



FINANCE AND ADMINISTRATION COMMITTEE

**Tuesday, August 2, 2016
4:00 PM**

Henry Baker Hall, Main Floor, City Hall



**Public Agenda
Finance and Administration Committee
Tuesday, August 2, 2016**

Approval of Public Agenda

Minutes of the meeting held on July 5, 2016

Administration Reports

FA16-29 University of Regina College Avenue Campus Renewal - City Land Contribution

Recommendation

1. That the City of Regina provide support to the “Building Knowledge – The College Avenue Campus Renewal Project” (Project) by way of a real property contribution and that the transfer to the University of Regina of a 2.6 acre parcel of land, being a portion of Surface Parcel 153228034, NW 18-17-19-2 Ext 239, be Approved on terms and conditions as generally set out in this report and specifically including the following conditions:
 - a. The City of Regina shall be satisfied that the details of the development proposal and related land use(s) included in the Project support community wide objectives and are consistent with Design Regina: The Official Community Plan Bylaw No. 2013-48.
 - b. The University of Regina shall have engaged the public in relation to the Project.
 - c. Wascana Centre Authority shall have provided written consent to the transfer pursuant to The Wascana Centre Act.
 - d. The University of Regina shall have provided the City of Regina with confirmation of financial support for the Project from the Provincial and Federal governments in a form satisfactory to the City of Regina.
 - e. The University of Regina shall enter into a Municipal Servicing Agreement to ensure that any third party occupants of the property, exclusive of space that is used exclusively by the University of Regina, are liable for property taxes or otherwise agree to make payments comparable to property taxes in consideration of the land contribution.



Office of the City Clerk

- f. Approval of a plan of proposed subdivision shall have been received by the City of Regina to create title to the subject lands, in a form approved by both the University of Regina and the City of Regina, and including adoption of any required bylaws or approvals for any street closures and new right of way dedications as may be necessary to accommodate the proposed development.
 - g. Construction of the Project in accordance with the approved development proposal shall have commenced within one year of the date of the transfer, unless such date is expressly agreed to be extended by the City of Regina, failing which the City of Regina may require that the University of Regina transfer the lands back to the City of Regina.
- 2. That the City Manager or designate be authorized to finalize the remaining terms and conditions of the legal Land Contribution Agreement and a Municipal Servicing Agreement.
- 3. That the City Clerk be authorized to execute the Land Contribution Agreement and a Municipal Servicing Agreement in a form approved by the City Solicitor.
- 4. That this report be forwarded to the August 29, 2016 meeting of City Council to allow sufficient time for advertising of the required public notice pursuant to The Cities Act.

FA16-30 Debt Status Report and Debt Limit Considerations

Recommendation

- 1. That the Chief Financial Officer be authorized to make application to the Saskatchewan Municipal Board (SMB), under section 133(1) of The Cities Act, to maintain a debt limit for the City of Regina in the amount of \$450 million beyond December 31, 2016.
- 2. That this report be forwarded to the August 29, 2016 meeting of City Council for approval.

Adjournment

AT REGINA, SASKATCHEWAN, TUESDAY, JULY 5, 2016

AT A MEETING OF THE FINANCE AND ADMINISTRATION
COMMITTEE
HELD IN PUBLIC SESSION

AT 2:00 PM

Present: Councillor Wade Murray, in the Chair
Councillor Bryon Burnett
Councillor Shawn Fraser
Councillor Bob Hawkins
Councillor Barbara Young

Also in Attendance: Council Officer, Ashley Thompson
Solicitor, Mark Yemen
Executive Director, City Services, Kim Onrait
Executive Director, Human Resources, Pat Gartner
Director, Community Services, Laurie Shalley
Manager of Sport and Recreation, Jeff May
Manager, Property Taxation & Admin, Deborah Bryden

APPROVAL OF PUBLIC AGENDA

Councillor Bob Hawkins 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 7, 2016 be adopted, as circulated.

ADMINISTRATION REPORTS

FA16-27 Curling in Regina - Developing a Sustainable Business Model

Recommendation

1. That the City of Regina provide an exemption for the municipal portion of property tax to the Highland Curling Club for the 2017 and 2018 taxation years.
2. That the City of Regina provide an exemption for the municipal portion of property tax to the Tartan Curling Club for the 2017 and 2018 taxation years.
3. That the City Solicitor be instructed to bring forward the necessary two year tax exemption agreement and bylaw to provide for the property tax exemptions at the appropriate time.
4. That item CR15-70 be removed from the List of Outstanding Items for City Council.

5. That this report be forwarded to the July 25, 2016, meeting of City Council for Approval.

The following addressed the Committee:

- Derek Boe, Liane McLean and Brian Warbey, representing Curl Regina, Tartan Curling Club, Highland Curling Club and Caledonian Curling Club.
- Chad Novak, representing the Saskatchewan Taxpayers Advocacy Group.

Councillor Bob Hawkins moved, in amendment, that recommendations #1 and #2 be amended as follows:

- 1. That the City of Regina provide an exemption for the municipal portion of property tax to the Highland Curling Club for the 2017 taxation year.**
- 2. That the City of Regina provide an exemption for the municipal portion of property tax to the Tartan Curling Club for the 2017 taxation year.**

The amendment was put and declared LOST.

Councillor Barbara Young moved, in amendment, AND IT WAS RESOLVED, that recommendations in the report be concurred in after adding recommendation #6 as follows:

- 6. That Administration provide a supplemental report for the July 25, 2016 City Council meeting explaining the work that Administration is doing that will impact the curling clubs as well as the support mechanisms that will be used.**

The main motion, as amended, was put and declared CARRIED.

FA16-28	Casual employees' Superannuation & Elected Officials' Money Purchase Pension Plan 2015 Annual Report
---------	--

Recommendation

That this report be forwarded to the July 25, 2016 meeting of City Council for informational purposes.

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

ADJOURNMENT

Councillor Bob Hawkins moved, AND IT WAS RESOLVED, that the meeting adjourn.

The meeting adjourned at 3:10 p.m.

Chairperson

Secretary

August 2, 2016

To: Members,
Finance and Administration Committee

Re: University of Regina College Avenue Campus Renewal - City Land Contribution

RECOMMENDATION

1. That the City of Regina provide support to the “Building Knowledge – The College Avenue Campus Renewal Project” (Project) by way of a real property contribution and that the transfer to the University of Regina of a 2.6 acre parcel of land, being a portion of Surface Parcel 153228034, NW 18-17-19-2 Ext 239, be Approved on terms and conditions as generally set out in this report and specifically including the following conditions:
 - a. The City of Regina shall be satisfied that the details of the development proposal and related land use(s) included in the Project support community wide objectives and are consistent with *Design Regina: The Official Community Plan Bylaw No. 2013-48*.
 - b. The University of Regina shall have engaged the public in relation to the Project.
 - c. Wascana Centre Authority shall have provided written consent to the transfer pursuant to *The Wascana Centre Act*.
 - d. The University of Regina shall have provided the City of Regina with confirmation of financial support for the Project from the Provincial and Federal governments in a form satisfactory to the City of Regina.
 - e. The University of Regina shall enter into a Municipal Servicing Agreement to ensure that any third party occupants of the property, exclusive of space that is used exclusively by the University of Regina, are liable for property taxes or otherwise agree to make payments comparable to property taxes in consideration of the land contribution.
 - f. Approval of a plan of proposed subdivision shall have been received by the City of Regina to create title to the subject lands, in a form approved by both the University of Regina and the City of Regina, and including adoption of any required bylaws or approvals for any street closures and new right of way dedications as may be necessary to accommodate the proposed development.
 - g. Construction of the Project in accordance with the approved development proposal shall have commenced within one year of the date of the transfer, unless such date is expressly agreed to be extended by the City of Regina, failing which the City of Regina may require that the University of Regina transfer the lands back to the City of Regina.
2. That the City Manager or designate be authorized to finalize the remaining terms and conditions of the legal Land Contribution Agreement and a Municipal Servicing Agreement.
3. That the City Clerk be authorized to execute the Land Contribution Agreement and a Municipal Servicing Agreement in a form approved by the City Solicitor.

