

2022 Roadways Emergency Response Plan Funding Options

ISSUE

The snow events the week of December 25, 2022 resulted in the City of Saskatoon (City) activating the Roadways Emergency Response Plan. This plan was developed assuming it would be used in the exceptional circumstance of a similar snowstorm as occurred in November 2020. However, the Emergency Response Plan has now been activated twice within a relatively compressed time. What options are available to the City to fund the cost of activating the Emergency Response Plan in 2023 and beyond?

BACKGROUND

History

City Council approved the [Roadways Emergency Response Plan for Extreme or Unusual Snow Events](#) at its September 27, 2021 regular meeting. This plan outlined the five-phased operational strategy that would be activated if:

- Major snowfall with snow accumulation greater than 25 cm and/or combination of snow, freezing rain, and wind; and,
- Reduced mobility to the point that light vehicles cannot travel on city streets; mobility across the city is severely impacted and the regular winter maintenance level of service applicable to typical winter snow events can not be met.

This plan and associated report also outlined this response was currently unfunded and that the allocation of dedicated funding for the execution of the plan was required. This funding was included as part of the [2022/2023 Business Plan and Budget Options](#) tabled at the August 23, 2021 Governance and Priorities Committee to be deliberated at the 2022/2023 Business Plan and Budget review meeting in November 2021. Once all funding priorities had been considered by City Council, this option was not provided with any additional funding support. The Administration's understanding was that the service was still required following an extreme snowfall, and funding would be resolved by the Administration and City Council as would be done with any exceptional weather or other event causing unexpected financial cost to the City.

Current Status

The City activated the Roadways Emergency Response Plan for Extreme or Unusual Snow Events on December 29, 2022 in response to two snow events which contributed 34 cm of snow and immobilized many streets and sidewalks. While some of the financial impacts of the snow events will be experienced in 2022, a large amount of the clearing and removal costs will impact the 2023 budget year.

The cost of the November 2020 emergency winter storm response which resulted in 30 – 40 cm of snow accumulation, was approximately \$14.0 million. While there are similarities to the 2020 event, there are also key differences which may have an impact on the eventual cost to this response. For example, although an estimated 34 cm of

snowfall was experienced during the recent event there was a significant accumulation (50 to 55 cm) prior to this event as compared to November 2020 which was essentially the first snow event of the season. This will result in larger quantities of snow to be removed in 2022/2023. In addition to the larger quantities, the City has experienced higher than average inflationary pressures since the pandemic which may push hourly rates higher than those experienced in 2020, this is highlighted by the City's contracted diesel rate which was approximately \$0.82/L in November 2020 as opposed to \$1.54/L currently. Offsetting this is the fact that the coordinated plan is already in place, including leaving snow in place where storage is available, and the approach to tendering has been revised.

As mentioned, while an accurate estimate is difficult to come up with at this time, utilizing the above factors the Administration estimates that the total cost could be as much as \$20 million.

The unforeseen removal of snow from residential streets will impact the City's 2022 and 2023 operating budgets. If the City experiences an overall deficit in 2022 or 2023, the Cities Act requires this deficit be funded or added to the following years property taxes. Historically the City has utilized stabilization reserves to fund deficits, however, there is minimal funding available in the two applicable stabilization reserves as outlined below:

1. The Snow and Ice Stabilization Reserve's stated purpose is to accumulate funds and offset any over-expenditures in the Snow and Ice Management budget attributable to variations in normal winter weather conditions, thus stabilizing the effect of weather variations on the mill rate and on the City's year-end financial position. In essence, the purpose of this reserve is meant to offset major variations in snowfalls such as a major snowstorm. Currently the reserve has a balance of \$488,500 and was expected to be fully utilized to offset the 2022 deficit prior to the snow events.
2. The City's Fiscal Stabilization Reserve's stated purpose is to accumulate funds for the purpose of offsetting any tax-supported operating deficits incurred in any year. This reserve has a current balance of \$6.68 million, however, as reported at the November 14, 2022 Governance and Priorities Committee as part of the [2022 Financial Forecast](#) the City is projecting an \$8.3 million deficit for 2022 prior to the recent Snow and Ice Event and if realized will require these funds.

As minimal or no stabilization reserve balances will be able to offset these additional expenditures, other financial strategies are required to fund this response.

OPTIONS

Option 1 – Cash Option from Reserves and Deferral of Capital Projects

This option would involve utilizing an exception to policy/bylaw to fund the deficit from capital or other operating reserves that are not typically utilized for this purpose. Unfortunately, there are very few mill-rate supported reserves that would have the capacity to defer capital projects and transfer funds to offset a projected \$14 million or larger deficit. For reference, the five largest reserve transfers budgeted for 2023 are:

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1.	Paved Roadway Infrastructure Reserve	\$34.64 million
2.	Civic Buildings Comprehensive Maintenance Reserve	\$9.67 million
3.	Civic Vehicles & Equipment Replacement Reserve	\$6.72 million
4.	Bridge Major Repairs Reserve	\$4.24 million
5.	Transportation Infrastructure Reserve	\$3.69 million

This option would involve reducing the 2023 capital program and transferring capital reserve funds to the operating budget as an exception to policy/bylaw. For example, the Paved Roadways and Sidewalks Capital Project 2270 which is currently budgeted for \$32.95 million worth of work in 2023 could be reduced from \$32.95 million to \$18.95 million (assuming a \$14.0 million emergency snow response) and reallocate the transfers to reserve to fund the Residential Snow Clearing and Removal Operating Program in 2023.

This option would have a significant impact on the City's planned Road Maintenance Program in 2023 and would result in the City falling behind in roadway repairs.

