

2022 Year-End Projection by Business Lines

After applying transfers from utility reserves, the City of Saskatoon's (City) year-end projection for 2022 based on actual revenues and expenditures as of June 30, 2022 is indicating an approximate 1.17% unfavourable variance from budget. It is cautioned that this forecast relies on six months of performance and is subject to substantial variance as the remainder of the year proceeds. A summary of this projected deficit is shown in Table 1.

Table 1 – Year to Date/Annual Variance

| Business Line | June YTD Actuals | 2022 YTD Budget | YTD Variance (Surplus) /Deficit | Year-End Forecast | 2022 Budget | Variance (Surplus) /Deficit |
|---|------------------|-----------------|---------------------------------|-------------------|--------------|-----------------------------|
| Arts, Culture & Events Venues | (0.6) | 4.6 | (5.2) | 9.3 | 9.3 | 0.0 |
| Community Support | 11.5 | 8.6 | 2.9 | 17.1 | 17.3 | (0.2) |
| Corporate Asset Mgmt. | 18.3 | 6.8 | 11.5 | 15.1 | 13.6 | 1.5 |
| Corporate Governance & Finance. | (13.6) | 33.6 | (47.2) | 76.5 | 67.3 | 9.2 |
| Environmental Health | 10.7 | 9.6 | 1.1 | 18.8 | 19.1 | (0.3) |
| Fire & Protective Services | 26.4 | 27.4 | 1.0 | 54.5 | 54.7 | (0.2) |
| Land Development | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Policing | 59.8 | 54.1 | 5.7 | 108.4 | 108.2 | 0.2 |
| Recreation & Culture | 17.2 | 17.3 | (0.1) | 36.4 | 34.6 | 1.8 |
| Taxation & General Revenues | (308.4) | (233.1) | (75.3) | (470.3) | (466.2) | (4.1) |
| Transportation | 101.2 | 67.3 | 33.9 | 134.0 | 134.5 | (0.5) |
| Urban Planning & Development | 3.5 | 3.8 | (0.3) | 7.0 | 7.6 | (0.6) |
| Operating Deficit (Surplus) | (74.0) | 0.0 | (74.0) | 6.8 | 0.0 | 6.8 |
| Utilities | (36.7) | 0.0 | (36.7) | (1.2) | 0.0 | (1.2) |
| Utility Reduction to Capital Contribution | 0.0 | 0.0 | 0.0 | (0.0) | 0.0 | (0.0) |
| Transfer from Utility Res. ¹ | (0.0) | 0.0 | (0.0) | 1.2 | 0.0 | 1.2 |
| Operating Deficit ² (Surplus) | (\$37.3) | \$0.0 | (\$37.3) | \$6.8 | \$0.0 | \$6.8 |

In millions (000,000's)

1-2 calculated for annual forecast only

The YTD columns in Table 1 include all revenue and expenditures to date. These three columns are not an indication of the variance to be expected at year-end as the revenue expected may not have been received or expenditures projected to year-end have not been incurred. Additionally, the YTD budget is an estimate of when expenditures and revenue may occur, but this may not be an accurate timing of when actual amounts will be incurred or received. The financial forecasts of the controlled corporations (Remai Modern, TCU Place, and SaskTel Centre) are not included in Table 1.

Significant Variances

The City of Saskatoon (City) has been transparent regarding base operating budget challenges that have presented themselves over the past several years. These challenges included budgetary gaps in waste services, transit, traffic violations, parks maintenance and leisure centre admissions to name a few. Significant strides have been made over the past several years in addressing these gaps, including service level reports, base budget adjustments and other initiatives. Additionally, although the 2022 budget includes COVID-19 impacts, the amounts were a best estimate at the time of producing the budget, and as detailed further in this appendix, there are variances on those projected amounts in some areas.

Arts, Culture and Events Venues – Projected \$85,000 Deficit

The SaskTel contribution to the City, which is based upon net earnings, is expected to be less than budgeted by \$85,000.