4. That this report be forwarded to the August 29, 2016 meeting of City Council to allow sufficient time for advertising of the required public notice pursuant to *The Cities Act*.

CONCLUSION

When considering the sale of any City of Regina (City) land, the Administration normally ensures that the land is made publicly available. In this case, the subject land is proposed to be transferred to the University of Regina (University) at less-than-market value without being offered for sale publicly. The University approached the City with a proposal requesting the City contribute the subject land in support of the Project. In response, the City, the University, as well as, Wascana Centre Authority (WCA) have agreed in principle to the terms and conditions of a land contribution as outlined in this report.

The University intends on developing this site for an office building. The building is proposed to be 3 stories in height of approximately 80,000 square feet to be leased primarily for head office space. The proposal includes a business incubator space, potentially space occupied by the University and an atrium that will provide access to the renovated Darke Hall. A contribution of City-owned land at less-than-market value, in consort with funding from Conexus, the Government of Saskatchewan and the Government of Canada, facilitates revitalization of College Avenue Campus, which will benefit the growth of our city.

BACKGROUND

In 2013, the University approached the City seeking a contribution to demonstrate support for Building Knowledge – The College Avenue Campus Revitalization Project (the Project). The University requested financial support or a donation of land, in lieu of cash, or a similar contribution. The University indicated to City officials that a contribution of this nature would demonstrate the City's support for the project and demonstrate to the Government of Saskatchewan the community's support of a revitalized College Avenue Campus.

WCA has the jurisdiction as the planning approval authority for lands within Wascana Centre. Recently, both WCA and the University ratified renewed master plans for their respective lands. WCA bylaws and these master plans are the regulatory frameworks that are used by WCA to make decisions about land use and development in Wascana Centre.

As the City has no regulatory authority or jurisdiction regarding planning oversight or approvals for developments proposed on this land, the conditions under which the land is transferred is the primary avenue to ensure future use is consistent with broad community interests as defined in the *Design Regina: The Official Community Plan Bylaw No. 2013-48 (OCP)*.

In early discussions, the Administration advised the University that City Council approval is required for any disposition of City-owned land that has not been publicly offered or is sold at less-than-market value. City Administration also identified a number of conditions for the University to address prior to the Administration advancing a recommendation related to the contribution request.

The conditions outlined by the Administration included:

1) *Appropriate Land Use*

The City must agree on an appropriate land use that supports community wide objectives and maximizes revenue for the University's redevelopment project. Specifically, the land use must be consistent with planning policy (OCP), community development objectives and ultimately present a development that is compatible with the College Avenue streetscape and complements the heritage character of the College Avenue Campus.

2) *Public Consultation*

Consistent with good planning practices and legislative frameworks, the City indicated to the University that the public needs to be consulted on the University's Project prior to consideration by City Council. Wascana Centre is highly valued by the community and any significant change to the current nature of the park will be subject to much public interest.

3) *WCA Approval*

Prior to disposing of land in Wascana Centre, approval must be granted by WCA as per *The Wascana Centre Act*.

4) *Support from Government of Saskatchewan and Government of Canada*

Consistent with City past practice related to providing tax supported contributions to community projects, the City has asked the University to demonstrate financial commitments from both the Government of Saskatchewan and Government of Canada prior to considering a sale of land at less-than-market value.

In December 2015, the University advised the City that they were proceeding with issuing a Request for Proposals (RFP) to solicit development proposals for College Avenue Campus which include City land. The University released the RFP in January 2016 and advised the City in the spring of 2016 that they had one compliant bid and they wished to proceed with a contribution of City land.

In June 2016, the University announced a proposed partnership with Conexus and initiated a public engagement process for the development of College Avenue Campus on City land. The partnership would see Conexus develop on the City land requested by the University. In turn, the University would receive a donation of \$8.25 million for the Project from Conexus, as well as achieve benefits for conservation and redevelopment of Darke Hall through the Conexus development.

DISCUSSION

As the City has no planning oversight for this development, the focus for City Council consideration is the satisfaction of the conditions outlined in the background section of this report and a proposed contribution of City land to the University in support of the Project.

University of Regina Response to City Conditions

The University has responded to the City conditions. The sections that follow provide an overview of the University's response and the Administration's analysis.

1) *Appropriate Land Use*

Development Proposal

The University has provided information about the proposed Conexus development to the Administration. The proposal includes the development of an 80,000 square foot Class A office building on City land. The target for occupancy is 2019 with the following proposed land uses:

10,000 square feet for office space for Conexus community partners: Conexus is proposing to provide space for a number of community partners in the proposed development.

55,000 square feet for office space including a proposed joint atrium: Conexus is proposing to bring its 200 Regina-based corporate services employees together under one roof in this development. Included in the 55,000 square footage is a joint atrium which is proposed to serve both the Conexus building and Darke Hall. It is anticipated that food services may be offered in the atrium. The atrium would be available as gathering space for Darke Hall events. The joint atrium may enable the University to leverage the Conexus development for cost avoidance by providing an atrium which was originally proposed for the College Avenue Campus Building.

15,000 square feet for a business incubator: Conexus envisions the incubator as a hub of activity where aspiring entrepreneurs and early stage companies can interact with Conexus staff and other professional for guidance. The incubator creates unique opportunities for partnerships between the private sector, the University, as well as, community and economic development organizations.

Analysis

The Administration's analysis of the proposal is based on the City conditions provided to the University and alignment with policies contained in the OCP. In its assessment, the Administration has considered the proposal in the broader policy framework of the OCP in achieving community priorities.

The proposed development contributes to a number of community priorities and achieves some specific OCP policy goals, however the proposal also does not meet other OCP policy goals. The primary discrepancy is related to Land Use and the Built Environment, specifically, policy objectives related to Office Development compared to Cultural and Economic Development policy. Although the proposal does not align with the City's current Office Development policy, it does adhere to City's Cultural and Economic Development policy.

a. Land Use and Built Environment: Office Development

The policy objectives support the Downtown as the City's primary business centre. If the City had regulatory authority for planning oversight for this development, the current development proposal would be classified as a major office building located outside of the Downtown/Central City Office Area. The proposal is conceptual and through the design process, the land use within the 80,000 square feet building may change as the concept is refined. Depending on the use in the building, the Administration acknowledges that the category may change from major to medium office development.

The City's current policy objectives do not allow for medium or major office development outside of the Downtown/Central City Office Area, except in a few contexts. The proposed development is located on the south side of College Avenue and, as a result, is outside of the physical area where the City policy would allow for office development.

The policy objectives also allow for office development associated with and located adjacent to a major institutional area (e.g. university, hospital) or civic use. While there is not a direct association with the proposed office use by Conexus and the University's institutional operations, the proposal contemplates synergies and shared services that would support institutional operations. In addition, Conexus is proposing offering a number of shared amenities that would enhance College Avenue Campus and benefit its community of users and Wascana Park users as well. This could include:

- Atrium.
- Café.
- Lunchroom.
- Washrooms.
- Lounge with internet access.
- Loading dock.

