



Memo

July 7, 2021

To: Members,
Executive Committee

Re: Economic and Preliminary 2022 Budget Development Update

RECOMMENDATION

That the Executive Committee receive and file this communication.

BACKGROUND

Administration will provide an economic update and information on the 2022 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 2022 Budget is being developed in the context of COVID-19 recovery. On June 20, 2021, the Government of Saskatchewan announced the full implementation of Step 3 of Saskatchewan's *Re-Opening Roadmap* effective July 11, 2021. Economic experts are predicting that Canada will begin to return to the same size of economy as pre-COVID-19 in the latter half of 2021, which could be interpreted as beginning to move back to "normal". What remains unknown at this time is how quickly residents will return to accessing City services in 2022, such as transit and recreational programs, at pre-Covid levels which impacts City revenue and expense projections.

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 the 2022 Budget Development, 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 the City revenues. The expenditure pressures faced by the City are compounded by the inability to generate new revenue quickly and easily. 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 four years, Administration has achieved operational efficiencies of more than \$20 million, including savings of \$5 million as part of the 2021 Budget process. 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 2022, including a significant impact on the City's 2022 Municipal Revenue Sharing (MRS) grant due to a projected decrease in PST revenues received by the Province in the 2020/2021 fiscal year.

- 4) An overview of the 2022 budget timelines and public engagement in the development of the budget.

Administration is planning to leverage 2022 Budget public engagement and participation opportunities online over the coming months through the Be Heard Regina platform.

Respectfully submitted,



Executive Director,
Financial Strategy & Sustainability