2023 Year-End Projection by Business Lines

After applying transfers from utility reserves, the City of Saskatoon's (City) year-end projection for 2023 based on actual revenues and expenditures as of June 20, 2023 is indicating a balanced budget for 2023. 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 the projected year end is shown in Table 1.

Table 1 – Year to Date/Annual Variance

Business Line	Year-End Forecast	2023 Budget	Variance (Surplus) /Deficit
Arts, Culture & Events Venues	9.7	9.7	0.0
Community Support	18.6	18.8	(0.2)
Corporate Asset Mgmt.	15.0	14.6	0.4
Corporate Governance & Finance	81.3	73.0	8.3
Environmental Health	17.6	17.8	(0.2)
Fire & Protective Services	56.4	56.4	0.0
Land Development	0.0	0.0	0.0
Policing	113.7	113.7	0.0
Recreation & Culture	35.0	37.1	(2.1)
Taxation & General Revenues	(488.4)	(488.4)	0.0
Transportation	133.5	139.5	(6.0)
Urban Planning & Development	7.6	7.8	(0.2)
Operating Deficit (Surplus)	**0.0**	**0.0**	**0.0**
Utilities	5.3	0.0	5.3
Transfer (to)/from Utility Res.	(5.3)	0.0	(5.3)
Operating Deficit (Surplus)	**0.0**	**0.0**	**0.0**

In millions (000,000's)

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

Significant Variances

The City has been transparent regarding base operating budget challenges which have presented themselves over the past several years. This includes:

- Nearly $5.7 million approved as part of the targeted savings initiative in the 2023 budget which requires savings to achieve a balanced budget. This targeted savings approach puts significant pressure on the 2023 budget with little margin for unforeseen circumstances;
- There remain some structural budget gaps in Information Technology, Facilities Management, Parking Revenues and Leisure Centre Admissions where the budget does not align with actual results; and
- The Administration has implemented discretionary hiring and spending restrictions throughout 2023 to offset these financial pressures to bring in a balanced operating result. As included in this Appendix the Administration is projected to save $4.9 million in 2023 through these discretionary spending restrictions.

Inflationary Impacts in 2023

The City continues to experience inflationary impacts in 2023. Capital project funding, which is largely received through operating transfers to reserves, is set at the beginning of the year with an estimate of the amount of work that can be completed. Many of the tenders received to perform the work have increased costs, therefore the buying power of the budgeted funding, and the actual work that can be completed within 2023, is reduced. As an example, the anticipated work completed for paving program has been reduced to ensure budgets are met. These one-time work reductions can be made to ensure budgets are met within the current year but if the reduction in work is ongoing due to continual increased costs, the service levels for these assets fall behind approved or anticipated service levels.

Arts, Culture and Events Venues – Projected $0 Variance

Arts, Culture and Events Venues is expected to be on budget.

Community Support – Projected $173,700 Surplus

An overall favourable variance is expected due to savings in grants not paid for joint use school rental, recreation and sport facilities grant, reduction in provision for civic services as fewer festivals and events are expected, temporary staff vacancies and discretionary savings.

