

Preliminary Year-End Results – December 31, 2020

ISSUE

This report is to inform City Council of the preliminary year-end financial results for the fiscal year ending December 31, 2020. The Administration is also requesting City Council approval of the following recommendations, subject to the confirmation of the external audit.

RECOMMENDATION

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

1. That the deficit within the Snow and Ice Program be partially offset by a transfer from the Snow and Ice Management Contingency Reserve in the amount of \$3,453,144; and
2. That the remaining year-end deficit be offset by a transfer from the Fiscal Stabilization Reserve in the amount of \$701,813.

BACKGROUND

Prior to the external audit of the City of Saskatoon's (City) year-end financial statements, the Administration tabled a report to inform City Council and the public about the preliminary year-end financial results in which a significant deficit was projected.

At its meeting on June 29, 2020, when considering a report on the Municipal Economic Enhancement Program (MEEP), City Council resolved, in part:

- "2. That \$15.00 million be reallocated from the Paved Roadways Infrastructure Reserve and held to offset potential future reductions to reserves."

DISCUSSION/ANALYSIS

The preliminary results indicate a \$701,813 deficit which includes a \$15,000,000 reduction in the transfer to the Paved Roadways Infrastructure Reserve by using MEEP funding to replace the reduction of the reserve contribution for the Paved Roadways program.

This deficit is net of stabilization reserve transfers that are within Council Policy No. C03-003, Reserves for Future Expenditures, and applied to stabilize program results as intended. The transfer from Snow and Ice Management Contingency Reserve in amounts over 10% of the Snow and Ice Program budget requires City Council approval. The transfer to the Internal Audit Program Reserve of the unspent amount of \$316,739 for the Internal Audit Program is also recommended to the Standing Policy Committee on Finance to be waived in a separate report, the Internal Audit Update and Reserve Transfer Report of the Chief Financial Officer dated April 12, 2021.

Appendix 1 provides a summary of the financial results by business line for the year ending December 31, 2020. Appendix 2 provides a detailed overview of the 2020 Preliminary Year-End Financial results.

MEEP Reallocation and Paved Roadways Infrastructure Reserve

The MEEP funding received was used for eligible and approved projects in 2020 and into 2021. This included \$27,129,807 for the Paved Roadways and Sidewalks program. A reduction in the transfer to the Paved Roadways Infrastructure Reserve was then completed in 2020 for \$15,000,000 to help offset the projected year-end operating deficit. This \$15,000,000 is already included in the City's year-end results by reducing the reserve transfer within the Road Maintenance service line. The remaining \$12,129,807 in MEEP reallocation funding was allocated to projects by City Council in 2020.

Snow and Ice Management Contingency Reserve

The Snow and Ice Management Contingency Reserve is used to stabilize the Snow and Ice Management service lines in years where there is a deficit. At the end of December 31, 2020, the reserve balance was \$3,453,144. Due to the significant deficit of \$10,344,833 in this program, the Administration is recommending transferring the full balance in this reserve to help offset the deficit. This will leave \$0 in this reserve.

In accordance with Council Policy No. C03-003, City Council is to be kept informed of all withdrawals from this reserve. City Council approval is required when the withdrawal during the year exceeds 10% of the Snow and Ice Management service line budget.

Fiscal Stabilization Reserve

The Fiscal Stabilization Reserve was established to mitigate mill rate impacts from fluctuations in operating results from year to year and had a balance of \$4,775,439 as at December 31, 2020. The Administration recommends using \$701,813 of this reserve, which will leave a remaining balance of \$4,073,626.

The civic utilities had the following surpluses:

Utility Program	Surplus
Saskatoon Light & Power	\$1,487,962
Water Utility	\$2,110,785
Wastewater Utility	\$2,371,231
Storm Water Utility	\$1,611,208
Waste Services Utility	\$1,253,716

The Utility surpluses have been transferred to their respective utility stabilization or replacement reserves as outlined in Council Policy No. C03-003.