Community Support – Projected \$261,900 Surplus

An overall favourable variance is expected due to savings in grants not paid for joint use school rental, reduced accessibility admissions and registrations, reduction in provision for civic services as fewer festivals and events are expected, temporary staff vacancies and discretionary savings. These surpluses are partially offset by lower revenue from the Leisure Centres within Recreation and Culture Business Line and additional economic incentives. The contractual increase as approved by City Council at its [April 25, 2022 meeting](#), of \$231,700 to the Saskatoon SPCA is offset through the unspent SPCA grant from discontinuing the animal protection and cruelty investigations within this business line and in the Corporate Governance and Finance Business Line through a reduction in the transfer to the Reserve for Capital Expenditures (RCE).

Corporate Asset Management – Projected \$1.5 Million Deficit

An overall unfavourable variance is expected due to higher natural gas rates including carbon taxes compared to budget, enhanced cleaning, fuel costs, security checks at outdoor washrooms, and water usage at spray pads due to structural budget issues. These overages are partially offset from favourable variances in preventative maintenance due to facility closures in previous years and savings through diligence in discretionary spending as part of the corporate-wide approach to reduce the overall deficit.

Corporate Governance and Finance – Projected \$9.2 Million Deficit

This business line contains the budget for \$7.0 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 and the additional corporate reduction made in 2022 Business Plan and Budget Deliberations). This Business Line will show as overspent as any savings are recognized and detailed throughout the

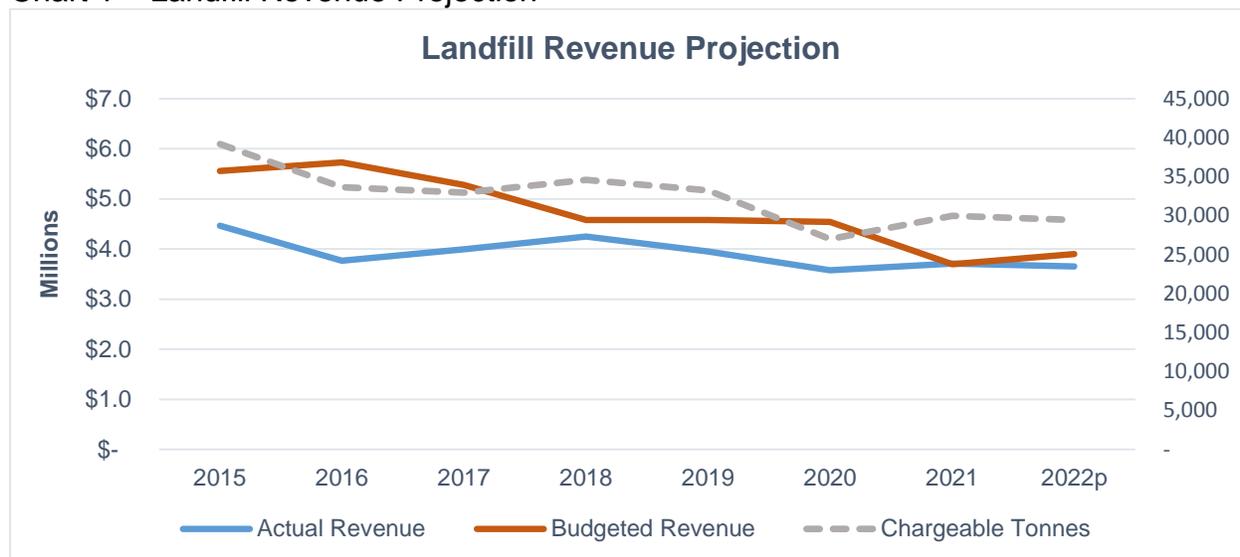
various other business lines and summarized in the Overall Saving section of this Appendix. Some of the other key variances in this Business Line include:

1. An unfavourable variance exists from administrative recoveries from the water and wastewater utilities due to an excessive budgeted recovery amount to the general account of \$900,000. This correction affects 2022 and prior years but will also be impacted over the next few years as a phased approach is used to bringing this amount into line with current recovery rates.
2. Information Technology is expecting an unfavourable variance of \$3.2 million mainly due to additional Microsoft and other software licensing, unbudgeted salaries to support critical operations, Fusion support, and the cyber security program.
3. An unfavourable variance is expected in Human Resources of \$310,000 for the HR transformation which has been partially offset by savings in staff training.
4. A favourable variance of \$120,000 is expected due to a reduction in the transfer to RCE which is being offset by the contractual increase for the SPCA within the Community Support Business Line.
5. Offsetting savings from staff vacancies, materials and office supplies as well as additional Board of Revision revenue helps to partially offset the unfavourable variances within this Business Line.

Environmental Health – Projected \$316,900 Surplus

Waste Handling Services, which includes Landfill Operations, has traditionally been over budget due to reduction in tipping fee revenues. Over the past number of years due to increased regional competition, tonnages of waste received at the Landfill has decreased, resulting in reduced tipping fee revenues. Prior budget adjustments have been made to reduce the budgeted revenue to align with actual revenues more closely, however, it is expected revenues for this service line will be an unfavourable variance of \$436,000. Fuel costs of \$294,700 over budget are expected. The unfavourable variance in revenues and fuel is expected to be fully offset with reduced transfer to the Landfill Replacement Reserve due to reduced tipping fees, lower maintenance, vehicles and equipment expenditures, and savings from reduced training. This results in a net surplus within this service line of \$447,300. Chart 1 shows the reduction in the budgeted revenue over time to meet actual revenues for the Landfill.

Chart 1 – Landfill Revenue Projection



Waste Reduction, which includes Waste Minimization and Compost Depots, is projecting an unfavourable variance of \$114,100 due to additional labour, and fuel costs that are over the budgeted amounts.

Fire Services – Projected \$175,900 Surplus

Fire Services is projecting a favourable variance of \$175,900 due to staff vacancies from retirements and delayed hiring, reduced vacation accruals, reduced spending for training, office expenditures and advertising and promotions. These are partially offset by reduced revenue from callouts from other municipalities, additional spending for apparatus and building maintenance and fuel.

Saskatoon Police Service (SPS) – Projected \$174,800 Deficit

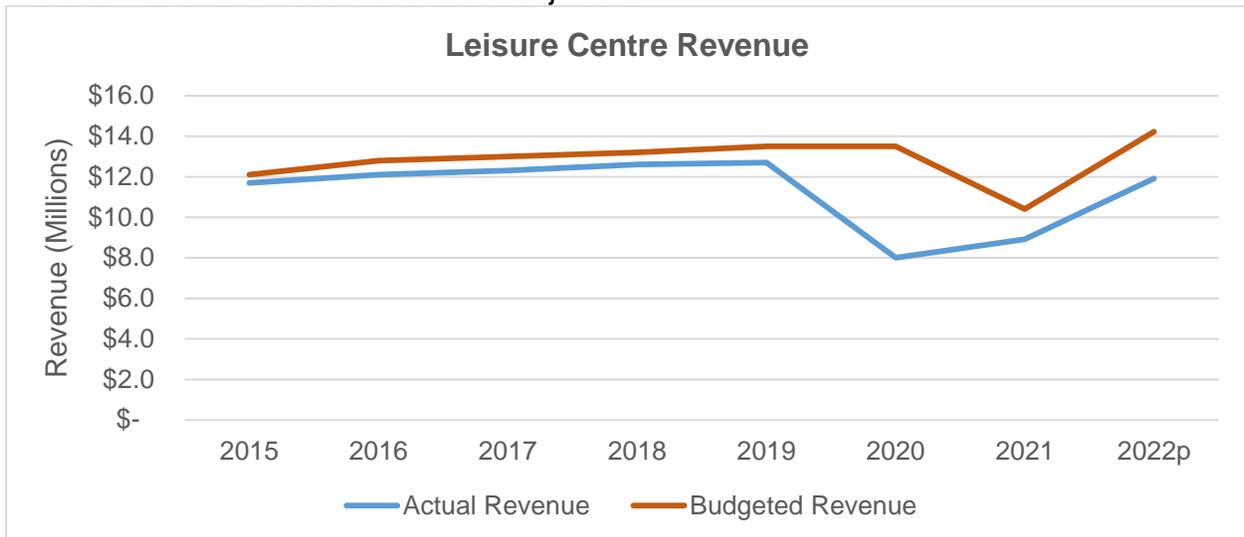
SPS is expecting an unfavourable variance in salaries for training hours and additional fuel expenditures which are partially offset through additional revenues and savings in various other accounts.

