Ratio

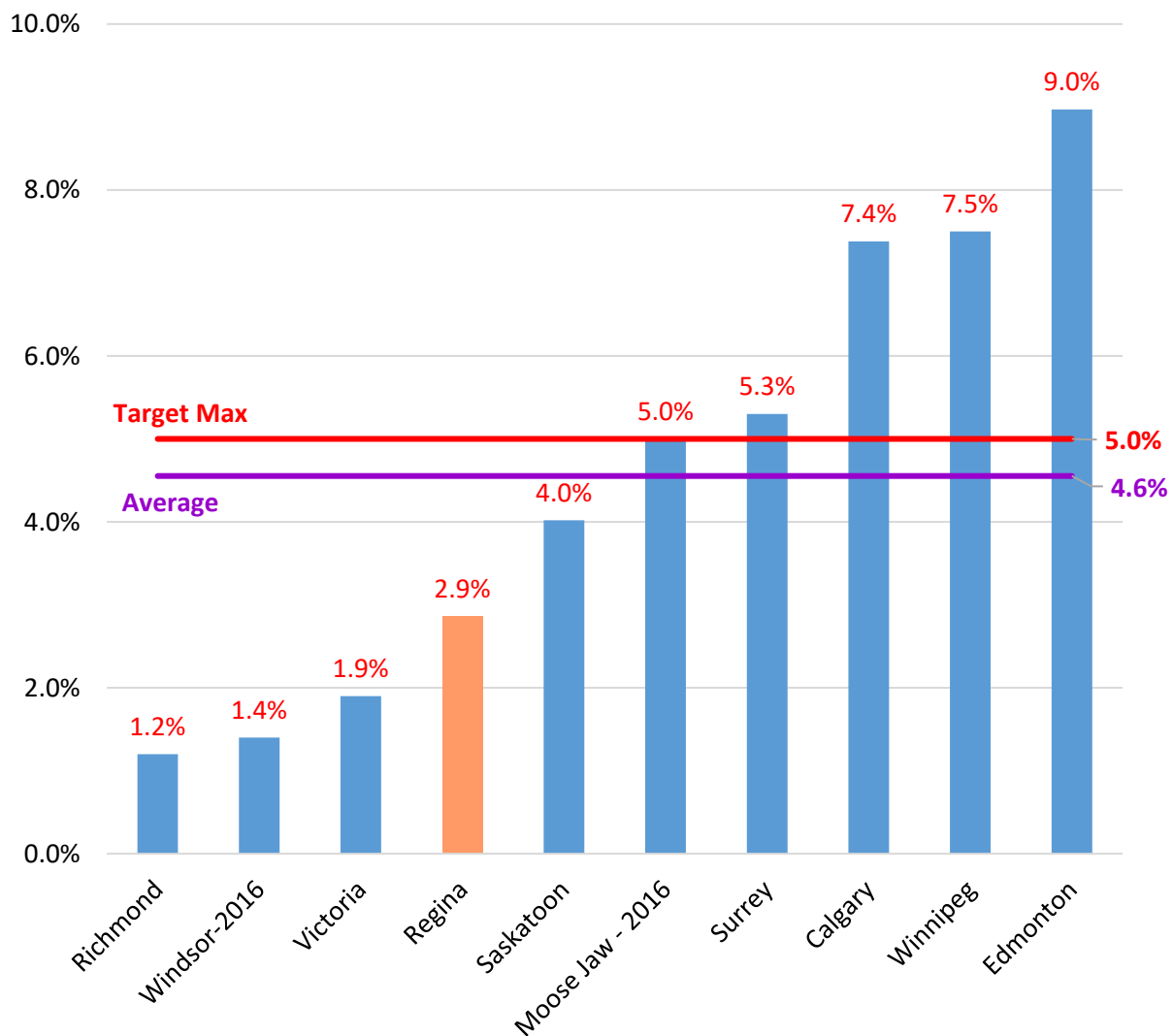


The City of Regina debt service ratio is presented in Graph 8 above and expected to remain below the 5% target set in policy. Several factors influence this ratio such as the term of debt obligations, interest rate(s) payable and consolidated municipal revenue levels. This illustrates that Regina's debt management policy allows the City to keep debt

levels and debt servicing costs as low as possible, thereby limiting financial pressures on its operating budget and taxpayers.

Graph 9 below indicates that the City of Regina has the fourth lowest debt service ratio of the cities selected. Regina's ratio means that 2.9% of its revenues in 2017 was utilized for debt principal and interest payments. Regina's ratio is lower than the average ratio of 4.6%.

Graph 9: Debt Service Ratio Comparison to Other Cities (2017)

