

Municipal Economic Enhancement Program (MEEP) Funding Allocation

Date	June 10, 2020
To	Executive Committee
From	Financial Strategy & Sustainability
Service Area	Financial Services
Item No.	EX20-22

RECOMMENDATION

The Executive Committee recommends that City Council:

1. Approve the City of Regina's \$30,916,844 allocation of Municipal Economic Enhancement Program (MEEP) funding to the following projects as further detailed in Option #1 in Appendix A of this report;

- Residential Road Renewal (2020 Deferred Projects) - \$6.4 million
- Wascana Pool Renewal - \$12.0 million
- Outdoor Rink - \$0.7 million
- Energy Monitoring and Optimization Infrastructure - \$0.72 million
- Municipal Justice Building Redevelopment - \$7.5 million
- Permanent Pavement Markings - \$0.7 million
- Pedestrian Connectivity (Pasqua Street) - \$0.5 million
- Expand Bike Lanes and Pathways (Albert Street) - \$0.9 million
- Roof Replacement - \$1.5 million

2. Authorize the City Manager to apply for MEEP funding for the projects in recommendation #1;
3. Authorize the City Manager to review, negotiate, approve, and enter into any MEEP funding agreements with the Government of Saskatchewan for the projects under the MEEP program;

4. Authorize the City Clerk to execute the MEEP funding agreements that are required after review by the City Solicitor; and
5. Approve these recommendations at its June 24, 2020 meeting.

ISSUE

Under the recently announced Municipal Economic Enhancement Program (MEEP), the City of Regina will receive approximately \$30.9 million from the Government of Saskatchewan.

Municipalities are required to submit a list of City Council approved projects to the provincial government by July 17, 2020. Option #1 in Appendix A of this report provides Administration's recommended capital projects for approval.

IMPACTS

Strategic Impacts

The projects identified in the recommendation (Option #1, Appendix A), allow the City to achieve the objectives of MEEP while allowing the City to pursue a three-pronged strategy in maximizing the effective use of the MEEP funding.

The first part of the strategy leverages a portion of MEEP funding to help offset the expected negative financial impacts of COVID-19 on the City's financial position. In April 2020, Administration provided Council with a report (CM20-8) identifying the projected 2020 financial impact of COVID-19 on the City. As part of the Council approved response to offset the financial impacts, Council approved up to \$6.4 million of Residential Road Renewal Program (RRRP) capital funding to be reallocated to address the financial impacts of COVID-19 (as those projects were not recommended to proceed in 2020 due to COVID-19). Administration proposes to use \$6.4 million of the MEEP funding to ensure those deferred projects are funded and can be completed in 2021. This ensures the RRRP program is kept whole and not impacted by the reallocation of these funds to address COVID-19 operating costs.

The second part of the strategy leverages \$12 million in MEEP funding to finance the renewal of Wascana Pool eliminating the need for the City to take on an additional \$10.5 million in debt and utilize \$1.5 million in Service Agreement Fees (SAF) to fund the pool. The remaining \$3 million in Wascana Pool renewal costs will continue to be funded through the Dedicated Lands Reserve. By not debt financing the Wascana Pool renewal project, the City realizes approximately \$750,000 in principle and interest payment operating savings annually (or approximately \$4 million in interest savings over the time period the debt would have existed).

The \$750,000 in annual savings provides added flexibility to address COVID-19 financial impacts expected to be incurred in 2020 through to 2022, as well as providing future flexibility to Council to address future operating or capital needs. In addition, by not debt financing the Wascana Pool, Council provides itself with future flexibility should it require debt financing to address future City needs. Eliminating the need to use \$1.5 million in SAF funding is also consistent with the development industry's expectation that if third party funding is used to fund a project, a portion of the funding be used to reduce SAF contributions as well.