Recreation and Culture – Projected \$1.8 Million Deficit

The Leisure Centres budgets for 2021 were reduced due to ongoing COVID-19 related impacts on revenues. It was expected the revenues would return to pre-pandemic operations in 2022 and the budget was increased for this. The budget reduction in 2021 and subsequent increase in 2022, were done using a best estimate as to when full service of these programs would be achieved. It is expected the revenues for leisure centres will still be below budget as year-to-date admissions and registration have been approximately 70% of budget with a projection for an improvement to 80% of budget for the remainder of the year. The revenue deficit also includes reduced revenues due to the temporary closure of the Harry Bailey Aquatic Centre for a major upgrade. These unfavourable variances are offset, in part, by reduced expenditures at Harry Bailey Aquatic Centre, reduced training, staff vacancies and contract instructor expenditures.

Chart 2 shows the budgeted, actual and projected revenue.

Chart 2 – Leisure Centre Revenue Projection

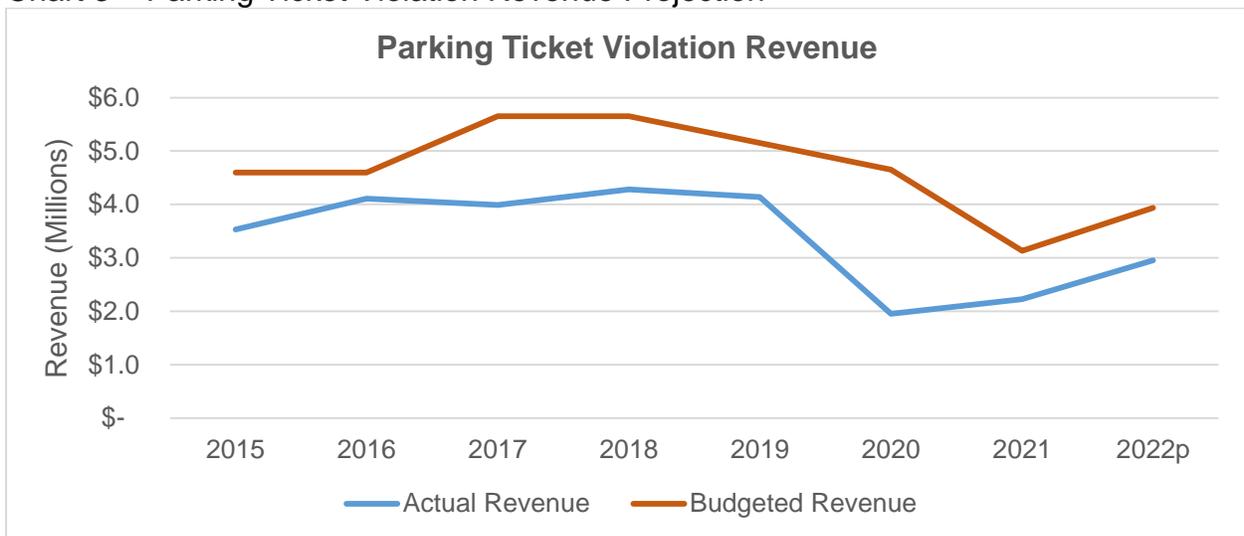


Taxation and General Revenue - Projected \$4.2 Million Surplus

The Fines and Penalties program is projecting a \$983,000 deficit, due to less than budgeted Parking Ticket Violation revenue. This budget was lower than pre-pandemic budgets due to ongoing COVID-19 related impacts, but the projected amount remains below that budgeted amount.