In addition to identifying locations for medium or major office development, the policy objectives also addresses floor space and vacancy rates in Downtown/Central City Office Area when contemplating office developments. When vacancy rates for medium and major office development in Downtown are higher than 6.5%, medium office development in Office Areas or Urban Centres is precluded. As of January 2016, Avison & Young is reporting a combined office vacancy rate of 8.25% (combined competitive and non-competitive) in Regina, which is expected to peak at 9% by the end of 2016. In terms of floor space, the policy objectives state that 80% of office floor space is to be retained in the Downtown/Central City Office Area. If the proposed development proceeds, the City anticipates that 82% of office floor area would be retained in Downtown/Central City Office Area. This takes into account the proposed development which will also see Conexus not enter into leases for approximately 25,000 square feet of office space in Downtown/Central City Office Area.

b. Culture: Support Cultural Development and Cultural Heritage

College Avenue Campus is the University's historic home. The University states that "it is a collection of highly intact historic buildings reflective of the early importance placed on education in Regina. The College Building (1911-1912), Girls Residence and Tower (1914-1916) and Darke Hall (1929) are the remaining legacy of a larger early 20th Century educational landscape established on the north shore of Wascana Lake, south of Regina's downtown and with sight lines of the Provincial Legislative Building."

The University has indicated that it is their intention to revitalize the Campus for a second century of use by the citizens of our community and the province. The University plans to preserve and upgrade its historic structures, transforming the campus into a vibrant and accessible centre for learning while honouring the legacy created by the citizens of Regina who were its founders. The University has committed that revitalization efforts will respect the current College Avenue streetscape, the heritage character of College Avenue Campus and historic Wascana Park. Wascana Centre has jurisdiction for heritage matters within the Authority.

c. Economic Development: Economic Growth and Generators

The inclusion of a business incubator in the proposed development meets OCP policy objectives aimed at cultivating entrepreneurship and supporting economic generators through partnerships. This is viewed as an innovative opportunity to link entrepreneurs with community resources including University programming especially in the areas of leadership and business.

The Administration asked the University to demonstrate how a contribution of City land would maximize revenue for the University's Project. If the University was in receipt of the City land being requested, the University indicated the City contribution would be leveraged as follows:

- Conexus would develop the land at their cost, plus provide a contribution of \$8.25 million to the University's Project. In addition, it is anticipated that significant cost avoidance for elements of the University's Project (both at Darke Hall and the College Avenue Campus Building) could be achieved.
- Conexus would provide other revenue streams to the University to support sustainability including fees for rental of classrooms/theatre and through the rental of 100 University surface parking spots.

Currently the City is not collecting municipal property taxes on the land. Provided the land is sold to the University, the Administration estimates annual revenue of approximately \$160,000.

Although the development proposal does not align with the Office Development policy, it is aligned with several OCP policy objectives related to supporting Cultural Development and Cultural Heritage, as well as, Economic Development. Overall, the development proposal is an example of an innovative opportunity to leverage partnerships to protect cultural and historic places; and, supports economic development through business incubation. The community benefit achieved related to culture, heritage and economic

development has led the Administration to consider broad community benefits that could be achieved through an exception to the Office Development policy for this proposal.

The Administration views the proposal as contributing positively to the renewal of the College Avenue Campus which is an iconic and important part of Regina's built heritage. The development proposal facilitates partnership based funding which contributes to the overall conservation of College Avenue Campus through a combination of preservation, rehabilitation and restoration that will ensure the integrity of the building envelopes and structures, will upgrade all services to a contemporary level and improve energy efficiency throughout. New additions will be designed in a contemporary manner, recognizing their historic context while remaining sympathetic and distinguishable from a design perspective. This will maintain and enhance the College Avenue streetscape and heritage character of the College Avenue Campus.

2) *Public Consultation*

On June 8, 2016, the University initiated a public engagement plan which was accepted by both WCA and the Administration as fulfilling the requirement under WCA's planning process and the City condition for public engagement.

The University's public engagement plan included:

- Two open public engagement meetings (June 15 and June 23) at the Education Auditorium at the University.
- Advertisement in *The Leader-Post* informing the public about the public meetings and how input can be provided.
- Targeted meetings with key stakeholders.
- Notification to nearby residents, tenants and property owners.

3) *WCA Approval*

Approval in principle, for the transfer of land between the City and University, was granted by WCA on June 23, 2016. Prior to disposing of land in Wascana Centre, approval must be granted by WCA as per *The Wascana Centre Act*. Such approval will be provided for and be required to be acknowledged by WCA within the proposed Land Contribution Agreement.

4) *Support from Government of Saskatchewan and Government of Canada*

The University is an important cultural and economic asset to Regina and Saskatchewan. It is a major employer and brings students in from across Canada and around the world. The OCP supports the identification and leveraging of opportunities building on cultural and economic assets. The University's proposal and the partnership between all levels of government in moving forward presents a significant opportunity to leverage this cultural asset, achieve economic spinoff and overall net economic gain for the community.

In 2016, the University submitted funding applications to both the Government of Saskatchewan and Government of Canada for the Project. The applications are currently being reviewed by both levels of government. In anticipation of a successful result, the City has proceeded with preparing this report for consideration. When considering requests to support projects that achieve community benefit, the City typically considers

making contributions when financial commitments are provided by the Government of Saskatchewan and Government of Canada.

Land Contribution Agreement between the City of Regina and University of Regina

In 2015, the University engaged the Administration in discussions about how the University's request for a City contribution of City-owned land could be advanced. The City and University have agreed to the following as conditions of the sale:

- 1) *Concept and Land Use Planning and Approvals*: The University will proceed with development and revitalization of the College Avenue Campus in compliance with *The Wascana Centre Act*, the WCA Master Plan and the University's Master Plan. WCA is the regulator and steward and the University must secure all planning approvals from WCA prior to proceeding with the Project.
- 2) *City Land Grant to University within WCA Jurisdiction*: 2.6 acres of City-owned land is being considered as a proposed City contribution of City-owned land in exchange for \$1. The proposed parcel is shown in Appendix A.

a. Details of the City contribution include:

Subject Property: Portion of NW 18-17-19-2 approximately 113, 260 square feet

Consideration: \$1.00

Possession Date: Closing Date, which shall be determined based on the timing of subdivision approval and other conditions precedent

Closing Date: Within 30 days of City Council approval and meeting all conditions of sale.

Other Conditions: Purchaser is responsible for costs of proposed plan of subdivision application, any required road closures, any road realignment.

A Municipal Servicing Agreement is required that will require the University (or its third party occupants/tenants of the property), exclusive of space that is used exclusively by the University, to be liable for property taxes or for payment of comparable amounts in consideration of the land contribution. This agreement will also be required to provide for any other municipal infrastructure or servicing that the development requires to be provided by the City.

- 3) *Conditions of Development in Area of or Adjacent to Land Grant*: A number of parameters for future development have been set to ensure there is shared understanding and commitment about the following:

- a. The University is responsible for the cost of any additional or changes to existing City infrastructure required to directly or indirectly support the development.

- b. The University is responsible for costs of ensuring an access from College Avenue to Wascana Drive is maintained, as well as access/egress from Wascana Pool. Any realignment is subject to WCA Board approval and must meet WCA engineering and architectural standards.
 - c. The historic site line from the Provincial Legislature to City Hall will be maintained through the protection of a corridor that is 288 feet wide.
 - d. Future buildings adjacent to College Avenue will honour historic Wascana Park, the heritage character of College Avenue Campus, the College Avenue streetscape and historic set back requirements. Oversight of this is governed by WCA.
 - e. Future development on University land is to address parking in a manner that is consistent with WCA's core mandate and respects use of Wascana Pool, along with University buildings.
 - i. The University recognizes the significance of a proposed City land grant and agrees to work with the City and WCA, in its role as regulator/steward, to discuss parking solutions and cooperate to maximize the use of existing parking. If additional parking is needed, the parties agree to negotiate a cost neutral shared parking agreement.
 - ii. Parking solutions to service future development are to be as much as possible underground. WCA may consider allowing surface angle parking similar to in front of other buildings on College Avenue.
- 4) *Operations and Maintenance in Area of Land Grant:* The University is responsible for all ongoing operations and maintenance of the land once the land ownership is transferred, and is subject to WCA oversight and stewardship.