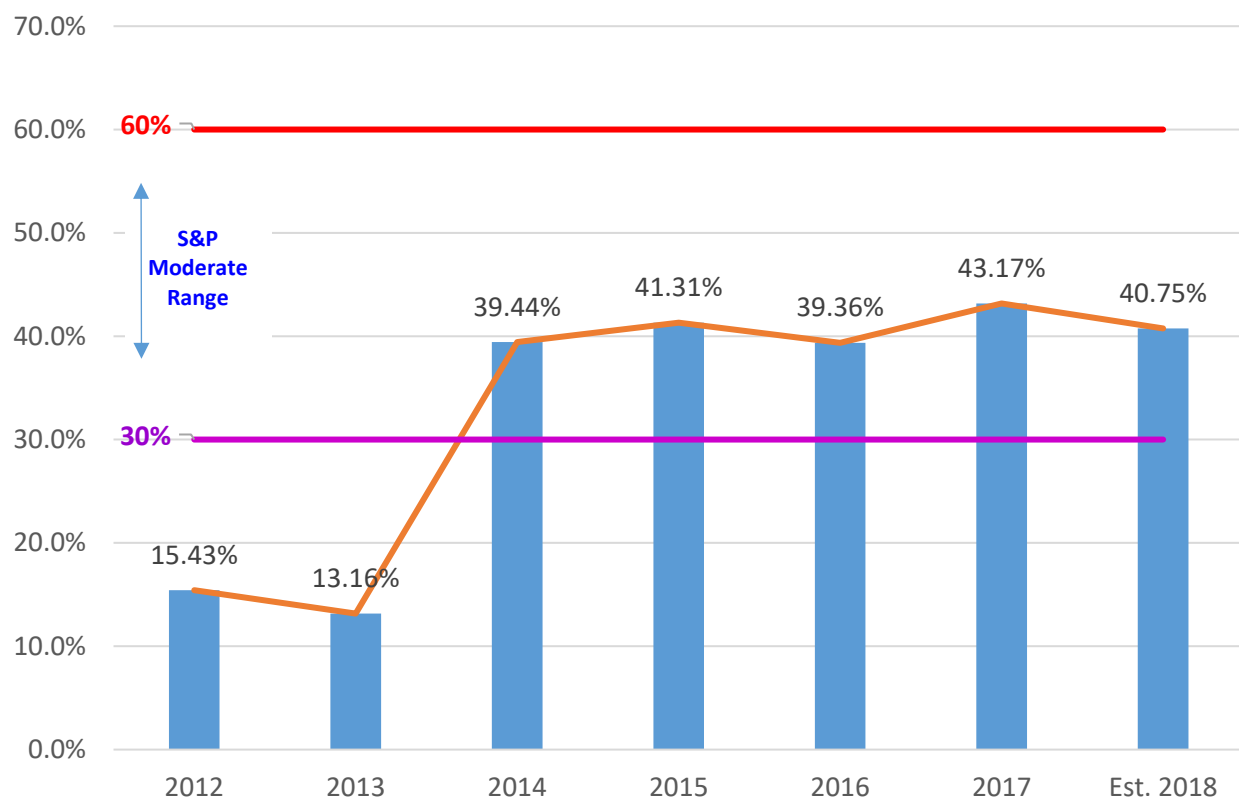


TAX AND RATE SUPPORTED DEBT RATIO

Calculation: Consolidated Debt / Consolidated Revenue

The tax and rate supported debt ratio is used to assess the amount of debt that is repaid with consolidated operating revenues. This is a key measure of the City's debt affordability because typically debt service costs are funded out of the general operating budget and thus compete directly with other public services for limited operating dollars.

