Detailed Overview of Preliminary Year-End Financial Results

City of Saskatoon General Fund – 2021 Summary				
	2021 Budget	**2021 Actuals**	**Variance**	**Percentage**
Revenues	546,616,200	530,143,166	(16,473,034)	-3.01%
Expenditures	546,616,200	536,681,789	9,934,411	1.82%
Surplus/(Deficit)	**-**	**(6,538,623)**	**(6,538,623)**	**-1.19%**

2021 YEAR-END MILL RATE RESULTS

The deficit for the year ended December 31, 2021 is $6.54 million. Included in this deficit is:

- $488,500 transfer from the Snow and Ice Management Contingency Reserve as per Council Policy No. C03-003, Reserve for Future Expenditures;
- Payroll related transactions due to settlements and arbitration awards from prior years of $1.02 million; and
- $1.26 million funds received in 2021 from the Province of Saskatchewan for highway maintenance in prior years.

The deficit amount also assumes the following items that require City Council approval will be approved:

- Waiving the transfer to the Internal Audit Program Reserve in the amount of $225,104 as per the report of the Chief Financial Officer dated April 12, 2022; and
- Waiving the transfer to reserve for the following items as detailed in the business line summaries below:
    - $57,700 to the Animal Service Reserve;
    - $274,215 to the Reserve for Unexpended Youth Sports Subsidy Funds;
    - $714,030 to the Parks Division Grounds Maintenance Stabilization Reserve; and
    - $11,563 to the Impoundment Program Stabilization Reserve.

The Administration is recommending that the deficit of $6.54 million be funded by:

- $3.71 million from the reallocated Canada Community Building Funds contingency,
- An additional transfer from the Water and Wastewater Utility in the form of a Return on Investment (ROI) in the amount of $1.72 million, and
- The remaining $1.11 million funded from the Fiscal Stabilization Reserve.

Explanations for the significant variances by business line, and service line for further information where applicable, are provided in greater detail below.

Arts, Culture and Events

The deficit in the Arts Culture and Events business line is $84,842. Due to the closures and cancellation of events from COVID-19 the amount of the SaskTel contribution was less than budgeted.

Community Support

The deficit in the Community Support business line is $110,919. Expenditure savings were realized due to the COVID-19 impacts on services or events like school usage by Community Associations as fewer programs were offered, reduced Leisure Access admissions, reduction in provision for civic services as fewer festivals and events occurred, as well as spending and hiring restrictions. The savings were offset with deficits within the economic incentives for additional abatements and incentives given throughout the year.

The Administration is recommending surpluses from savings due to COVID-19 impacts, that would get transferred to various reserves as per Reserve for Future Expenditures Policy C03-003 (Policy), remain within the service line to offset the corporate deficit. These items are as follows:

- Animal Services experienced a surplus partially due to under expenditures from staff vacancies and reduced dangerous animal investigations due to COVID-19. As per Policy, any positive amounts from a current year's operating revenues minus operating expenditures for the Animal Service Program should be transferred to the Animal Service Reserve. The Administration is recommending that the amount of surplus of $57,700, related to services reduced or not carried out due to COVID-19, not be transferred to the reserve but instead remain within the service line to help offset the overall corporate deficit. This will leave a balance of $242,363 within the reserve.
- As per Policy, any unexpended funds remaining in the operating budget for the Youth Sports Subsidy Program should be transferred to the Reserve for Unexpended Youth Sports Subsidy Funds. The Administration is recommending the amount of surplus related to services not completed due to COVID-19 of $274,215 not be transferred to the reserve but instead remain within the service line to help offset the overall corporate deficit. This will leave a balance of $265,620 within the reserve.

Corporate Asset Management

There was a small surplus of $15,452 within the Corporate Asset Management business line due to savings in lease costs offset by overages in staffing costs.

