

## Storm Water Management Utility 2021 Stabilization Reserve Funds Allocation

### ISSUE

The Storm Water Management Utility Stabilization Reserve reached its maximum cap at the end of 2020. Based on historical budget variances, the maximum cap value can be reduced with funds reallocated to capital reserves.

### RECOMMENDATION

That the Standing Policy Committee on Environment, Utilities and Corporate Services recommend to City Council:

1. That the Storm Water Management Utility Stabilization Reserve cap be reset to 50% of the annual budget of Storm Sewer Maintenance and Drainage; and
2. That the funds exceeding the new reserve cap (\$1.6M) be transferred from the Storm Water Management Utility Stabilization Reserve to the Storm Water Capital Reserve to provide support for current capital strategies and upcoming capital maintenance works.

### BACKGROUND

City of Saskatoon Council Policy C03-003, Reserves for Future Expenditures, Civic Utilities Stabilization Reserve 13.1, is to offset unanticipated utility operating deficits by establishing and maintaining a reserve.

Policy C03-003 - S13.3d allows for the balance of the Storm Water Management Utility Stabilization Reserve to be capped at an equivalent value of the Storm Sewer Maintenance and Drainage expense components of the current year's operating budget. Policy C03-003 - S13.4f allows for the transfer of funds from the Storm Water Management Utility Stabilization Reserve to the Storm Water Capital Reserve.

### DISCUSSION/ANALYSIS

The Storm Water Management Utility Stabilization Reserve reached its maximum cap of approximately \$3.1M at the end of 2020. However, to accommodate annual increases in the City infrastructure network and inflation, the reserve's maximum cap increases each year.

Table 1 below displays variance reporting, annual reserve cap and balance for the Storm Sewer Maintenance and Drainage operating accounts from 2016 to 2020. For years 2016 to 2019, the average annual operating expenses were approximately \$163K below the years' budget. The large positive variance in 2020 was considered an outlier due to the pandemic and the impact it had on operations. Of these 5 years, only in 2018 did operating expenses exceed the annual budget amount (\$30K). The actual expenditures for storm sewer maintenance and drainage are impacted by weather,

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annual maintenance programs, and the number of customer inquiries due to spring melt or flooding.

Table 1 - 2016 to 2020 Storm Operating Variance and Stabilization Reserve Balance (in Millions)

Year	Storm Sewer Maintenance & Drainage			Stabilization Reserve Year End Balance
	Budget (and max cap)	Expenditures	Variance	
2016	\$2.74	\$2.62	\$0.12	\$1.46
2017	\$2.84	\$2.69	\$0.15	\$1.75
2018	\$2.97	\$3.00	\$(0.03)	\$2.06
2019	\$3.06	\$2.65	\$0.41	\$2.80
2020	\$3.14	\$1.85	\$1.30	\$3.14

The following are other civic utilities stabilization reserve maximum caps for comparison:

- Water and Wastewater: 5% of annual budget
- Electrical: 1.5% of annual budget
- Recycling: 5% of annual budget

Considering historical budget variances and in comparison to other civic utility stabilization reserve caps, the sum of the yearly Storm Sewer Maintenance and Drainage expense components is no longer applicable as a maximum reserve cap. This funding could be better utilized to advance capital programs of the Storm Water Utility including the Flood Control Strategy (\$57.3M), the Montgomery Place Drainage Improvement Project (\$11.2M), and future capital maintenance dredging programs for storm water ponds within the City.

An option to this proposal would be to have the Storm Water Management Utility Stabilization Reserve cap remain status quo. Funds exceeding the cap would continue to be transferred to the Storm Water Capital Reserve as is current practice.

The storm water utility fee supports both capital and operating expenses. Reallocating the excess funding from the stabilization reserve to fund capital projects was deemed more effective as it would offset future rate increases to fund capital programs.

### FINANCIAL IMPLICATIONS

The current and proposed Storm Water Management Utility Stabilization Reserve caps are presented below in Table 2 with budget information from 2022 to 2026. Note that budget and planned amounts for 2022 to 2026 have not yet been approved by City Council.

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Table 2 - 2022 to 2026 Annual Storm Operating Budget and Stabilization Reserve Cap (in Millions)

<b>Description</b>	<b>Year</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>
Storm Sewer Maintenance and Drainage Budget		\$3.3	\$3.4	\$3.4	\$3.4	\$3.6
Current Stabilization Reserve Cap		\$3.3	\$3.4	\$3.4	\$3.4	\$3.6
Proposed Stabilization Reserve Cap		\$1.7	\$1.7	\$1.7	\$1.7	\$1.8

### **OTHER IMPLICATIONS**

The recommendation in this report supports the Strategic Goal of Asset and Financial Sustainability.

There is no environmental, privacy, public or CPTED implications or considerations. Public Notice pursuant to Section 3 of Policy No. C01-021, Public Notice Policy, is not required.

#### Report Approval

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