Next Steps

The Administration will work with the University to formalize the Land Contribution Agreement and ensure that all conditions are met, including confirmation of funding from both the Government of Saskatchewan and Government of Canada and entering into a Municipal Servicing Agreement. The land contribution is conditional upon the University preparing, applying for and receiving approval for a new proposed plan of subdivision that creates the parcel to be transferred.

The proposed land contribution will also require the following approvals prior to the City land being able to be transferred to the University:

- 1) A plan of subdivision will need to be prepared and approved to create title to the parcel that is proposed for transfer from the larger land area owned by the City.
- 2) Any impacted roadways will need to be closed and consolidated and new road dedication provided for any proposed realignment as required to accommodate the proposed development.

Approval of these matters and adoption of any requisite bylaws are within the authority and jurisdiction of the WCA pursuant to *The Wascana Centre Act*.

RECOMMENDATION IMPLICATIONS

Financial Implications

The City Administration had a third party appraisal completed on the land in July 2016. The fair market value of land within WCA is appraised at \$1.5 million per acre. Based on this estimate, the value of a potential City contribution of 2.6 acres of land is approximately \$3,900,000.

A Municipal Servicing Agreement is required that will ensure the occupants of the property development on City-owned land sold to the University, exclusive of space that is used exclusively by the University, are liable for property taxes. Based on 2016 property rates and information provided by the University, the Administration estimates annual revenue to the City of approximately \$160,000.

It is anticipated that if the City sells land to the University, the City's annual operating grant to WCA would marginally decrease. The annual operating grant is calculated using a per acre charge as per *The Wascana Centre Act*. The City would see a decrease in its total land holdings in Wascana Centre by 2.6 acres.

Environmental Implications

The land proposed to be sold at less-than-market is green space and under the jurisdiction of WCA. The development proposal may trigger the removal and replanting of a small number of trees and a road alteration within Wascana Centre. All approval processes related to these matters are governed per *The Wascana Centre Act*.

Policy and/or Strategic Implications

The Administration has assessed this proposal for alignment with policies contained in the OCP. The following policies in the OCP are relevant to the proposal:

Land Use and Built Environment

- Supporting Historic Places, cultural and civic resources and events.
- Requiring medium office and major office to locate inside the downtown except for the conversion of designated heritage buildings or the development of new medium office buildings in the Warehouse District, located within the Downtown/Central City Office Area and the development of medium office and major office buildings associated with and located adjacent to a major institutional area (e.g. university, hospital) or civic use.
- Consider impacts of alterations, development, and/or public realm improvements on or adjacent to a historic place to ensure heritage value is conserved.

Parks, Recreation and Open Space

- Co-locate or cluster parks and open space, where possible, with Activity Centres or other community resources.

Culture

- Building 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.
- Considering cultural development, cultural resources and the impact on historic places in all areas of municipal planning and decision-making.
- Identify, evaluate, conserve and protect cultural heritage, Historic Places, and cultural resources to reinforce sense of place.
- Considering the cultural heritage value in the acquisition, disposal, upgrading and development of City-owned property and open space.
- Leverage and expand funding, financial incentive programs and other means of support to advance cultural development, cultural resources and conservation of historic places.

Economic Development

- Encourage innovative options to support and incubate new entrepreneurs and commercial ventures.
- Maximizing potential linkages and leveraging special economic assets such as Innovation Place, the Global Transportation Hub, Regina International Airport, the University, other special lands and land uses with high linkage/spinoff potential.

Other Implications

The governance of Wascana Centre, including land use and development within the WCA's boundaries, are set in Provincial legislation. *The Wascana Centre Act* sets the regulatory framework and identifies the University, the City and the Province of Saskatchewan as participating parties. Each participating party currently owns land within Wascana Centre's boundaries and participates in the WCA governance structure (e.g. Board of Directors, Strategic Planning Committee, as well as various Advisory Committees).

Under the Act, all participating partners can sell land to another participating partner, provided approval is granted by WCA. WCA is the regulator and steward for all land within its boundaries. All participating parties must secure all necessary use and planning approvals from WCA prior to proceeding with development plans. The proposal would be subject to WCA zoning application and approval processes.

Accessibility Implications

None associated with this report.

COMMUNICATIONS

Public engagement activities for the Project are the responsibility of the University and WCA.

Public notice of this land disposition will be provided as required pursuant to section 102 of *The Cities Act*.

The University and WCA will receive a copy of the report and notification of the meeting to appear as a delegation in addition to receiving written notification of City Council's decision.

DELEGATED AUTHORITY

The recommendations in this report require City Council approval.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Louise Folk".

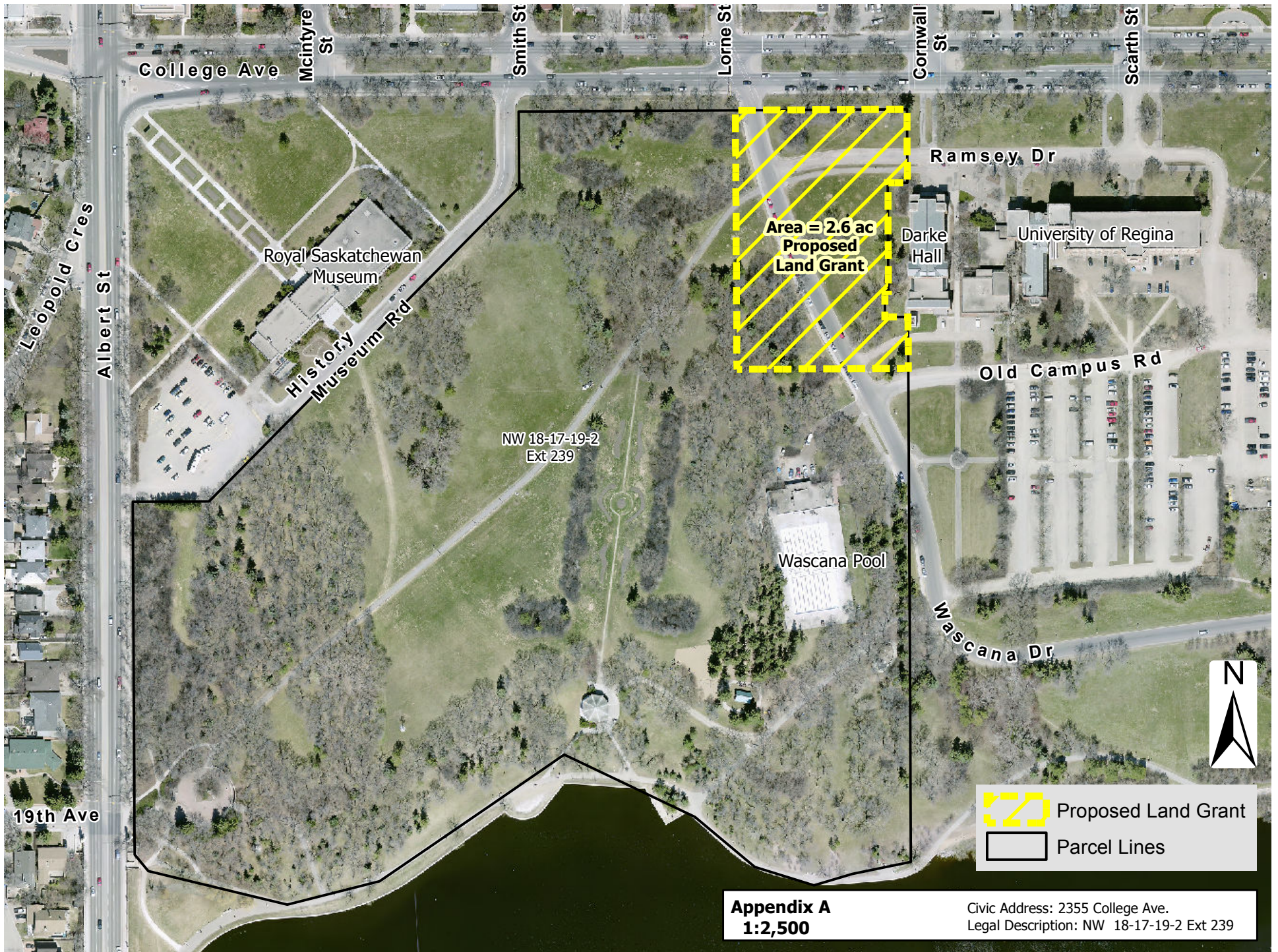
Louise Folk, Director
Development Services

