



2022 Budget Update

Date	October 20, 2021
To	Executive Committee
From	Financial Strategy & Sustainability
Service Area	Financial Services
Item No.	EX21-71

RECOMMENDATION

That Executive Committee receive and file this report.

ISSUE

Administration is in the process of developing its proposed 2022 budget which is scheduled to be discussed and approved, including any amendments, by Council on December 15-17, 2021.

This report provides a high level summary of the current status of budget development. In developing the budget, Administration is seeking Executive Committee input on budgetary items under consideration, including those items tied to advancing City priorities and strategic initiatives, overall mill rate target or a targeted mill rate range, and any other matters the Committee would like Administration to consider as it finalizes the development of its proposed budget for 2022. For example, Administration is seeking input on whether to continue development of the 2022 budget consistent with the current status of budget development as outlined in this report or should Administration explore a lower mill rate which may include phasing in or prioritizing some of the investments related to advancing City priorities/strategic initiatives.

IMPACTS

Financial Impact

None, as no budget decisions are being made with respect to this report. Council will consider and approve a budget for 2022 on December 15-17, 2021.

Policy/Strategic Impact

The 2022 budget development process sets the goals for the year, lays out the financial commitments to fulfill the goals of the organization and provide day to day services to the residents of Regina.

OTHER OPTIONS

None, as this report is an information report seeking Executive Committee input into the development of Administration's proposed 2022 budget, which Council will consider on December 15-17, 2021.

COMMUNICATIONS

In developing the proposed 2022 Budget, Administration conducted a pre-budget survey on the City's 'Be Heard' engagement platform and 1,339 responses were received. The top service priorities (per cent of priority in top 3) for the respondents were:

- 1) Roads – 73 per cent
- 2) Public Safety – 67 per cent
- 3) Recreation – 48 per cent
- 4) Snow Clearing – 47 per cent
- 5) Parks – 44 per cent
- 6) Public Transit – 21 per cent.

Administration's proposed 2022 Budget will be released in late November with Council deliberations to finalize the 2022 Budget scheduled for December 15-17, 2021.

DISCUSSION

General Fund Operating Budget

The following table and related narrative summarize the current status of 2022 budget development. The mill rate numbers shown are preliminary estimates or indicative mill rates and are provided to facilitate discussion. While the current preliminary mill rate increase is shown as 4.85 per cent, further budget development and decisions will be made by Administration in developing the 2022 budget, including any feedback provided by Executive Committee, that will impact and change the eventual mill rate recommended by Administration when it releases its proposed budget in November.

Item	2022 Budget Increase (\$000's)	Increase as % 2021 General Operating Budget	Mill Rate Increase (%)
Status Quo			
Revenue Increase (no change in mill rate or fees/charges)	(4,300)	(0.9%)	(1.59%)
Expenditures (includes 3% increase to current capital contributions of \$1,740)	4,650	1.0%	1.72%
Stadium (0.45%) and Recreation Infrastructure Program (0.5%) dedicated mill rate increases	2,600	0.6%	0.95%
Subtotal (Status Quo Civic Operations)	2,950		1.08%
RPS Increase (TBD – used 2021 increase as a reference point)	3,500	0.7%	1.30%
Subtotal (Status Quo Civic Operations and RPS)	6,450		2.38%
Advancing City Priorities/Strategic Initiatives			
Council Approved	1,175	0.2%	0.44%
Council Motions/Referrals	4,715	1.0%	1.75%
Other Items Identified by Administration tied to advancing City Priorities and Strategic Initiatives	765	0.1%	0.28%
Subtotal (Advancing City Priorities/Strategic Initiatives)	6,655	1.3%	2.47%
Total City of Regina Mill Rate Increase (Estimated)	13,105		4.85%
2022 COVID-19 Impact*	4,600	1.0%	1.7%

* Administration will likely be proposing the 2022 COVID-19 financial impact on the City be funded from a one-time funding source (i.e., reserves) other than mill rate (property tax revenues).