Graph 10: Regina Multi-Year Tax and Rate Supported Debt Ratio

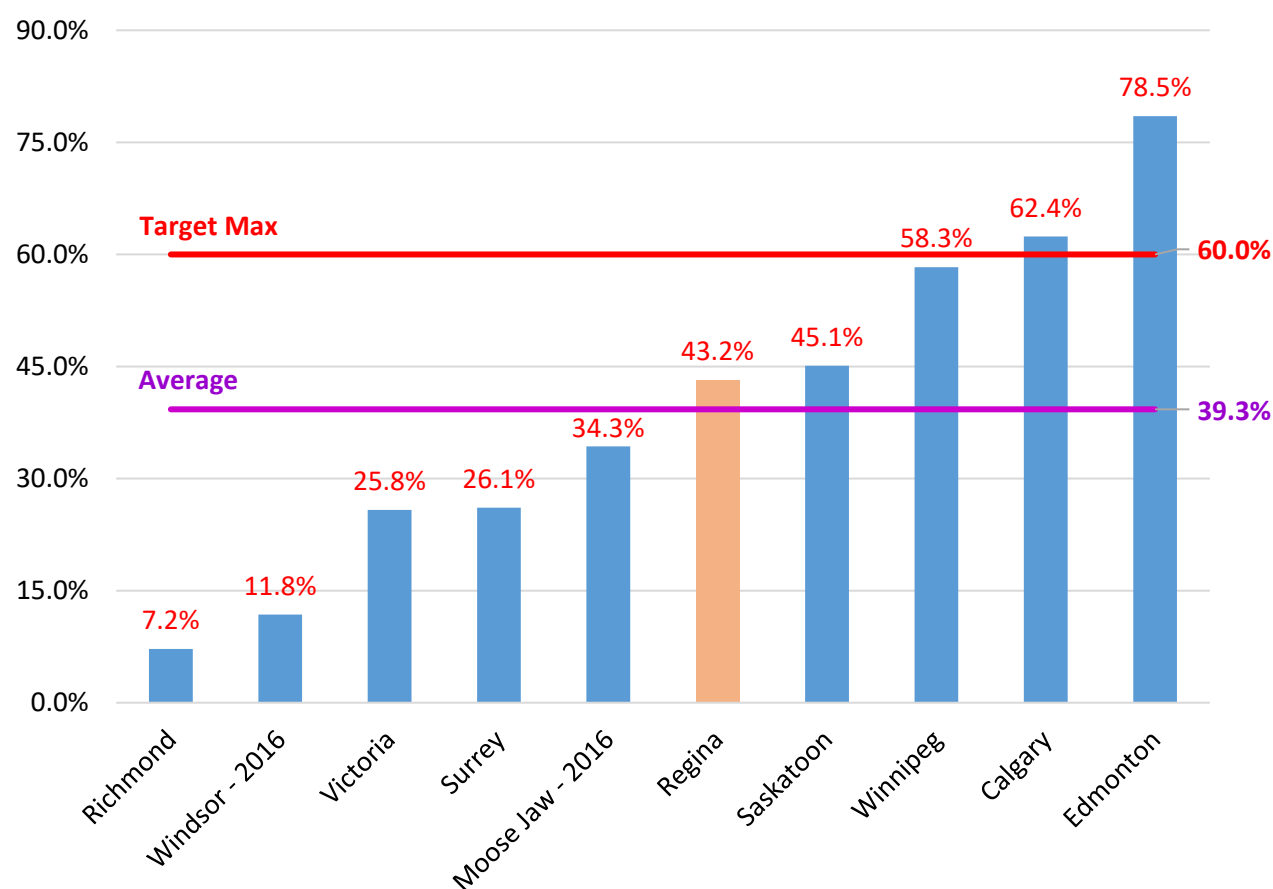


As a key indicator used by S&P Global, a ratio in the range of 30% to 60% is considered moderate in the overall debt assessment of a municipality. Through the City's debt management policy, a target of 60% or less has been set and is used for monitoring, reporting and future debt considerations. This ratio can be impacted largely by

consolidated municipal revenue levels. At a level above 60% S&P Global may consider reducing the current credit rating.

Graph 10 above shows that the City's rate is below the 60% moderate upper limit, but has been increasing. The ratio is projected to decrease slightly after the 2017 peak. The 2014 increase in the ratio is due to the Stadium.

Graph 11: Tax and Rate Supported Debt Ratio Comparison to Other Cities (2017)



As presented in Graph 11 above, the City of Regina has the fifth highest tax and rate supported debt ratio in comparison to other cities across Canada in 2017. Regina's debt to revenue ratio is 43.2% just above the average ratio of 39.3%.

CONCLUSION

Overall, the comparison shows the City of Regina maintains a reasonable debt level, as Regina ranks closer to the average for most of the debt ratios considered. The City of Regina is using 71% of its \$450 million debt limit. There are potential large capital projects that will likely require debt funding in the next few years, such as the Buffalo Pound Water Treatment Plant Renewal Project. Future debt may limit the City's ability to use debt as a financing option without prioritizing access to debt or analyzing the need to request an increase to the debt limit.

The City of Regina will continue to manage its debt through financial policies that emphasize long range financial management. These policies are supported by the development of various asset management and financial models that enable the City to analyze the effects of decisions with a focus on long term financial health and the ability to sustain existing programs and services. This approach demonstrates a commitment to long term planning and fiscal management.

September 4, 2018

To: Members
Finance & Administration Committee

Re: 2018 Mid-Year Financial Report

RECOMMENDATION

That the 2018 Mid-Year Financial Report be forwarded to the September 24, 2018 meeting of City Council for information.

CONCLUSION

The Mid-Year Financial Report provides a high-level summary on how the City is performing in relation to its 2018 Operating and Capital budgets. The report shows that the City is effectively managing its operations within the current economic climate and is forecast to be under budget for the 2018 fiscal year.

The 2018 budget approved by Council anticipated a level of funding required to provide the level of services established in the plan. The mid-year forecast reflects an estimated General Operating Fund surplus of \$2 million (0.5% from budget). The surplus is a result of a combination of factors including provision for taxation assessment appeals, less bond revenue, decreases in building permit revenue and parking revenue, offset by savings from staff vacancies.

The Utility Fund Operating surplus is forecast to be approximately \$4.5 million (3.4% from budget) and is mainly due to higher than anticipated revenue from the Coop Refinery and Hauled Wastewater Station (HWS), and lower than anticipated electrical and natural gas costs for the Waste Water Treatment Plant (WWTP).

BACKGROUND

The City of Regina is committed to providing transparent reporting on its operating and capital results. The 2018 Mid-Year Financial Report (Appendix A) shows that at June 30, the City is projected to be in a surplus position at yearend. While the 2018 results are currently projected to be in a surplus position, the City faces significant long term financial pressure due to external environmental factors as well as internal operating and capital factors identified in the 2019 Preliminary Budget Review and Economic Update (EX18-17) presented to Executive Committee on August 1, 2018.

There are several variables that can impact the yearend results that are not known at the end of June. It is midway through the construction period for the City so any changes in weather conditions may influence the amount of work that is, or is not, completed by yearend. In addition, items such as water main breaks, winter road maintenance costs, tax assessment appeals

and interest from investments can change from the mid-year forecast numbers. It is important to leave some flexibility in the budget at mid-year to manage these risks.

Administration will continue to manage the needs in the current year and look for opportunities to meet the challenges over the long term.

DISCUSSION

The 2018 Mid-Year Report provides details on the current and projected operating and capital revenues and expenditures for both the General Fund and the Utility Fund. The City uses a conservative approach in forecasting revenues and expenditures.