Corporate Governance & Finance

Corporate Governance & Finance experienced a deficit of $8.07 million. This business line contains the budget for $4.40 million of the global reduction or targeted savings (which includes the corporate reduction of 1% as approved by City Council at the 2021 Business Plan and Budget Deliberations). Many of these savings are recognized and detailed throughout the various other business lines and summarized in the Overall Saving section of this Appendix. Some of the other key variances in this Business Line include:

- Approximately $1.02 million in unfavourable expenditures were realized from prior years expenditures on payroll related settlements and required changes to calculations.
- Information Technology (IT) related expenditures were unfavourable by a variance of $2.48 million mainly due to additional Microsoft licensing, spending on IT equipment such as laptops, and the cyber security program.
- An unfavourable variance of $1.20 million was also realized on administrative recoveries from water and wastewater due to a base budget item not being in alignment with current recovery rates. This base budget issue is being phased-in over future years budgets.
- An unfavourable variance in insurance premiums of approximately $439,000.

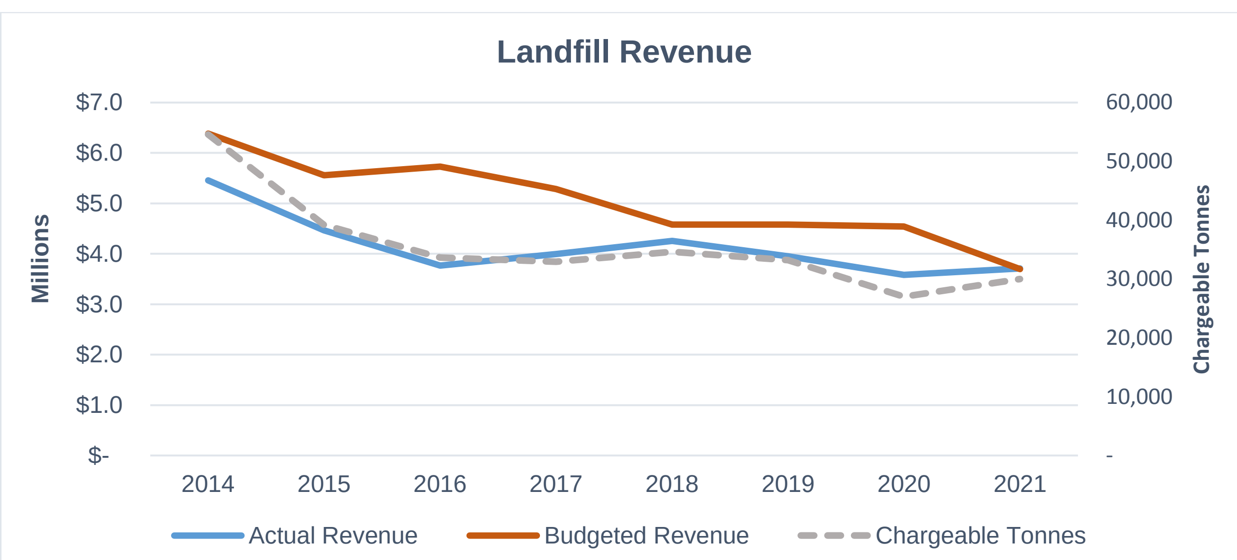
These items are offset in part by the favorable variance in the Internal Audit Program, reduction in costs due to cancellation of in-person meetings, training and travel savings, and staff vacancies from positions not being filled.

Environmental Health

Overall, Environmental Health experienced a surplus of $772,529. Waste Handling Services was the majority of this surplus due to savings in buildings and grounds maintenance because of deferring non-essential maintenance to reduce spending, a reduced provision to the Landfill Replacement Reserve due to lower tipping fees and savings in vehicles and equipment for lower fuel rates.

Chart 1 illustrates the gap between budget and actual landfill revenues over the last eight years, overlaid with collection volumes, described as chargeable tonnes. To ensure comparative values with prior years, the budgeted and actual revenues in 2021 do not include the payment for airspace value consumed at the landfill. This chart shows the alignment between budgets and actual revenue.