Report prepared by: Louise Folk

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Diana Hawryluk".

Diana Hawryluk, Executive Director
City Planning & Development



Appendix A
1:2,500

Civic Address: 2355 College Ave.
Legal Description: NW 18-17-19-2 Ext 239

August 2, 2016

To: Members,
Finance and Administration Committee

Re: Debt Status Report and Debt Limit Considerations

RECOMMENDATION

1. That the Chief Financial Officer be authorized to make application to the Saskatchewan Municipal Board (SMB), under section 133(1) of *The Cities Act*, to maintain a debt limit for the City of Regina in the amount of \$450 million beyond December 31, 2016.
2. That this report be forwarded to the August 29, 2016 meeting of City Council for approval.

CONCLUSION

The Annual Debt Report (Appendix A) is used to provide information regarding the City of Regina's (City) debt profile. This report describes the selected indicators used to inform debt-related decisions which 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 and affordability as of December 31, 2015. The report shows that the City is in a strong, stable financial position as it relates to debt. All benchmarks and targets that are modelled after best practices, have been maintained and are projected to be maintained for 2016.

The City received an AA+ credit rating with a stable outlook from the rating agency Standard & Poor's in May 2016. This rating along with comparisons to other cities and the performance ratio indicators used in this report, shows that the City is in a sound position as it relates to current and future debt projections. While debt has increased due to investments in large capital projects (Stadium and Waste Water Treatment Plant (WWTP)), the thoughtful and planned approach taken by the City has allowed for a continued balance on financial measures.

The current debt limit for the City is \$450 million, which is in effect until December 31, 2016. Application must be made to SMB prior to this date to have the limit changed or remain in effect for a period beyond this time frame. On average, most cities maintain a debt limit that is double that of its outstanding debt. Currently, the City of Regina is using 60% of its debt limit with limited increases to this over the next five years. The recommendation is to maintain the current debt limit (\$450 million) as this will serve to be adequate given the City's current and planned future debt projections.

BACKGROUND

The City's Debt Management 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. The purpose of this report is to submit the Annual Debt Report for information purposes and also provide authorization to Administration to apply to the SMB in regards to the City's debt limit outside of December 31, 2016.

The City of Regina last received approval from the SMB in July 2013 to have its debt limit increased to \$450M. At that time, the SMB put the limit in effect until December 31, 2016 and noted a requirement to reapply for a period starting January 1, 2017. The Annual Debt Report is included as Appendix A and indicates the City continues to have results within the identified targets and benchmarks putting it in a great position for future financial viability and success.

Section 25 of the *Regina Administration Bylaw* outlines the authority under which the city operates its Debt Management Policy.

The Cities Act specifies that the SMB has the authority to establish a debt limit that a city may incur. City Council has the authority to issue debt within this limit as per *The Cities Act*.

DISCUSSION

Debt Limit

The City is required to apply to The SMB for any changes wanted and/or needed on its current debt limit as well as reapply to maintain the limit prior to December 31, 2016. A resolution from Council along with detailed financial information, must be submitted for evaluation and consideration by the SMB. Based on the analysis in the Annual Debt Report of our current and projected five year future financial state, maintaining our current debt limit of \$450 million will be sufficient.

Annual Debt Report

The Annual Debt Report provides details on the current and projected debt of the City. With work already completed on the City's Financial Policies Framework and the development of fundamental pieces of a long range financial plan, planned and sustainable debt issuances continue to be maintained. The City uses a conservative approach in issuing debt and will continue to mainly reserve debt for large capital projects, such as the Stadium and WWTP.

The City's consistent and strong credit rating of AA+ with a stable outlook, reflects a strong commitment by the City to fiscal planning through positive budgetary performance as well as strong financial management.

Key highlights from the debt report include:

- The total debt outstanding for 2015 is \$272 million (60% of debt limit);
- The projected debt for 2016 is \$296 million (66% of debt limit);
- Maintaining the current debt limit of \$450 million from SMB will continue to allow for future flexibility; and
- All financial ratios fall within policy targets at current and projected debt levels.

The current condition of the City's assets presents a potential significant risk which, if not mitigated appropriately, could increase the reliance on debt financing. In the absence of thorough asset condition information, there is a risk that one or more assets could deteriorate or even fail, resulting in a reduction in service levels to citizens and the need to take on unplanned debt to address the failure. To address this risk, additional information is being collected through Asset Management and numerous Master Plans are being created so there is a planned and sustainable approach to address these deficiencies.

In comparison to its peers across the Prairie Provinces, the City of Regina is in a good position relative to the management of its debt. While debt has increased over the last two years, this has been consistent with the plan for funding major capital projects. With the peak of major increases in debt concluding in 2016, the City will continue to see stable and consistent financial ratios at a new normal that compares very favorably to internal policy targets and its peers.

RECOMMENDATION IMPLICATIONS

Financial Implications

The analysis completed by Administration and presented in the attached report, is intended to ensure that all debt issuances and obligations are affordable and allow the City to meet its current and future needs as per the criteria identified in the Debt Management Policy. For 2015, the analysis of the debt ratios indicate that the City's current debt is reasonable and affordable.

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 financial model and funded through incremental water rates. As debt is planned for General Capital requirements, the resulting principal and interest payments are included in future operating budgets.

It is important to note that the recommendations in this report do not result in any new debt being issued or approved. As new debt is considered in the future, it will require additional 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

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 in conjunction with the development of a long range financial plan for the City. This report and debt limit application approval fall within the Debt Management Policy statements.

Other Implications

If the SMB does not approve our request for the specified debt limit of \$450 million, the City will need to enter into further discussion on a limit that would be approved prior to the expiry of December 31, 2016.

Accessibility Implications

None related to this report.

COMMUNICATIONS

There is no public notice required for the application to the SMB to approve the City's debt limit beyond December 31, 2016.

Public Notice will be required for actual further debt borrowings by section 101 and 102 of *The Cities Act* and Bylaw 2003-8.

DELEGATED AUTHORITY

The recommendations in this report require the approval of City Council.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "June Schultz".

June Schultz, Director
Finance

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Ian Rea".

Ian Rea
Chief Financial Officer

Report prepared by:
Chelsey Berrecloth, Risk Management Advisor

2016 Annual Debt Report

For the Year Ending December 31, 2015

Contact: June Schultz, Director of Finance

Prepared By: Chelsey Berrecloth, Risk Management Advisor



BACKGROUND

The City of Regina maintains and follows a Chief Financial Officer approved Debt Management Policy with authority under section 25 (k) & (l) of the *Regina Administration Bylaw, Bylaw No. 2003-69*. The debt 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 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 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 in 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 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 projects, such as the stadium and waste water treatment plant. 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 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 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 governmental unit's debt

burden and debt trends. The affordability of debt is examined annually using the City's debt limit and three measures, including:

- 1) Debt Interest Payment Ratio;
- 2) Debt Service Ratio;
- 3) Tax-and-Rate Supported Debt Ratio.