Key highlights from the Report include:

- Current General Fund Operating surplus is projected to be \$2 million (0.5% from budget);
- Current Utility Fund Operating surplus is projected to be \$4.5 million (3.4% from budget);
- Projected General Fund Capital spend is \$189 million (70% of available funding); and
- Projected Utility Fund Capital spend is \$66 million (49% of available funding).

The General Fund Operating surplus is a result of lower than projected revenues offset by under expenditures in salary costs due to staff vacancies.

The Utility Fund Operating surplus is due to higher than anticipated revenue from the Coop Refinery and the Hauled Wastewater Station (HWS) and lower than anticipated electrical and natural gas costs for the Waste Water Treatment Plant (WWTP).

RECOMMENDATION IMPLICATIONS

Financial Implications

Administration closely monitors the progress of achieving the annual budget. As the corporation works toward delivering services to the community, a variance between the budgeted cost and the projected yearend cost is created. The variance, over or under the established budget, is the result of controllable and uncontrollable factors.

The forecast surplus is unaudited and is a projection of the expected results for the City of Regina. Yearend surpluses represent one-time funding and are transferred to the appropriate reserves at yearend. General Fund Operating surpluses are transferred to the General Fund Reserve and Utility Fund Operating surpluses to the Utility Reserve Fund.

The projected forecast at mid-year tends to vary from the final yearend results. This is largely due to external factors that influence revenues and expenses.

Environmental Implications

None related to this report.

Policy and/or Strategic Implications

The City of Regina's Mid-Year Report provides a point in time view of the City's financial performance and financial projection. By providing public reporting of financial results, the City will improve transparency and accountability.

Other Implications

None related to this report.

Accessibility Implications

None related to this report.

COMMUNICATIONS

None related to this report.

DELEGATED AUTHORITY

The recommendation to provide this information to City Council for informational purposes is within the Delegated Authority of the Finance and Administration Committee.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "June Schultz".

June Schultz, Director
Finance

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Barry C. Lacey".

Barry Lacey, Executive Director
Financial & Corporate Services

Report prepared by: Trevor Black, Manager, Budget & Financial Services

2018 Mid-Year Financial Report



BACKGROUND

This report provides a high-level summary on how the City is performing in relation to its 2018 Operating and Capital Budgets. The report shows that the City is effectively managing its operations within the current economic climate and is forecast to be under budget for the 2018 fiscal year.

The 2018 budgets approved by Council anticipated a level of funding required to provide the level of services established in the plan. The mid-year forecast reflects an estimated General Fund Operating surplus of \$2 million (0.5% from budget). The Utility Fund Operating surplus is forecast to be \$4.5 million (3.4% from budget) and is mainly due to unanticipated revenue from the Coop Refinery and Hauled Wastewater Station (HWS), and lower than anticipated electrical and natural gas costs for the Waste Water Treatment Plant (WWTP).

The forecast surplus is unaudited and is a projection of the expected results for the City of Regina. Yearend surpluses represent one-time funding and are transferred to the appropriate reserves at yearend. General Fund Operating surpluses are transferred to the General Fund Reserve and Utility Fund Operating surpluses to the Utility Reserve Fund.

Two main reserves, the Asset Revitalization Reserve and the General Fund Reserve, provide Council with the most flexibility to address immediate and unexpected opportunities. The anticipated balance at the end of 2018 for these reserves is \$0 in the Asset Revitalization Reserve and \$8 million in the General Fund Reserve. In the past, these reserves have been used by Council to take advantage of opportunities that have presented themselves like the purchase of the former STC building to address the Regina Police Service's facility needs, the highest priority project for facility renewal. However, looking forward, the ability to access these two key reserves to fund capital projects will be limited over the short to medium term compared to previous years.

Over the past five years, the City of Regina has reported yearend surpluses that have mainly been the result of investment income and capital gains on bonds. Investment income has decreased substantially from previous years and is expected to continue to decrease in the future. This combined with improved forecasting and budgeting systems is expected to result in smaller surpluses in future years resulting in less funding being transferred to reserves at yearend than in the past. As a result, rebuilding of these reserves will take time.

FINANCIAL FORECAST OVERVIEW

Throughout the year, Administration prepares and closely monitors the progress of achieving the annual budget approved by Council. The information included in this report is the mid-year budget and financial forecast.

The 2018 budget approved by Council anticipates a level of funding required to provide the level of services established in the plan. As the corporation works toward delivering services to the community, a variance between the budgeted cost and the projected yearend cost is created. The variance, over or under the established budget, is the result of controllable and uncontrollable factors. These factors include, but are not limited to:

- Changes to funding or revenues received during the year that were not anticipated at the time of developing the budget;
- Staff vacancies;
- Price differences in supplies;
- Timing of implementing new initiatives or in capital construction.

General Fund Operating Forecast Overview

The General Fund Operating surplus is forecast to be \$2 million. As describe below, revenues are projected to be under budget, offset by decreases in expenses due to a combination of factors.