Chart 1 – Landfill Revenue



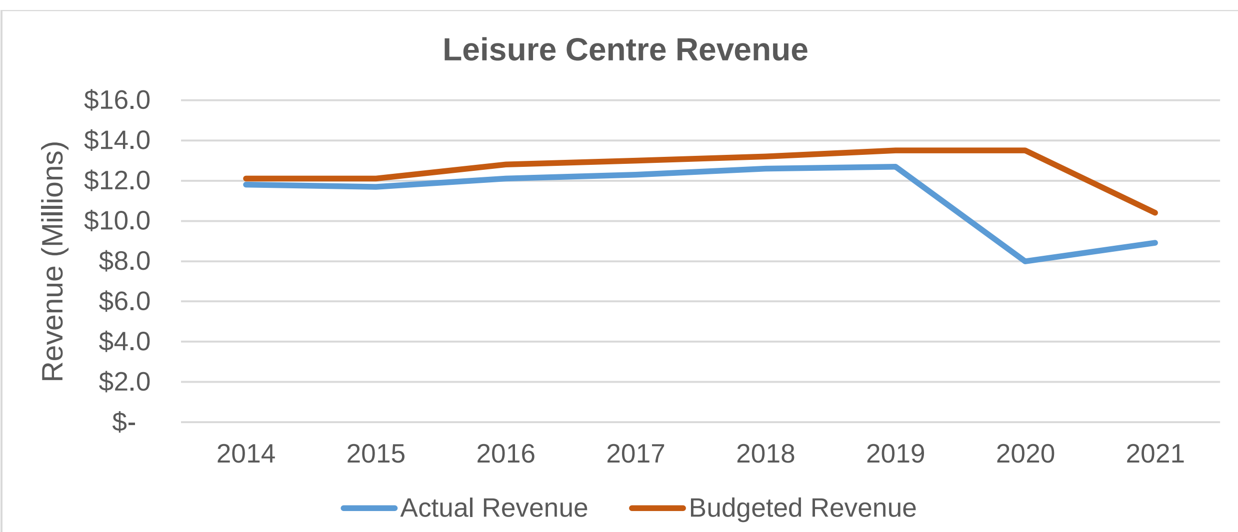
A surplus was also realized in Urban Biological Services due to savings on chemicals from lower mosquito populations and staff vacancies.

Recreation & Culture

Recreation & Culture experienced a surplus of $858,761.

- The Forestry Farm Park and Zoo had higher revenues than expected which were partially offset by additional expenditures in feed costs, utilities and banking fees resulting in an overall surplus of $62,540.
- Golf Courses ended 2020 with a surplus of $965,100 which was transferred to the Golf Course Capital Reserve and Holiday Park Redevelopment Reserve to balance the service line to $0. This was a combination of favourable revenues, lower staffing costs due to vacancies or delays in hiring and golf pro contract costs.
- Gordie Howe Campsite increased the contribution to the Campsite Reserve to offset the surplus of $174,600 which was due to higher rental revenue, lower utility costs and reduced maintenance partially offset by enhanced cleaning.
- Indoor Rinks and Leisure Centres had a combined deficit of $979,252. Indoor rinks deficit was due to additional staffing and Zamboni repairs. Revenues were lower than expected in the leisure centre facilities (achieving between 12% to 65% of budgeted revenue) which were offset partially by reductions to staffing, utilities, contract instructors, and operational expenditures. Chart 2 illustrates the gap between the impact on the budgeted revenues and actual revenue for the Leisure Centres mostly caused by COVID-19. It is important to note that the 2021 budgeted revenue was reduced for the expected COVID-19 impact, however the actual revenues were still lower than the revised 2021 budget.

Chart 2 – Leisure Centre Revenue



- Outdoor Pools and Sports Fields had a combined surplus of $462,325 due to lower lifeguard requirements and savings from the discretionary spending, savings in the Gordon Howe Sports Complex due to the expected upgrades not being complete which resulted in operational savings, as well as operational savings from the K&S Sports Centre (formerly the Cairns Building) not being completed until the fall of 2021.

