Year-End Projection for Period Ending July 31, 2020 – COVID-19 Impacts

As previously presented, the COVID-19 pandemic has forced the Administration to make numerous strategic decisions and service level adjustments to many amenities and services provided by the City of Saskatoon (City). Table 1 provides an updated estimate of the potential financial impact that the City may be facing.

Each of the major affected areas identified in the table are based on assumptions that may change over the course of the fiscal year. These assumptions are stated in the itemized details following Table 1, and as the situation changes, these assumptions will likely change as well. Therefore, the forecast has a higher degree of volatility as these assumptions can be difficult to link to any previous experience.

The estimated year-end forecast is a deficit of approximately $14.6 million. City Council approved adjustments at its April 27, 2020 meeting to mitigate a portion of the deficit with expenditure controls and service level adjustments which have been incorporated into the forecast. As part of the strategy to offset the remaining deficit, a recommended contingency of $15 million is being held from reallocated City reserves from the Paved Roadways Preservation capital project to offset the potential capital reductions in 2021 that would be required to balance the 2020 year-end results.

Table 1 – Projected Year-End Net Surplus/Deficit

Item No.	By Major Revenue/Expenditure Category	Surplus/ (Deficit)
	REVENUES ADJUSTMENTS DUE TO COVID:	
1	Transit/Access Transit Revenue	($8.7)
2	Parking Meter Revenues	($2.9)
3	Parking and Traffic Fines	($4.0)
4	Leisure Centre Closures - Revenue	($4.2)
5	Property Tax Penalty/Utility Late Payment Fees	($0.4)
6	Investment Income	($0.0)
7	Landfill Revenue	($0.2)
8	Utility Revenue	($8.3)
9	Franchise Fee Revenue	($0.7)
10	Recreation Closures (Golf, Pools, Fields, Rinks, etc.)	($3.8)
11	Other Revenue	($2.7)
	REVENUE SURPLUS/(DEFICIT) COVID RELATED	**($35.9)**
	EXPENDITURES ADJUSTMENTS DUE TO COVID:	
12	Fuel Savings (Reduced Volume and Price)	$1.2
13	Reduced Operating Expenditures	$6.7
14	Reduced Bulk Power Charges	$2.9
15	Utility Stabilization Reserves and Reduction to Capital	4.0
16	Streetscape Reserve	$0.9
17	Increased Costs Due to COVID	($1.0)
	EXPENDITURES SURPLUS/(DEFICIT) COVID RELATED	**$14.7**

Table 1 - Continued

Item No.	By Major Revenue/Expenditure Category	Surplus/ (Deficit)
	OTHER FORECASTED VARIANCES (NET):	
18	Parking and Traffic Fines	($1.0)
19	Landfill	($1.1)
20	Utilities	($0.6)
21	Partial Use of Utilities Stabilization Reserve	$0.6
22	Other	$1.2
	OTHER FORECASTED VARIANCES SURPLUS/(DEFICIT)	**($0.9)**
	ADDITIONAL SAVINGS:	
23	Discretionary Hiring/Spending/Travel & Training Reductions	$3.1
24	Partial Use of Fiscal Stabilization Reserve	$2.8
25	Service Adjustments	$1.6
	ADDITIONAL SAVINGS	**$7.5**
	PROJECTED YEAREND NET SURPLUS/(DEFICIT)	**($14.6)**
	Percent of 2020 Operating Budget	2.75%
	Percent of Property Tax Increase	5.96%

In millions (000,000's)

Table 1 – Itemized Details:

1. Transit resumed regular service and front-door loading that enabled the ability to reinitiate transit fares on June 8, 2020. Transit is forecasting reduced revenues for 2020 assumed at a 15% uptake of the pre-pandemic levels. Full ridership will likely not be seen until late 2021 and is dependent on restrictions for riders.

2. Similar to transit fares, parking meter fees were waived until May 25, 2020. While parking meter fees are now being accepted, utilization of paid parking meters continues to be lower than originally budgeted. Revenue assumptions are 55% for August, and 65% for the remainder of 2020.

3. With paid parking suspended, the number of parking tickets being issued and corresponding revenues are impacted. The assumption is that August and September are estimated at 50% of previous years' actuals, and then at 65% for the remainder of 2020. In addition, Saskatoon Police Service has drastically reduced the number of traffic tickets being issued. For impacted months, traffic fine revenue is estimated at 75% of normal.