Chart 3 shows the ongoing budgetary issue of budgeted revenues being higher than actual revenue received for parking ticket violations. It also shows the COVID-19 impact to the actual revenues.

Chart 3 – Parking Ticket Violation Revenue Projection

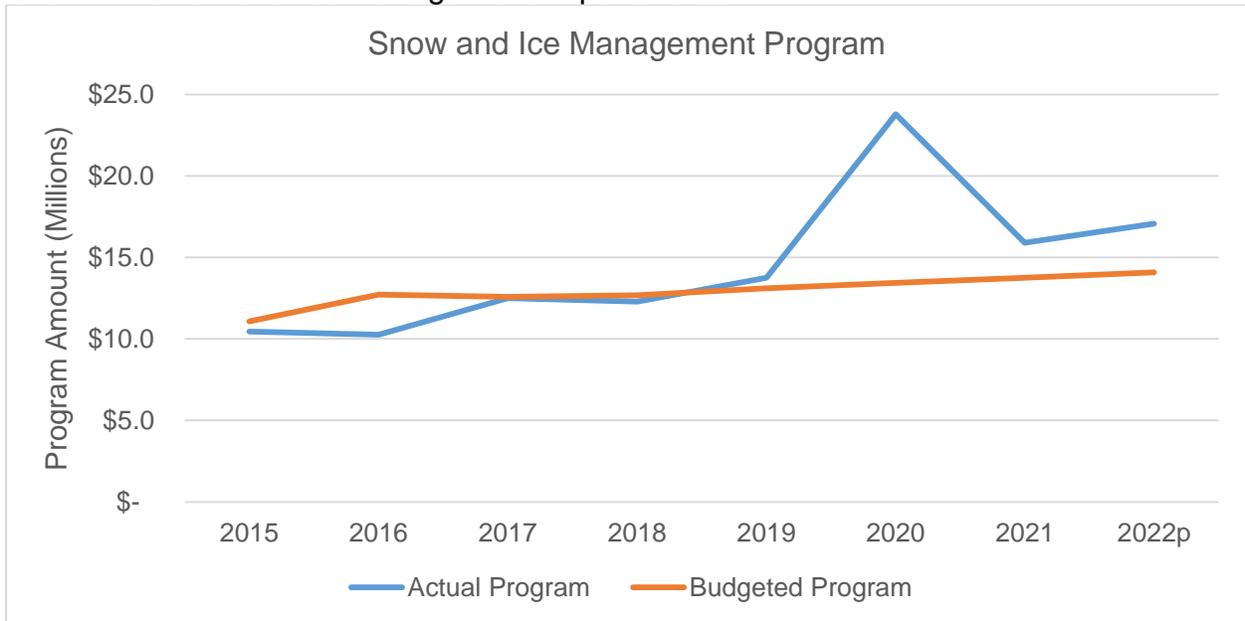


Municipal Revenue Sharing (MRS) revenue is received from the provincial government and is based on Provincial Sales Tax revenue. The amount that will be received in 2022 is expected to be \$1.13 million higher than budgeted. Additionally, higher-than-expected investment income of \$1.05 million adds to the surplus expected in this business line.

