Detailed Overview of Preliminary Year-End Financial Results

City of Saskatoon General Fund – 2022 Summary				
	2022 Budget	**2022 Actuals**	**Variance**	**Percentage**
Revenues	566,893,000	558,226,282	(8,666,718)	-1.53%
Expenditures	566,893,000	569,217,857	(2,324,857)	-0.41%
Surplus/(Deficit)	**-**	**(10,991,575)**	**(10,991,575)**	**-1.94%**
Future Borrowing for Snow Event	**-**	**1,973,799**	**1,973,799**	**0.35%**
Surplus/(Deficit)	**-**	**(9,017,776)**	**(9,017,776)**	**-1.59%**

2022 YEAR-END MILL RATE RESULTS

The deficit for the year ended December 31, 2022, is $10.99 million including the costs of the December 2022 Snow Event. Removing the costs of the Snow Event which will be covered through future borrowing as approved at the January 25, 2023 City Council meeting, the deficit remaining is $9.02 million. Also 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;
- $354,410 transfer from the Fuel Stabilization Reserve as per Council Policy No. C03-003, Reserve for Future Expenditures; and
- One-time funding of $13,845,900 in reallocated funds from the Investing in Canada Infrastructure Program.

The Administration is recommending that the remaining deficit of $9.02 million be funded by:

- Waiving the transfer to reserve for the following items as detailed in the business line summaries below:
  - $14,220 to the Internal Audit Program Reserve;
  - $17,659 to the Animal Service Reserve; and
  - $173,247 to the Reserve for Unexpended Youth Sports Subsidy Funds.
- $6.68 million from the Fiscal Stabilization Reserve;
- $710,740 from a one-time transfer from the Paved Roadways Infrastructure Reserve which resulted from underspend in capital projects;
- $500,000 from a one-time transfer from the Special Events Reserve - Profile Saskatoon; and
- $924,395 from a one-time transfer from the Land Operations Reserve.

The Fiscal Stabilization Reserve currently has a balance of $6.68 million. The recommended transfer will leave $0 remaining within the Fiscal Stabilization Reserve as of December 31, 2022. At the 2023 Preliminary Business Plan and Budget City Council meeting an amount of $1.64 million was approved to be transferred into the Fiscal Stabilization Reserve in 2023, therefore in 2023 there will be a balance of $1.64 million that will be available for any potential 2023 deficits.

During 2022, four capital projects returned funds to the Paved Roadways Infrastructure Reserve in the amount of $710,740. As the Paved Roadways Infrastructure Reserve received these surplus funds, Administration is recommending a reduction in the transfer from the Roadways Operating program to the Paved Roadways Infrastructure Reserve in the amount of $710,740 to help offset the overall deficit. If this reduction is approved the balance in the Paved Roadways Infrastructure Reserve will be $1.17 million as of December 31, 2022. Administration believes this one-time transfer will not impact the Roadways preservation programs in 2023 as $34.6 million will be transferred to this reserve to complete the necessary preservation work in 2023 ($1.3 million increase over 2022).

Due to the COVID-19 impact on the number of events in 2020 and 2021, the Special Events Reserve (Profile Saskatoon portion) has a balance of $1.35 million as of December 31, 2022. It is expected that a one-time transfer from this reserve in the amount of $500,000 can be completed while still leaving the reserve with sufficient funds to cover the 2023 expected events. It is important to note that at the 2023 Preliminary Business Plan and Budget meeting, it was resolved that the annual contribution to the Special Events Reserve would be reduced by $68,700. This results in a reduced contribution into the reserve of $181,300 instead of the previous years annual funding contribution from operating of $250,000.

During 2022 Saskatoon Land Operations, Administration fees received from $93.6 million of land sales resulted in an operating surplus of $2.82 million which was transferred to the Land Operations Reserve bringing the reserve balance over the maximum allowable by the policy. Therefore, an amount of $2.58 million was subsequently transferred from this reserve to the Property Realized Reserve. The December 31, 2022 balance in the Land Operations Reserve after these transfers is $4.14 million. The Land Operations Reserve’s purpose is to offset any deficits incurred in a year resulting from lower land sales. This reserve has remained at the maximum allowable balance for over 10 years. Saskatoon Land Operations is not expecting to run a deficit within the Land Operations for 2023, therefore Administration is recommending that a one-time transfer be completed from the Land Operations Reserve in the amount of $924,395 to help offset the overall deficit.

