2022-2026 General Capital Plan, Reserves & Debt

Each year Administration submits a five-year Capital Plan to City Council in accordance with the *City Manager's Bylaw* 2003-70. The 2022-2026 General Capital Plan includes capital programs and projects.

a) Capital programs are the on-going investments for renewal and rehabilitation work related to the City's major infrastructure that are needed to ensure that assets are functioning optimally and to prevent further deterioration.
b) Capital projects are investments that result in new assets. They include the expansion of existing assets, such as roads, or the construction/acquisition of new assets.

The five-year Capital Plan sets out the funding strategy for capital investment priorities over the course of the plan. The five-year Capital Plan informs the City's service and financial planning, striking a strategic balance between the City's need to maintain its critical assets in as state of good repair, to enhance its network of infrastructure and amenities that support growth and economic development, and to advance Council and community priorities within the City's financial capacity.

The comprehensive 2022-2026 General Capital Plan, highlighted in the 2022 Budget, includes total gross expenditures of $649.6 million. The need to renew, upgrade and expand infrastructure and public amenities to support residents and businesses is significant and growing. Asset renewal is an investment in the future and an important factor in achieving good value for money by maintaining and, where possible, extending the operational lifespan of the City's assets. The proposed 2022-2026 General Capital Plan includes a focus on the following priorities:

- Upgrade or improve aging park and community facilities to serve existing and new residents
- Renew and upgrade aging civic facilities to strengthen business continuity and resilience
- Renew and expand transportation infrastructure to move people and goods

The capital plan is funded by contributions to capital, reserves, debt financing, federal and provincial funding agreements, deferred revenue and service agreement fees.

Within the property tax increase of 3.49%, Council has directed dedicated funding to Mosaic Stadium and establishment of a recreational infrastructure program. A dedicated tax increase for Mosaic Stadium was approved by Council in 2013 and 2022 will be the last year. The funds generated from this dedicated tax go to a reserve to pay for the anticipated costs of operating the Stadium as well as the debt servicing costs associated with the construction of the stadium. In addition, Council approved a dedicated tax increase to fund a Recreation Infrastructure program. A tax increase of 0.5% for the next five years, ending in 2024 has been included in the proposed budget.

Contributions to Capital

The City is continuing to dedicate more of its tax-supported budget to fund capital programs and projects. The 2022 Budget, attached as Appendix A, outlines the transfers from the General Operating Budget to capital. In 2012, a strategic decision was made to begin to increase the annual investment in the renewal of infrastructure within the General Fund. At that time, funding sources from other levels of government were declining and the gap in the funding available to replace or renew assets could no longer be ignored. Administration has continued to increase the level of capital funding on an annual basis.

Reserves

Reserves serve a number of purposes, including to set aside funds for future, planned capital expenditures and limit the impact on taxes in any given year. As noted in the 2022 Budget, all reserves, apart from the Cemetery Reserve, Regina Police Services Radio Equipment Reserve (RPS RER), Planning and Sustainability Reserve (P&SR) and Regina Revitalization Initiative (RRI) Stadium Reserve are expected to remain in a positive balance in 2022. The Cemetery Reserve, Planning and Sustainability and RRI Stadium reserve are each projected to be in a negative balance in 2022 due to planned activities in the year. While the RRI Stadium Reserve moves to a negative balance in 2022, this was anticipated and over the term of the 30-year funding model is projected to be in a positive balance. The Cemetery Reserve, RPS Radio Equipment Reserve and P&SR will continue to be managed in 2022 with a goal of moving them to a positive balance in the future.

Reserves provide financial sustainability and flexibility to address emerging issues, alleviate the effect of spending decisions on property taxations, and minimize the use of debt to finance capital projects. Determining the sufficiency and appropriateness of reserve levels is a matter of judgement. The amount of funding currently held in reserves is relatively low in comparison to the values of city-owned assets. Overall reserve balances that serve the General Fund are projected to slightly increase over the five-year plan from $82 million in 2022 to $86 million by 2026.

Debt

The City's reliance on its own sources of revenue to fund capital investments has impacted the reliance on debt. While the issuance of debt can provide funds for increased capital investment, the amount owing plus the related interest must be paid in future years from operating budgets. Debt is a trade-off between increased fiscal flexibility in the short-term versus reduced fiscal flexibility over the term of the repayment.

Debt charges include debt payments related to financing for the General Capital Program as well as Mosaic Stadium. Debt payments for Mosaic Stadium are funded by the 0.45% dedicated mill rate increase, any interest revenue earned by Mosaic Stadium, various other revenues received related to the stadium and by a withdrawal from the Regina Revitalization Initiative Stadium Reserve, if required.

The City of Regina has an approved debt limit of $450 million. The debt limit is approved by the Saskatchewan Municipal Board and is the limit established to cover the consolidated debt of the City. This includes debt for the General and Utility Funds as well as the debt taken on by the City's service partners. The December 31, 2021 outstanding debt balance for the City of Regina is projected to be $354 million and is projected to decrease to approximately $342 million at the end of 2022.

Service Agreement Fees

The City of Regina enters into agreements with developers to undertake development in the City. Developers have been required to provide upfront servicing of lots (water, sewer, rods, etc.) directly as part of their agreement with the City.

In addition, developers also pay Servicing Agreement Fees (SAFs). SAFs are development charges that a municipality charges for the recovery of growth costs. Growth costs are recovered to build new infrastructure, support growth, pay down existing debt for past growth works and avoid taxpayers paying costs that serve growth.

Residential Roads

As part of the 2015 Budget, Council approved a long-term Residential Road Renewal Program funded by a dedicated 1% mill rate increase for five years (2015 – 2019). This program will continue to improve the condition of residential roads within the 'poor' category and deliver a program of on-going preventative maintenance and rehabilitation for roads in 'good' and 'fair' condition.

Recreation Infrastructure Program

Consistent with Council direction, Administration has included in its proposed 2020 Budget a dedicated mill rate increase of 0.5% for recreational infrastructure. On October 28, 2019, Council approved a long-term Recreational Infrastructure Program funded by a dedicated 0.5% mill rate for five years (2020 – 2024). This program will fund recreational infrastructure improvements based on the current Recreation Master Plan, and other relevant considerations determined by City Council.