

## **Preliminary Year-End Results – December 31, 2021**

### **ISSUE**

This report is to inform City Council of the preliminary year-end financial results for the fiscal year ending December 31, 2021. 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 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;
  - d. \$11,563 to the Impoundment Program Stabilization Reserve;
2. That \$3,711,105 contingency from the reallocation of the Canada Community Building Funds be transferred from contingency to help offset the deficit;
3. That an additional Return on Investment (ROI) is paid from the Water and Wastewater Utility in the amount of \$1,720,300 to help offset the corporate deficit; and
4. That the remaining deficit of \$1,107,218 be transferred from the Fiscal Stabilization Reserve to balance the budget.

### **BACKGROUND**

At its meeting on April 26, 2021 when considering a report of the Governance and Priorities Committee, City Council resolved:

“That the following strategy be approved in principle for use of future Canada Community Building Funds (CCBF):

1. That 25% of the expected funds be held in contingency to offset the financial risk in the 2021 fiscal year;
2. That 25% of the expected funds be transferred to the Fiscal Stabilization Reserve; and
3. That 50% of the expected funds be transferred to the Reserve for Capital Expenditures.”

At its meeting on September 27, 2021, when considering a report of the Standing Policy Committee on Finance, City Council resolved:

“That the Province of Saskatchewan funds received for prior years highway maintenance in the amount of \$1.25 million be held in contingency to offset the financial risk in the 2021 fiscal year.”

## **DISCUSSION/ANALYSIS**

Appendix 1 provides a summary of the financial results by business line for the year ending December 31, 2021. Appendix 2 provides a detailed overview of the 2021 Preliminary Year-End Financial results, recommendations for funding the deficit and the recommendations to waive reserve transfers.

As shown in Appendix 2, which includes further details on various programs, the preliminary results indicate a 1.19% deficit (\$6.54 million) for civic operating programs, and a 3.32% surplus (\$12.25 million) in the City's Utilities.

The projected year-end deficit includes the following impacts, which require the approval of City Council in order to be executed:

- The non-transfer of \$225,104 to the Internal Audit Program Reserve which represents the unspent amount for the Internal Audit Program. This is contingent on the recommendations of a separate report, the Internal Audit Reserve Transfer – Year End 2021 Report of the Chief Financial Officer dated April 12, 2022; and
- The non-transfer to reserves, where surpluses were realized because of COVID-19 related items, for the following four reserves: Animal Service Reserve, Reserve for Unexpended Youth Sports Subsidy Funds, Parks Division Grounds Maintenance Stabilization Reserve, and the Impoundment Program Stabilization Reserve. This will allow these amounts (total \$1.06 million) to help offset the corporate deficit.

Administration is recommending the deficit 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 one-time 1% increase to the ROI in the amount of \$1.72 million; and
- \$1.11 million funded from the Fiscal Stabilization Reserve.

Appendix 3 provides details of the risks and implications of the additional ROI from the Water and Wastewater utility. It is important to note that the additional 1% increase in the Water and Wastewater ROI is recommended as a way to maintain fiscal stabilization for ongoing uncertainty in the 2022 and 2023 budget as the City continues to recover from the pandemic. This approach takes into consideration the positive financial results the utility has had in recent years and its capacity to assist in balancing the City's budget for 2022.

### 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 \$7.78 million on December 31, 2021. Administration recommends using \$1.11 million of this reserve, which will leave a remaining balance of \$6.67 million.

### Utilities

The civic utilities had the following surpluses:

<b>Utility Program</b>	<b>Surplus</b>
Saskatoon Light & Power	\$4,492,622
Water Utility	\$3,630,507
Wastewater Utility	\$2,738,382
Storm Water Utility	\$345,485
Waste Services Utility	\$1,045,461
<b>Total</b>	<b>\$12,252,457</b>

The Utility surpluses have been transferred to their respective utility stabilization or replacement reserves as outlined in Council Policy No. C03-003. These numbers do not include the additional ROI as recommended by Administration, so if a one-time increase to ROI is approved by City Council, the corresponding utility surplus would be reduced by that amount.

The City's Water Utility and Wastewater Utility had a combined surplus of \$8.83 million in 2020, which is a 2.38% variance, and a deficit of \$1.61 million in 2019, a -0.51% variance. As part of the next rate cycle for 2024/2025, the Administration will undertake a rate review which will include an analysis of how revenues were impacted by the pandemic and other factors such as weather. The review will consider both the ongoing operational needs of the utilities and the long-term capital investments that are anticipated to be needed as a result of the Long-Term Capital Development Planning work that is being undertaken for both the Water and Wastewater Treatment Plants. If sustained surpluses are expected, City Council could choose to lower planned rate increases, or increase direct contributions to capital reserves which would in turn reduce borrowing.

### Statutory Boards and Controlled Corporation Results

The Saskatoon Police Service's surplus of \$0.86 million 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 \$3.96 million which will be covered in its entirety by its Facility Reserve.
- TCU Place is reporting a preliminary deficit of \$3.37 million for the fiscal year ended December 31, 2021. The deficit will be supported by drawing down the TCU Place capital expansion reserve fund.
- Remai Modern is reporting a preliminary surplus of \$310,526 for the fiscal year ended December 31, 2021.

## **FINANCIAL IMPLICATIONS**

The financial implications are included within the report.

## **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 June. 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, 2021
2. Detailed Overview of Preliminary Year-End Financial Results
3. Saskatoon Water and Wastewater Utility Rates and ROI

## **REPORT APPROVAL**

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