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

Arts, Culture and Events
The surplus in the Arts Culture and Events business line is $72,424. A shortfall of $85,000 is due to a lower CBCM contribution from SaskTel than budgeted offset by a surplus of $157,424 from the expired loan that remained budgeted.

Community Support
The deficit in the Community Support business line is $446,637. Expenditure savings were realized due to the ongoing 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. Additional expenditures for the SPCA contract within this Business Line are offset through the Corporate

Governance Business Line with a reduced transfer to Reserve for Capital Expenditures (RCE) and through reduced SPCA grants. Additional expenditures were also realized 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 help 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 and in 2022 an amount of $17,659 was transferred to this reserve. The Administration is recommending that this surplus of $17,659, related to services reduced or not carried out due to ongoing COVID-19 impacts, 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 $107,363 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 and in 2022 an amount of $173,248 was transferred to this reserve. The Administration is recommending this surplus related to services not completed due to ongoing COVID-19 impacts of $173,248 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 $278,620 within the reserve.

Corporate Asset Management

There was a deficit of $2.32 million within the Corporate Asset Management business line due mostly to cost overruns within Facilities Management due to higher natural gas rates including carbon taxes compared to budget, enhanced cleaning, fuel costs, and security checks at outdoor washrooms. Additional deficits were also realized within the Energy Management section mostly due to rate increases in Natural Gas and water usage at spray pads due to structural budget issues.

Corporate Governance & Finance

Corporate Governance & Finance experienced a deficit of $6.59 million. This business line contains the budget for $6.97 million of the global reduction or targeted savings. Many of these savings are recognized and detailed throughout this business line through savings in travel, training, and staff vacancies as well as in 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:

- Information Technology (IT) related expenditures were unfavourable by a variance of $2.40 million due to additional Microsoft licensing, and additional salaries for overtime for network standby, additional Tier 1 support response, project managers, and relationship managers, additional computer replacements and the cyber security program.

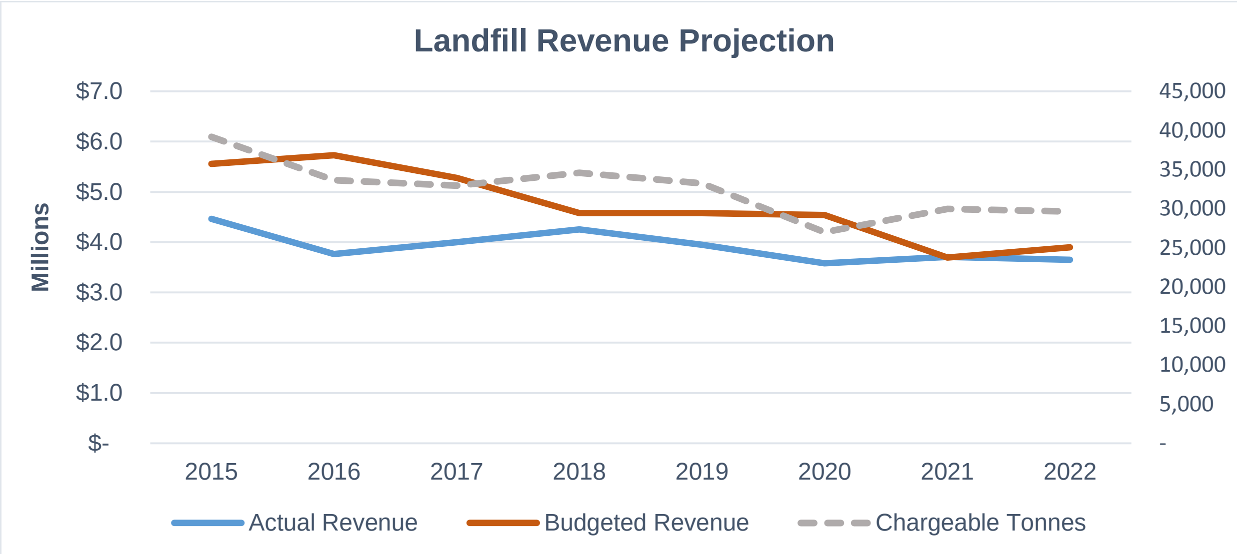
- An unfavourable variance of $893,500 was also realized on administrative recoveries from water and wastewater due to a base budget item not being in alignment with current recovery rates. This base budget issue is being phased-in over future years budgets.
- An unfavourable variance in Human Resources of $615,000 mostly due to additional salaries to support ongoing operations.
- A favourable variance of $624,000 within Supply Chain Management due to vacant positions and delays in hiring as well as savings in training and office expenditures.
- A favourable variance of $563,816 in Revenue Service and Assessment and Taxation resulting mostly from vacant positions and a reduction in office supplies, printing, mail or courier expenditures.
- A favourable variance of $593,872 in COVID-19 related expenditures from less supplies and cleaning required.
- As per Policy, any unexpended funds in the Independent Office of the City Auditor program (Office) would get transferred to the Internal Audit Program Reserve. The Internal Audit Program Reserve has a balance of $403,723 as of December 31, 2022. During 2022, $412,670 of the total annual budget of $426,900 was spent on staffing, external audit engagement, and administrative costs resulting in unexpended funding of $14,220.47 which was transferred to the Internal Audit Program Reserve. The Office will have sufficient funding with the 2023 operating funds and the funds remaining in the Internal Audit Program Reserve for the execution of the Internal Audit Plan for 2023. Therefore, the Office is recommending waiving the transfer to the Internal Audit Program Reserve to help offset the corporate deficit.

