City of Saskatoon

PUBLIC AGENDA - SPECIAL JOINT MEETING GOVERNANCE AND PRIORITIES COMMITTEE WITH SASKATOON NDP CAUCUS

Wednesday, June 14, 2017, 3:00 p.m.

Committee Room E, Ground Floor, City Hall

2017 Provincial Budget Impact

Recommendation
That the direction of City Council issue.

Topic and Purpose
This report is to inform City Council of the impacts to the City of Saskatoon (City) from the Provincial Budget announced on March 22, 2017, and to request direction on how to address budgetary implications to the City.

Report Highlights

1. As announced in the 2017 Provincial Budget, effective April 1, 2017, grant-in-lieu of taxation from provincial utilities (SaskPower, SaskEnergy and TransGas) are no longer being paid to municipalities having a full-year annual impact of $11.4 million, which would be equivalent to an annual additional 5.63% tax increase to the citizens of Saskatoon. The 2017 impact would be reduced due to the impact not being on a full-year basis.

2. The Revenue Sharing Grant to the City was decreased by $2.1 million which is about $330,000 less of a reduction than the amount included in the 2017 civic budget.

3. A 1% increase in the Provincial Sales Tax rate to 6% could impact the City's operating and capital expenditures between $1.5 million and $2 million, plus an additional impact resulting from the removal of the exemption for services on real property which could be significant.

4. The Saskatoon Public Library will lose grant funding of $651,200 which was included in the 2017 approved Library budget.

5. There are indirect impacts that could also affect the City relating to increases in the Education Property Tax and cuts to the Meewasin Valley Authority.

6. The total impact to the civic operating, capital and Library budgets on an annualized basis is currently estimated at nearly $16 million.

7. The 2017 net impact on the mill rate is an additional 3.93%, and if added to the already approved tax increase of 3.89%, would total 7.82% for 2017. The 2018 operating budget would effectively be starting with the additional end-load tax increase of 1.5%, which would be the full implementation of the effect of this tax increase.

8. Any mitigation to the impact to property taxes from adjustments to service levels would require thoughtful review and consideration, which would require significant time and effort.

Strategic Goal
The information contained in this report aligns with all of the City's Strategic Goals as the Business Plan and Budget process impacts all seven goals.

Background
City Council approved a 3.89% property tax increase during the 2017 Business Plan and Budget deliberations on December 1, 2016.

Included in the 2017 approved operating budget were $11.4 million in grants-in-lieu of taxation revenue expected to be received from provincial utilities, including SaskPower, SaskEnergy, and TransGas. Also included in the approved budget was an expected Revenue Sharing Grant of $46.1 million from the Province based on Provincial Sales Tax (PST) estimates. This represented a $2.433 million or 5.0% decrease from the 2016 budgeted amount of $48.533 million.

Report
The provincial government's 2017-2018 Budget was released on March 22, 2017, which included both direct and indirect impacts on the civic operating, capital and Saskatoon Library budgets.

<u>Provincial Utility Grant-in-Lieu of Taxation Reduction</u>
Municipalities provide services to publicly owned utilities and allow access to municipally owned lands for utility infrastructure through either exclusive agreements with utility providers or through provincial legislation. These arrangements are common in the public utility sector, particularly with respect to the delivery of electricity and natural gas services.

As such, the City receives a grant-in-lieu (GIL) of taxation from provincially owned utilities, including SaskPower, SaskEnergy and TransGas for compensation for costs, to provide for utility access, for compensation from restrictions on planning and development due to utility rights of way, and as a payment in lieu of municipal property taxes. In 2016, these totalled $10.6 million.

In the Budget 2107-2018, the provincial government announced that the provincial utility GIL of taxation that it paid to cities, towns and villages, totalling $36 million, would be cut effective April 1, 2017. The impact to the Cities identified as receiving this GIL, based on 2016 dollars, is about $33 million or 92% of the reduction. The remaining $3 million impacts towns and villages. There was no impact indicated to the rural municipality sector.

The full-year annual impact of this for the City is about $11.4 million, based on the 2017 budget estimates. However, due to an effective date of April 1, the impact on the City's 2017 budget is about $8.3 million or an equivalent 4.09% property tax increase. The City will still be entitled to payments for the first quarter of 2017 which is the last quarter of the provincial fiscal year 2016-2017.

The City of Regina is affected equally but could have been more negatively affected than Saskatoon since it has more SaskPower customers and associated revenue which is the basis of calculating the GIL payment. It is the Administration's understanding that the impact to both Cities was intentionally made equal.