Table 1: General Fund Operating Financial Forecast (in \$ thousands)

Financial Performance Measures June 30, 2018				
General Fund Forecast	Revenue	Expense	Surplus (Deficit)	% of Budget
	\$ 440,913	\$ 438,733	\$ 2,180	0.5%

Operating Revenue

Table 2: General Fund Operating Revenue Forecast (in \$ thousands)

Financial Performance Measures June 30, 2018				
General Fund Revenue	Budget	Forecast	Variance	% of Budget
	\$ 442,887	\$ 440,913	(1,974)	-0.4%

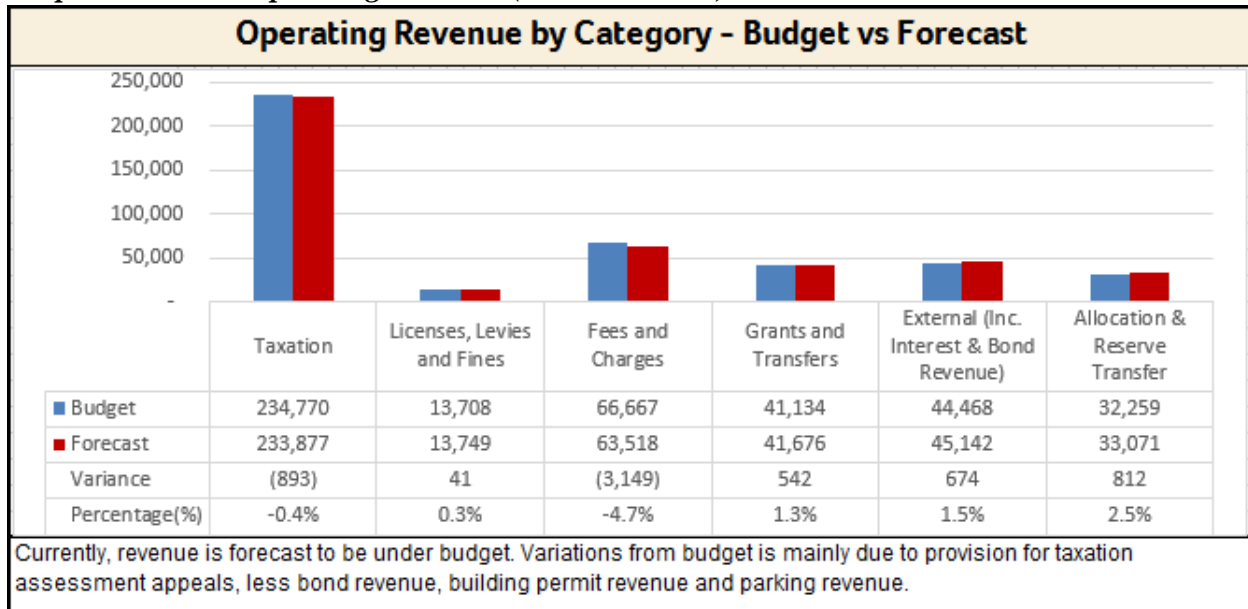
The majority of the City services are financed by General Fund Operating revenue. About half of the General Operating revenue comes from property taxes, but the City also charges user fees, secures grants from other levels of government and collects revenues from a variety of smaller sources.

Revenues are currently tracking to be slightly below the approved budget by \$2 million (0.4%). Revenues are projected to be lower than budget in various areas including the provision for taxation assessment appeals, less bond revenue, decreases in building permit revenue and parking revenue.

As identified earlier in this report, historical yearend surpluses have been the result of high investment income and capital gains on bonds. These revenues have decreased substantially with the recent increases in interest rates from the Bank of Canada. There is an inverse effect on bond earnings as interest rates rise. While the City is actively managing this item, further interest rate increases could impact the projected surplus.

Taxation revenue is projected to be under budget as a result of potential assessment appeals. Appeals are a normal part of business and throughout the year, the amount is adjusted as appeals progress through the process. Graph 1 below presents the revenue by category or source.

Graph 1: General Operating Revenue (in \$ thousands)



Operating Expense

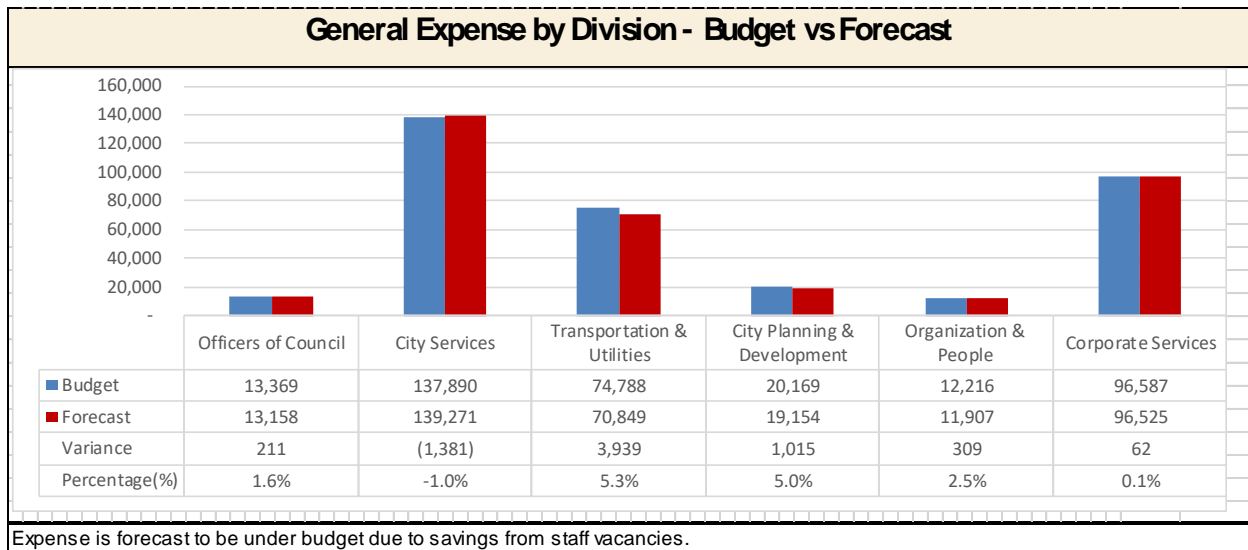
Table 3: General Fund Operating Expense Forecast (in \$ thousands)

