

## Detailed Overview of the 2019 Preliminary Year-End Financial Results

City of Saskatoon General Fund – 2019 Summary				
Account	2019 Budget	2019 Actuals	2019 Variance (\$)	2019 Variance (%)
Revenues	\$ (510,361,100)	\$ (512,069,342)	\$ (1,708,242)	0.33%
Expenditures	\$ 510,361,100	\$ 511,550,999	\$ 1,189,899	0.23%
(Surplus)/Deficit	\$ -	\$ -	\$ (518,343)	0.10%

### 2019 Year-End Mill Rate Results

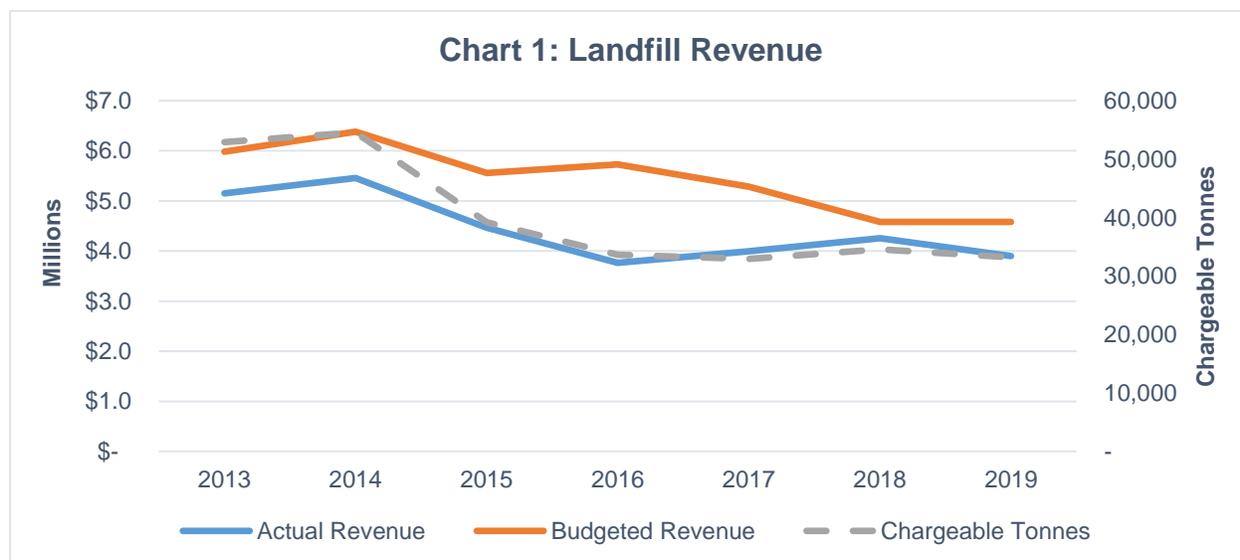
The preliminary surplus including reserve transfer adjustments for the City's mill rate operations is \$518,343, equivalent to a 0.10% favourable variance from budget. Reasons for the variance are provided in greater detail within this appendix.

### Waste Handling

Waste Handling Services experienced a \$1.3 million deficit, equivalent to a 16.2% unfavourable variance from budget. The deficit is a result of lower than anticipated revenues and higher than anticipated expenditures in Waste Handling Services.

Specifically, revenues were \$719,800 lower than budget, all from lower than anticipated landfill revenues. The Landfill's revenue shortfall is a perpetual ongoing financial risk and is largely due to the operation of two competing landfills in the Saskatoon metropolitan area. These competing landfills have shifted collection volumes away from the Saskatoon Landfill resulting in lower sales revenues.

Chart 1 illustrates the gap between budget and actual landfill revenues over the last 7 years, overlaid with collection volumes, described as chargeable tonnes. As the chart details, Landfill tonnages and associated revenues have remained relatively flat in recent years, after previous years of downward trends.