1. Status Quo Revenue Increase (current estimate \$4.3 million)

Administration is forecasting 2022 revenues to be \$4.3 million higher than the 2021 budget revenues prior to any potential mill rate or fee/charge increases that may be approved as part of the 2022 budget. The increase in revenues is driven primarily by natural tax growth and a projected increase in investment income, offset by a reduction in funding received through the provincial municipal revenue sharing grant.

2. Status Quo Expenditure Increase (current estimate \$4.7 million)

Administration is forecasting 2022 expenditures to increase \$4.7 million compared to the 2021 budget to maintain service levels and address pressures associated with delivery of current services. The increase is largely driven by forecasted increases in salaries/benefits and a 3 per cent increase to contributions to the capital fund. Administration has included an increase to current contributions as a status quo item, as the five-year capital plan approved by Council was predicated on a consistent 3 per cent annual increase to current contributions.

3. Status Quo Stadium and Recreation Program Dedicated Mill Rates (\$2.6 million)

This includes the dedicated mill rates for the Stadium and the Recreation Infrastructure Program.

4. Regina Police Service (To Be Determined – 2021 Increase used as proxy for now)

The Regina Police Service (RPS) budget increase in 2021 was approximately \$3.5 million. The RPS budget is approved by the RPS Board of Commissioners and submitted to City Council for overall approval as part of the City's budget. As the 2022 RPS budget for 2022 has not been made public, Administration has used the RPS 2021 budget request as a proxy for the 2022 budget until such time as the 2022 RPS budget is publicly released.

5. Advancing City Priorities and Strategic Initiatives (current estimate \$6.7 million)

The following table summarizes potential investments in City priorities/strategic initiatives as part of the 2022 Budget.

Potential 2022 Investments into City Priorities/Strategic Initiatives	Amount (\$000)	Mill Rate %
Council Approved Items		
Winter City Strategy Execution	450	
Increase to the Community Investment Grants Program for Harm Reduction	500	
Drainage and Lot Grading Regulations	225	
Subtotal	1,175	0.44%
Council Motion/Referrals		
Safe Sidewalks – Sidewalk Distress Backlog	2,300	
Adapted Recreation Plan: Increase Recreation & Leisure Activities for People with Disabilities	375	
Additional Paratransit Bus Contract Costs (Adapted Recreation Plan)	365	
Community Safety & Well-Being Plan Implementation	875	
Housing Incentive Policy Funding	675	
Clean Streets	125	
Subtotal	4,715	1.75%
Other Items Identified by Administration tied to advancing City Priorities/Strategic Initiatives		
Business Response Team	285	
Aurora Bus Service	105	
Indigenous Artist in Residence	75	
Heritage Conservation Policy	300	
Subtotal	765	0.28%
Total	6,655	2.46%

Council Previously Approved Items

Winter City Strategy Execution (\$450,000)

- In April 2021, Council approved (CR21-79) the Winter City Strategy and supporting action plan. That report contained a recommendation that funding for the action plan be approved as part of the 2022 budget process.

Increase to the Community Investment Grants Program for Harm Reduction (\$500,000)

- Included in the 2021 Budget (CM21-3), as an amendment to the proposed 2021 Budget, was a \$500,000 increase to Community Investment grants to fund a harm reduction program at the City. This increase was funded from reserves in 2021. While the amendment focused on funding for 2021 and as a result was funded from a one-time funding source, Administration has inferred from a review of Council's consideration of the amendment that the intent was that it be an on-going increase in funding and as a result is being proposed to be added to the 2022 Operating Budget.

Drainage and Lot Grading Regulations (\$225,000)

- On February 24, 2021, Council approved (CR21-27) the creation of two new positions and enhancement of the status quo on enforcement of existing lot grades starting on January 1, 2022.

Council Motion/Referrals

Safe Sidewalks – Sidewalk Distress Backlog (\$2.3 million)

- On April 14, 2021, Council directed (CR21-54, Safe Sidewalk Update) that this request be referred to the 2022 Budget process. This would represent a one-time increase to the 2022 Budget. This work would be contracted out in 2022 to catch up on the backlog of work over the past few years. One option could be to implement this over two years to reduce the financial impact on the 2022 Budget.