Transportation – Projected \$529,600 Surplus

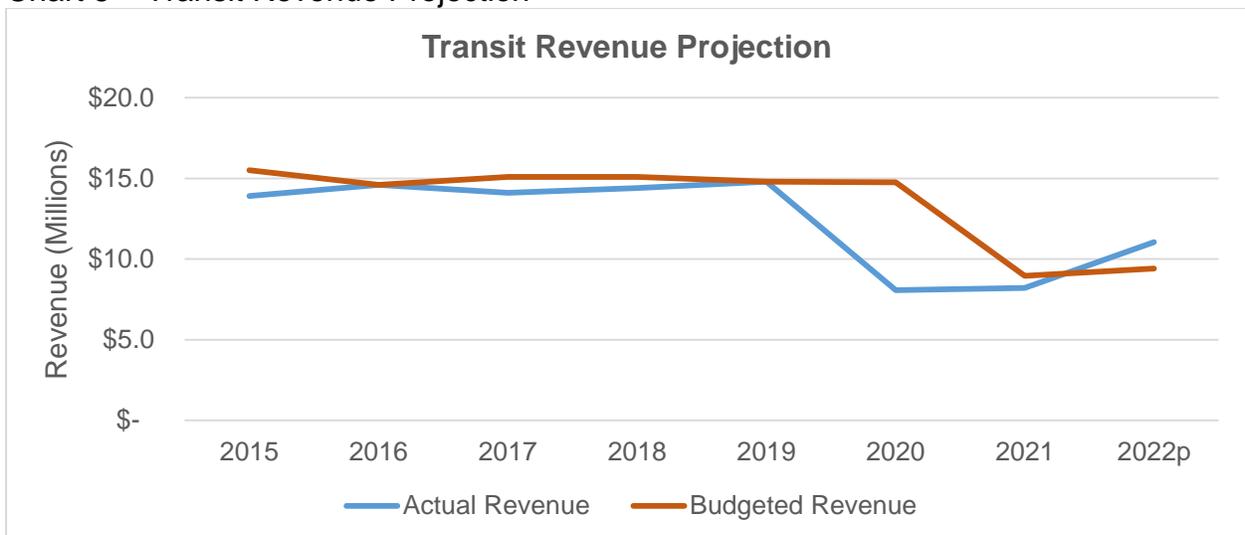
A \$3.0 million unfavourable variance is expected within the Snow and Ice Management service. For budgetary purposes, it is estimated there will be an average of five snow events for a calendar year and in early 2022, Saskatoon has already had four events with high snow accumulation. Additionally, fuel costs are expected to be more than budget. Chart 4 shows the variability in this snow and ice program that is weather dependant.

Chart 4 – Snow and Ice Management Expenditures



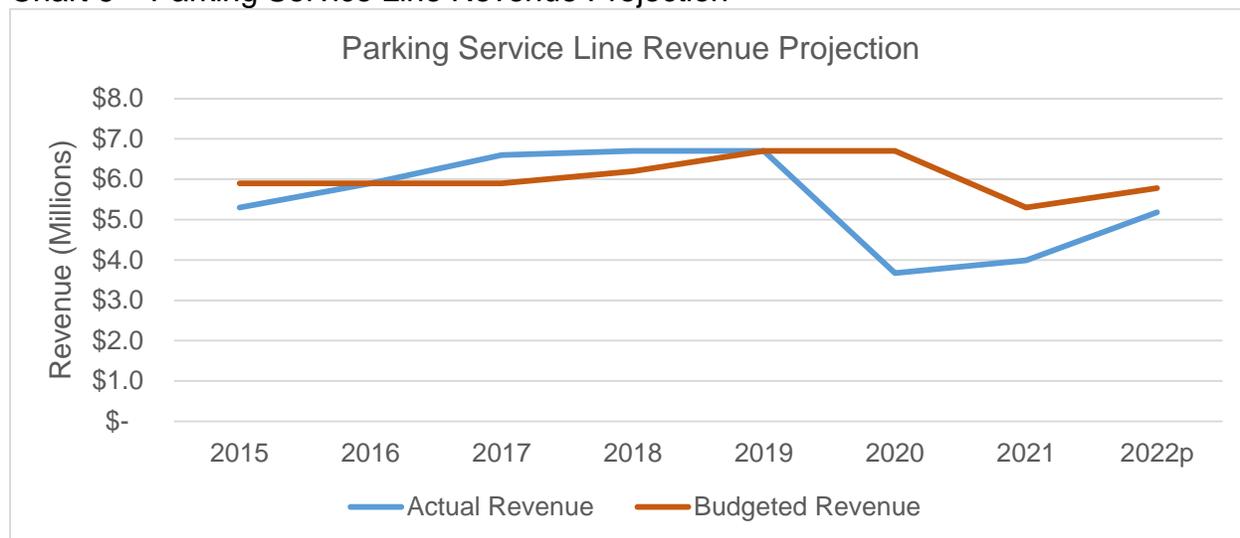
Saskatoon Transit and Access Transit budgeted revenues were reduced in the 2022 budget due to the expected ongoing impact from COVID-19, however the projected revenues were better than the revised budget by \$1.7 million. Savings in sales commissions, staff training and office expenditures added to the surplus, which was partially offset by an increase in projected fuel costs. The net projected surplus for Saskatoon Transit and Access Transit is \$ 3.5 million. Chart 5 shows the impact of COVID-19 on Transit revenues, both actual and projected.