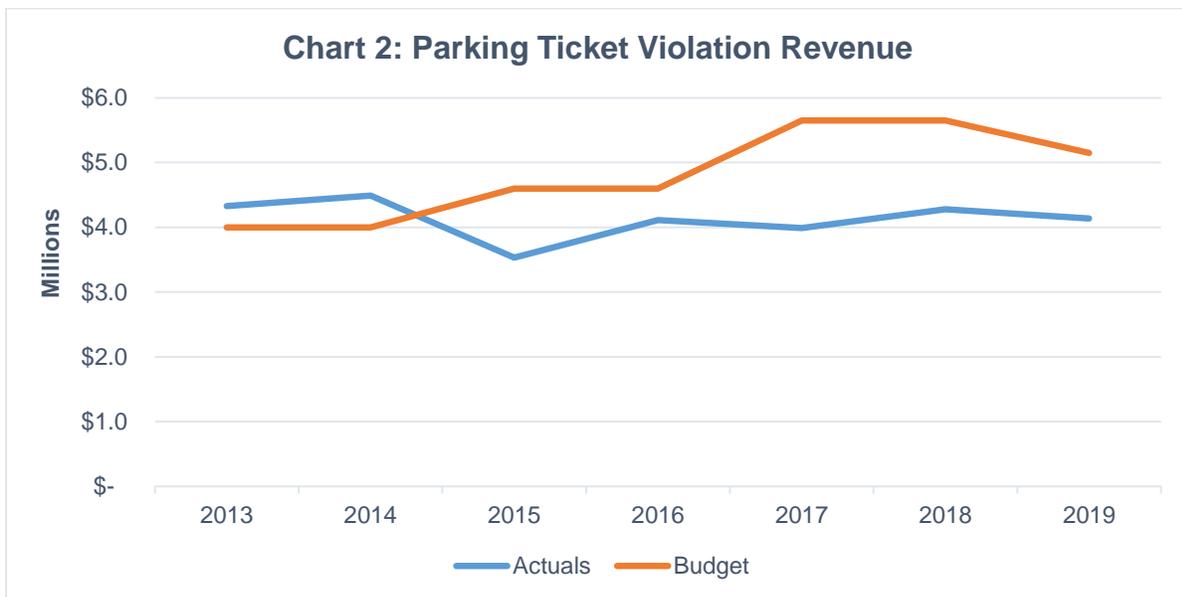
Expenditures were \$593,200 higher than budget, as a result of the continued subsidization of the Waste Services Utility program.

Tax supported subsidies of \$175,700 and \$503,600 were provided to the Green Cart and Compost Depot programs respectively. The expenditure increases in these two programs were directly related to increased public demand for waste diversion. Specifically, Green Cart subscriptions experienced a 15.0% increase from the 2018 fiscal year (from 8,570 to 9,856), and the Compost Depots experienced a 16.0% increase in customer visits (from 46,200 to 53,600) relative to 2018.

**Fines and Penalties**

The Fines and Penalties program experienced an \$802,500 deficit, equivalent to a 9.4% unfavourable variance from budget. This deficit was mainly related to a \$1.0 million shortfall in parking ticket violation revenue.

The ease of the parking application technology (described as pay-by-plate) has created a system of increased compliance resulting in the issuance of lower numbers of parking violations, equating to reduced parking revenues as detailed in Chart 2.