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*.

The 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 Warehouse Business Improvement District, Buffalo Pound Water Administration Board and Regina Exhibition Association Limited (REAL).

ANALYSIS

CREDIT RATING

Standard & Poor's (S&P) affirmed the City's credit rating of AA+ with a stable outlook in May 2016. In affirming the City's credit rating, S&P identified the following strengths:

- Exceptional liquidity
- Very strong economy, stable growth and budgetary performance/flexibility
- Very predictable and well-balanced institutional framework
- Strong financial management with capable and experience 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.

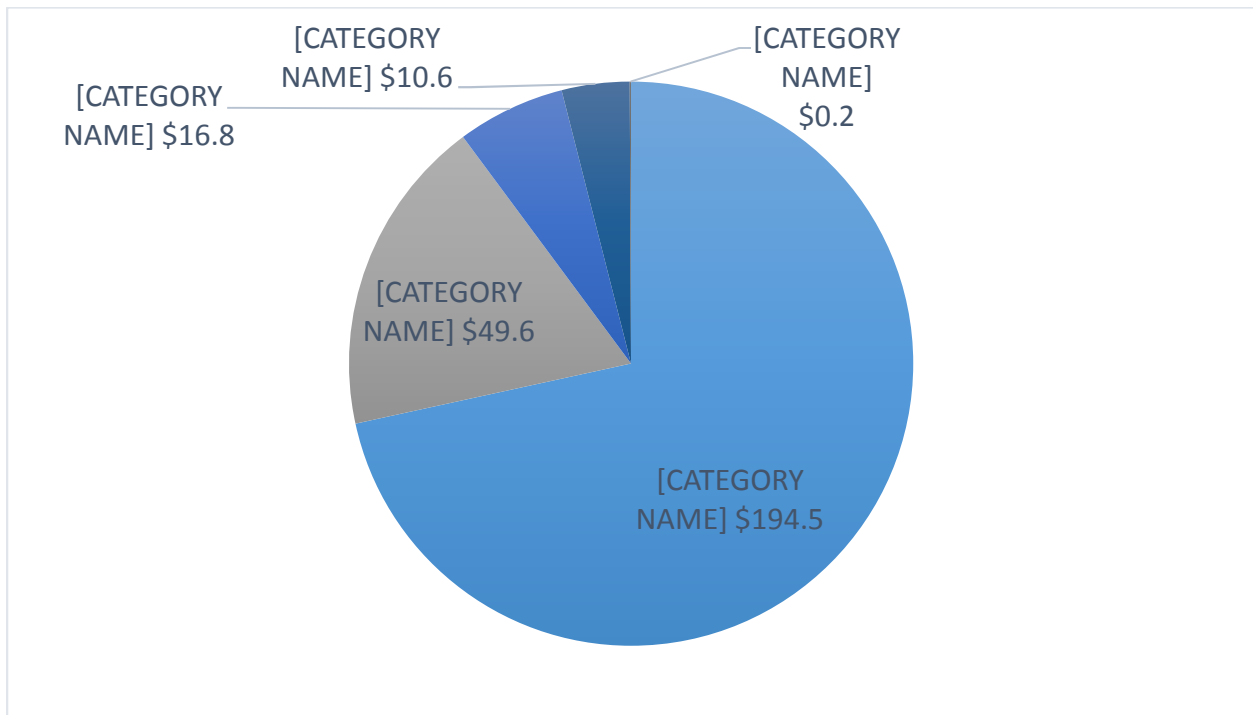
S&P noted that the City's credit rating could decrease only if there is material erosion in Regina's economy, or a sustained large capital expenditure program putting pressure on budgetary performance, debt and liquidity. While the 2013 and 2014 credit rating reviews indicated that the large pension deficit was a risk to the City's credit rating, work completed by Administration to address the issue has changed the risk and impact to the organization. The changes agreed to in 2015 and implemented in 2016 have resulted in S&P noting that the current pension liabilities no longer pose a material risk to the City's credit profile.

DEBT LIMIT AND DEBT BALANCE

The City's current debt limit approved by SMB is \$450.0 million which expires on December 31, 2016. An application will be made to SMB prior to the end of 2016 to have the City's debt limit maintained at the current level. Keeping the debt limit at the current level will continue to allow the City to be proactive in the management of planned future debt while maintaining flexibility to continue making decisions for the future. On average, most cities maintain a limit double that of its outstanding debt. This allows for adequate flexibility and management from both Council and Administration.

As of December 2015, the total outstanding debt for the City was \$271.7 million. This debt is made up of multiple issuances relating to general and utility capital funding, major projects funding and debt of subsidiaries. There was no new debt issued in 2015.

Graph 1: 2015 Consolidated Debt by Type

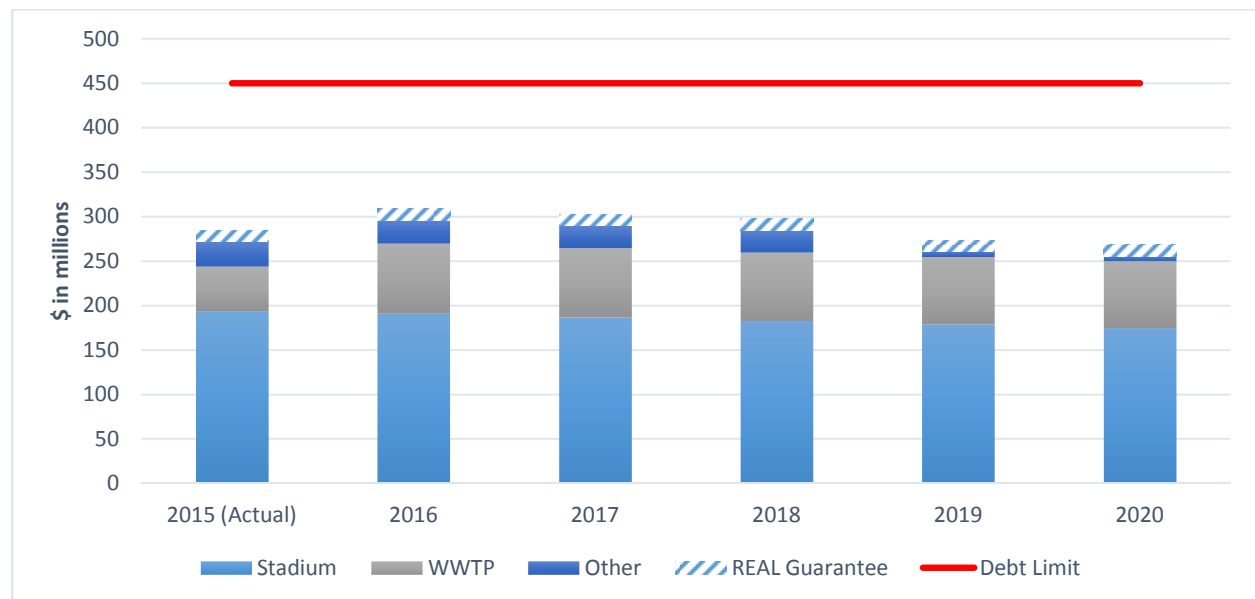


DEBT PROJECTION

The graph below shows the current level of debt and the projected debt out to 2020 while being cognizant of our debt limit. The increases in the five year projection include known debt amounts that will be realized upon completion of the Waste Water Treatment Plant (WWTP) and place holders of \$2.5 million per year from 2017-2020 as identified in the 2015 General Capital Budget funding sources.