Corporate Asset Management – Projected $458,300 Deficit

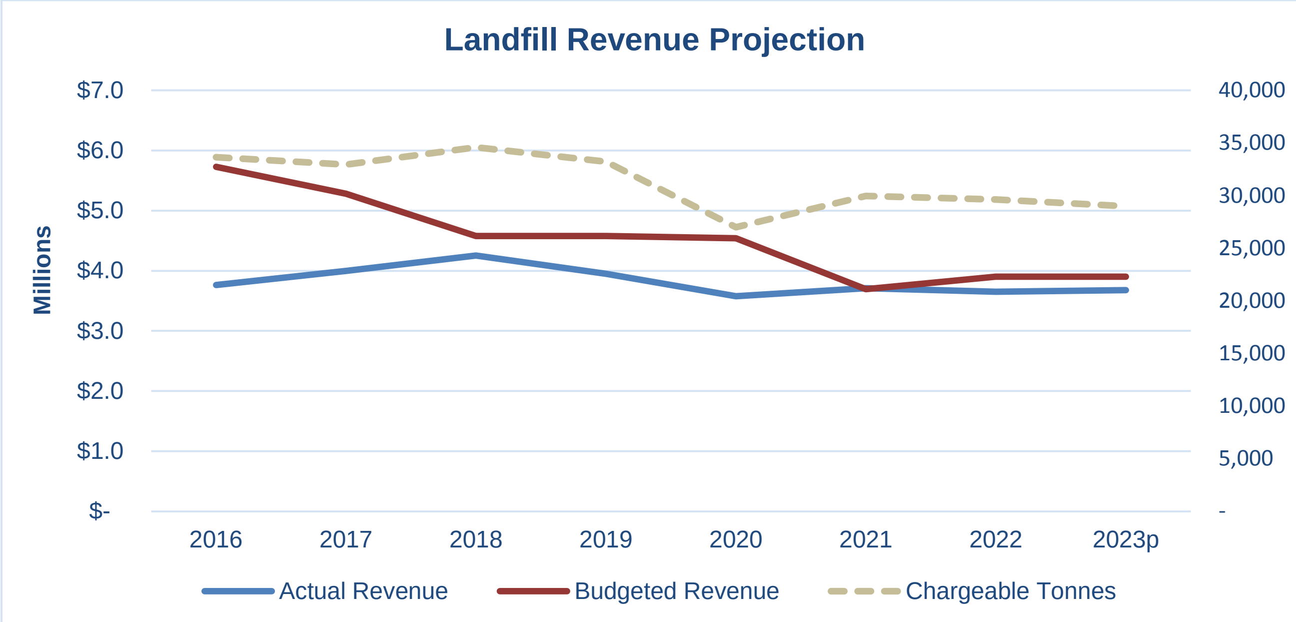
An overall unfavourable variance is expected mostly due to Facilities Management staffing costs that are expected to be more than budgeted due to overtime required, standby and callback pay, and occupational health and safety support. Additional costs are also required for enhanced cleaning, security checks at outdoor washrooms and water usage at spray pads due to structural budget issues. These unfavourable variances are partially offset by savings in materials and training cost as well as savings in Energy Management mostly due to natural gas rates being lower than anticipated.

Corporate Governance and Finance – Projected $8.2 Million Deficit
This business line contains the budget for $5.7 million of the global reduction or targeted savings. 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 Savings 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 $594,800. This correction affects 2023 and prior years but will also be impacted through 2024 and 2025 as a phased approach is used to bringing this amount into line with current recovery rates.
2. Information Technology (IT) is expecting an unfavourable variance of $2.8 million mainly due to additional Microsoft and other software licensing of $1.5 million, and unbudgeted salaries to support critical operations, corporate priority initiatives and the cyber security program. A significant portion of these unbudgeted staff members play pivotal roles in bolstering various business technology initiatives, including GIS projects, which are overseen through the IT project portfolio process. These individuals contribute essential skills and expertise to drive technological advancements within the organization that relate to the City's strategies such as: Customer Relationship Management, Drinking Water Advisory Web App, GIS Fire District Revamp and many more. The remaining unbudgeted staff members provide crucial support for diverse functions, such as ensuring the smooth operation of council chambers and boardroom audio-visual systems, as well as contributing to the overarching enterprise architecture program. While unplanned, these staff members play an integral part in enhancing operational efficiency and technological innovation.
3. Savings from staff vacancies, materials and office helps to partially offset the unfavourable variances within this Business Line.

Environmental Health – Projected $264,500 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 and waste diversion efforts, 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 $410,000. The revenue shortfall is offset by expenditure savings from reduced Landfill Replacement Reserve contribution and reduced spending on maintenance for buildings and grounds due to the discretionary spending restrictions. This results in a net surplus within this service line of $59,700. Chart 1 shows the reduction in the budgeted revenue over time to meet actual revenues for the Landfill.