- Parks Maintenance & Design operations had a $714,030 surplus. These savings resulted from a reduction in staffing due to COVID-19 social distancing requirements, and related operating costs which were partially offset from over expenditures in additional irrigation required due to the dry conditions. In accordance with Council Policy No. C03-003, the unexpended funds in Parks Maintenance & Design should be transferred to the Parks Division Grounds Maintenance Stabilization Reserve. Because much of this surplus is due to savings from COVID-19 related measures, the Administration is recommending waiving the transfer to this reserve for 2021 which will allow the surplus in this program to help offset the overall City deficit. The current balance in the reserve is $460,303 and the risk of not making this transfer is that if a future weather-related unfavourable variance is more than this amount, the remaining unfavorable variance would fall to the City's overall bottom line once this reserve is depleted.
- Nutrien Playland had savings of $83,340 resulting from higher revenue than expected and lower staffing costs.
- River Landing is a service line that is balanced to $0 with a transfer from the Reserve for Capital Expenditure (RCE) but in 2021 had budgeted for a COVID-19 impact of $218,900. Due to additional supplemental property tax revenue, savings on special services, parkade cleaning and staff costs, offset by lower parkade revenue, the Administration was able to reduce the draw from the RCE for these items and balance this service line to $0, resulting in an operating savings of the budgeted $218,900.
- Targeted Programming for youth centres and skateboard programs had savings of $121,005 resulting from reductions in salaries, programming costs, travel, and maintenance due to reduced program offerings.

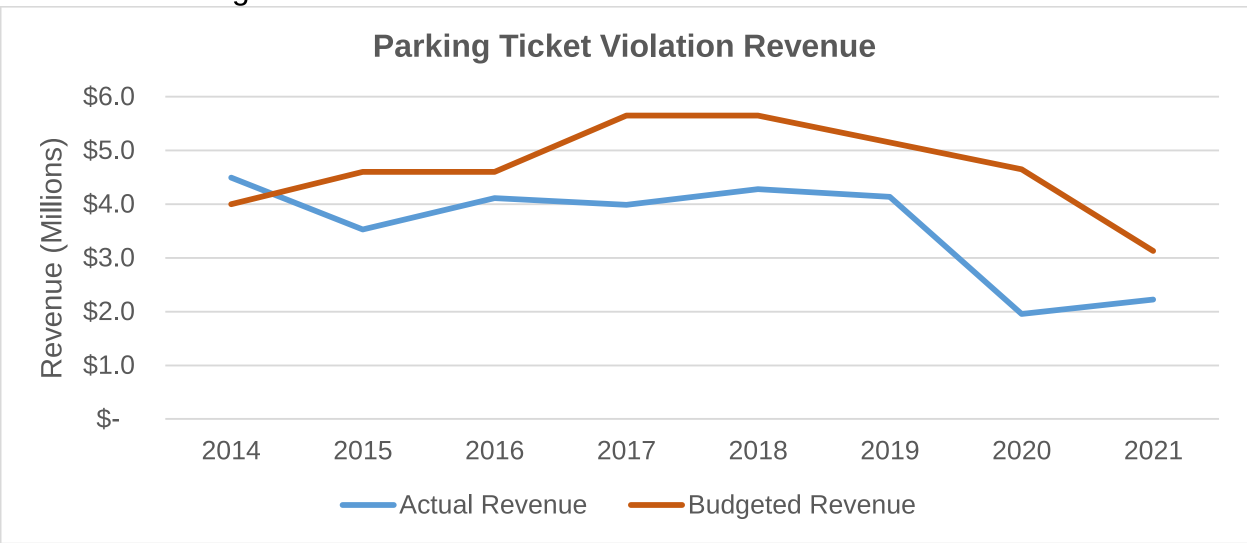
<u>Saskatoon Fire</u>
The deficit of $496,162 for Saskatoon Fire is mostly due to a growing vacation accrual, additional cost for vehicle maintenance and overtime costs, offset by savings in staff vacancies, training and office expenditures.

<u>Saskatoon Police Service</u>
Saskatoon Police Service (SPS) realized a surplus of $864,078, which is net after a transfer of $650,000 to the newly established SPS Fiscal Stabilization Reserve. SPS undertook to find savings to ensure COVID-19 expenditures incurred were more than offset by savings. The largest savings in expenditures were related to training and travel with employees foregoing training in 2021. Additional savings were also realized in vehicle and equipment expenditures and fuel expenditures which were below the expected budget. The transfer of funds into the SPS Fiscal Stabilization Reserve allows funding to be reserved for the additional training required in 2022 to maintain appropriate certification of SPS employees. The remaining surplus within SPS helps to offset the overall City deficit.