Impacts from the elimination of the GIL from SaskPower and SaskEnergy to other Cities are as follows:

	Total GIL Impact
City of Estevan	936,931
City of Humboldt	483,181
City of Lloydminster	199,831
City of Melfort	458,156
City of Melville	358,065
City of Moose Jaw	2,667,282
City of North Battleford	1,154,651
City of Prince Albert	2,484,768
City of Swift Current	530,054
City of Weyburn	837,912
City of Yorkton	1,537,410

The GIL paid to the City is in lieu of taxation. This money flows to a general revenue pool for which all citizens would benefit since it is meant to offset the costs of providing services to these provincial utilities. These payments have no connection to the City's electrical, water or wastewater utilities. As such, there will be no change to the City's utility charges. While the Province will no longer provide these GIL payments to the City, it intends to keep adding and collecting these amounts through their utility bills (SaskPower, SaskEnergy and TransGas) and then transfer the money to the provincial government's General Revenue Fund account.

SaskTel also pays a GIL for its buildings it owns in Saskatoon, as does the Province for all other provincially owned properties. Those payments remain in place.

Revenue Sharing Grant

The City had already accounted for an expected 5.0% reduction in revenue sharing in the 2017 civic budget, as a result of lower than anticipated PST revenues for the fiscal year end 2015/16. Consequently, revenue sharing for the City's 2017 budget was estimated at $46.1 million; $2.433 million less than the 2016 amount of $48.533 million.

However, in calculating the grant for the 2017-2018 provincial budget, the Province used the 2016 Census population figures which was favourable for the City by $330,000. The grant announced in the provincial budget was $46.43 million.

Provincial Sales Tax Increase

Included in the provincial budget was a 1% increase to the PST, from 5% to 6%, effective April 1, 2017. The Administration has estimated that this rate change could add between $1.5 million and $2 million in total costs (operating and capital). Of this amount, about 50% is deemed to be operating expenditures.

However, other changes to the PST were made in the provincial budget that eliminated exemptions for previously tax exempted services. One that will negatively impact the City is the removal of the exemption on services to real property. Effective April 1, PST will now apply to services, including "construction, alteration, repair, erection, remodeling, improvement, or any other service in relation to real property or a building or other structure on real property, whereby the value or use of the real property is improved. Some maintenance services such as snow clearing and lawn care remain exempt from PST." (Province of Saskatchewan website)

The Administration has not yet determined the impact of this exemption change; however, it would be significant, resulting in increased capital costs.

<u>Saskatoon Public Library Grant</u>
The Saskatoon Public Library receives an annual grant from the Province. The provincial budget has eliminated this grant for 2017-2018 which will negatively affect the Library budget by about $651,200. To backfill this amount would be a 3.16% increase to the Library mill rate for 2017.

<u>Other Indirect Impacts</u>
There were other impacts that could affect the City and its citizens in some form.

The Education Property Tax will increase by about 9.8% or $67 million. While mill rates for all classes will be lowered, the Province is using the revised values from the 2017 Reassessment to generate these additional revenues. For Saskatoon, applying the new mill rates to the revised assessment values, it is estimated that this will result in a 7% education property tax increase for our residents.

The Meewasin Valley Authority (Meewasin) grant from the Province has also been reduced by $409,000, leaving Meewasin with $500,000 in provincial funding. The Province has also indicated it is changing legislation that eliminates the statutory Meewasin 30% funding requirement by the University of Saskatchewan (UofS). It is not clear at this point on what impact to the Meewasin this UofS change will have on their current funding level.

<u>Summarized Property Tax Impact</u>
City Council approved the 2017 Business Plan and Budget in December 2016 that included a 3.89% property tax increase.

The total direct impact related to the provincial budget is as follows:

	Annual Impact	PT%	2017 Impact	PT%	2018 Impact	PT%
SaskPower	5,580,200	2.75%	4,194,700	2.06%	1,385,500	0.65%
SaskEnergy	5,720,000	2.81%	4,020,000	1.98%	1,700,000	0.79%
TransGas	142,900	0.07%	107,175	0.05%	35,725	0.02%
GIL totals	11,443,100	5.63%	8,321,875	4.09%	3,121,225	1.46%
Revenue Sharing	2,103,300	1.03%	(330,000)	-0.16%		0.00%
Total Provincial Budget Civic Impact	13,546,400	6.66%	7,991,875	3.93%	3,121,225	1.46%
2017 Approved Civic Budget		3.89%		3.89%		
Total Impact including Approved 2017 Civic Budget		10.55%		7.82%		
Saskatoon Public Library	651,200		651,200			
PST Rate Impact	1,750,000	0.86%	1,750,000	0.86%		
PST Exemption Changes Impact						
TOTAL IMPACT (Operating, Capital, Library)	15,947,600		10,393,075			

Taking into consideration these impacts, including an estimated impact from the PST rate change and Library grant reduction, the total annualized impact to the City's operating and capital budgets total nearly $16 million.

The net 2017 impact of the GIL change directly affecting the civic operating budget is nearly $8 million. Adding to this the Library grant reduction and PST rate change the total is $10.4 million.