With no significant changes projected to increasing our overall debt level, the City is well within its limit and will continue to make payments, decreasing the amount owing as scheduled. The debt balance is expected to peak in 2016 at \$295.6 million with the increase being primarily attributed to the WWTP. This will put the City at 66% of the debt limit used in 2016.

Graph 2: Consolidated Debt Projection for 2016-2020



In March 2015, Council granted approval to REAL to issue up to \$13.0 million in debt (CR15-23). At the end of 2015, REAL had slightly less than 2% of this amount outstanding (included in other). However, this guarantee does count against the City's debt limit and while no amounts are included in the current projections, the guarantee amount has been added as a place holder. If REAL was to fully utilize their approved debt, the City would be using 69% of its debt limit in 2016.

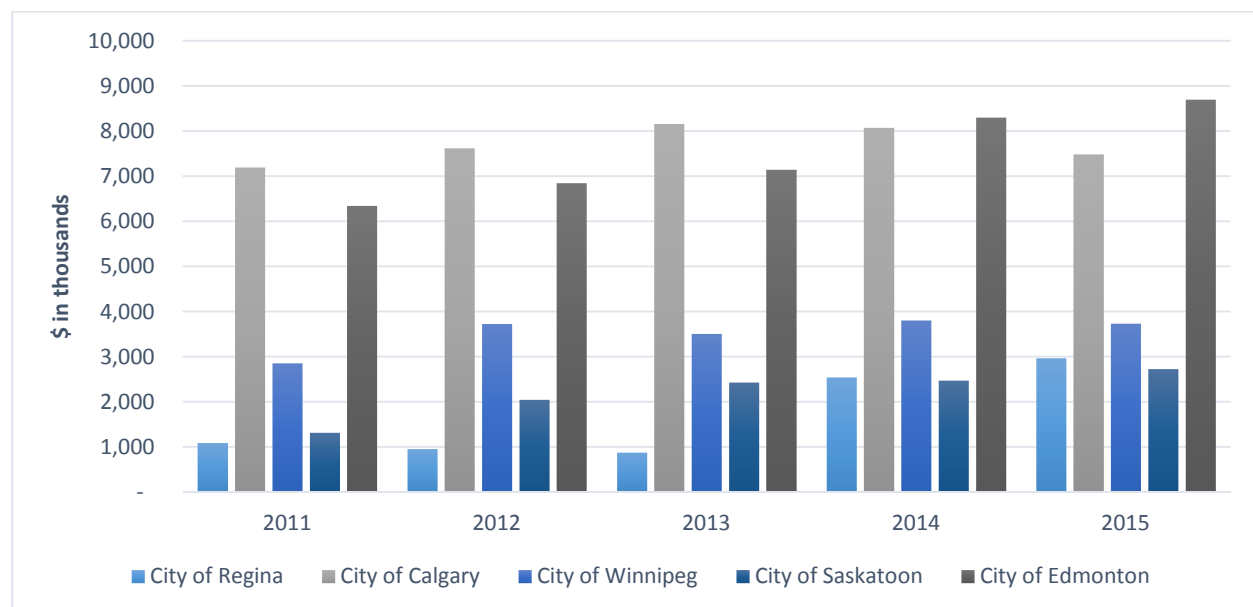
MUNICIPAL DEBT PER HOUSEHOLD

The total debt per household measure is simply a way of describing the City's debt relative to the size of the community. It is not reflective of the amount residential taxpayers will be required to contribute toward repayment of debt principal.

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 Western Canadian cities.

Municipal debt per household averaged around \$1,000 during 2011-2013 prior to the issuance of the stadium debt which brought it up to \$2,546. The increase in debt for the waste water treatment plant during 2015 has increase the ratio to \$2,975. The chart below compares the City's debt per household from 2011-2015 to that of other cities in the prairies. The City of Regina maintained a rate below \$3,000. In comparison, the City of Saskatoon is the only prairie city that has a slightly lower amount over this period. Total debt would have to increase to \$365 million for the City's municipal debt per household calculation to reach levels of \$4,000.

Graph 3: Municipal Debt per Household Comparison



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

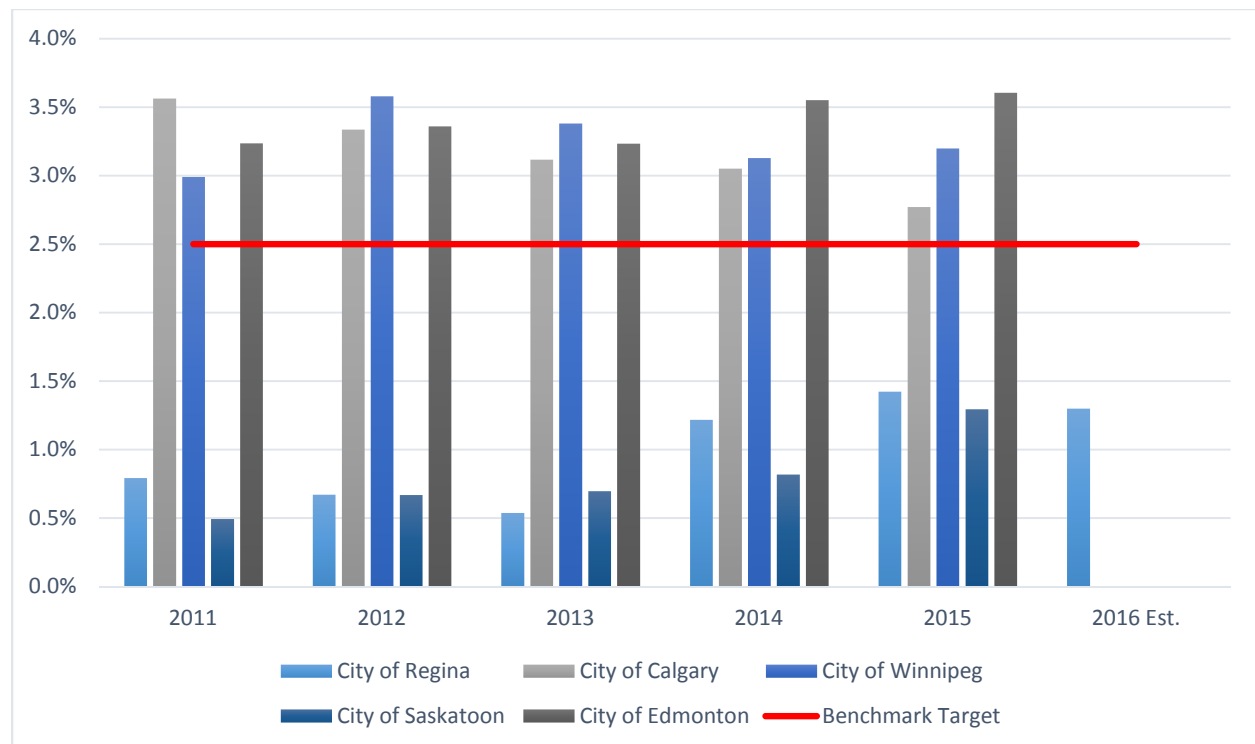
The City's debt interest payment ratio has remained stable over the past several years at levels between 0.5% - 1.2%. This ratio decreased steadily from 2011 – 2013 and increased to 1.2% in 2014 which is directly correlated to the debt issued for the Stadium. The ratio saw a slight increase to 1.4% in 2015 due to the WWTP, but is projected to be 1.3% in 2016.

