

Preliminary Year-End Financial Results – December 31, 2019

ISSUE

This report is to inform City Council of the preliminary year-end financial results for the fiscal year ending December 31, 2019. In addition, the Administration is requesting City Council approval of the following recommendations, resulting in an overall 2019 year-end surplus of \$518,343 (after the stabilization of fuel and the Snow and Ice program), subject to the confirmation of the external audit.

RECOMMENDATION

That the Standing Policy Committee on Finance recommend to City Council:

1. That the Snow and Ice deficit of \$646,610 be offset by a transfer from the Snow and Ice Management Contingency Reserve; and
2. That the year-end surplus of \$518,343 be transferred to the Fiscal Stabilization Reserve.

BACKGROUND

Prior to the external audit of the City of Saskatoon's (City) year-end financial statements, the Administration tables a report to inform City Council and the public about the preliminary year-end financial results.

The external audit of the financial statements is expected to be completed in May, at which time the audited financial statements will be presented to City Council for approval at the next possible meeting. At that time, the year-end financial results will be confirmed or adjusted based on recommendations of the external audit.

DISCUSSION/ANALYSIS

Appendix 1 provides a summary of the financial results by Business Line for the year ending December 31, 2019. Appendix 2 provides a detailed overview of the 2019 Preliminary Year-End Financial results.

The preliminary results indicate a \$518,343 surplus, subject to City Council approval of the transfer from the Snow and Ice Stabilization Reserve to balance that program. This surplus is equivalent to a 0.10% variance from the total 2019 budget of \$510.36 million. Both revenues (0.33% favourable) and expenditures (0.23% unfavourable) were marginally higher than budget resulting in the overall 0.10% surplus from budget.

Although Appendix 2 provides a detailed overview of the significant variances from budget, a summary of these variances is also presented as follows:

Detailed Results – Unfavourable Variances

- Waste Handling Services experienced a \$1.3 million unfavourable variance related to a shortfall in Landfill revenue and increased expenditures in the Green Cart and Compost Depot programs.

- Fines and Penalties experienced a net \$802,500 unfavourable variance mainly related to a \$1.0 million shortfall in Parking Ticket Violation revenue.
- Snow and Ice Management experienced a \$646,610 unfavourable variance due to the number of extreme winter/icy conditions in early 2019, resulting in increased street sanding.
- Leisure Centres experienced a \$531,100 unfavourable variance as paid admissions experienced a decline in sales revenue partially due to temporary Leisure Centre closures.
- Facilities Management experienced a \$459,900 unfavourable variance resulting from salary-related expenditure increases to standby and after-hours emergency response pay.

Detailed Results – Favourable Variances

- Municipal Revenue Sharing Grants experienced a \$1.6 million favourable variance due to the revision to the Provincial Sales Tax (PST) formula that the Province of Saskatchewan tabled in its March 2019 Budget.
- General Revenues posted an overall \$766,100 favourable variance due to a number of favourable revenue outcomes, including interest earnings, civic-owned rental revenues and commission revenue.
- Corporate Support experienced a \$531,800 favourable variance due to temporary staff vacancies and lower collective bargaining settlements than anticipated.
- Road Maintenance experienced a \$526,300 favourable variance due to increased cost recoveries from a higher number of utility cuts performed.
- General Services posted a \$522,900 favourable variance due to the accrual and payment of negotiated contract settlements.
- The City experienced a marginal fuel surplus in the amount of \$69,072 which is being transferred to the Fuel Stabilization Reserve, resulting in a \$423,482 balance in this reserve at year-end.

Civic Utility Results

Saskatoon Light & Power	\$1,071,307 Surplus
Water Utility	\$3,295,737 Deficit
Waste Water Utility	\$ 480,305 Surplus
Storm Water Utility	\$ 747,250 Surplus
Waste Services Utility	\$ 612,440 Deficit

The Utility surpluses have been transferred to their respective utility stabilization reserves while the deficits have been offset by transfers from their respective stabilization reserves, as outlined in Council Policy No. C03-003, Reserve for Future Expenditures.

Statutory Boards and Controlled Corporation Results

The City's Statutory Boards and Controlled Corporations all experienced surpluses in 2019 with the exception of Remai Modern. Due to the deficit in Remai Modern, this amount has been included as part of the City's year-end results within the Arts, Culture and Event Venues Business Line.

Both surpluses for TCU Place and SaskTel Centre are held within their respective organizations and applied to their own stabilization reserves. These are not included within the City's final year-end results. In addition, the Saskatoon Police Service (SPS) surplus has been incorporated into the City's year-end results. The results for the Statutory Boards and Controlled Corporations are as follows:

SPS	\$305,333 surplus
TCU Place	\$1,198,528 surplus
SaskTel Centre	\$1,356,154 surplus
Remai Modern	\$259,462 deficit

Recommended Transfers

- 1) Snow and Ice Management Contingency Reserve: This reserve was established to accumulate funds for the purpose of offsetting any over-expenditures in the City's Snow and Ice Management budget resulting from variations in winter weather conditions. As per Council Policy No. C03-003, City Council approval is required when the cumulative withdrawal during the fiscal year exceeds 10% of the Snow and Ice Management service line which is the case for 2019.

The Snow and Ice program experienced a \$646,610 deficit resulting from a number of extreme ice conditions during the first half of 2019. The Administration is recommending that a transfer from the Snow and Ice Management Contingency Reserve be made to fully offset the Snow and Ice program's deficit and in doing so, offset the civic deficit.

- 2) Fiscal Stabilization Reserve: The corporate surplus of \$518,343 will be transferred to the Fiscal Stabilization Reserve.

FINANCIAL IMPLICATIONS

The City's surplus is \$518,343, assuming City Council approval of the transfer from the Snow and Ice Management Contingency Reserve as per Council Policy No. C03-003.

OTHER IMPLICATIONS

There are no privacy, legal, social or environmental implications identified.

NEXT STEPS

The external audit is underway and is expected to be completed in May after which time the Standing Policy Committee on Finance will review the preliminary financial statements and forward the approved Consolidated Financial Statements and other financial-related reports to City Council.

APPENDICES

1. Preliminary Financial Results - Year Ending December 31, 2019
2. Detailed Overview of Preliminary Year-End Financial Results

REPORT APPROVAL

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