As indicated by the five largest reserve transfers, the Paved Roadway Infrastructure Reserve is one of the few reserves that receives enough funding to be able to fund this significant response. However, a combination of reserve and capital deferrals could be utilized to spread the impact amongst other capital programs.

Option 2 – Borrowing Repaid by Reduced Reserve Transfers

This option would involve borrowing to fund the emergency snow response and repaying this borrowing through reduced transfers to reserves to avoid property tax implications and spread the capital impacts over a longer period.

Along with the borrowing, a plan for the repayment of the borrowing would need to be approved. Loan repayments (assuming a 5% interest rate) would be approximately \$1.81 million per year over 10 years. Under this option those loan repayments would be paid by a 10-year reduction to transfers to reserve (such as the Paved Roadway and Sidewalk Capital Reserve).

It is important to note that under the City's [Borrowing for Capital Projects Policy \(C03-027\)](#) section 3(a) borrowing for ongoing operating expenditures are not permitted. Reference to the specific wording in the policy can be seen below:

“Internal and external debt shall be utilized as a source of financing for capital projects and will not be available for ongoing expenditures that are or would be financed initially from the Operating Budget.”

However, as the emergency snow response was not initially funded by the operating budget and is not ongoing in nature (estimated to be a 1 in 10-year event) the Administration believes that borrowing for this purpose would still be in compliance with the Borrowing for Capital Projects Policy.

While the immediate impact to the City's capital program would be less noticeable, over the long-term this would have a significant impact on the Paved Roadway or other reserve if they were to contribute to this plan and may result in falling behind approved service levels.

Option 3 – Borrowing Repaid by Reductions to the 2024-2035 Major Capital Plan

This option is like Option 2 in that borrowing would be utilized in order to cover the immediate cash requirement to fund the emergency snow removal response. However, the \$1.81 million annual repayment (assuming 5% interest) over 10 years would be funded either through reallocated Canada Community Building Funds (previously known as the Gas Tax) or reinvesting expiring debt repayments; both of which are planned to be a main source of funds to the 2024 – 2035 Major Capital Funding Plan.

As approved at the July 18, 2022 Governance and Priorities Committee the Administration is currently undergoing a [2024 - 2035 Major Capital Prioritization Process](#) with the intent of building the City's next long term funding plan. As part of this process approximately \$191 million was estimated to be available (assuming no additional property tax phase-ins) from 2024 – 2035 with this funding coming from the Canada Community Building Fund, reinvestment of expiring debt repayments and Neighbourhood Land Development Fund Allocations. If this option were approved, it would reduce the estimated funding available by \$18.1 million leaving \$172.9 million within the funding plan. While the specific implications are unknown at this time as the prioritization process is ongoing, this option would have impacts on the number of projects the City could complete within the plan. Projects currently included for consideration in the prioritization process include new and replacement Fire Halls, White Buffalo Youth Lodge Refurbishment/Replacement, Fleet Electrification (including Transit), and other administrative priorities which would be impacted if this option is selected.

Option 4 – Dedicated Property Tax Phase-In to Build Base for Future Events and Repay Borrowing

This option would involve borrowing to pay for the immediate cash requirements of the emergency snow response, however, this would be repaid through introduction of a dedicated property tax phase-in, sometimes referred to as a dedicated levy. This phase-in would not only repay the borrowing for the 2022 snow event but would also build base funding in order to fund future events and responses.

As outlined below, a four-year property tax phase in of 0.75% per year would build base funding up to approximately \$8.4 million by 2027. This funding could be split between the repayment of borrowing for the 2022 event and allocation for future responses. An example of this split could be seen below which would repay the borrowing by 2028 and build up allocations for future responses to \$21.5 million by 2029 (assuming no emergency responses are required between now and 2029).

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Year	Base Funding	Repayment of Borrowing*	Allocation for Future Responses
2024 (0.75% Phase-in)	\$2.1 million	\$1.5 million	\$0.6 million
2025 (0.75% Phase-in)	\$4.2 million	\$3.0 million	\$1.2 million
2026 (0.75% Phase-in)	\$6.3 million	\$4.5 million	\$1.8 million
2027 (0.75% Phase-in)	\$8.4 million	\$6.0 million	\$2.4 million
2028	\$8.4 million	\$1.3 million	\$7.1 million
2029	\$8.4 million	-	\$8.4 million
TOTAL	-	\$16.3 million	\$21.5 million

*Estimated repayment cost assuming a \$14 million cost borrowed at 5% annual interest

This approach would build up \$8.4 million worth of base funding by 2029 which could then be utilized for annual service level improvements as well as base funding/reserve contributions for the Snow and Ice Emergency Response Plan.

RECOMMENDATION

That Option 4 be approved which includes borrowing as the funding source for the 2022 Snow Response as well as building in a 0.75% dedicated property tax phase in for the 2024 to 2027 budgets to repay the borrowing and build in base funding for future snow responses.

RATIONALE

As outlined in the body of the report, this option addresses the immediate cash need for the 2022 Emergency Snow Response as well as phases in much needed funds for the sustainment of this program. With severe weather events becoming more commonplace reliable ongoing funding is needed in order to provide these emergency responses in the future.

While other options provide opportunities to address the immediate cash needs of the 2022 response, they have impacts to the City's asset management programs and overall service levels that residents expect.

City Council will retain the ability to adjust the phase-in at each budget cycle. Should the Administration's recommendation be approved, the Administration will prepare the preliminary 2024 and 2025 budgets with a 0.75% dedicated property tax phase-in.

NEXT STEPS

If approved, the Administration would proceed with the appropriate public notice which would include borrowing up to \$20 million for the 2022 snow and ice emergency response as required by [Bylaw No. 8171 - The Public Notice Bylaw 2003](#).

REPORT APPROVAL

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