It should also be noted that there would be an end-load of about $3.1 million in the 2018 civic budget for the loss of the first-quarter GIL revenue received in 2017 to realize the full year impact of the eliminated grants. It is still uncertain, but there is the potential of additional reductions in revenue sharing in 2018.

While reference in this report discusses the impact to property taxes resulting from the provincial budget changes, the alternative approach to dealing with such a revenue shortfall is a reduction to program and service levels. The Administration has not undertaken any kind of review or analysis on this approach at this point and would look to City Council to provide some direction in that regard. Any kind of service level review would require significant effort and thorough consideration, which cannot be done in short order.

Property Tax Billing Timing

The Cities Act dictates when property tax bills must be issued and when penalties can be applied.

> *Tax notices*
>
> *237(1) A city shall annually:*
>
> *(a) prepare tax notices for all taxable property shown on the tax roll of the city; and*
>
> *(b) send the tax notices to the taxpayers before the end of the year in which the taxes are imposed.*

249(1) *Subject to the regulations made by the minister, a council may impose penalties in the year in which a tax is imposed if the tax remains unpaid after the date shown on the tax notice, at the rate set out in the resolution or bylaw authorizing the imposition of penalties.*

(2) *A penalty pursuant to subsection (1) must not be imposed sooner than 30 days after the tax notice is sent out.*

A delay is possible for tax billing; however, the related City Bylaw would require an amendment as penalties are due for amounts outstanding after June 30 each year.

While a delay in billing is possible, the Administration does not recommend this approach as tax billing of $203 million translates into a loss in the City's cash flow and about $250,000 in lost investment revenue per month. In addition, penalty revenue losses would negatively impact the budget. A total of $2.05 million in tax penalties are budgeted for 2017, which the average amount per month for the last part of the year is about $233,500.

Communication Plan
A news release on the 2017 Budget Impact report will be prepared and shared with social and news media sources. A list of Frequently Asked Questions will also be prepared and made available on the City's website (saskatoon.ca).

A summary communication and news release will be shared with social and news media sources following the Special Meeting of City Council on Sunday, March 26, 2017.

Regular updates to the budget impact will similarly be shared on the City's website, as well as with social and news media sources.

Due Date for Follow-up and/or Project Completion
There is no due date for follow-up and/or project completion.

Public Notice
Public Notice pursuant to Section 3 of Policy No. C01-021, Public Notice Policy, is not required.

Report Approval

Written by:	Kerry Tarasoff, CFO/General Manager, Asset & Financial Management Department
Approved by:	Murray Totland, City Manager

2017ProvincialBudgetImpact.docx

2018 Budget Indicative Rate

Recommendation
That the information be received.

Topic and Purpose
The purpose of this report is to provide the Governance and Priorities Committee an overview of inflationary and growth pressures for the 2018 Business Plan and Budget.

Report Highlights

1. An indicative rate assists the Administration in preparation of the 2018 Business Plan and Budget by providing direction and spending limits.

2. Inflation for civic services, excluding Saskatoon Police Service, is anticipated to have the following impacts on the 2018 budget:
   - $5.9 million or 1.53% increase in expenditures over 2017. This is below the expected Municipal Price Index rate of 1.62% for mill rate expenditures.
   - $1.2 million in additional revenue, mainly due to rate changes.

3. Growth is anticipated to have the following impacts on the 2018 budget:
   - $3.5 million or 0.73% increase in expenditures over 2017. This is due mainly from growth in parks and roadway infrastructure.
   - $3.4 million in additional revenue, mainly due to assessment growth.

4. Provincial grants are anticipated to decrease by $6.1 million in 2018 from decreases in Municipal Revenue Sharing and the removal of Crown Corporation grants in lieu of taxes. This is equivalent to a 2.78% property tax increase.

5. A 5.00% property tax increase is estimated in order to maintain the existing service levels for all civic property tax supported services, excluding Saskatoon Police Service.

6. A series of service level reports leading up to the budget deliberations will provide options to increase or decrease service levels and corresponding funding. A previous directive of City Council to include a 0.55% property tax increase to continue the phase-in of a service level increase towards a city-wide snow removal program increases the indicative rate to 5.55%.

7. The Saskatoon Police Service is currently estimating an additional 3.27% in expenditures will be required in 2018 due to inflation, increasing the total indicative rate to 6.97%.

Strategic Goal

The information in this report supports the Strategic Goal of Asset and Financial Sustainability by demonstrating openness, accountability and transparency in financial reporting.

Background

On March 27, 2017, City Council was presented with a report from the CFO/General Manager, Asset and Financial Management, entitled "Multi-Year Business Plan and Budget Framework" which included an outline of the 2018 budget process and how certain aspects of multi-year budgeting could be piloted within the current singular year process. One of those processes identified was an indicative rate/preliminary property tax process. At this meeting, City Council resolved that the Multi-Year Business Plan and Budget Framework be approved in principle.

