

DECISION REPORT

2024 – 2035 Major Capital Funding Plan

ISSUE

This report provides an overview of the 2024 – 2035 Major Capital Funding Plan as well as options for City Council’s consideration.

BACKGROUND

At its March 28, 2022 regular meeting of City Council when considering [Saskatoon Fire Department Strategic Facilities Plan - Resource Deployment Priorities](#) report, City Council resolved that:

“That as the Saskatoon Fire Department deployment priorities are further explored and associated funding plans are developed that any strategic opportunity to accelerate Priority 3 (Station No. 10) in alignment with Priority 1 (Station No. 11) be considered and reported on”

At its January 25, 2023 regular meeting of City Council when considering [2022 Roadways Emergency Response Plan Funding Options](#) report, City Council resolved that:

- “1. That the motion be amended that borrowing be approved as a funding source for the 2022 Snow Response with future reporting before budget on a funding source that blends options 3 and 4.; and
2. That Administration report back on any potential federal options to support emergency weather responses in time for the 2024-25 multi-year budget”

At its March 29, 2023 regular meeting of City Council when considering the [2024 - 2035 Major Capital Prioritization](#) Report, City Council resolved that:

“That Option 1 be approved which includes the approval of the presented 2024-2035 Major Capital Prioritization List to be used in the development of a future funding plan”

CURRENT STATUS

Since the approval of the 2024 – 2035 Major Capital Priorities at the March 29, 2023 City Council meeting, the Administration has been utilizing this information to build the draft funding plan. The intent is to get City Council’s approval in principle on which projects will receive funding and the associated timing. Final approval of each individual project included in the plan will still be required either via budget deliberations or a post budget approval, but approval of this plan in principle would give direction to the Administration on which projects to plan for over the next several years.

As outlined in previous reports, the City of Saskatoon (City) has utilized funding plans over the years which have been instrumental in achieving some of the City’s major

projects. While the funding plans provide some flexibility in how projects are realized, there are some founding principles upon which they are based:

1. The funding plans bring together a variety of projects and funding sources. At the end of the funding plan the project costs and funding sources must balance; and
2. One of the key concepts to the City's funding plans is to manage the cash flow requirements over time. While the cash flows for these funding plans do not need to balance annually, it has been an ongoing practice that the annual surpluses and deficits do not become significant. Past funding plans have aimed to limit annual surpluses or deficits to approximately \$10.0 million. Per Item 1 above however, for a funding plan to be completed and closed, the overall costs and funding over the life of the plan must balance.

DISCUSSION/ANALYSIS

Many of the City's previous funding plans have required property tax phase-ins to be achieved. As previously reported, the starting point for this 2024-2035 funding plan was to utilize a combination of existing funding available through the Community Building Fund, Expiring Debt Payments, and future contributions from Neighbourhood Land Dividends from Saskatoon Land. An estimate of the 2024 to 2035 City funding availability utilizing these sources was estimated to be \$194.3 million.

While \$194.4 million is an estimate of the City's potential contribution, an early goal of the funding plan was to maximize other sources of funding to amplify the impact the City's funding could have. It is also important to note that this plan is based on 2023 financial information, and as inflationary and other impacts to both project costs and funding sources are realized any required adjustments to the plan will be brought forward for City Council's consideration.

To determine which projects would be included in the draft funding plan (Appendix 1) to utilize this funding, the Administration utilized the following prioritization criteria:

1. Projects that have been submitted for other levels of government funding and are reliant on this plan for the City's share were prioritized first. This includes the City's East Leisure Centre, Archibald Arena Rehabilitation and ZETF Bus Purchases.
2. City Council has previously directed that Administration consider an allocation from the 2024 – 2035 Major Capital Funding Plan to fund a portion of the 2022 Emergency Snow Response. Included in the draft plan is a \$5 million allocation in 2024 to assist in the funding of this response. The allocation was determined based on the available funding that was left in 2024 after the City's share of key Government Funding applications were considered.
3. Fire Hall 10 and 11 were rated as Saskatoon Fire's top priorities. Saskatoon Fire has previously highlighted eroding response time in areas that will ultimately be supported by these new halls. To maintain service levels and based on past

presentations to City Council, these projects were prioritized for funding early in the plan; and

4. The remaining draft allocations were provided based on the 2024 – 2035 project prioritization and include allocations to Fire Hall 6 renovations, Green Networks, Natural Area Program, Corporate Accommodations, future Fusion Upgrades/ Enhancements and Corporate Fuel & Infrastructure Management.