The third part of the strategy results in an incremental \$12.5 million in capital projects over the next two years. The additional capital projects funded by the \$12.5 million are outlined in Option #1 in Appendix A and are consistent with the priorities of the Official Community Plan and related master plans. A number of the recommended projects will enhance the quality of life in Regina including the proposed redevelopment of the Municipal Justice Building into a multi-use facility which would include a neighbourhood community centre, police fitness facility, and a shared multi-purpose gym; and the construction of a new outdoor rink. Five of the seven projects listed include components in the project consistent with the City's commitment to be 100 per cent sustainable by 2050 including expanding bike lanes and pathways, pedestrian connectivity, and piloting energy monitoring technology to reduce energy consumption in City facilities.

Financial Impacts

Accessing and fully utilizing the City's share of MEEP funding will help the City address the financial impacts of COVID-19 and reduce debt financing requirements while investing in additional capital projects over the next two years as described above.

OTHER OPTIONS

Included in Appendix A are additional options for Council's consideration. The two alternative options require the City to debt finance a significant portion of the Wascana Pool renewal project while directing more MEEP funding to help offset the expected negative financial impacts of COVID-19 and increasing the number of additional capital projects that can be undertaken over the next two years.

COMMUNICATIONS

Upon City Council approval of the list of capital projects, Administration will complete and submit the application to the Provincial Government by the July 17,2020 deadline.

DISCUSSION

On May 6, 2020, the Government of Saskatchewan unveiled a two-year capital infrastructure program as part of its response plan to the COVID-19 recovery. The Municipal Economic Enhancement Program (MEEP) allocates almost \$150 million on a per capita basis to all Saskatchewan municipalities. The City will receive approximately \$30.9 million under this program.

There are 14 eligibility categories under the program as outlined in Appendix B. Generally, the type of capital projects included in the City's capital plans would meet MEEP's eligibility requirements. To apply, the City must submit a list of projects along with a Council resolution approving the projects and sign a funding agreement. The Ministry of Government Relations will review and approve project plan submissions. Funds must be spent by March 31, 2022 and may only be applied to eligible costs incurred after May 6, 2020.

Key features of MEEP include:

- The funding is flexible and covers almost all types of municipal capital projects, including new and rehabilitation projects;
- There is no matching requirement, meaning the City does not have to come up with its own share of funding;
- Funds will flow to the City in advance of projects and will not require claims for reimbursement of project expenditures. However, if actual project costs are less than funding received the Ministry may request unspent funds to be paid back to the Ministry;
- Projects are to be substantially complete by March 31, 2022; and
- Projects for consideration must be submitted to the Province by July 17, 2020.

Given the program's eligibility criteria, Administration considered several factors in developing the recommended list of projects, including but not limited to:

- Whether the projects can be planned and completed by March 31, 2022;
- Whether contracting of third parties is required to undertake the projects to encourage job creation and economic activity;
- Opportunities to advance Council's goal of the City becoming 100 per cent renewable by 2050;
- Projects that are a priority in advancing the OCP and master plans, including advancing projects in the approved five-year capital plan to an early year; and
- Opportunities to leverage MEEP funding to mitigate financial impacts COVID-19 is expected to have on City operating and capital funding in 2020 through to 2022.

Opportunities to leverage MEEP funding to mitigate COVID-19 financial impacts is an important consideration. Administration has projected the financial impact of COVID-19 in 2020 to be between \$12 million to \$20 million. It is also projected that the impacts will extend beyond the current year and a full "recovery" is not expected until a vaccine or a

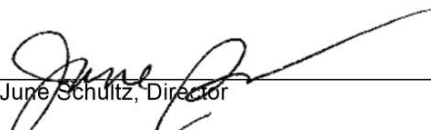
treatment is found. At this time, revenues are not projected to return to pre-COVID-19 levels until at least the second half of 2021 or longer.

DECISION HISTORY

The recommendations contained within this report require City Council approval.

Respectfully Submitted,

Respectfully Submitted,


June Schultz, Director

6/5/2020


Barry Lacey, Exec. Director, Financial Strategy & Sustainability

6/5/2020

Prepared by: June Schultz, Director, Financial Services

ATTACHMENTS

Appendix A - MEEP Funding Options

Appendix B - MEEP Criteria