Chart 1 – Landfill Revenue Projection



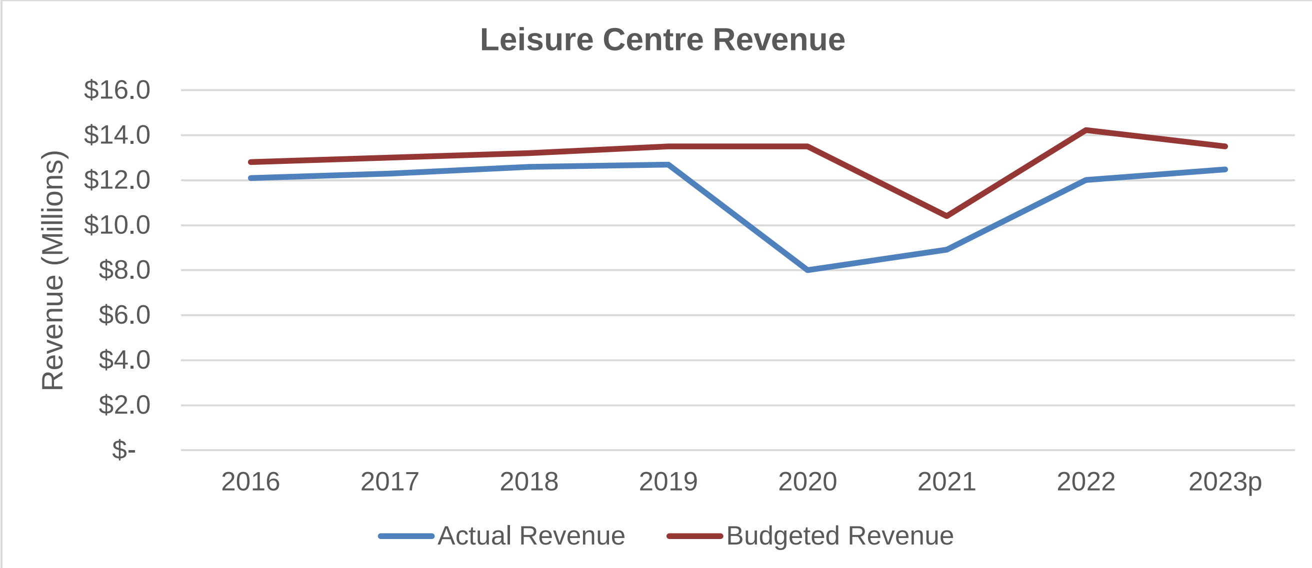
Sustainability is expecting a favourable variance of $69,600 mostly due to a focus on additional capital project work. Urban Biological Services is expecting a $89,200 favourable variance mostly due to reduced purchase of chemicals.

Fire Services – Projected $44,700 Surplus
Fire Services is projecting a favourable variance of $44,700 due to staff vacancies from retirements, delayed hiring, additional cost recovery from the Overdose Outreach Response Team and reduced spending for training. These are partially offset by additional spending for apparatus maintenance, and the staffing contract settlement.

Saskatoon Police Service (SPS) – Projected $0 Deficit
SPS is expecting to be on budget for 2023.

Recreation and Culture – Projected $2.1 Million Surplus
The Leisure Centres revenues for leisure centres are projected to be below budget by $1.0 million and below the 2019 pre-pandemic revenues by $217,000. The revenue deficit also includes reduced revenues due to the temporary closure of the Harry Bailey Aquatic Centre, starting April 1, 2023 for a major upgrade. These unfavourable revenue variances are offset, by reduced expenditures at Harry Bailey Aquatic Centre, reduced training, staff vacancies and contract instructor expenditures resulting in an overall surplus for the Leisure Centres of $1.5 million. Chart 2 shows the budgeted, actual and projected revenue.