	2011	2012	2013	2014	2015	Est. 2016
Debt Interest Payment Ratio	0.79%	0.67%	0.54%	1.22%	1.42%	1.30%

Graph 4 below indicates that the City has a low debt interest payment ratio in comparison to other prairie cities, with the City of Saskatoon only having a lower ratio since new debt relating

to the stadium and WWTP came online. Several factors influence this ratio such as interest rate(s) payable and consolidated municipal revenue levels.

Graph 4: Debt Interest Payment Ratio Comparison



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 servicing ratio indicates that there is less revenue available for providing services.

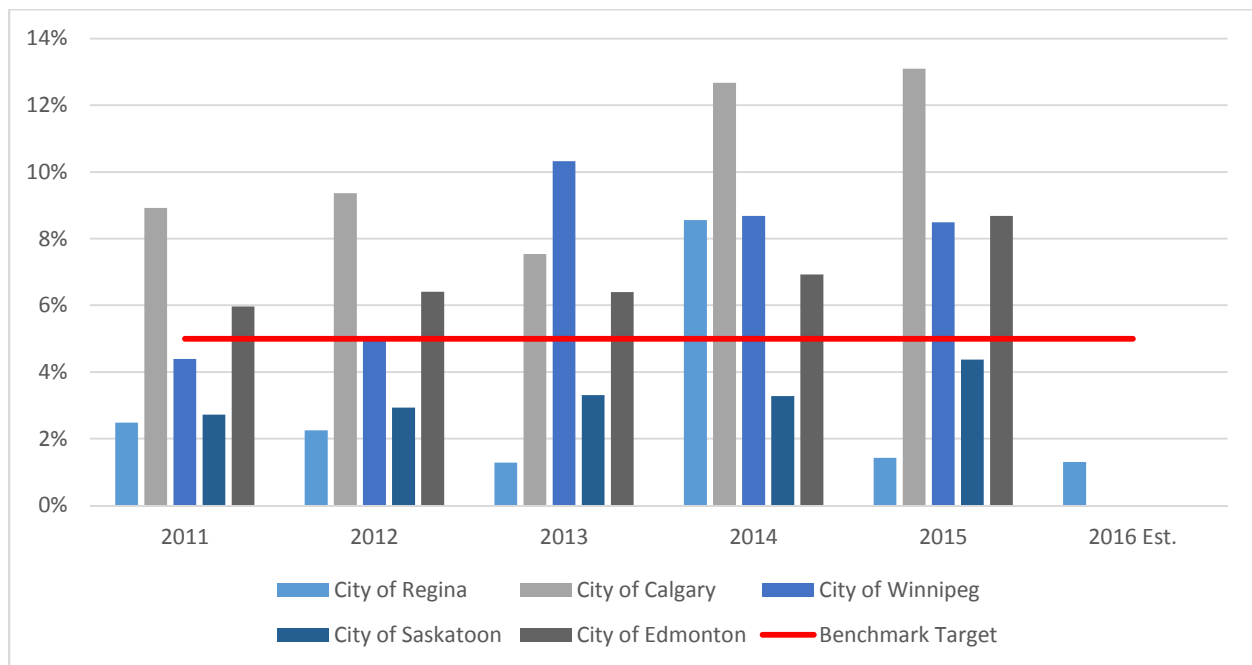
This is a key indicator used by S&P when assessing the overall debt burden of a municipality. A ratio in excess of 10% is seen to be where debt servicing costs tend to crowd other operating priorities out of the budget. Through the City's debt management policy, a target of 5% or less has been set and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

The City of Regina's debt service ratio was 2.3% at December 31, 2015 and is within the benchmark range. From 2011-2013 the ratio fluctuated slight in the range of 1.3% - 2.5% with a large spike in 2014 at 8.6% due to a balloon payment on Utility debt. This spike did not affect the credit rating analysis as it is an infrequent occurrence. The ratio is projected to remain flat into 2016 at 2.2% as debt service costs are similar to levels in 2015 while revenues are projected to increase slightly.

	2011	2012	2013	2014	2015	Est. 2016
Debt Service Ratio	2.49%	2.25%	1.28%	8.56%	2.31%	2.15%

Compared to other prairie cities, the City of Regina debt service ratio is lower as presented in graph 5 below. Several factors influence this ratio such as the term of debt obligations, interest rate(s) payable and consolidated municipal revenue levels.

Graph 5: Debt Service Ratio Comparison



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 that are not dedicated to a specific project or fund. This is a key relevant 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 scarce dollars.

As a key indicator used by S&P, a ratio in the range of 30-60% 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 will be used for monitoring, reporting and future debt considerations.

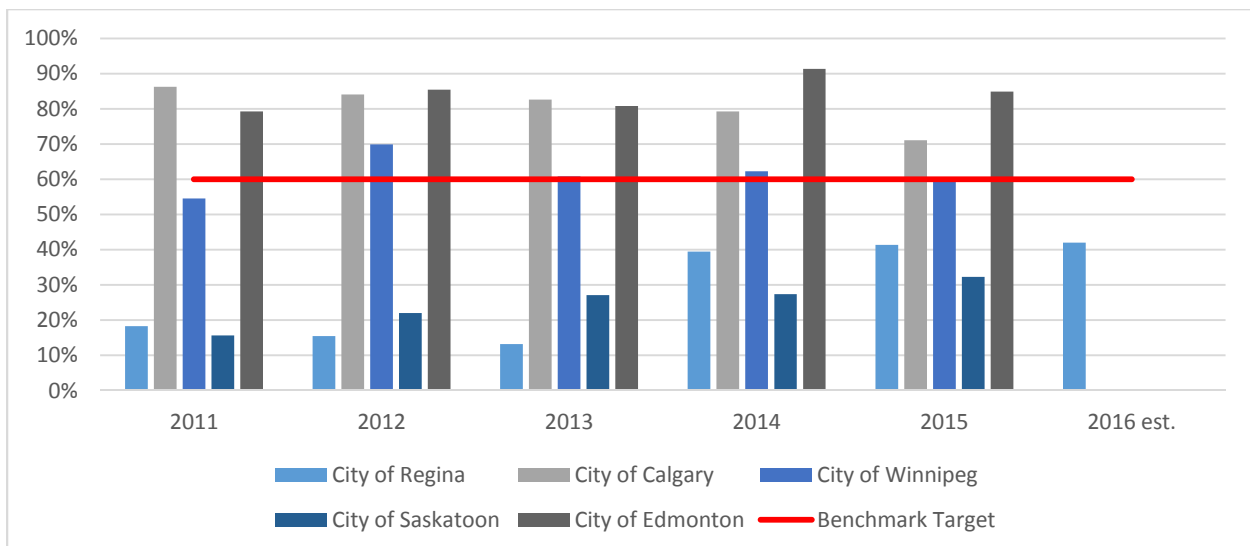
The City saw a spike in 2014 to 39.4%, up from the prior range of 13.2% - 18.2% which is consistent with the increase in debt that came online for the stadium. The ratio increased

slightly to 41.3% in 2015 for the City, but is projected to remain stable even in the peak debt year (2016) at 42%. The City's ratio sits in a reasonably comfortable spot in relation to the range identified as moderate by S&P.

	2011	2012	2013	2014	2015	Est. 2016
Tax-and-Rate Supported Debt Ratio	18.24%	15.43%	13.16%	39.44%	41.31%	42.02%

As presented in graph 6 below, the City of Regina has the second lowest tax and rate supported debt ratio in comparison to other prairie cities for 2011-2015. This ratio can be impacted largely by consolidated municipal revenue levels.

Graph 6: Tax and Rate Supported Debt Ratio Comparison



CONCLUSION

The City of Regina is well within the range of established targets, which are modelled after best practices. The City continues to manage debt through strong financial policies that emphasize long range financial management. These policies are also 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.