Report

Indicative Rate

As previously reported, in the Multi-Year Business Plan and Budget framework, the setting of an indicative rate is an important step in the development of a singular or multi-year business plan and budget. This process is being introduced in 2018 as a way to increase transparency surrounding the budget process as well as align City Council's direction and expectations with the 2018 Business Plan. These are preliminary estimates only and the property tax rate will be set during City Council budget deliberations in November 2017.

This 2018 indicative rate report is centred on growth and inflationary revenue and expenditure impacts. Simply put, this report provides the estimated requirements in order to continue providing the same level of service in 2018 as in 2017. To date, the Administration has performed a review of estimated 2018 growth and inflationary pressures which form the basis of the indicative rate.

Inflationary Pressures

Every year, the City of Saskatoon (City) is faced with inflationary pressures on expenditures. In order to determine a benchmark for inflation, the City calculates a Municipal Price Index (MPI). MPI takes into consideration anticipated increases in salaries, utility costs, contractors and materials such as asphalt. The City has historically focused on MPI instead of the Consumer Price Index (CPI), as the City's operating activities are fundamentally different than the basket of goods that CPI is calculated on (food, shelter, etc.). For 2018, the City's MPI has been calculated at 1.62% for mill rate expenditures.

The Administration has conducted an in-depth review of the City's 2016 actual results as well as the 2017 budget, and estimates the civic inflationary impact to be approximately $5.9 million in 2018, which is equivalent to a 1.53% increase in expenditures, and is 0.09% lower than the MPI. Approximately 82% of this increase relates to salaries, utilities and inflationary increases to reserve contributions as per the requirement of Bylaw No. 6774, The Capital Reserve Bylaw. The remaining 18% relates to materials, contractor and contractual increases. The Administration remains committed to its continuous improvement efforts that assists in keeping the inflationary figure below the MPI.

On the revenue side, the City generates additional revenue as a result of rate changes. These revenues can relate to user fee rate increases, grants in lieu of taxes from civic utilities, and franchise fee rate increases, among other items. For 2018, it is anticipated an additional $1.2 million in revenue will be generated from revenue increases.

The overall funding gap as a result from inflation and revenue changes is estimated to be approximately $4.7 million which is equivalent to a 2.16% property tax increase.

Growth Pressures

In addition to inflation, the City is faced with growth pressures every year, as civic services need to be applied to an extending population or service area. Major growth pressures in 2018 are estimated to be:

- additional park space of 51.1 hectares (2.56% growth in inventory) requires an additional $467,000 to maintain service levels;
- an additional 30 kilometers of roadways (0.7% growth in inventory) requires an additional $455,000 to maintain service levels;
- a full year of Remai Modern Art Gallery operations requires an additional $395,000 in facilities costs; and
- various other growth requirements to support a 1.5% population growth to 272,000.

It is estimated that an additional $3.5 million or 0.73% expenditure increase is required in order to continue providing existing service levels.

In regard to revenue, the City generates additional revenue as a result of growth. Most notably, as more properties (inventory) are established within Saskatoon, the City benefits from assessment/taxation growth. This amount is difficult to determine at this point in the year as additional growth and assessment could be added throughout 2017, but is currently estimated at $3.2 million.

In addition to positive growth, the City has experienced negative growth or volume decreases that negatively impact landfill revenues ($700,000). Traffic fines and penalties are also expected to decrease as automated speed enforcement and increased compliance impact general revenues ($500,000). The overall net increase from these revenue changes is estimated at $3.4 million for 2018.

The overall funding gap as a result from growth is estimated to be approximately $150,000 or equivalent to a 0.07% property tax increase. Adding the growth impact to the inflationary increase, the indicative rate is 2.23%.

Provincial Funding Impacts
There are two anticipated pressures related to provincial funding in 2018:

1. As indicated in the 2017/2018 Provincial Budget, the previously received Grants-in-Lieu (GIL) of Taxes received from SaskPower and SaskEnergy were discontinued. This created an $8.3 million gap in the City's 2017 budget; however, there is also an impact of $3.1 million to the 2018 budget to account for the full year's impact of the partial year reduction in 2017. The impact of this revenue reduction is equivalent to a 1.42% property tax increase.

2. The current Provincial Revenue Sharing formula is based on an equivalency of 1 point of the Provincial Sales Tax (PST) revenue being distributed to Saskatchewan Municipalities. The currently estimated 2018 Revenue Sharing, based on 2016 PST figures, would be equivalent to a $3.0 million decrease in Provincial Revenue Sharing over 2017 or a 1.35% property tax increase. These figures will be finalized in June 2017 when the provincial results are released.

The total provincial funding impact for the City is currently estimated at a $6.1 million decrease to operating revenue, which is equivalent to a 2.78% property tax increase.

It is important to note that the City is continuing to work with the provincial government regarding a replacement to the provincial GIL that was eliminated in the 2017/2018 Provincial Budget. An estimate regarding the amount of this replacement or potential timing is currently unknown, as negotiations and work continue with the provincial government.