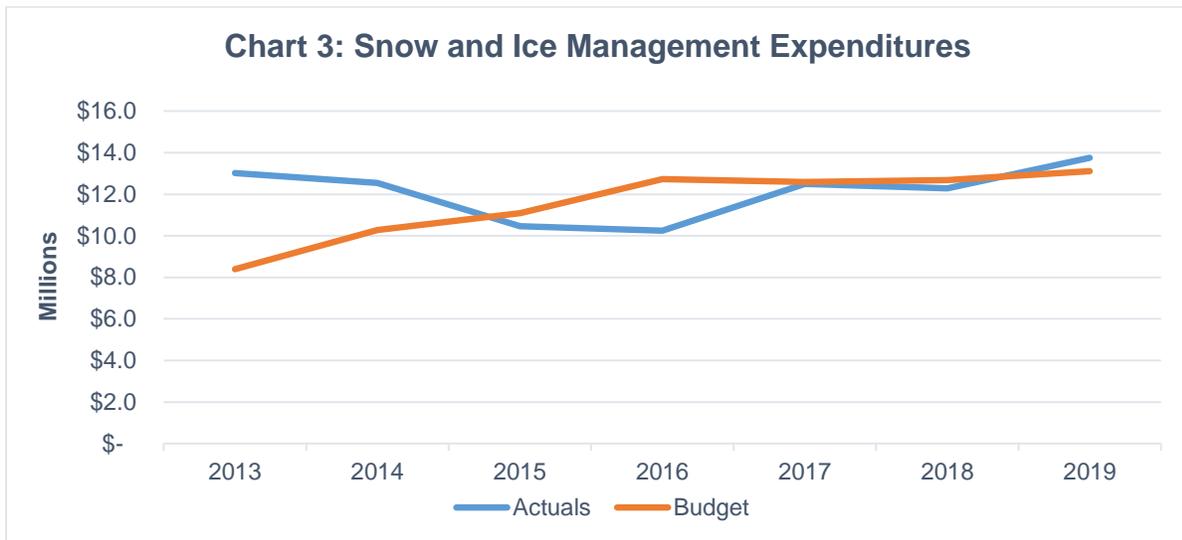


**Snow and Ice Management**

The Snow and Ice Management program experienced a \$646,610 deficit, equivalent to a 4.9% unfavourable variance from budget. This variance was due to weather variability creating extreme winter/icy conditions, causing an increase in overtime worked as well as an increase in the usage of winter vehicles and equipment.

The 2019 year was variable in terms of weather events, and in addition to a number of contributing factors, there was a substantial change in the winter aggregate material contract. Unit pricing and the overall amount of aggregate used increased in 2019. Helping to offset this deficit was a decrease in winter special services assistance contractors.

Chart 3 illustrates the variability in the Snow and Ice Management program from year to year. This variability is caused by the variations in weather patterns year-over-year, making budget predictions challenging. As detailed in Chart 3, the last several years have seen more efficient predictions.



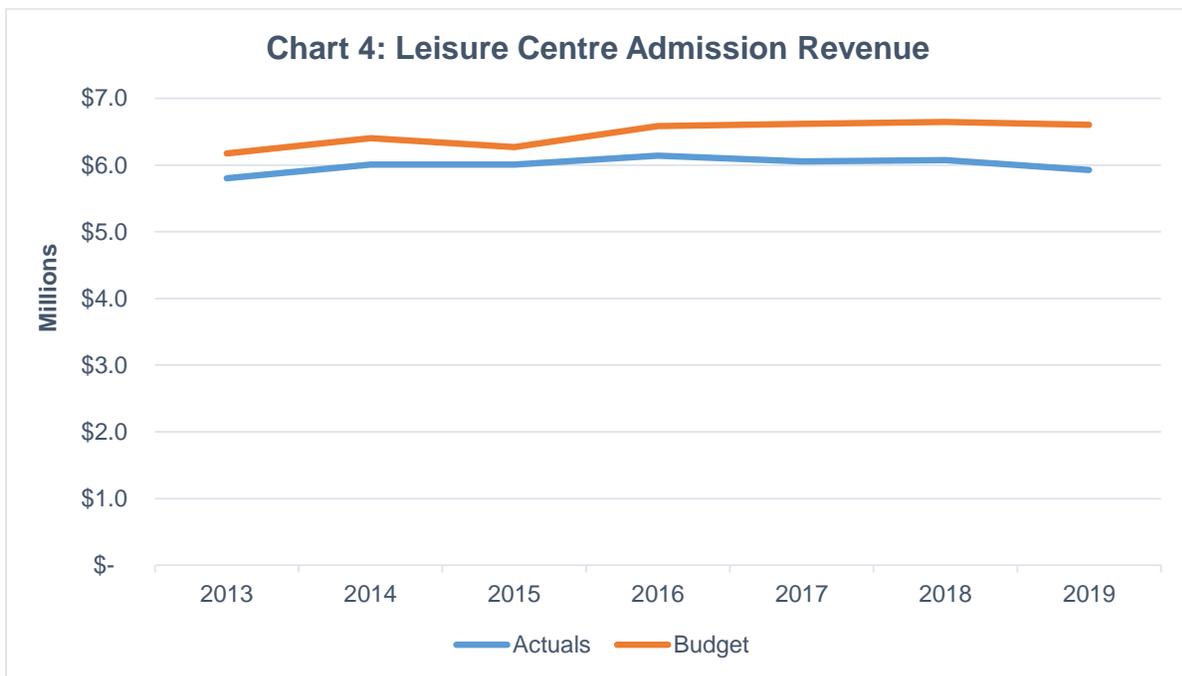
### Leisure Centres

Leisure Centres experienced a \$531,100 deficit, equivalent to a 10.5% unfavourable variance from budget.

