



Memo

June 17, 2020

To: Members,
Priorities and Planning Committee

Re: Economic and Preliminary 2021 Budget Development Update

RECOMMENDATION

That the Priorities and Planning Committee receive and file this communication.

BACKGROUND

Administration will provide an economic update and information on the 2021 Budget Development. The update will have four key components:

- 1) An economic update. Awareness of the economic environment in which the City budget is developed provides context in the development of the budget. The 2021 Budget is being developed in the midst of unprecedented circumstances. The Canadian economy is in the midst of its worst downturn in decades. Life in cities across the country have been significantly altered by the COVID-19 pandemic and the public health measures being taken to address it.
- 2) An overview of the Official Community Plan's (OCP) community priority of achieving long-term financial viability and how it interacts with the development of an annual budget. Long-term financial viability and service sustainability is a key challenge facing the City due to numerous contributing factors including the economic environment, increased demand for services beyond those traditionally provided, aging infrastructure, and constraints on revenue growth. While some of these challenges are not unique to Regina, they will continue to require strong financial management, decision-making and understanding of community priorities to achieve long-term financial viability, service level sustainability and achievement of the long-term objectives of the OCP.

- 3) A preliminary review of 2021 budget development and the opportunities and challenges that exist in the development of the budget. Excluding the financial impact of COVID-19, the general increases in the cost of providing services are outstripping general or natural increases in City revenues. The expenditure pressures faced by the City are compounded by the inability to quickly and easily generate new revenue. Property taxes are the primary sources of revenue for the City with the balance of revenues coming from fees and charges, and grants from other levels of government. The ability to access other forms of taxation is limited by legislation and has resulted in the City generating a larger portion of its overall revenue from property taxes.

This creates challenges as Administration attempts to balance the increasing costs of providing services with the desire to keep property taxes affordable. Over the past three years, Administration has achieved operational efficiencies of more than \$15 million. To achieve long-term financial viability, the City must continuously improve, be innovative, and look for ways to do things differently while continuing to effectively provide services to Regina's residents.

In addition to the above challenges, it is expected that COVID-19 will continue to have a net negative impact on City finances in 2021 and 2022. Administration continues to analyze the ongoing financial impacts, among which include projected losses in revenue from reduced transit ridership, use of recreational facilities, etc.

- 4) An overview of the 2021 budget timelines and public engagement in the development of the budget. While in-person public engagement is likely not possible within the 2021 budget planning period due to physical distancing guidelines, Administration is planning to leverage enhanced opportunities for participation online over the coming months through the Be Heard Regina platform.

Respectfully submitted,



Barry Lacey, Exec. Director, Financial Strategy & Sustainability 6/12/2020