Environmental Health

Overall, Environmental Health experienced a surplus of $1.05 million. Waste Handling Services was the majority of this surplus due to savings in staffing and fewer temporary resources required, lower fleet and equipment charges, lower buildings and grounds maintenance expenditures because of deferring non-essential maintenance to reduce spending, and a reduced provision to the Landfill Replacement Reserve due to lower tipping fees. These savings are partially offset due to additional fuel charges.

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 2022 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 deficit was realized in Urban Forestry due to additional emergency work and callouts, tree stumping and fuel charges partially offset with reduced training. A surplus was realized in Sustainability largely due to savings in the Household Hazardous Waste program from lower costs per event and a cancellation of the November event due to weather.

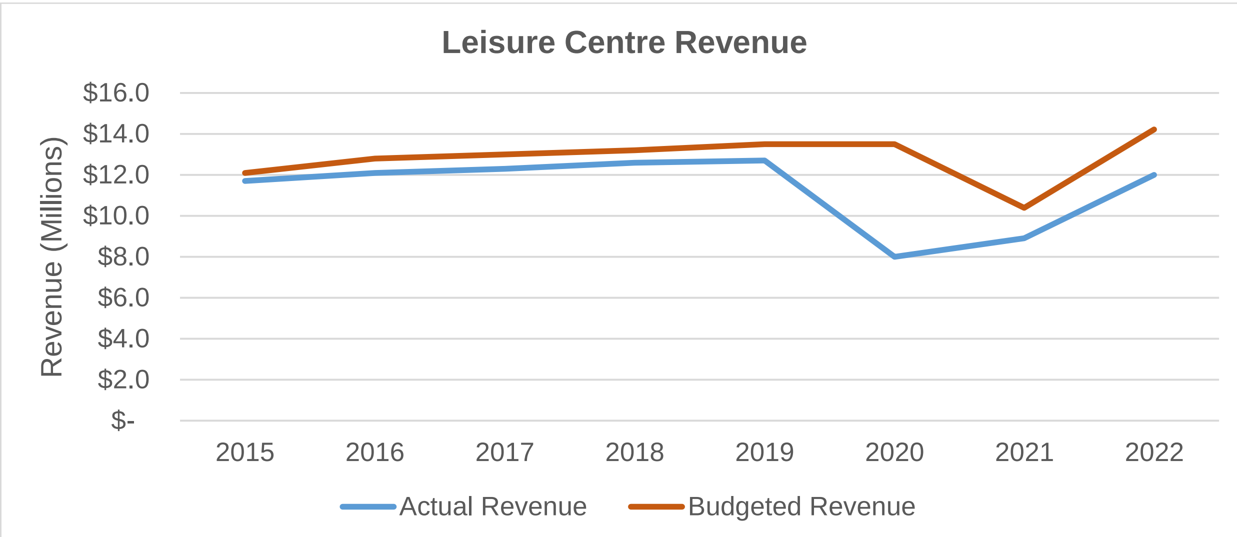
Recreation & Culture

Recreation & Culture experienced a deficit of $2.28 million. Revenue budgets within Recreation and Culture 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, however many of the programs remain below pre-pandemic revenues resulting in deficits within the programs.

- The Forestry Farm Park and Zoo had a deficit of $318,249 due to lower-than-expected revenues and higher feed, supplies, vet care, fuel and natural gas costs.
- Golf Courses ended 2022 with a surplus of $717,800 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, and lower staffing costs due to vacancies or delays in hiring.
- Gordie Howe Campsite increased the contribution to the Campsite Reserve to offset the surplus of $29,100 which was due to higher rental revenue, and favourable expenditures.
- Indoor Rinks had a deficit of $311,028 due to lower hourly rental and school use revenue as well as unfavourable expenditures from additional salaries required to operate two sites for summer ice while ACT Arena was closed for maintenance.
- Leisure Centres had a deficit of $2.11 million due to revenues being lower than expected, (achieving between 69% to 85% of budgeted revenue) which were offset partially by reductions to staffing, training, memberships, materials and

office supplies. 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, and the 2022 budgeted revenue was expected to recover to pre-pandemic levels, however the actual revenues were still lower than the revised 2021 and 2022 budgets.

Chart 2 – Leisure Centre Revenue



- Parks Maintenance & Design operations had a deficit of $192,120 due to additional irrigation costs, materials and supplies and other inflationary pressures which were partially offset by savings in salaries and additional revenue from the Urban Highway Connector Program and proceeds from sales of scrap metal and surplus machinery. In accordance with Council Policy No. C03-003, the unexpended funds in Parks Maintenance & Design are to be transferred to the Parks Division Grounds Maintenance Stabilization Reserve or taken from the reserve in years of deficit to stabilize the program. A draw of $192,120 was taken from the reserve resulting in a December 31, 2022 balance of $268,183 remaining in the Parks Grounds Maintenance Stabilization Reserve.
- River Landing is a service line that is balanced to $0 with a transfer from the RCE. Property tax revenue was lower than expected due to additional property tax abatements for the North Tower which were partially offset by savings in salaries, lower insurance, security and cleaning for the parkade resulting in an overall deficit of $221,978 which was drawn from RCE to balance this service line to $0.
- Targeted Programming had a surplus of $192,874 resulting from reductions in salaries, vehicles, advertising and maintenance.

<u>Saskatoon Fire</u>
The surplus of $247,816 for Saskatoon Fire is mostly due savings in staff vacancies, security contract, training and office expenditures.