Revenues were \$679,900 lower than budget due to the following primary factors:

- Paid admission revenues were \$616,000 less than budget due to temporary closures for maintenance of the Saskatoon Field House, Harry Bailey and the Shaw Centre facilities.
- School usage of civic facilities revenue was \$78,000 less than budget due to school budget constraints, new safety policies, and civic facility closures.

Chart 4 illustrates the perpetual gap in budgeted revenues versus actual revenues for Leisure Centre admissions. The Administration does not anticipate similar revenue challenges in 2020 as experienced in 2019, and is currently reviewing and developing new admission options and promotions to address any future revenue shortfalls.



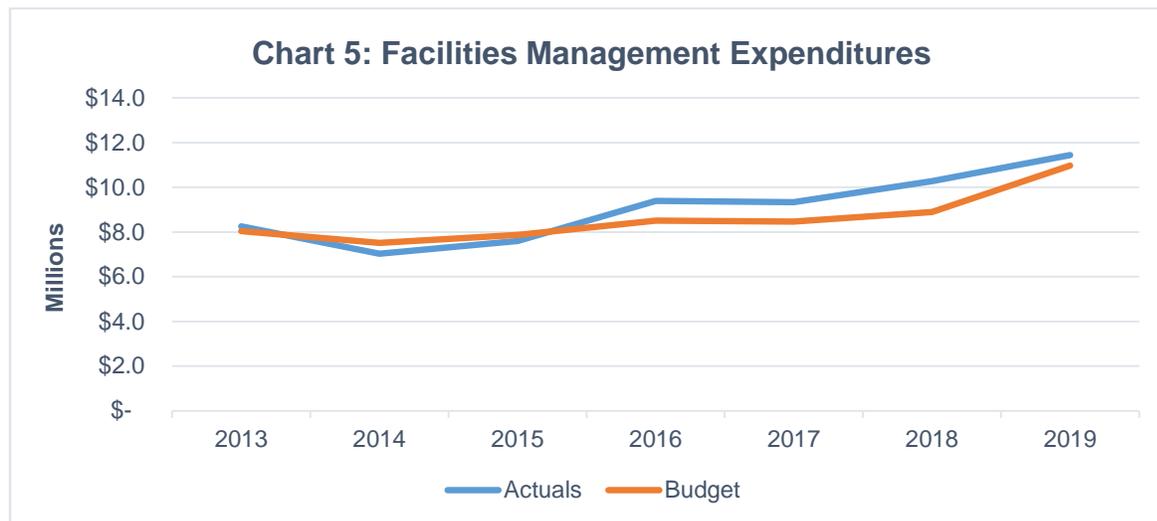
Additionally, expenditures were \$152,100 lower than budgeted due to staff savings from the temporary facility closures and discretionary spending measures put in place.

#### Facilities Management

Facilities Management experienced a \$459,900 deficit, equivalent to a 4.2% unfavourable variance from budget.

The deficit was largely driven by a \$318,200 expenditure increase for salary related expenditures from standby pay. The standby program is designed to provide after-hours emergency response for facility related issues. In 2020, a new standby-pay program is will designed and implemented to help mitigate these challenging issues. The remaining deficit was attributed to salary overtime costs associated to after-hour emergency responses and stat holiday pay.

Chart 5 details expenditure trends for Facilities Management, illustrating that the gap between actual and budgeted expenditures was widening from 2016 to 2018; however, mitigation efforts by the Administration narrowed the gap in 2019.



#### Municipal Revenue Sharing Grant

The Municipal Revenue Sharing Grant Program (MRSGP) experienced a \$1.6 million surplus, equivalent to a 3.7% favourable variance from budget. This was due to the provincial consultation process and subsequent changes to the MRSGP, which were officially announced in the 2019 Provincial Budget. The Provincial Budget was delivered after the City adopted its 2019 Business Plan and Budget.