4. With the closure of the leisure centres, the admissions revenue and programs revenue were lost. The rate of revenue recovery will likely be slow and could also impact 2021 revenues. Revenues are assumed at 50% of normal for the months of August and September and 75% thereafter. Registered programs are assumed to start in September 1, however, are expected to have lower class sizes and reduced number of classes. Admissions are estimated at 47% of budget, while registration is at 39% of budget.

5. A property tax and utility payment deferral program was implemented whereby late payment fees on overdue property taxes and utility bills are waived until September 30.

6. While there continues to be fluctuations in cash balances, investments have been re-evaluated, and are now anticipated to be “on budget” for 2020.

7. Due to the shutdown of most commercial business, the tonnage of waste being collected from these enterprises is less which translates into less landfill revenue.

8. Utility revenues continue to exhibit negative pressure, especially on the water and electrical volumetric sales. As at the end of July 2020, electrical revenues are approximately 3% below budget while water and wastewater are approximately 8% below budget.

9. With less electric usage, it is expected that the franchise fees from the provincial utilities will also be slightly reduced.

10. While some portions of recreational activities have been reopened, many will not be reopened until later stages of the Re-Open Saskatchewan Plan. Forestry Farm and Zoo revenues are estimated at 50% of budget, golf course revenues at 70% of budget, campgrounds at 50% capacity, arenas based on a mid-July opening and at 76% of budget, and outdoor pools at 60% of normal due to capacity restrictions. Golf courses and campgrounds are self-balancing programs so the reductions in revenue is offset through expenditure reductions.

11. Impacts will also affect many other programs such as grants-in-lieu of taxation from own utilities, cemeteries, planning and development fees, and animal and business licensing to mention a few.

12. Fuel prices per litre are lower, resulting from many factors, and will benefit the City. In addition, there will be a decrease in volumes consumed due to reduced transit service in particular.

13. With facilities and other programs closed, divisions have updated their budgets to reflect the reduction in expenses. As well, all divisions have been reviewing their budgets for other operational savings.

14. Reduced bulk power purchases from SaskPower due to reduced electric consumption.

15. The City’s utilities are projected to be in a year-end deficit due to COVID-19, where reductions to the capital programs in the amount of $0.8 million and the use of the stabilization reserve in the amount of $3.2 million will be required to cover any deficits.

16. Reduced parking revenues have had a downstream affect that cause a reduction of the contributions to the Streetscape Reserve of $0.9 million.

17. Increased costs related to COVID-19 include emergency measures planning, increased cleaning costs at civic facilities and at Transit locations, increased need for personal protective equipment (PPE), staffing for playground monitoring, etc.

18. Parking and Traffic Fines that are non-pandemic related are expected to be under-budget by approximately $1.0 million.

19. Waste Handling is anticipated to be unfavourable by approximately $1.1 million compared to budget as expected due to base budget discrepancy.

20-21. Utilities were trending to have unfavourable variances unrelated to COVID-19 of approximately $0.6 million from reduced consumption and offsetting expenditure reduction, which will be covered off by the related Utility Stabilization Reserves.

22. All other areas are contributing to a favourable variance of $1.2 million.

23-25. Based on the decisions at the April 27, 2020 City Council meeting, a number of service level adjustments, operational savings, and allocation of reserves were approved to help reduce the projected COVID-19 related deficit.

Forecasted Financial Impact – Controlled Corporations

The financial forecasts of the controlled corporations (Remai Modern, TCU Place, and SaskTel Centre) are not included in the City's forecast in Table 1 (Appendix 2). However, SaskTel Centre and TCU Place are expected to be significantly impacted.

Both SaskTel Centre and TCU Place have indicated that their shortfalls will be offset by using their stabilization reserves and capital reserves so as not to impact the mill rate.

SaskTel Centre is currently projecting a deficit of approximately $3.803 million due to revenue losses from cancelled events, but is partially offset by savings from layoffs, a reduction in hours to all remaining employees, and significant cuts to other budgeted expenditures. The current deficit for SaskTel Centre will be covered by its Stabilization Reserve, as well as transfers from its Capital Reserve fund subject to Board approval.

TCU Place is projecting a deficit of approximately $3.077 million due to revenue losses from cancelled events. Management is working to offset this deficit with cost reductions in the form of layoffs, reduction in hours, and elimination of all discretionary expenditures. TCU Place will also be able to mitigate losses by earning revenue through small, socially distanced events in 2020 that will adhere to all government mandated gathering restrictions and guidelines. Any small events will reduce the deficit from its current projection. The deficit for TCU Place will be covered by its Stabilization Reserve and/or transfers from its Capital Reserve.

The Remai Modern Art Gallery is currently projecting to break even for 2020.