Financial Performance Measures				
June 30, 2018				
General Fund Expense	Budget	Forecast	Variance	% of Budget
	\$ 442,887	\$ 438,733	\$ 4,154	0.9%

General Fund operating expenses support the majority of the services provided by the City. Expenses are driven by controllable and uncontrollable factors. Some costs are driven by environmental factors such as the weather and their impact on the services, such as Winter Road Maintenance and are managed by the City by establishing reserves specifically for the purpose of supporting unanticipated costs in any given year.

The current projection reflects operating expenses to be under budget by \$4 million (0.9%). The majority of the expense savings is on salaries. Salaries and benefit account for 47% (excluding police) of the total general operating budget.

Graph 2: General Fund Operating Expense (in \$ thousands)



Utility Fund Operating Forecast Overview

The Utility Fund operating surplus is forecast to be \$4.5 million. As described below, revenues are projected to be three per cent higher than budget while expenses will be slightly lower than budget.

Table 4: Utility Operating Financial Forecast (in \$ thousands)

Financial Performance Measures June 30, 2018				
Utility Fund Forecast	Revenue	Expense	Surplus (Deficit)	% of Budget
	\$ 136,753	\$ 132,228	\$ 4,525	3.4%

Utility Revenue

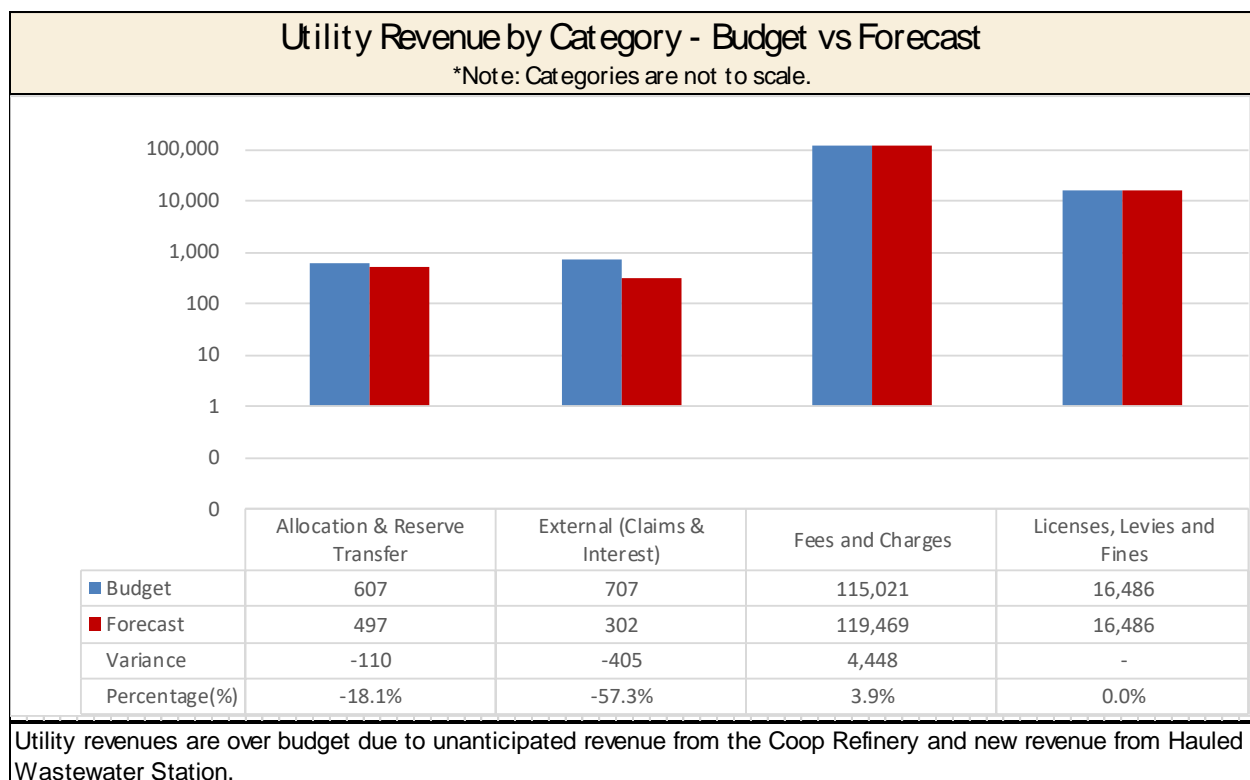
Table 5: Utility Operating Revenue Forecast (in \$ thousands)

Financial Performance Measures June 30, 2018				
Utility Fund Revenue	Budget	Forecast	Variance	% of Budget
	\$ 132,820	\$ 136,753	\$ 3,933	3.0%

The Water and Sewer Utility provides water, wastewater and drainage services primarily to customers in Regina. It is operated on a full cost-recovery, user-pay basis. Revenues collected from customers account for the majority of the revenue (88%) with the remainder of the revenue being derived from licenses and levies.