#### General Revenue

General Revenues experienced a \$766,100 surplus, equivalent to a 1.1% favourable variance from budget due to the following factors:

- \$300,000 unfavourable variance in Return on Investments (ROI) due to a change in the agreement for water ROI, moving to a percentage of revenue model from a fixed-base model;
- \$646,700 favourable variance in interest earnings due to higher earnings held in bank;
- \$286,300 favourable variance in Land surplus due to a combination of: (a) additional lease revenues associated with the sale of a parking lot that did not close in 2019 as anticipated; and (b) the City entering into new lease agreements; and
- \$193,100 favourable variance in commission revenue as a result of the receipt of previously uncollected Goods and Services Tax (GST) (5%) on Sask911 service fees from SaskTel.

### Corporate Support

Corporate Support experienced a \$531,800 surplus, equivalent to a 2.6% favourable variance from budget. The surplus is largely due to temporary staff vacancies and lower union/association retro pay due to settlements occurring at mid-year instead of the beginning of the year. It should be noted that this is an area that has the potential to cause some uncertainty from year to year due to the nature of budgets being approved prior to the ratification of most negotiated agreements.

### Road Maintenance

Road Maintenance experienced a \$526,300 surplus, equivalent to a 1.2% favourable variance from budget. This surplus was mainly associated to an increase in cost recoveries for performing more utility cuts than anticipated (correlated to the number of extreme winter events creating the need to repair underground utilities).

To better manage its expenditures, this program reduced its reliance on special service assistance contractors as the overall road conditions throughout the city have been improving. Dry weather during the spring resulted in less repairs than anticipated on paved and earth streets, resulting in additional cost savings.

### General Services

General Services experienced a \$522,900 surplus, equivalent to a 28.3% favourable variance from budget due to the following factors:

- \$336,600 unfavourable variance in general expenditures due to Department Head recruitment (including moving expenditures) and criminal record check costs;
- \$200,000 unfavourable variance in water administrative recoveries due to a change in agreement where the previously fixed calculation has been replaced by a percentage of water revenues;
- \$187,000 unfavourable variance in general payroll expenditures due to recent legislative changes in pension, CPP and EI employer contributions. This variance was also influenced by group insurance and long-term disability actual rates settling at differing values than anticipated; and
- \$2.8 million favourable variance in the Budgetary Adjustment cost center due to contract settlements being paid and accrued in the appropriate service lines but budgeted for within this service line. The Budgetary Adjustment cost center budget holds a corporate contingency for all contract settlements which was used to offset the unfavourable variance in Fire Services.

