

2022 Financial Forecast – City of Saskatoon’s Corporate Business Plan and Budget

ISSUE

This report presents the most current forecast for the City of Saskatoon’s (City) 2022 Corporate Business Plan and Budget.

BACKGROUND

At its March 21, 2022 meeting, during the presentation on the [2022 Budget Implementation Update](#), the Governance and Priorities Committee (GPC) resolved:

“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.”

Option 2 from this report consisted of Administration reducing expenditures such as training, staff vacancies and deferrals, and additional lease revenue for approximately \$2.26 million. The year-end options of \$4.2 million that would be considered, if necessary, are a one-time increase to the Return on Investment from the Water Utility, reduced contributions to the Special Event Reserve and one-time transfer to the operating budgets for capital project funding returns.

The 2022 budget is supported by one-time funding of \$13.8 million through reallocated funding. This one-time funding is being used to support the City with COVID-19 ongoing impacts such as loss of revenues at the leisure facilities and Saskatoon Transit. These amounts are hard to predict and were a best estimate of the COVID-19 impacts on the various programs. The one-time funding required for ongoing COVID-19 impacts decreases to \$10.0 million in the 2023 budget, and no one-time funding is in place for 2024.

CURRENT STATUS

The Administration prepares regular financial forecasts. This forecast is based on the most current information known to the Administration at the time of preparing this report, using the June 2022 general ledger actual revenues and expenditures as well as any other significant known budget changes to date.

DISCUSSION/ANALYSIS

Details of the variances to the 2022 budget for the major affected areas are included in Appendix 1. Each of these items are based on projections and estimates, and some have a high degree of volatility due to ongoing COVID-19 pandemic impacts. While these figures are preliminary and are based on data available at this time, Administration will continue to follow fiscal restrictions in place to minimize the year-end deficit. These include spending and hiring restrictions that have been in place since

2020, balanced with the need to continue providing all civic services and drive forward the City’s transformational change agenda.

The gross year-end deficit is projected to be \$6.8 million, or 1.17% unfavourable variance from budget.

As detailed in Appendix 1, this estimate includes projected savings of \$2.5 million, higher than budgeted fuel costs, Information Technology over-expenditures, and reduced revenues from leisure facilities and parking. Municipal Revenue Sharing and investment income are projected to have favorable year-end variances. In summary, GPC at its March 21, 2022 meeting resolved that Administration would utilize year-end options up to \$4.2 million, based on actual 2022 year-end results. This assumed that the remainder of the budget outside of the targeted savings of \$7.0 million could be delivered as planned, however, as outlined in the report additional pressures related to fuel prices and lower than expected operating revenues has increased the March projection of \$4.2 million to \$6.8 million. Administration will continue to monitor the 2022 forecasts as well as continue to seek additional cost saving measures such as spending and hiring freezes that do not impact service levels to potentially grow the \$2.5 million in administrative savings to date to lower the projected deficit. As previously reported in March, year-end options for City Council’s consideration to offset any realized deficit will be further reported on at year-end.

Utilities are expecting a \$1.2 million net surplus mostly due to additional revenue in Waste Services and Saskatoon Light and Power, offset by lower revenues and additional costs in Water and Wastewater Utilities. Any utility variance will be offset through transfers to or from the applicable stabilization reserves.

Forecasted Financial Impact – Controlled Corporations

The financial forecasts of the controlled corporations (Remai Modern, TCU Place and SaskTel Centre) are not included in the City’s forecast in Table 1 of Appendix 1.

Sasktel Centre has an agreement with the Saskatoon Entertainment Group whereby it is guaranteed to be profitable for 2022.

TCU Place is projecting a deficit of approximately \$907,000 in 2022 as they begin to rebuild operations post pandemic. TCU Place management is working to offset the deficit by energetically pursuing revenues and staying mindful of expenses. The deficit for TCU Place will be covered by its Stabilization Reserve and/or transfers from its Equipment Replacement Reserve.

Remai Modern is forecasting to break even for 2022. Accessibility to the community in a fiscally responsible way remains a priority for Remai Modern, which has been achieved through flexibility in revenue generation and adjusting for expenses where savings are possible.

FINANCIAL IMPLICATIONS

The financial implications are outlined in this report.

OTHER IMPLICATIONS

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

NEXT STEPS

Administration will report the third-quarter projections in November. In the coming years, the structural deficit risk of \$7.0 million will need to be resolved to reduce the risk of year over year budget deficits, and for 2024 no one-time COVID monies have been allocated. The Administration has identified preliminary opportunities to close these gaps, and will continue to bring forward updated information and projections to City Council to ensure that the City’s budgets come into alignment with post-pandemic fiscal realities.

APPENDICES

1. 2022 Year-End Projection by Business Line

REPORT APPROVAL

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