Adding the provincial government impact to growth and inflation, the indicative rate is 5.00%.

Indicative Rate and Service Level Decisions
In order to deliver the same level of service in 2018 as in 2017 (excluding Saskatoon Police Service), a total indicative property tax increase of 5.00% is estimated, calculated as follows:

Item	Expense Impact*	Revenue Impact*	Net Impact*	Impact on Property Taxes
Inflation	$5.9	$1.2	$ 4.7	2.16%
Growth	$3.5	$3.4	$ 0.1	0.07%
Revenue Sharing	-	($3.0)	$ 3.0	1.35%
Provincial GIL Reduction	-	($3.1)	$ 3.1	1.42%
TOTAL	**$9.4**	**($1.5)**	**$10.9**	**5.00%**
Percentage Change	**1.95%**	**(0.31%)**	**2.29%**	**5.00%**

*in millions

Service Level Reports
Committee/City Council could consider an alternative property tax target for 2018. In doing so, one of the key areas for consideration is adjusting service levels that would have a corresponding effect on taxes.

A series of service level reports will be presented to the appropriate Standing Policy Committees leading up to the 2018 budget discussion which will provide the opportunity to both increase or decrease associated service levels and costs. This process will allow for the Standing Policy Committees and City Council to clearly identify agreed upon service levels that the Administration can deliver and communicate to citizens. This will form a fundamental piece of the City's future Multi-Year Business Plan and Budgeting process, as these will be built on the basis of approved service levels.

The plan is to present service level reports for the following services leading up to the 2018 budget deliberations:

- Road Maintenance & Sidewalks
- Snow & Ice Management
- Water Utility
- Street Cleaning & Sweeping
- Parks
  - Maintenance & Design
  - Urban Forestry
- Fire Services
- Waste Handling

One service level has been included in the Administration's assumptions for 2018. As previously directed by City Council, an additional 0.55% property tax increase or $1.2 million in expenditures is required to continue the phased in service level increases towards a city-wide snow removal program. This would increase the indicative rate to 5.55%.

Police Budget Estimates

The Saskatoon Police Service (SPS) is currently in the preliminary stages of its 2018 budget preparation. At this time, they are estimating a 3.27% increase to expenditures due to inflation. This increase is equivalent to $3.1 million or a 1.42% property tax increase.

This would bring the total indicative property tax to 6.97% including SPS estimates at this point.

SPS has yet to estimate or finalize any growth requirements for 2018.

Communication Plan

The City's website (saskatoon.ca/financialfuture) will be updated to reflect the 2018 Business Plan & Budget process. This report will be included on the webpage, along with Frequently Asked Questions. An overarching communications plan will be developed similar to the 2017 Shaping Our Financial Future campaign.

Due Date for Follow-up and/or Project Completion

The Administration will present service level reports leading up to 2018 budget deliberations.

Public Notice

Public Notice pursuant to Section 3 of Policy No. C01-021, Public Notice Policy, is not required.

Report Approval

Written by:	Clae Hack, Director of Finance
Approved by:	Kerry Tarasoff, Acting City Manager

2018 Budget Indicative Rate.docx

Urban Highway Connector Program

Recommendation
That the report of the General Manager, Transportation & Utilities Department dated June 12, 2017, be received as information.

Topic and Purpose
The purpose of this report is to provide information on how the Urban Highway Connector Program is administered.

Report Highlights
1. The City of Saskatoon (City) entered into an Urban Highway Connector Program (UHCP) Agreement with the Ministry of Highways and Infrastructure (Ministry) in 2009 as a framework to fund highway connector roadways within city limits.
2. Saskatoon operates and maintains approximately 29.7% of the existing provincial interest highway connector roadways province-wide and 35.0% of provincial interest roadways that are eligible for UHCP capital funding.
3. The City receives annual operation and maintenance (O&M) funding for provincial interest roadways at a current level of approximately $1.1M per year.
4. The City receives capital upgrade and rehabilitation funding for provincial interest roadways depending on available funding and subject to the Ministry's schedule; an approximate $18.8M shortfall in Ministry funding has been noted since 2009.
5. The City has received 3.83% of the total UHCP capital funding (not including Circle Drive South (CDS)).
6. Provincial programs exist in other provinces, information on how these programs operate is limited at this time.

Strategic Goals
This report supports the Strategic Goal of Moving Around by ensuring that roads are rehabilitated and continuously improving.

This report also supports the Strategic Goal of Asset and Financial Sustainability by ensuring that alternate funding sources are explored for preservation of City infrastructure.

Background
During consideration of the Highway 16 West Operational Jurisdiction Amendment report, City Council at its meeting held on December 12, 2016 resolved, in part:

> "3. That the Administration report back regarding the Urban Highway Connector Program and how it benefits various municipalities, along with a comparison with other provinces."