Taxation & General Revenues
Taxation and General Revenues had a deficit of $729,195.

- Fines & Penalties had a $1.04 million deficit. Most of this deficit is the parking ticket violation revenue which had an unfavourable variance of $905,400 due to reduced parking from COVID-19 restrictions (77% of budgeted revenue). The disparity between budget and actual revenue is a long-standing base budget issue as demonstrated in Chart 3, that shows since the implementation of the Way to Park parking system, the base budget for parking ticket violation revenue has also been too high for normal operations.

Chart 3 – Parking Ticket Violation Revenue



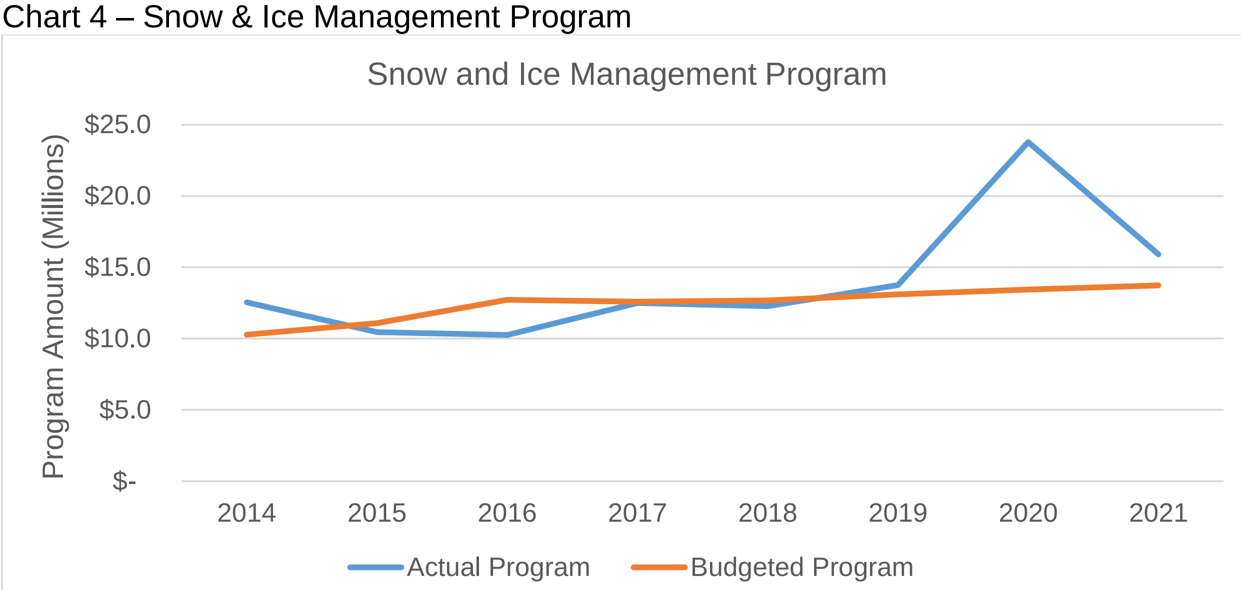
- Other levies had a surplus of $539,758 due to additional Municipal Service Agreement revenue and tax penalty revenue received throughout the year.
- General Revenues had a $717,504 surplus mostly due to favourable amounts in investment income from capital gains and interest earned and increased transfers from City-Owned Property for leases. This is partially offset with lower than expected franchise fees from the SaskEnergy and higher than expected franchise fees from SaskPower.
- Grants-in-Lieu of Taxes (GIL) had a deficit of $209,296 due to a lower payment from the Provincial and Federal entities offset by a surplus in the amount received from Saskatoon Light & Power (SL&P).
- Municipal Revenue Sharing (MRS) revenue is received from the provincial government and is based on Provincial Sales Tax revenue. The amount received was lower than budgeted by $747,300.