Saskatoon Police Service

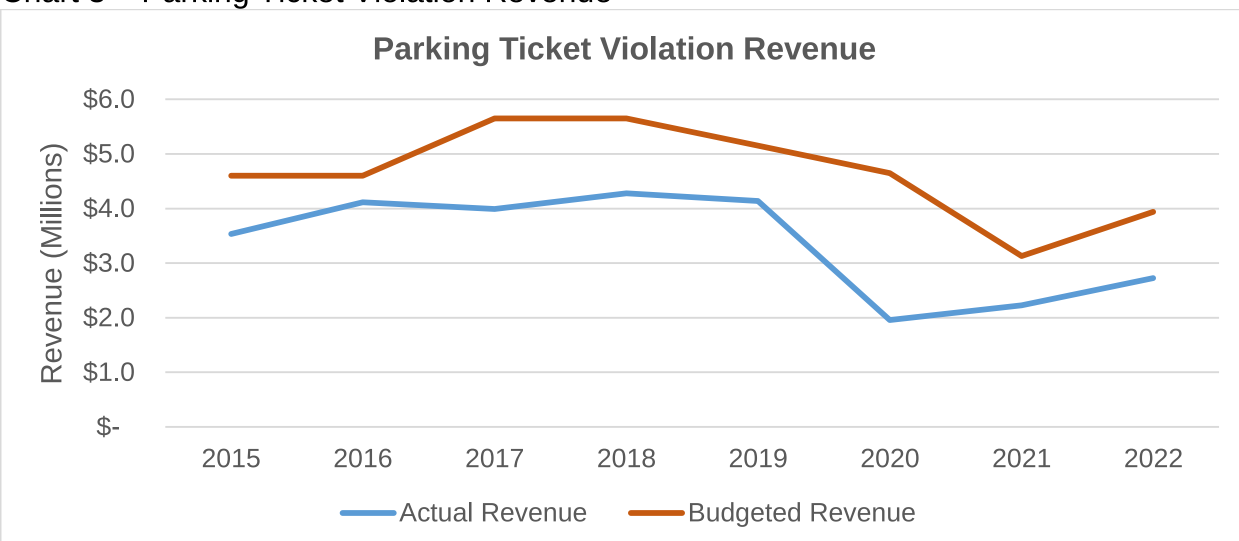
Saskatoon Police Service (SPS) realized a surplus of $825,400 before transfers to reserves. From that surplus a transfer of $240,000 was completed to the SPS Capital Reserve and $285,400 to the SPS Fiscal Stabilization Reserve resulting in a net surplus of $300,000 which helps to offset the overall City deficit. The surplus is largely due to additional revenues including federal revenues for SPS employees to teach policing techniques internationally. Increased fuel expenditures and salary costs were offset through non-salary related savings throughout all facets of SPS.

Taxation & General Revenues

Taxation and General Revenues had a surplus of $1.64 million which includes the transfer of $354,410 from the Fuel Stabilization Reserve.

- Fines & Penalties had a $914,505 deficit due to parking ticket violation revenue which had an unfavourable variance of $1.21 million due to reduced parking (70% of budgeted revenue) and favourable variance in traffic violation revenue of $300,000. The disparity between budget and actual revenue for parking tickets 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 $960,032 due to additional Municipal Service Agreement revenue and tax penalty revenue received throughout the year.
- General Revenues had a $1.86 million surplus mostly due to favourable amounts in investment income from capital gains and interest earned and increased transfers from City-Owned Property for leases. Lower than expected franchise fees from SaskEnergy are offset by higher than expected franchise fees from SaskPower and TransGas.
- Grants-in-Lieu of Taxes (GIL) had a small deficit of $37,143 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 higher than budgeted by $1.13 million.
- Supplemental Property Tax revenue was $1.72 million lower than budget due to settlement of some larger property tax appeals