Comparison to Third Quarter Report

At the November 23, 2020 Governance and Priorities Committee meeting, the Administration reported that the estimated year-end forecast was approximately \$20,100,000. This estimate included the transfer of the full Snow and Ice Management Contingency Reserve as well as \$2,800,000 from the Fiscal Stabilization Reserve, but also excluded the \$15,000,000 reduction to the Paved Roadways Infrastructure Reserve.

As COVID-19 brought many uncertainties to the City, the Administration made best assumptions given the information at hand with regards to fiscal projections. This resulted in a number of items which proved to be challenging to predict, given no previous historical data to rely on. The approximate \$7,200,000 difference between the previous report and the year-end deficit is due in large part to the following:

- Corporate Asset Management - \$1,258,900 less expenditures than projected due to efficiencies gained or less requirements for COVID-19 cleaning than anticipated.
- Corporate Governance and Finance - \$1,288,400 less expenditures than projected due to salary savings from vacancies being more than anticipated, as well as the Internal Audit Program Reserve transfer not being completed.
- Recreation and Culture - \$1,243,500 positive variance was due to a combination of lower expenditures and in some facilities more revenues than initially projected. Specifically, less expenditures than projected within the Parks Maintenance and Design service line for mowing contracts and delay of building repair work, lower expenditures within the Forestry Farm and leisure centres due to less staffing and contract instructors, more revenue in the leisure centres and indoor rinks than anticipated, and additional property tax revenue for River Landing. The surplus aligns with direction of City Council. At its meeting on April 27, 2020, City Council resolved that the Administration proceed with reduced expenditures for Parks to save approximately \$1.02 million.
- Transportation - \$3,107,600 favourable variance due to less than expected vehicles and equipment rentals for Street Cleaning & Sweeping and Road Maintenance, higher than expected year-end Transit revenues, lower than expected fuel costs, and lower than expected salary costs.

The Utility programs had projected an estimated \$500,000 deficit in the third quarter report but ended with an overall \$8,834,800 surplus. This surplus is due mostly to revenues being higher than anticipated in the fourth quarter, as well as savings from salaries, vehicles, equipment, fuel, and maintenance.

The expenditure savings from staffing or vacancies, delay of work, or vehicles and equipment resulted from discretionary spending and hiring freezes. The Administration focused heavily on trying to drive expenditures down during the year to account for the COVID-19 impacts.

Statutory Boards and Controlled Corporation Results

The Saskatoon Police Service's surplus of \$914,212 is included in the City's year-end results.

The remaining Statutory Boards and Controlled Corporations are not included in the City's year-end results:

- SaskTel Centre is reporting a preliminary deficit of \$3,518,981 which will be covered in its entirety by its Stabilization Reserve.
- TCU Place is reporting a preliminary deficit \$2,916,643 for the fiscal year ended December 31, 2020. The deficit will be supported by drawing down the TCU Place capital expansion reserve fund.
- Remai Modern is reporting a preliminary balanced budget for the fiscal year ended December 31, 2020.

FINANCIAL IMPLICATIONS

The deficit remaining for the year ended December 31, 2020 is \$701,813, which the Administration recommends being funded from the Fiscal Stabilization Reserve. Included in this deficit is the \$15,000,000 reduction in the transfer to the Paved Roadways Infrastructure Reserve by using MEEP funding to replace the reduction of the reserve contribution for the Paved Roadways program. This also assumes that the following recommended items will be approved by City Council:

- The transfer from the Snow and Ice Management Contingency Reserve as per Council Policy No. C03-003 in the amount of \$3,453,144; and
- Waiving the transfer to the Internal Audit Program Reserve in the amount of \$316,740.

The Administration views this as a successful overall result, considering the costs incurred due to cleanup of the 2020 blizzard, which resulted in the Snow and Ice Program being more than \$10 million overspent, are a part of the year-end figures.

OTHER IMPLICATIONS

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

NEXT STEPS

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

APPENDICES

1. Preliminary Financial Results – Year Ending December 31, 2020
2. Detailed Overview of Preliminary Year-End Financial Results

REPORT APPROVAL

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