Transportation
There was a surplus in Transportation of $153,041. Included within this number, in the Road Maintenance service line, is funding received by the City for a payment through the Urban Highway Connector (UHC) program of $1.26 million for prior years maintenance. This amount is included and is being applied to the overall City deficit.

Without these additional funds the Transportation business line would have been in a deficit of $1.10 million.

- Road Maintenance had a surplus of $442,106; however, that included the UHC program funds. Without these funds there would have been a deficit due to additional salary and security costs for the City Yards areas.
- Access Transit had a surplus of $1.53 million mostly related to salary savings from deferred hiring or less overtime than budgeted as well as fuel and maintenance savings.
- Transit Operations had a surplus of $1.63 million. Revenues were $756,000 unfavourable due to reduced ridership. Expenditure savings due to fuel, salary savings from deferred hiring due to adjusted scheduling, as well as less overtime, training, advertising, and office expenditures which were partially offset with additional spending in unbudgeted computer and licensing expenditures.
- Parking experienced a deficit of $551,546. Revenues were under budget by $1.30 million due to parking terminal revenue and temporary reserve parking achieving only 77% and 50%, respectively, of the budgeted revenue. The revenues were partially offset by staff vacancies; reduced commissionaires' costs; vehicle and equipment savings; and training and office expenditures.
- Snow & Ice Management experienced a deficit of $2.65 million. This is due to the ongoing costs into 2021 from the major snow event that took place in November 2020. The snow response included residential snow management to deal with the drifts and ice which is outside the normal levels of service in the budget. To help offset this deficit, the Administration has used the Snow and Ice Management Contingency Reserve in the amount of $488,500 which will leave $0 remaining in the reserve and brings the deficit amount shown in the service line to $2.16 million. This reserve receives funds in years where there is a surplus in the operations and are used in years when deficits occur. Chart 4 shows the variability in a program that is weather dependant and the fluctuations that can occur.

Chart 4 – Snow & Ice Management Program



- Transportation Services had an unfavourable variance of $1.11 million due to higher than anticipated expenditures for provision of traffic detours, and operation and maintenance of signs and traffic signals. The Administration will undertake a review of these program areas.
- Impound Lot had a favourable variance of $116,363 due to higher revenues from auction proceeds and savings in commissionaire costs due to reduced operating hours. In accordance with Council Policy No. C03-003, the positive amounts arising from the annual operating revenues minus operating expenditures for the Impoundment Program are to be transferred to the Impoundment Program Stabilization Reserve. The Administration is recommending waiving the transfer to the reserve for 25% of the positive amounts that should be transferred, or $11,563, which is estimated to be a result of COVID-19, to help offset the corporate deficit.

Urban Planning & Development

Urban Planning & Development had a surplus of $290,236. This is mostly due to the reduced transfer to the Streetscape Reserve because of the reduced parking revenue offset by lower Development Review application revenue and additional staffing required for a customer service manager. Attainable Housing had a favourable variance of $204,000 that was transferred to the Attainable Housing Reserve. Building and Plumbing Permits & Standards as well as Licenses & Permits are both self-balancing service lines. Building and Plumbing Permits & Standards had a $1.89 million transfer to the Building Standards Stabilization Reserve mostly due to higher permit volume and construction values in the residential sector. Licenses & Permits' favourable variance of $305,500 was transferred to the Business Licensing Stabilization Reserve and the Vehicle for Hire Stabilization Reserve.

Utility Year-End Results

- Saskatoon Light & Power (SL&P) reported a surplus of $4.49 million. SL&P revenues were more than expected as overall sales volumes were 3.08% above budgeted levels, positively impacted during the warm summer months.