Chart 2 – Leisure Centre Revenue Projection

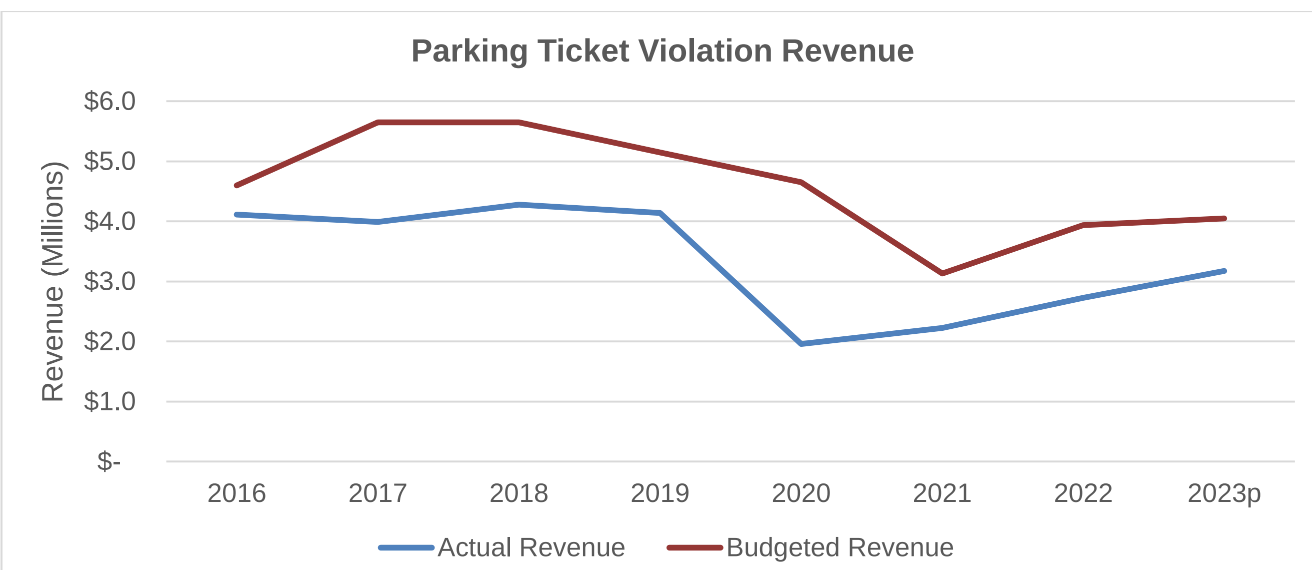


Parks Maintenance and Design is projecting a favourable variance of $256,900 due to increased Urban Connector Program Funding, global reduction in staffing and staff vacancies, and lower mowing contract costs. The favourable variance is partially offset by higher material and supplies, air compressor rentals, encampment clean-up costs and building repairs.

Taxation and General Revenue - Projected $23,300 Surplus
The Fines and Penalties program is projecting an unfavourable variance of $875,000, due to less than budgeted Parking Ticket Violation revenue. Projected Parking Ticket violation revenue remains below the 2019 pre-pandemic revenues by $964,000.

Chart 3 shows the ongoing budgetary issue of the budgeted revenues being higher than actual revenue received for parking ticket violations.