Adapted Recreation Plan: Increase Recreation & Leisure Activities for People with Disabilities (\$375,000)

- On April 14, 2021, Council passed a motion (MN21-2) directing Administration to conduct consultation with people with disabilities and their care providers, as well as the recreation and leisure sector, and provincial and federal governments, in order to create an Adapted Recreation Plan for the City that includes a budget ask for 2022. Administration has initiated the development of an Adapted Recreation Plan to make Regina's recreation and leisure activities more accessible to people with disabilities. In 2022, Administration is proposing an investment of \$375,000 in 2022 to support the Plan.

Additional Paratransit Bus Contract Costs (\$365,000)

- To meet the requirements of motion MN21-2 (Increase Recreation and Leisure Activities for People with Disability), additional transportation will be required for persons with disabilities to access these enhanced recreation services.

Community Safety & Well-Being Plan Implementation (\$875,000)

- City Council brought forward a motion regarding Community Safety and Wellbeing (MN19-21), directing Administration to return to Council in Q1 of 2020 with a proposed approach to a Community Safety and Wellbeing Plan (CSWB Plan) for Regina. To undertake this work, the City partnered with the Canadian Municipal Network on Crime Prevention and has since been working collaboratively on identifying local issues through an in-depth consultation and engagement process. Administration is planning to propose an investment of \$875,000 in 2022 to support the Plan. Funding would be invested into work related to social development, community well-being, inclusion, and accessibility. Administration is planning to bring a report to Council in November 2021 on this matter.

Housing Incentives Program (HIP) Funding (\$675,000)

- To establish an ongoing funding source for the HIP program. Over the past few years this program has been funded from various sources including the Winter Maintenance Reserve & General Fund Reserve. This funding approach is unsustainable over the long term and Administration was asked to bring forward an approach that would address this matter as part of the 2022 budget. The proposed approach will require a 0.25 per cent mill rate increase for 4 years. 2022 would be the first year of that four-year dedicated mill rate for HIP.

Clean Streets (\$125,000)

- On June 24, 2019, City Council (MN19-8) directed Administration to report to the Public Works and Infrastructure Committee in Q4 2019 with information related to communication for street cleaning, towing vehicles in all areas, deterrents and incentives for moving vehicles, and an additional street sweep. Due to the impacts of COVID-19, the timelines were extended and deferred to Q2 2021. On May 19, 2021, the Operations and Community Services Committee heard the report and tabled pending additional information and a supplemental report. This report is expected to be presented to the Committee in November 2021. Administration is planning to propose an investment of \$125,000 to support this initiative.

Other Items Identified by Administration Tied to Advancing City Priorities/Strategic Initiatives

Business Response Team (\$285,000)

- Establishment of resources to support economic growth opportunities and support business development and interaction with the City, such as developing a centralized business support function, in support of advancing the City's growth goals.

Aurora Bus Service (\$105,000)

- This increase will allow Transit to continue to meet Council defined standards for transit. This is a new commercial area in nature and the expanded transit service is estimated to start in the fall of 2022.

Indigenous Artist in Residence (\$75,000)

- The proposed development of an Indigenous Artist in Residence program provides the City an opportunity to celebrate artistic outcomes through various platforms, such as virtual and in-person public engagements, through the City's website and social media, and through the Civic Art Collection, increasing the engagement and impact of the City's cultural development efforts. This new program would signal commitment to implementing the Cultural Plan and responding to the spirit of the TRC Calls to Action, as well as provide a framework for the creation and implementation of culturally specific support for Regina's communities through the arts.

Heritage Conservation Policy (\$300,000)

- On March 31, 2021, Council approved (CR21-49) the Heritage Conservation - Interim Policy. To address Council expectations for outcomes of the heritage program, Administration is planning to take recommendations to Council in early 2022 that will include new financial incentives, processes and regulations related to the Heritage Conservation Policy. It is expected that an additional \$200,000 will be required in 2023 as the program moves to full implementation.