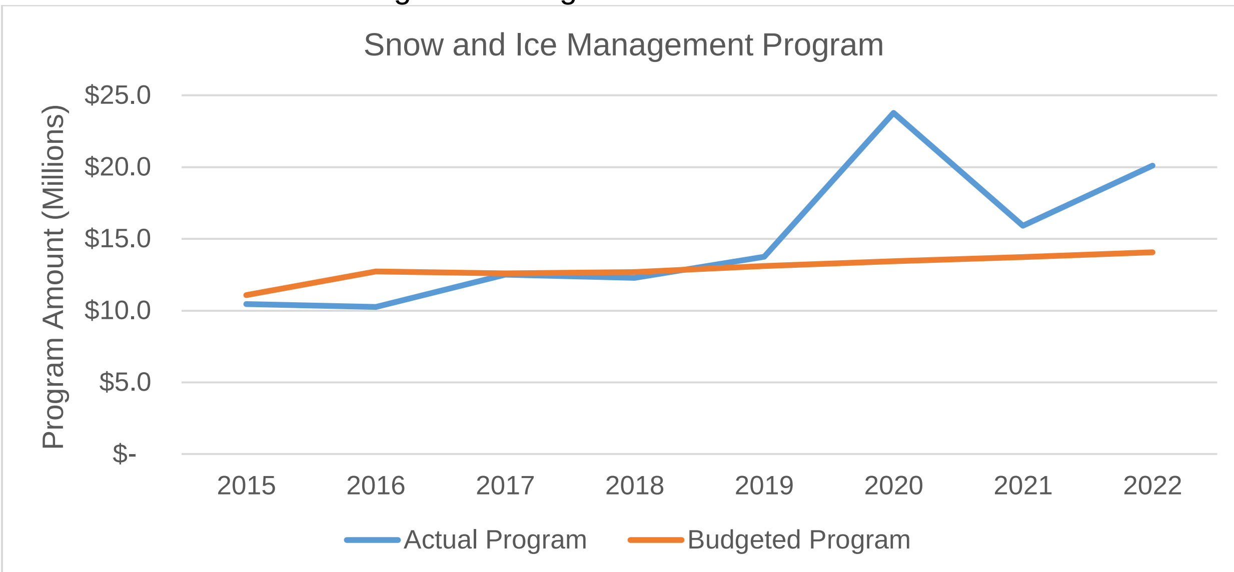
Transportation

There was a deficit in Transportation of $3.42 million including the December 2022 Snow Event.

- Road Maintenance had a surplus of $458,524 due to additional funding from the Urban Highway Connector program partially offset with increased fuel costs.
- Access Transit had a surplus of $1.05 million mostly related to salary savings from deferred hiring or less overtime than budgeted as well as fuel and maintenance savings due to less kilometers travelled compared to budget.
- Transit Operations had a surplus of $2.30 million. Revenues were $2.09 million favourable due to increased ridership. Expenditure savings due to salary savings from lower operator hours and vacant positions, uniform, training, and license and insurance expenditures which were partially offset with additional fuel and maintenance expenditures.
- Parking experienced a deficit of $458,524. Revenues were under budget by $946,900 due to parking revenue and late ticket revenue achieving only 82% and 81%, respectively, of the budgeted revenue. The revenues were partially offset by reduced commissionaire costs in the residential parking permit program, reduced terminal maintenance and vehicle rentals and inversely offset by higher bank charges and software licensing charges.
- Snow & Ice Management experienced a deficit of $6.03 million. For budgetary purposes, it is estimated there will be an average of five snow events for a calendar year and in early 2022 to late fall, Saskatoon had eight events with high snow accumulation followed by the December 2022 snow events for a total of 10 events. Additionally, fuel costs were more than budget. Already included in the $6.03 million deficit is the use of the Snow and Ice Management Contingency Reserve in the amount of $488,500 which will leave $0 remaining in the reserve. This reserve receives funds in years when there is a surplus in the operations and funds are used in years when deficits occur.

  City Council also approved future borrowing for the December 2022 snow event to a maximum of $20 million. In 2022 the costs for this snow event were $1.97 million with the remaining expenditures to occur in 2023 for continued clearing and snow removal costs. After deducting the future borrowing for the Snow Event, the deficit amount remaining in the service line is $4.06 million. Chart 4 shows the variability in a program which is weather dependant and the fluctuations that can occur.

Chart 4 – Snow & Ice Management Program



- Transportation Services had an unfavourable variance of $839,935 due to lower than anticipated cost recoveries partially offset with savings in travel and training expenditures.

Urban Planning & Development

Urban Planning & Development had a surplus of $762,180.

- Urban Design had a surplus of $394,934 due to the reduced transfer to the Streetscape Reserve because of the reduced parking revenue as well as savings from staff vacancies, and unused maintenance response.
- Attainable Housing had a favourable variance of $113,800 that was transferred to the Attainable Housing Reserve.
- Building and Plumbing Permits & Standards is a self-balancing program that had a $127,000 transfer to the Building Standards Stabilization Reserve mostly due to savings in salaries, reduced car allowance and office expenditures partially offset by reduced revenues.
- Long Range Planning, Neighbourhood Planning, Planning Project Services, Regional Planning, and Research and Mapping had a combined surplus of $574,381 due to savings in salaries, engagement, car allowance, travel and training and office expenditures.
- Development Review had a deficit of $165,949 due to revenues being below budget partially offset with reduced expenditures from reduced staffing.