Utility revenues are mainly the result of fees and charges paid by customers through a daily base rate and through a volume (usage) charge. Revenues are influenced by environmental factors and customers are able to reduce their costs by conserving water which will reduce revenues. The mid-year forecast shows that revenues are currently projected to be almost \$4 million (3.0%) above the approved budget. The revenue is mainly unanticipated revenue from the Coop Refinery and the Hauled Wastewater Station. 2018 is the first year of operation of the Hauled Wastewater Station and revenues are expected to increase as the program becomes more established. Graph 3 presents the revenue by category.

Graph 3: Utility Operating Revenue (in \$ thousands)



Utility Expense

Table 6: Utility Operating Expense (in \$ thousands)

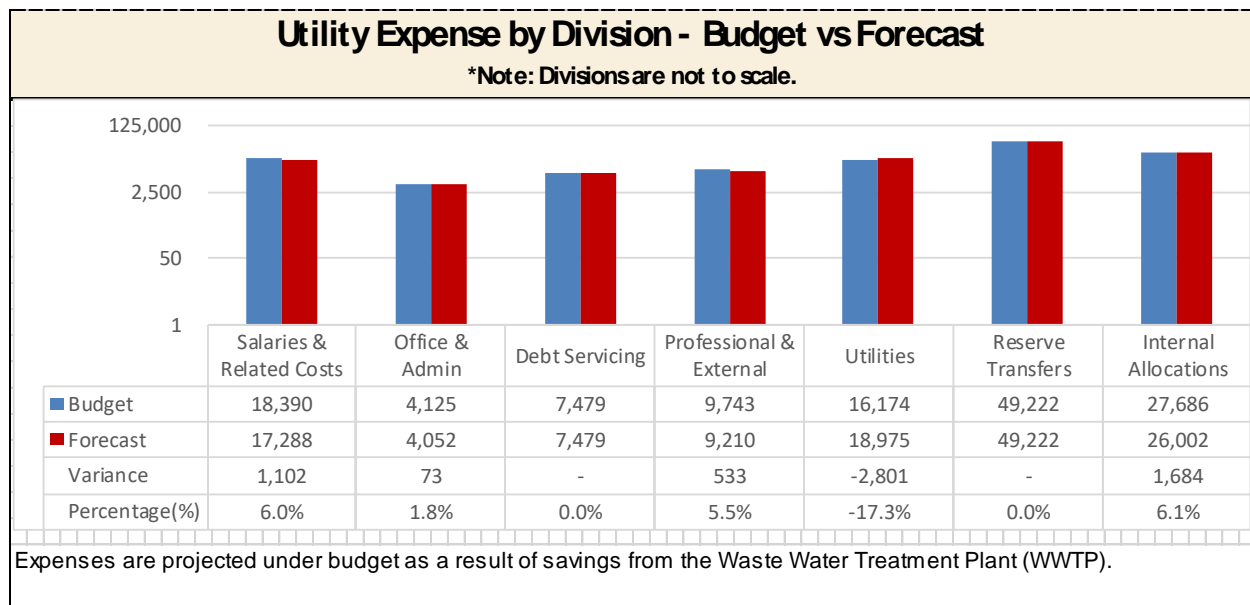
Financial Performance Measures				
June 30, 2018				
Utility Fund Expense	Budget	Forecast	Variance	% of Budget
	\$ 132,820	\$ 132,228	\$ 592	0.4%

Utility Fund Operating expenses support the costs of delivering services in four main service areas:

- **Water Supply and Distribution:** The system provides water for residential, institutional, commercial and industrial customers, as well as for fire protection.
- **Wastewater Collection and Treatment:** The wastewater system collects wastewater from all residential, institutional, commercial and industrial customers in the City and treats wastewater in accordance with the Provincial and Federal governments' environmental regulations and industrial standards.
- **Storm Water Collection and Flood Protection:** The drainage system controls water runoff from rainfall and melting snow in and around the City.
- **Customer Service:** Customer service has two elements – Utility Billing (producing and collecting on utility billings) and Communications (being responsive to customer inquiries and needs).

Many factors influence the costs of delivering the utility services. The mid-year forecast currently reflects almost \$600 thousand (0.4%) savings in approved operating costs. The savings are mainly due to lower than anticipated electrical and natural gas costs for the Waste Water Treatment Plant. Graph 4 details the budget and forecast expenses by division.

Graph 4: Utility Operating Expense (in \$ thousands)