Chart 5 – Transit Revenue Projection



Parking revenues are projecting a \$597,700 deficit due to the continued impact of COVID-19 such as residents continuing to work from home, and in some cases reduced business operations, in core business areas. Chart 6 shows the impact of COVID-19 on the parking revenues.

Chart 6 – Parking Service Line Revenue Projection



An unfavourable variance of \$212,900 within Transportation Services is due to additional maintenance which is partially offset by savings in detour coordination and Engineering Services.

Urban Planning and Development – Projected \$545,100 Surplus

A favourable variance from a reduced transfer to the Streetscape reserve due to reduced parking revenue, staffing vacancies, reduced advertising, and training is partially offset by lower development permit application revenue for a net expected surplus of \$545,100.

Utilities – Projected \$1.2 Million Surplus (will be offset through transfers to reserves)

Both Water and Wastewater are projecting deficits mostly due to lower-than-expected metered revenue and miscellaneous revenue as well as additional sewer line maintenance, increase in chemical costs, natural gas and electrical costs. These deficits are offset by the surplus expected in waste services due to increased revenue in the leaves and grass subscriptions, single-family and multi-family recycling, savings in Storm Water service line for vehicles and equipment, staffing costs and a surplus in Saskatoon Light and Power due to increased revenues and reduced bulk power costs. These variances will be offset through transfers to reserves at year-end.

Fuel Expenditures

Due to the unexpected increase in the fuel (both gas and diesel) rates the Administration is projecting an unfavourable variance of \$3.5 million, inclusive of Utilities. These amounts are included in the individual business lines within this report. The Administration had budgeted for a rate of \$1.16/L and \$1.19/L for gasoline and diesel, respectively. However, the average rate paid by the City for the first six months of the year was \$1.49/L and \$1.59/L for gasoline and diesel, respectively. For this projection, Administration has used the same average rate for the remaining six months.

Overall Savings

As part of a corporate-wide objective to help offset the budgetary pressures, Administration is projecting that savings in staff training and travel, staff vacancies, materials, office supplies and other expenditures will be approximately \$2.5 million. These savings are split amongst the business lines and are already included in the numbers mentioned in this report.

Stabilization Reserves and Other Mitigating Options

The Snow and Ice Management Contingency Reserve has a balance of \$488,500 that can be used to help offset any year-end deficit in the snow and ice program.

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 \$6.67 million on December 31, 2021. These funds would be available to help offset the City's deficit.

As of December 31, 2021, SPS placed an amount of \$650,000 into a newly established SPS Fiscal Stabilization Reserve. The funds in this reserve could be used to offset any deficits within the SPS program.

Once the actual year-end variance is determined, if required, the use of the stabilization reserves and the year-end options as outlined in the [March 21, 2022 report](#) to the Governance and Priorities Committee, would be reported on to Committee, along with the impact to applicable programs.