Urban Highway Connectors are defined as provincial and national highway systems that lie within the boundaries of cities and are critical trade and transportation corridors through the community. The Provincial Government developed the UHCP to provide a framework which outlines the manner in which the Ministry will assist municipalities with cost of operations and maintenance, capital improvement and rehabilitation of urban connector roadways and structures.

The City entered into an UHCP Agreement with the Ministry in 2009. Through the program, maintenance funding is provided annually and distributed to various operational groups. Capital funding is approved by the UHCP on a priority province-wide basis and funded as provincial funding is available.

Report

Urban Highway Connector Program

Roadways and provincial interest levels within the UHCP are updated periodically by the Ministry. Provincial interests are classified in 4 levels as shown below:

- Level 1 – 100% Provincial interest.
- Level 2 – 75% Provincial interest.
- Level 3 – 50% Provincial interest.
- Level 4 – 25% Provincial interest.

Attachment 1 shows the most recent map of provincial interest corridors and the associated levels in the City.

Urban Connectors in Saskatoon

Attachment 2 shows the provincial interest lane km of all Saskatchewan cities that have entered into an UHCP Agreement with the Ministry. The most recent lane km values were provided by the Ministry and are represented in the last column to the right. This table shows that the City operates, maintains and rehabilitates approximately 29.7% of provincial interest roadways within Saskatchewan cities that have entered into the UHCP. It is important to note that Provincial interest Level 1 roadways are 100% funded by the province and capital allocations for Level 1 roadways are not funded by the UHCP. Therefore, Saskatoon operates and maintains approximately 35.0% of provincial interest roadways that are eligible for capital funding through the program.

While the City does not have any Level 1 provincial interest roadways, there are several roadways that the Ministry has committed to fund 100% of the next rehabilitation in the original UHCP Agreement including College Drive from Central Avenue to the east city limit, and Idylwyld Drive from north city limit to 51st Street.

Operation and Maintenance Funding

The UHCP allocates annual funding to specific O&M areas of the City. In 2017/2018, the total UHCP operating funding for the province is $3M. The maintenance funding formula consists of the following operational areas: illumination, line painting, signing, mowing, hand patching, crack filling, micro-surfacing and snow and ice. The Ministry and the City meet periodically to determine custom work required in either jurisdictional area of all operational areas and the yearly O&M values are adjusted as per the current custom work agreement in place. The current funding formula per lane km for O&M is $12,508 per lane km. This value is then adjusted by multiplying the 'provincial interest level percentage' that is described above and multiplying a 'wide roadway factor'. Wide roadway factor is described below:

- Three-lane road = 1.3. (ie: 1.3 x $12,508 = 16,260 per km 3-lane road).
- Two-lane road = 1.0. (ie: 1x $12,508 = 12,508 per km 2-lane road).
- One-lane road or interchange ramp = 0.5. (ie: 0.5 x $12,508 = $6,254 per km 1-lane road).

The non-adjusted O&M values per lane km for each operational group is shown in Attachment 3.

Current O&M grants provided to the City are approximately $1.1M per year, the total value of O&M grants provided to the City since 2009 is approximately $7.9M.

In addition to the above, there are two segments of jurisdictional operation that the City has entered into agreement with the Ministry to operate and maintain until future annexation is complete. These are Highway 16 West from Idylwyld Drive to 71st Street intersection and Highway 16 East from Highway 11 to 500 metres east of Zimmerman Road. Through the agreements, the Ministry does not fund the O&M grant for the operational jurisdiction roadways until annexation is complete. The Ministry will pay retroactively for the operation and maintenance of these two segments of roadway from the time the jurisdictional agreement was signed once annexation is complete. The Ministry has also committed to funding 100% of the next rehabilitation of these roadways subject to available funding and other provincial priorities.

<u>Capital Funding</u>
Since UHCP inception, capital funding levels for the program have not met the needs of the City's infrastructure. In 2017/2018, the total UHCP capital funding for the entire province is $3.255M, a reduction of $1M from the previous year. Capital funding is prioritized by the Ministry based on City submissions and approved depending on available funding and subject to the Ministry's schedule. Rehabilitation and upgrades completed prior to provincial funding approval do not receive funding retroactively.

The current UHCP Project Selection Policy, set by the Ministry, allows yearly project submissions from cities up to a maximum of 2 projects per city each year, at a maximum value of $2M per project. All cities in the program can submit the same value of projects regardless of population. The projects are then evaluated and selected by the Ministry based on the following criteria:

- Project type.
- Roadway condition.
- Traffic volume.

- Speed.
- Provincial Interest Level.
- City's priority ranking.
- Historical funding.

Actual prioritization scoring of projects performed by the Ministry is not shared with the cities. The last project that was approved for Saskatoon was the 16/11 interchange girder end repairs in 2015. In 2017, funding submissions for westbound Hwy 5/College Drive from City limits to Canadian Pacific Railway overpass and south bound Idylwyld Drive from 71st Street to 51st Street were made; neither project was approved.