  Increased sales volumes also caused negative variances in bulk power purchases and more GIL transferred to the mill rate program, though the bulk power variance was better than expected due to lower than expected line loss. These were partially offset by savings in salaries due to vacancies in staffing, training, and equipment maintenance. This surplus was transferred to the Electrical Revenue Stabilization Reserve which brought the reserve balance over the maximum allowable by the policy, therefore, an amount of $4.54 million was subsequently transferred from this stabilization reserve to the Electrical Distribution Extension Reserve to support the Asset Management Plan, leaving a balance in the Electrical Revenue Stabilization Reserve of $2.50 million.
- Water Utility reported a year-end surplus of $3.63 million. This surplus resulted from additional revenue as sales volumes were 6.8% above budget due to the hot and dry weather, savings in electrical expenditures and staff vacancies. These savings were partially offset by additional expenditures for water main maintenance. Both the Water Utility surplus and the Wastewater Utility surplus were transferred to the Water and Wastewater Stabilization Reserve, which

brought the reserve balance over the maximum allowable by the policy, therefore, an amount of $5.03 million was subsequently transferred from this stabilization reserve to the Water Capital Reserve, leaving a balance in the Water and Wastewater Stabilization Reserve of $8.65 million.

- Wastewater Utility reported a year-end surplus of $2.74 million. Sales revenues were above budget due to the hot and dry weather. The revenue surplus was partially offset by higher sewer main maintenance. As mentioned, both the Water and the Wastewater Utility surpluses were transferred to the Water and Wastewater Stabilization Reserve, with any amounts over the policy transferred to the Water Capital Reserve to support future capital requirements.
- Storm Water Management Utility reported a year-end surplus of $345,485. This favourable surplus was due in part to higher revenues from commercial reassessments which were not complete when the budget was prepared, 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, more resources were dedicated to capital programs which reduced resources on operational items. This surplus was transferred to the Storm Water Management Stabilization Reserve.
- Waste Services Utility reported a year end surplus of $1.04 million. Growth within single-family recycling, multi-unit recycling and leaves and grass programs resulted in surplus revenue. Savings from staffing in the green cart program was realized due to operational changes made, eliminating the need for navigators. Additional savings were realized from advertising/education due to altered activities as a result of COVID-19. The surplus was transferred to the Waste Minimization Reserve in the amount of $0.57 million and the Recycling Stabilization Reserve in the amount of $0.47 million.

Because there was a large surplus in the Water and Wastewater Utilities, the Administration is recommending that an additional ROI is paid from the utilities in the amount of $1.72 million (an additional 1% of revenues) to help offset the corporate deficit. That amount is not included in the numbers as detailed within this section or within the overall deficit of $6.54 million. A more detailed summary of these utilities is included in Appendix 3.

OVERALL SAVINGS

Training and Discretionary Spending Savings

Including the mill rate programs, inclusive of SPS, and Utility programs, the staff training budget, materials, supplies office and other expenditures had a favourable variance of $4.07 million. The Administration reduced these expenditures in a corporate-wide objective to help offset the revenue reductions or other budgetary pressures that the City was experiencing due to COVID-19. These savings are split out amongst the business lines and are already included in the numbers mentioned in this report.

Fuel Savings

In accordance with Council Policy No. C03-003, the Fuel Stabilization Reserve receives funding from year-end surplus within the City's tax supported fuel budget. In 2021 the tax supported fuel budget had a favourable variance of $2.37 million. Instead of moving this variance into the Fuel Stabilization Reserve, the amount has been left within the business lines and is being used to help offset the overall deficit. The Fuel Stabilization Reserve has a balance of $354,410.

RECOMMENDATIONS

The Administration is recommending:

1. That the following transfers to reserves be waived and the surpluses remain within the programs to help offset the corporate deficit:
    a. $57,700 to the Animal Service Reserve;
    b. $274,215 to the Reserve for Unexpended Youth Sports Subsidy Funds;
    c. $714,030 to the Parks Division Grounds Maintenance Stabilization Reserve; and
    d. $11,563 to the Impoundment Program Stabilization Reserve.
2. That $3.71 million from the amount held in contingency from the reallocation of the Canada Community Building Funds be transferred to help offset the deficit;
3. That an additional ROI is paid in the amount of $1.72 million from the Water and Wastewater Utility to help offset the corporate deficit; and
4. That the remaining deficit of $1.11 million be transferred from the Fiscal Stabilization Reserve to balance the budget. Currently, the Fiscal Stabilization Reserve has a balance of $7.78 million, and if approved, the new balance would be $6.67 million.