As shown in Appendix 1, the Administration is seeking preliminary approval for projects in years 2024 through 2029. While the original intent was to lay out the roadmap up until 2035, it became evident that developing the first six years of the plan was much clearer based on the existing knowledge of federal and provincial programs and the City's applications. As such the Administration is recommending only the initial six years of the draft plan be approved in principle at this time leaving the final six years of this plan open for now and to be determined over the coming years as new government programs become known and the City is able to determine how they align with the City's Major Capital priorities.

It is important to highlight that in the first six years of the plan the City is expecting to utilize approximately \$63.1 million in City funding to complete over \$162 million in projects through leveraging other sources of funding. This plan currently assumes approval of many of the City's outstanding funding applications. In the event an application is unsuccessful the City will need to revisit the funding plan and the potential the project does not proceed.

As shown in Appendix 2, the Administration has investigated the potential to fund a portion of the 2022 major snow event response from other levels of government. In summary, while there were exceptions to this during the Pandemic when the federal government provided the Safe Restart Program as well as one-time public transit funding, the Administration does not believe there to be a viable option to fund operational cost related to extreme weather events through any existing provincial or federal programs.

OPTIONS

Option 1 – Preliminary Approval of the Draft Funding Plan

This option would include approving the draft funding plan as presented in Appendix 1. The largest projects included in this plan include the City's Electric Bus Purchases, East Leisure Centre, Archibald Arena Rehabilitation, Fire Hall 10, Fire Hall 11 and an allocation to the 2022 Emergency Snow Response. This option would only include preliminary approval for projects from 2024 – 2029 and would be subject to formal City Council approval as part of budget deliberations or through post-budget City Council approval as required.

The details of the funding plan would be updated annually to incorporate any changes in project costs, funding, prioritization as well as filling out the 2030 – 2035 aspects of this plan as more information regarding Government Funding opportunities becomes known. It is important to note this plan currently does not include any new mill-rate phase-ins

from 2024 to 2025 and but requires \$350,000, \$330,000 and \$325,000 in base phase-ins in 2026 to 2028 to balance project costs. As indicated previously this requirement will need to be continually re-evaluated and will be reported back to City Council for direction whenever changes are required. Currently, the projected borrowing timing and amounts are estimates and will also be adjusted as required.

Option 2 – Adjust the Draft Funding Plan as Presented

This option would include adjusting the draft funding plan as presented. As the options under this option are endless, examples of specific adjustments and impact that could be made include:

Option	Impact
Adding a new project to the funding plan	The current draft funding plan fully allocates available funding from 2024 – 2029. Adding a new project would require the removal of a project on the plan or the phase-in of mill-rate funding to increase the capacity of the plan.
Adjustments to the timing of a project	The current funding plan works on the principle of trying to balance funding overall but also managing annual cash flows. Moving any project up in the plan would require mill-rate phase-ins to have more cash available earlier in the plan for use.
Adding a general allocation to the Reserve for Capital Expenditures for smaller priority projects	The current draft funding plan fully allocates available funding from 2024 – 2029. Adding an allocation to the Reserve for Capital Expenditures would require the removal of a project on the draft plan or the phase-in of mill-rate funding to increase the capacity of the plan.

RECOMMENDATION

That the Governance and Priorities Committee approve in principle the 2024 – 2035 Major Capital Funding Plan as presented (Option 1).

RATIONALE

The Administration is recommending Option 1 be considered for approval since it builds on previous direction and work presented to the Governance and Priorities Committee. The funding plan utilizes the approved Major Capital Priorities listing as a guiding framework to allocate funds to priority projects over the next six years with minimal new impacts on the mill-rate.

ADDITIONAL IMPLICATIONS/CONSIDERATIONS

It is important to note approval of this plan is in principle currently and gives the Administration direction to prepare future budget approvals. The details included in this plan are likely to change as project costs are continuously refined and government funding application results are received. As the details change, the Administration will continue to report back and keep City Council informed and seek appropriate decisions regarding any major changes required to the funding plan.

It is also important to note some of the projects included in the 2024 - 2035 Major Capital Funding Plan will have significant operating impacts once constructed. The two most significant operating impacts include:

1. Construction of Fire Hall 10 and 11 are expected to utilize one redeployed crew and one new crew. It is estimated the operating impact of the new crew would be approximately \$3.78 million per year and would be required in 2026.
2. The East Leisure Centre is estimated to have an annual property tax operating impact of \$3.0 million per year once open as Leisure Centre do not fully cost recover their operating expenses from user fees.

Phase-ins for these items have been included for City Council consideration in the 2024/2025 multi-year budget projections.

APPENDICES

1. 2024 – 2035 Major Capital Funding Plan
2. Federal Options to Support Weather Responses

REPORT APPROVAL

Written by: Clae Hack, Chief Financial Officer
Reviewed by: Jeremy Meinema, Senior Financial Business Partner
Kari Smith, Director of Finance
Approved by: Jeff Jorgenson, City Manager