Attachment 4 shows the Capital funding amounts that have been allocated to cities in the program since program inception. The attached table shows the provincial contribution of CDS in 2008/2009 as funded by the UHCP. From the Administration's perspective, CDS should not be included in the UHCP allotment as it skews the total funding that Saskatoon has received since the inception of the program. Several examples of similar projects throughout the province including the Regina bypass and the Warman and Martensville interchange projects have not been included in the UHCP capital funding program for the respective city. It is noted that these other projects are outside of the respective City limits in these jurisdictions but they also benefit the cities in the same manner as the CDS project did for Saskatoon. Furthermore, the provincial portion of the North Commuter Parkway funding is not listed under the UHCP capital funding stream. These example clearly indicate that the criteria used to allocate capital funding for projects under UHCP throughout the province has not been consistently applied for all municipalities.

In addition, as per the UHCP Agreement, the interchange at McOrmond Drive and College Drive has a 50% provincial interest level, meaning that the UHCP is responsible for funding up to 50% of the project. In the absence of this funding, the City has entered into agreements with developers to fund 100% of the costs.

Excluding CDS, the City received approximately 3.83% of the total UHCP capital funding despite operating and maintaining 35.0% of provincial interest level 2 thru 4 roadways in the Province that are eligible for UHCP capital funding. Since the UHCP Agreement has been in place, the City has received $7.28M in UHCP capital funding.

The total value of capital rehabilitation work on urban connectors funded by the City since the UHCP Agreement was signed in 2009 is approximately $32.5M. If the UHCP were fully funded as per the agreement signed in 2009, the Ministry's contribution would have been $22.5M towards the City's capital rehabilitation program. To date, the Ministry has provided only $3.7M in capital rehabilitation funding. This represents a shortfall in UHCP Capital rehabilitation funding of approximately $18.8M since 2009. It is estimated that approximately $2.8M of base funding would be required each year to fully fund the Ministry's rehabilitation responsibility under the UHCP to the City, compared to the average rate of $0.46M per year that has been provided to the City since 2009.

Other Provincial Funding Agreements
The Administration contacted several Western Canadian agencies to gather further information for this report. To date, Alberta Transportation (AT) was the only agency that provided information on their provincial funding arrangements. The following information was provided by AT:

In Alberta, there are two basic scenarios depending on the size of the community:

1. Edmonton and Calgary – In these cities, AT operates and maintains all freeway classification roadways. All other City roadways are the responsibility of the City and revenues from provincial fuel taxes are used to maintain major classification roads with ADT>5000 vehicles.
2. Other communities in Alberta – The remainder of communities in Alberta receive $60 per capita to put towards capital projects and an additional $1959 per lane km of Highway Connector roads to put towards maintenance or capital rehabilitation of these roadways.

Environmental Implications
Roadway construction and maintenance inherently utilize resources that produce greenhouse gases through processing, transport, installation and operation of the required products. The City utilizes treatments that take advantage of existing structures when possible to limit the overall amount of natural resources required, wastes generated and greenhouse gases emitted.

Other Considerations/Implications
There are no options, public and/or stakeholder involvement, communications, policy, financial, privacy, or CPTED implications or considerations.

Due Date for Follow-up and/or Project Completion
No follow up required.

Public Notice
Public Notice pursuant to Section 3 of Policy No. C01-021, Public Notice Policy, is not required.