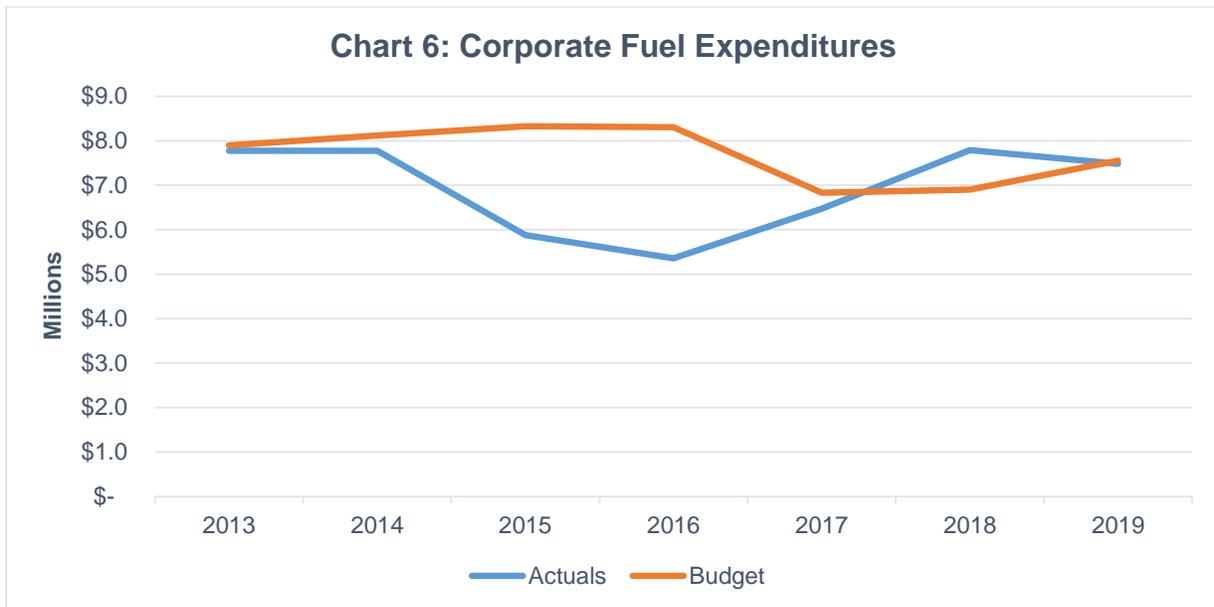
### Saskatoon Fire

Saskatoon Fire experienced a \$2.5 million deficit, equivalent to a 5.1% unfavourable variance from budget. The deficit was mainly due to the payment and accrual of union/association contracts which was offset by the corporate contingency held within General Services.

### Corporate Fuel

The City experienced marginally favourable fuel prices throughout 2019, resulting in a mill rate fuel surplus of \$69,072 which is being transferred to the Fuel Stabilization Reserve.

Chart 6 illustrates the volatility in fuel expenditures between budget and actuals, which prompts this type of year-end transfer to/from reserve to mitigate any mill-rate impact. The Director of Finance has the authority to effect this type of year-end transfer which is consistent with Council Policy No. C03-003.

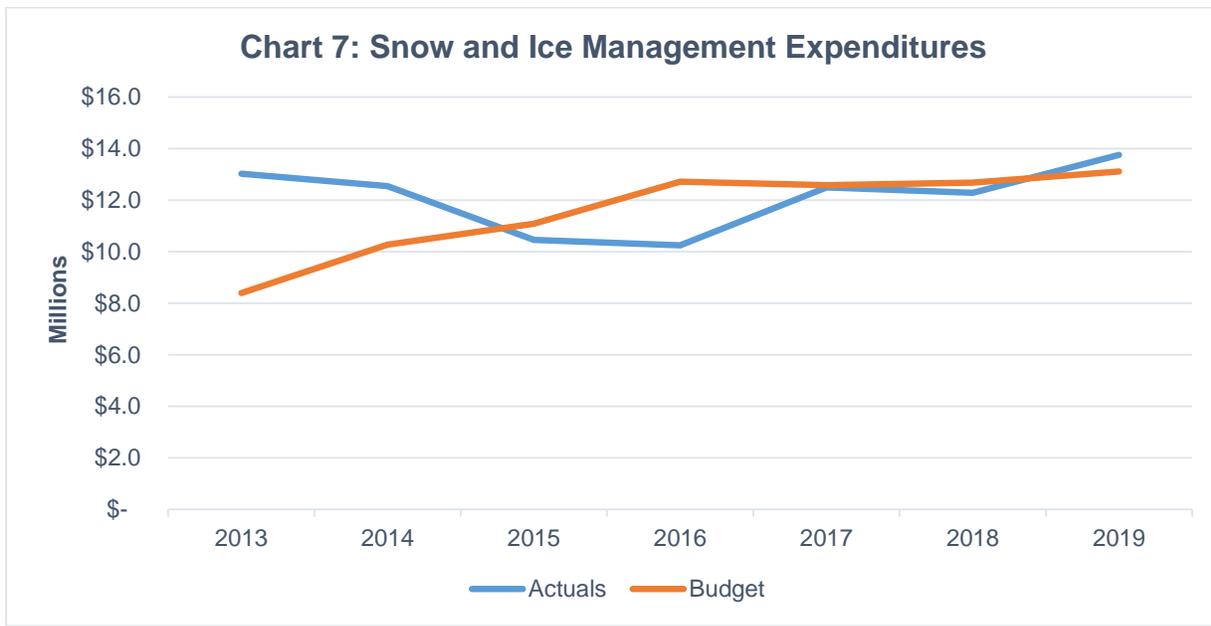


### Recommended Transfers

As a result of the total corporate surplus being \$518,343 (including the Snow and Ice program transfer), the Administration is recommending the following:

- 1) That the Snow and Ice deficit of \$646,610 be transferred from the Snow and Ice Management Contingency Reserve. This was a result of a number of extreme ice conditions during the first half of 2019, creating the need for increased street sanding. The Administration is recommending that a transfer from the Snow and Ice Management Contingency Reserve be made to offset the program deficit, creating a 2019 year-end balance of \$2,965,154 in this reserve.