Utility Year-End Results

- Saskatoon Light & Power (SL&P) reported a surplus of $1.22 million. SL&P revenues were more than expected due to the rate increase in September 2022 and overall sales volumes being 3.35% above budgeted levels. The increased revenues were partially offset by increased bulk power costs, more GIL transferred to the mill rate program, increased staffing costs, vehicle rental and fuel expenditures.

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 $1.17 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 $2.55 million.

- Water Utility reported a year-end deficit of $1.59 million. Revenue was slightly higher than expected as sales volumes were aided by the late warmer than normal summer, in addition there were savings in electrical expenditures and staff vacancies. However, these savings were offset by additional expenditures for water main maintenance, security, and utility usage. Both the Water Utility surplus and the Wastewater Utility surplus were transferred to the Water and Wastewater Stabilization Reserve, which brought the reserve balance to $8.15 million and within the maximum allowable per policy.
- Wastewater Utility reported a year-end surplus of $1.08 million. Sales revenues were slightly above budget due to the warmer than normal late summer months. Expenditure savings due to lower grit hauling, staff vacancies, and travel and training were partially offset by higher sewer repair costs. As mentioned, both the Water and the Wastewater Utility surpluses were transferred to the Water and Wastewater Stabilization Reserve.
- Storm Water Management Utility reported a year-end surplus of $657,233. This favourable surplus was due in part to higher revenues from network growth and savings in salaries. This surplus was transferred to the Storm Water Management Stabilization Reserve which brought the reserve balance over the maximum allowable by the policy, therefore, an amount of $344,568 was subsequently transferred from this stabilization reserve to the Storm Water Capital Reserve, leaving a balance of $1.67 million in the Storm Water Management Stabilization Reserve.
- Waste Services Utility reported a year end surplus of $1.79 million. Increases in MMSW funding as well as growth within single-family recycling, multi-unit recycling and leaves and grass programs resulted in surplus revenue. Savings from contractor costs, lane maintenance, communications and staffing expenditures all contributed to the overall surplus. The surplus was transferred to the Waste Utilities Stabilization Reserve which brought the reserve balance over the maximum allowable by the policy, therefore, an amount of $2.31 million was subsequently transferred from this stabilization reserve to the Waste Minimization Reserve, leaving a balance of $1.24 million in the Waste Utilities Stabilization Reserve.

<u>Training and Discretionary Spending Savings</u>
Including the mill rate, and Utility programs, the staff training budget, materials, supplies office and other expenditures had a favourable variance of $3.25 million. The Administration reduced these expenditures in a corporate-wide objective to help offset the revenue reductions or other budgetary pressures the City was experiencing throughout 2022.

Fuel Unfavourable Variance

In accordance with Council Policy No. C03-003, the Fuel Stabilization Reserves' purpose is to offset any over-expenditures in the City's tax-supported fuel budget attributable to variations in fuel pricing, thereby stabilizing the effect on the mill rate. In 2022 the tax supported fuel budget had an unfavourable variance of $1.94 million. The Fuel Stabilization Reserve had a balance of $354,410, which was used to help offset this unfavourable variance leaving a $0 balance in the Fuel Stabilization Reserve as of December 31, 2022.

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. $14,220 to the Internal Audit Program Reserve;
    b. $17,659 to the Animal Service Reserve; and
    c. $173,247 to the Reserve for Unexpended Youth Sports Subsidy Funds.
2. That a reduction in the transfer from the Roadways Operating program in the amount of $710,740 to the Paved Roadways Infrastructure Reserve be approved;
3. That a one-time exception to Council Policy No. C03-003, Reserve for Future Expenditures be approved to allow a transfer of $500,000 from the Special Events Reserve - Profile Saskatoon to the help offset the deficit;
4. That a one-time exception to Council Policy No. C03-003, Reserve for Future Expenditures be approved to allow a transfer of $924,395 from the Land Operations Reserve to the help offset the deficit; and
5. That the remaining deficit of $6.68 million be transferred from the Fiscal Stabilization Reserve to balance the budget.