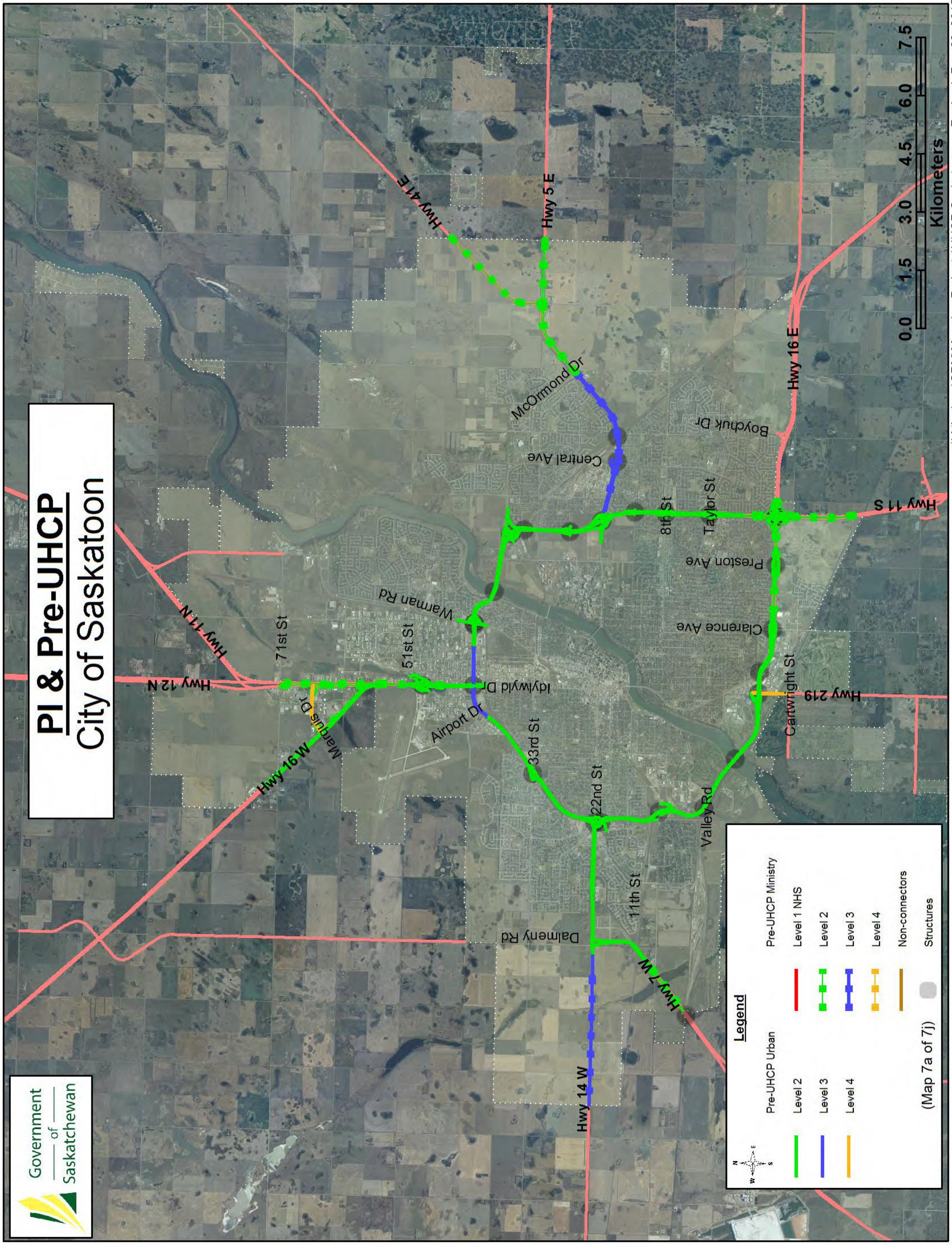
Attachments
1. PI & Pre-UHCP
2. Urban Highway Connectors in Cities (Lane Km)
3. Operations & Maintenance Grant Rate by Activity Type
4. All UHCP Funding since 2008

Report Approval

Written by:	Rob Frank, Engineering Manager of Asset Preservation
Reviewed by:	Mike Gutek, Director of Major Projects and Preservation
Approved by:	Angela Gardiner, Acting General Manager, Transportation and Utilities Department

TRANS RF Urban Highway Connector Program

Attachment 1



Attachment 2

Urban Highway Connectors in Cities (Lane Km)

City	Total (Lane km)	Lane km under each PI Level				Total including Recent Annexations and Circle Drive South (Lane km)
		NHS Level 1	2	3	4	
Estevan	35.16	5.44	16.46	13.26		35.16
Humboldt	16.2		11.2	5		16.12
Lloydminster	26.3		23.06	3.24		27.09
Martensville	0.0					0.0
Meadow Lake	13.78		13.78			16.29
Melfort	20.9		18.66	2.24		20.9
Melville	35.98	20.34	10.92	4.72		35.98
Moose Jaw	105.24	48.2	27.9	8.96	20.18	105.24
North Battleford	54.54	21.64	32.9			54.54
Prince Albert	95.79	12.13	55.6	13.58	14.48	95.79
Regina	129.31		97.53	10.04	21.74	142.59
Saskatoon	271.6		189.12	52.96	29.52	294.20
Swift Current	50.81	27.18	23.63			54.38
Warman	5.06			5.06		0.0
Weyburn	32.24	10.3	11.54	9	1.4	32.24
Yorkton	57.42	5.06	51.2	1.16		60.50
Total	**950.33**	**150.29**	**583.5**	**129.22**	**87.32**	**991.02**

Attachment 3

Operations & Maintenance Grant Rate by Activity Type:

	Annual O&M Rate ($/lane km)	
Activity	**Principal**	**Regional**
Illumination	2,842.00	568.00
Line Painting	964.00	550.00
Signing	1,397.00	1,397.00
Mowing	178.00	97.00
Hand Patching	260.00	260.00
Crack Filling	93.00	93.00
Micro Surfacing	878.00	878.00
Snow and Ice	5,896.00	1,957.00
SUB-TOTAL	**12,508.00**	**5,800.00**
Structure ($/structure * PI Level %)	1,990.00	
Non-Connector ($/lane km)	2,254.00	