Chart 3 – Parking Ticket Violation Revenue Projection

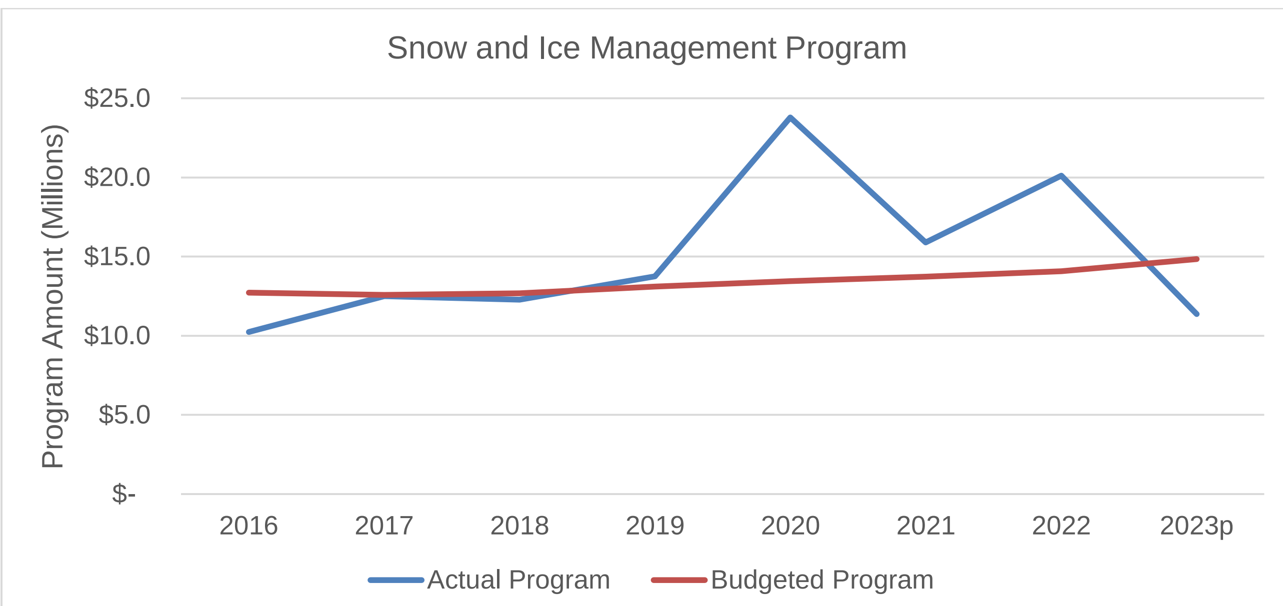


Supplemental Property Tax revenue is projecting to be $1.0 million lower than budget due to settlement of some larger property tax appeals. Franchise Fees from the Provincial Crown Corporations is expected to be $53,700 favourable. Municipal Revenue Sharing (MRS) revenue is received from the provincial government and is based on Provincial Sales Tax revenue. The amount that will be received in 2023 is expected to be $26,400 higher than budgeted. Additionally, it is expected there will be higher-than- expected investment income of $654,300 and $963,00 higher Grants-In-Lieu from Saskatoon Light and Power.

Transportation – Projected $6.0 Million Surplus

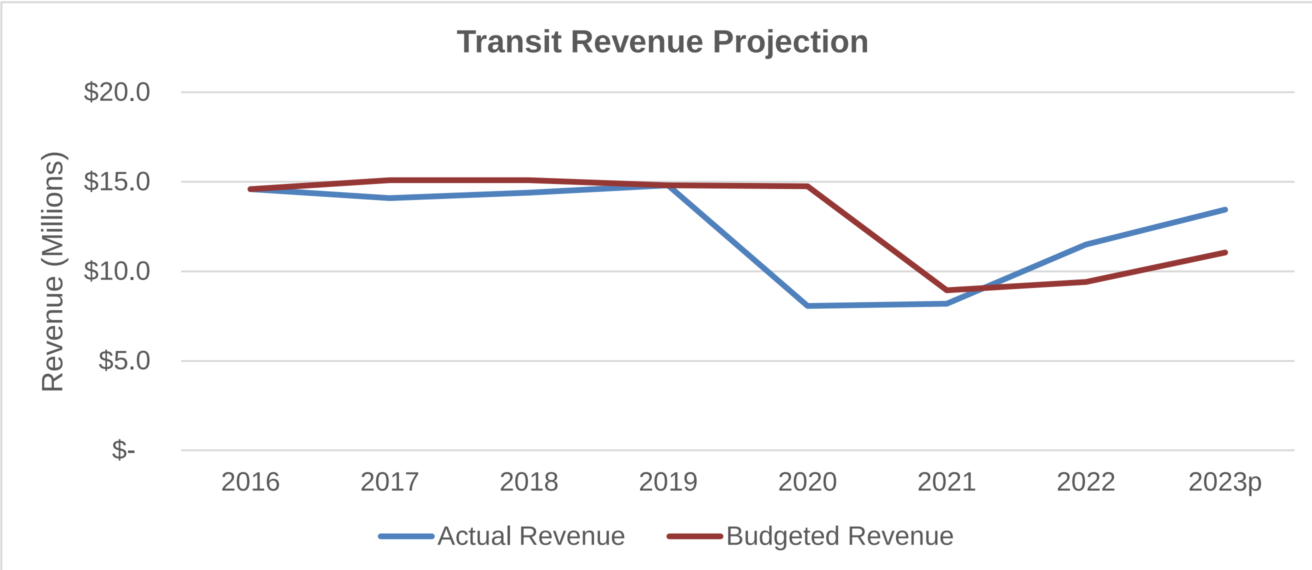
Snow and Ice Management service line is projecting a favourable variance of $3.5 million as there were no snow events in January to April 2023 and Administration has assumed a typical snowfall for Fall/Winter 2023. Chart 4 shows the variability in this snow and ice program that is weather dependent. Currently, Administration has the projected favourable variance as part of the overall balanced budget; however once final results are known at year-end, City Council will be presented with options such as having all or part of the favourable variance within this service line returned to the Snow and Ice Management Contingency Reserve.

