

# 2022 Budget Implementation Update

## ISSUE

As identified during the 2022/2023 Business Plan and Budget Deliberations, the 2022 budget included approximately \$7.0 million of global reductions or targeted savings that Administration was tasked with achieving in 2022. This report outlines Administration's current plan to realize these reductions as well as decision points required by City Council.

## BACKGROUND

### History

In addition to the \$7.0 million global reduction, the 2022 budget also carried increased financial risk in certain areas as Administration continues to try and mitigate increasing costs. Some of the more significant administrative adjustments include:

- \$300,000 not included for insurance premium increase;
- \$593,600 not included for interest revenue decrease;
- \$1.25 million not included for estimated software costs, and staffing; and
- \$1.23 million not included for transfer to Roadways reserves, compared to the full amount that would have been transferred to cover growth and inflation. Evolving contracting practices and favourable prices in earlier years gave the Administration optimism that the Asset Management planned treatment cycles could still be achieved.

### Current Status

#### Continuous Improvement Background

In 2005, City Council adopted a resolution which aimed to increase the corporation's productivity and efficiency. City Council also instructed Administration to report annually on efficiencies implemented in the previous year. This direction was more formally established in 2013 through the City's Continuous Improvement (CI) Strategy, which was embedded in the City of Saskatoon (City) first 10-year Strategic Plan.

To chronicle these efforts, the City started formally producing an annual report called Service, Savings and Sustainability (SSS) in 2014. Since 2013, work under the CI Strategy has identified more than \$400 million (nominal) in reduced expenditures, deferred costs, time savings, and additional revenues. In the absence of such a program, it is anticipated the City's fiscal circumstances, programs, services, and quality of life would be substantially different than it is today.

Historically, as continuous improvement initiatives were implemented and savings realized, future years budgets would represent these changes. Over the years, City Council and Administration worked collaboratively to refine the budget and processes to

a point where the City's budget is built on achieving the City's strategic priorities, and all funding can be directly tied to a specific service or function.

In recent years due largely to the financial pressures brought on by the global pandemic and the need to balance the financial uncertainty, affordability and the maintenance of services, the City's budgets have included aggressive global reductions or targeted savings. This required Administration to identify solutions to balance the overall budget without negatively affecting services to the public.

### 2022 Global Reductions / Targeted Savings

Immediately after budget approval, Administration began working within their teams to identify opportunities to achieve these targeted savings in 2022 and balance the budget. Through these discussions it became evident there were three distinct streams:

- Administrative initiatives that could be implemented with no City Council approval;
- Initiatives that will require City Council approval at year-end if they are required; and
- Initiatives that would require City Council direction today if they were to be implemented.

### Administrative Initiatives

Administrative initiatives are identified as those that are in line with current policies and do not disrupt current service levels. A summary of the initiatives which have been identified by Administration and will be implemented can be seen in the following table:

<b>Initiative</b>	<b>Description</b>	<b>Estimated Impact</b>
Training Savings	Investing in our people is important, however, due to the ongoing impacts of Covid-19 and associated restrictions a 25% reduction in property tax funded training is targeted for 2022.	\$500,000
Lease	Additional lease revenue is expected in 2022 as Saskatoon Land has finalized some recent Industrial Lease arrangements.	\$456,000
Office Supplies	Recently awarded city wide contract for office supplies is expected to realize significant savings over the life of the contract.	\$50,000
Staff Vacancies and Deferrals	Administration will defer hiring of FTE's and hold vacancies where citizen services are not affected.	\$1,000,000
Provision for Civic Services	Reduction in the contribution to the Provision for Civic Services due to less projected events in 2022 due to Covid.	\$50,000

## 2022 Budget Implementation Update

Misc.	Administration has reviewed the ability to defer a variety of external/internal printing requirements, special services and contracting in 2022.	\$200,000
<b>Total</b>		<b>\$2,256,000</b>

### Potential Year-End Options

Administration has also reviewed a variety of options that would require City Council approval which would not have a significant impact on existing services. The actual amounts proposed to City Council at year-end could be adjusted based on actual 2022 Year-End results.

<b>Initiative</b>	<b>Description</b>	<b>Estimated Impact</b>
Water Utility ROI Increase	Due to recent years of positive financial performance, Saskatoon Water could allocate a one-time 1% increase to the current 10% Return on Investment.	\$1,700,000
Special Event Reserve Contribution	Reduced events due to Covid in 2020 and 2021 has built up the current reserve to a healthy balance of \$1.46 million. There is an opportunity to defer the 2022 planned contribution to this reserve with limited short-term impacts.	\$500,000
Capital Returns	Transportation and Construction has identified several capital projects which are nearing completion with surplus funding. Per policy, the current approach is to return these surpluses to the original reserve they came from, however, City Council could authorize a one-time transfer to the operating budget to achieve the targeted savings.	\$2,000,000
<b>Total</b>		<b>\$4,200,000</b>

### Potential Service Level Options

In addition to administrative and year-end initiatives, City Council has the ability to adjust service levels for 2022 in order to achieve savings to balance the budget. Any other service changes could be brought forward by City Council and Administration could report further on them. A summary of potential options Administration identified can be found below:

<b>Initiative</b>	<b>Description</b>	<b>Estimated Impact</b>
Parks Line Trimming	Adjust the line trimming services (around light posts, trees, etc.) from once every seven days to once every 21 days.	\$400,000

Fitness Equipment Deferral	Defer the replacement of fitness equipment by one year due to less use at Leisure Centres due to Covid restrictions from 2020 – 2022. City Council direction would need to be provided as this would impact a previously approved transfer to reserve.	\$60,000
Roadway Maintenance Deferral	Reduce contractor assistance for spot repairs and preventative maintenance on streets. The purpose of this work is to reduce the formation of potholes.	\$242,000
Street Cleaning & Sweeping	Reduce contractor assistance with industrial street sweeping and cleaning. This would delay the completion of industrial street sweeping by approximately 2 months as well as impact sweeping work done during the summer months on arterial streets as internal resources would need to be redeployed.	\$96,000
<b>Total</b>		<b>\$798,000</b>

**Public Engagement**

Public engagement has not been undertaken regarding the options presented. Further to this report, City Council has directed Administration to provide a more detailed review of the Calgary’s SAVE program and Edmonton’s Reimagine Services Program which could lead to more comprehensive engagement strategy. The specific resolution outstanding from Budget Deliberations held on November 29, 2021 states:

“That the Administration report with an itemized examination of the proposals in Calgary’s SAVE program and Edmonton’s Reimagine Services program with an analysis of the various options they implemented, or didn’t implement, to reduce cost, and recommendations on what we can learn from their work.”

**OPTIONS**

**Option 1 – Administrative Initiatives Only**

The Governance and Priorities Committee has the option to direct Administration to focus on Administrative Initiatives only. As indicated by the tables presented earlier in this report \$2.25 million is estimated to be realized through the identified Administrative initiatives.

If this option is selected Administration will continue to try and maximize the amount of savings through this stream with the goal of achieving more than the \$2.25 million identified. However, given the previous budget reductions undertaken prior to setting the indicative budget rate, it is unlikely Administrative initiatives alone will achieve the \$7 million global reduction/savings target included in the budget. If it is not achieved, this would be reported at year-end and rely on the Fiscal Stabilization Reserve for funding.

Relying on the Fiscal Stabilization Reserve is not an ideal solution as it would use up the majority of the funds within that reserve and leave little room for financial flexibility in 2023 and beyond when there is still significant uncertainty regarding the pandemic recovery and its financial implications on the City.

With that being said, Administration continues to work on longer term initiatives aimed at enhancing capacity within the organization and potential additional savings. These initiatives include:

- Ongoing Fusion Implementation and Sustainment that aims at modernizing the City's processes, improving internal controls, enhancing data availability and efficiencies;
- Ongoing modernization of procurement practices which includes a renewed strategic approach; and
- Maximizing the City's ability to leverage other level of government funding.

### **Option 2 – Administrative and Year-End Initiatives**

This option includes both the implementation of Administrative initiatives, as well as the potential to implement the Year-End Initiatives that were presented earlier in this report. While the year-end options will not be implemented immediately, receiving committee support for this option will give clear direction to Administration on acceptable options when preparing mid-year financial forecasts and year-end reporting.

This option will provide alternatives to solely relying on the Fiscal Stabilization Reserve with the goal of maintaining that reserve to address the financial uncertainty as the City recovers from the pandemic in 2023 and beyond. This option takes a one-City approach by utilizing funding options such as capital project surpluses and utility contributions to address any short-falls not addressed by Administrative initiatives alone.

### **Option 3 – Administrative, Year-End and Service Level Options**

This option utilizes all three streams presented previously in this report including administrative, year-end and service level options. Between the three streams it is expected that the full \$7 million in global reductions/targeted savings would be achieved. This option includes some temporary reductions in service levels in 2022 with the expectation that service levels would return to normal in 2023 and beyond.

#### **RECOMMENDATION**

That Administration be directed to take the appropriate steps to implement Option 2 by maximizing the Administrative operating options to realize the \$7 million in global reductions/targeted savings and utilizing year-end options to mitigate the reliance on the Fiscal Stabilization Reserve.

#### **RATIONALE**

Based on the initial review, it will be difficult for Administrative options alone to achieve the \$7 million in targeted savings/global reductions required in 2022 to balance the

budget. Option 2 provides no direct impact to services and utilizes creative means to limit the reliance on the Fiscal Stabilization Reserve and provides financial flexibility into 2023 and beyond to address the uncertainty as the City continues to recover from the Covid pandemic.

**FINANCIAL IMPLICATIONS**

The financial implications are included in the body of the report. If Option 2 is implemented, it is estimated to provide approximately \$6.46 million. While this is short of the \$7 million global reduction/targeted savings included in the budget, these are estimates at this time and Administration will continue to try and achieve further savings as 2022 unfolds.

**ADDITIONAL IMPLICATIONS/CONSIDERATIONS**

There are no additional implications or considerations.

**REPORT APPROVAL**

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