Chart 7 illustrates the volatility in Snow and Ice Management expenditures between budget and actuals, which prompts this type of year-end transfer to/from reserve to mitigate any mill-rate impact. This is consistent with Council Policy No. C03-003.



- 2) That the remaining corporate surplus of \$518,343 be applied to the 2019 year-end results and transferred to the Fiscal Stabilization Reserve in order to balance the budget. Currently, the Fiscal Stabilization Reserve has a balance of \$4,257,095, and if approved, the new balance would be \$4,775,438 as at December 31, 2019.

#### Utility Year-End Results

- Saskatoon Light & Power reported a year-end surplus of \$1,071,307. This favourable variance was mainly the result of increases in metered and unbilled revenue associated to the carbon regulatory charge implemented in April 2019 (\$2.2 million favourable). This revenue increase was offset by associated increased utility costs (\$2.4 million) and an increase in grants-in-lieu (\$621,100). In addition, there were significant savings in salaries and payroll costs (\$677,000), and also a decrease in reserve transfers due to lower than budgeted landfill gas revenue. This surplus will be transferred to the Electrical Revenue Stabilization Reserve, creating a 2019 year-end balance of \$2,462,742.
- Water Utility reported a year-end deficit of \$3,295,737. This unfavourable variance was a result of declining revenues resulting from the lowest water growth and consumption volumes in nine years (\$4.3 million unfavourable). The water maintenance program also saw the highest number of water main breaks and frozen connections in 80 years. The unfavourable revenue variance was partially offset by \$967,000 in favourable expenditure variances relating to various savings applied to the water maintenance, hydrants, and water services programs. The water deficit will be funded by the Water and Waste Water Stabilization Reserve, creating a 2019 year-end balance of \$2,832,892.

- Waste Water Utility reported a year-end surplus of \$480,305. This favourable variance was a result of unfavourable fixed and volumetric revenues, which was offset by various favourable expenditures reductions. Some of the favourable expenditures variances include: lower debt reduction, lower customer billing, lower transfers to reserve, and lower lift station costs. In addition, delayed capital and maintenance work, less chemical use for one boiler, staffing vacancies, and higher than anticipated heavy grit facility revenue also contributed to the overall marginally favourable variance. The waste water surplus will be transferred to the Water and Waste Water Stabilization Reserve, creating a 2019 year-end balance of \$2,832,892.
- Storm Water Management Utility reported a year-end surplus of \$747,250. This favourable surplus was a result of slightly higher revenues due to commercial property reassessments and properties being annexed into city limits, resulting in increased equivalent run-off units. A commercial equivalent run-off unit represents the water runoff from these properties based on size and surface type. In addition, reduced expenditures in staff vacancies, and repairs for storm sewer maintenance were less than anticipated. Low spring run-off and a moderately dry year resulted in significant savings in the drainage program. This surplus will be transferred to the Storm Water Management Stabilization Reserve, creating a 2019 year-end balance of \$2,803,235.
- Waste Services Utility reported a year-end deficit of \$612,440. This unfavourable variance stems primarily from the Compost and Leaves and Grass programs. These unfavourable variances resulted from increases in salaries to cover overtime for collection operator positions in the Green Cart program (\$140,900), and increased contract costs to process compost at the Compost Depots (\$514,600). The deficit in this utility is subsidized by the Landfill Operations budget.

#### Statutory Boards and Controlled Corporations Year-End Results

- Saskatoon Police Service reported a year-end surplus of \$305,333, equivalent to a 0.32% favourable variance from budget. There were no significant or explicit sources pertaining to this variance.
- TCU Place is reporting a preliminary surplus of \$1,198,528, which will be transferred to its Equipment Replacement Reserve, Capital Expansion Reserve and Stabilization Reserve respectively.
- SaskTel Centre is reporting a preliminary surplus of \$1,356,154, which will be transferred to its Equipment Replacement Reserve, Capital Enhancement Reserve and Stabilization Reserve respectively.
- Remail Modern is reporting a preliminary deficit of \$259,462, which is included as part of the Arts, Culture and Event Venues Business Lines overall deficit.