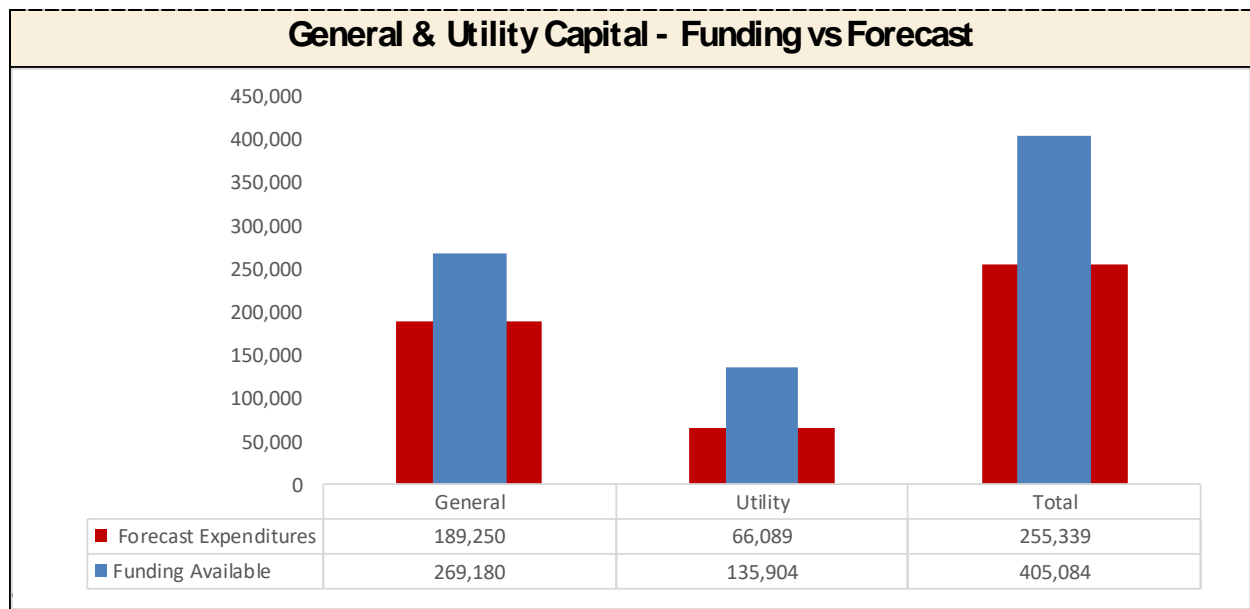
CAPITAL OVERVIEW

The delivery of services requires well maintained capital assets. The City continues to maintain and enhance its assets by prioritizing the investment in capital that will create improved services or service levels.

The City's capital budget is a multi-year (five year) program comprising an approved capital plan for the current year and a planned program for the succeeding four years. With the multi-year approach, some projects are designed to be completed over a number of years resulting in unspent capital funding at the end of the year that will be carried forward to the future year. The City is continuing to complete a number of multi-year projects and utilizing the majority of the funds available.

The City's capital spending is represented in two groups: General Fund and Utility Fund (Graph 5).

Graph 5: General and Utility Capital (in \$ thousands)



General and Utility Capital

1. General Capital

The General Fund capital budget is primarily focused on the renewal of infrastructure, a priority of the strategic plan and linked to *Design Regina: The Official Community Plan* priority of long-term financial viability. General Fund capital spending is in two categories: programs and projects. Programs are mainly ongoing capital costs that are designed to support the maintenance and renewal of assets to enhance and/or prolong their useful life. Capital projects are one-time costs with a defined start and end date, such as the cost of constructing a new asset.

The current 2018-2022 General Capital plan totals \$584 million. The General Capital Fund plans to spend \$189 million in 2018. This includes completing and/or advancing a number of projects including, but not limited to:

- Street infrastructure renewal
- Residential road renewal program
- Regina Police Services new headquarter development
- Transit maintenance garage relocation
- South East land development
- Civic fleet replacement

2. Utility Capital

The Utility Fund capital budget supports the delivery of the utility service through maintenance, renewal and replacements of a diverse infrastructure including water mains, storage reservoirs, pumping stations, building service connections, a wastewater treatment plant, wastewater and

storm drainage sewers as well as drainage channels and creeks. The City is also a joint owner of the Buffalo Pound Water Treatment Plant with the City of Moose Jaw.

The 2018-2022 Utility Capital Plan totals \$313 million and is fully funded by the Utility Reserve over the five-year plan. The majority of the \$66 million in Utility Capital Fund focuses on infrastructure renewal projects in 2018, such as:

- Buffalo Pound Water Treatment Plant electrical upgrade
- Various water infrastructure renewal
- Wastewater collection renewal
- The Creeks wastewater pump station expansion
- Water pumping station upgrades and expansion

The City has seen a reduction in the amount of unspent capital funding in the last few years. This unspent funding is largely for a number of multi-year projects scheduled to be completed over more than one year. Recently, the City has begun to budget capital based on the cash flow requirements of the project. This change along with the completion of major projects such as Mosaic Stadium and Wastewater Treatment Plant have allowed the City to better manage the capital funding requirements and reduce the unspent capital funding at yearend. Overall, all General and Utility Fund capital projects are on schedule.

There has been a significant increase in capital expenditures over the past five years in order to bridge the infrastructure gap faced by the City. This increase in capital expenditures has been funded primarily from an allocation of current year operating costs, reserves, debt, and third party funding. The current year contribution (including one per cent per year mill rate increase commitment to the Residential Road Renewal Program) to capital has increased from \$12 million to \$45 million in the last five years.

The weather in 2018 has cooperated for the delivery of the capital program and as of mid-August, planned capital work was 60% complete – on schedule according to the plan.

CONCLUSION

The City of Regina is committed to accountability and transparency. This is the second mid-year report released by the organization. The results of this report show the City is projecting a small surplus at yearend.

The surplus is a point in time projection of the yearend results. There are a number of variables that could influence the surplus on both the operating and utility results that were not known at the time of the establishment of the mid-year forecast. Administration has used the best information available to predict the outcomes to the end of the year.

As the year progresses, the results will change based on decisions made and uncontrollable factors such as weather that impact City operations. Administration will continue to monitor the financial situation and balance fiscal stewardship with providing the services that citizens of Regina need.