6. Staffing Resources

As the 2022 Budget is finalized, Administration anticipates there will be additional FTEs proposed to support programs and new investments. The increase in FTEs is potentially in the range of up to 30, primarily related to those items related to advancing City priorities/strategic investments. This does not include any potential FTE increases related to RPS.

7. Estimated COVID-19 2022 Financial Impact

As the COVID-19 pandemic continues to evolve, it is likely that there will be less financial impacts of the pandemic on the City's 2022 finances, compared to 2021. Administration has developed worst-case and best-case scenarios in terms of potential financial impacts for services such as transit, parking and recreation. For simplicity, this analysis did not include reserve funded services such as golf courses.

- The worst-case scenario assumes that 2022 service uptake, compared to pre-COVID-19, would not be worse than the August 2021 uptake, which was approximately at 60 per cent (August 2021 versus August 2019 actuals).
- The best case assumes at least a 75 per cent uptake in 2022 (which is at least 15 per cent better than August 2021) due to expected higher vaccination levels and the likelihood of less restrictions compared to 2021.

Given this, the impact of COVID-19 on the City's finances in 2022 is estimated to range from a negative financial impact of \$4.6 million in a best-case scenario to \$7.8 million in a worst case. These estimates exclude the \$2.1 million reduction in the provincial 2022 Municipal Revenue Sharing grant as it is already accounted for as part of the Status Quo budget.

Administration is currently budgeting a COVID-19 financial impact based on the best-case scenario, which is expected to have a total impact of \$4.6 million. The City will require a specific strategy to fund this COVID-19 impact. A potential solution will likely include funding the impact from reserves.

8. Recommended 2022-2026 General Capital Plan

Administration is currently planning to propose a Five-Year General Capital Plan that includes a capital investment of \$136 million in 2022 and \$650 million for the five-year period. The five-year investment represents an increase of approximately \$40 million compared to the five-year capital plan presented in the 2021 Budget Book. The proposed 2022 capital budget is expected to include new and increased investments and is currently projected to be approximately \$20 million higher compared to the capital investment in the 2021 Budget Book. Some of the changes include:

Significant Changes/New items	2022 Amount (\$000s)	Change (\$000s)
Saskatchewan Drive Corridor Improvements	10,000	9,000
Food and Yard Waste Services (Green Bins)	5,500	5,500
New Fire Stations (land acquisition)	2,400	2,400
Roadway Noise Attenuation Pilot	700	700
Vision Zero (Road Safety)	550	550
Paratransit Buses (Adapted Recreation Plan)	280	280
Drainage and Lot Grading Regulations	125	125
Facilities Asset Management	12,400	(1,800)

To ensure a fully funded capital plan, Administration will be proposing some trade-offs including deferral and reductions of some capital investments that had been included in the previous 5 year capital plan. For example, due to the new/increased investments in projects/programs in the 2022 year, investment in the Facilities Asset Management Program will likely be reduced. As well, additional Gas Tax funding was received in 2021 which will help fund some of the increased capital investments.

9. 2022 Utility Budget

The draft Utility budget will include a 2 per cent Utility rate increase to cover costs related to the Lead Pipe Service Management Program. This was approved by Council in April of 2021. In addition, Administration anticipates it will be proposing a 3 per cent increase to fund operations, maintenance and the long-term capital plan for the Utility. As a result, the total projected Utility rate increase for 2022 is currently forecast to be 5 per cent. This is consistent with the long-term financial needs for the Utility.

DECISION HISTORY


On July 7, 2021, the Administration provided Executive Committee with an update on the economic environment and assumptions in which the 2022 Budget is being developed and a preliminary review of the 2022 Budget.

Respectfully Submitted,



Manager, Budget & Long-term Financial
Planning

Respectfully Submitted,



Executive Director, Financial Strategy &
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