Chart 4 – Snow and Ice Management Expenditures (Excluding the 2022 Emergency Snow Event Response)



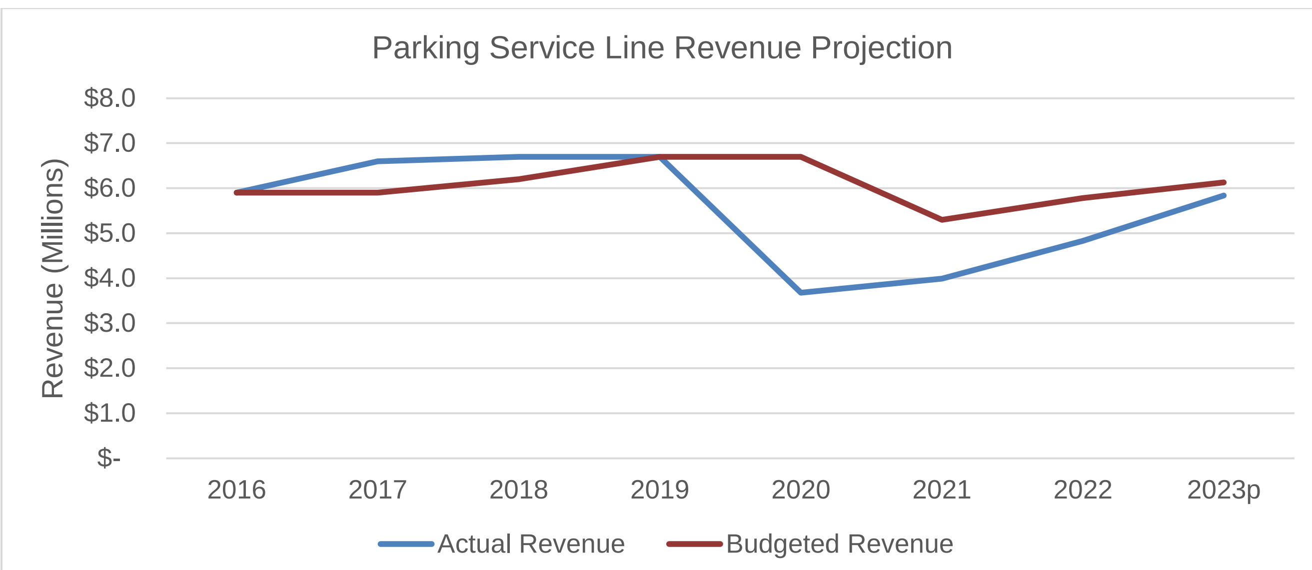
Saskatoon Transit and Access Transit revenues are favourable by $2.5 million. Expected transit revenues remain behind 2019 pre-pandemic levels by $1.3 million as shown in Chart 5. Additional revenue, fuel and salary savings are offset, in part, by increased maintenance expenditures. The net projected surplus for Saskatoon Transit and Access Transit is $2.3 million.

Chart 5 – Transit Revenue Projection



Parking revenues are projecting a $293,000 deficit and are expecting to reach 94% of budget. Expected Parking revenues remain behind 2019 pre-pandemic levels by $863,500 as shown in Chart 6.

Chart 6 – Parking Service Line Revenue Projection



An unfavourable variance of $250,000 within Transportation Services is due to lower-than-expected cost recoveries and additional safety audit requirements. Road Maintenance is expecting a surplus of $165,500 due to additional Urban Highway Connector funding, savings in fuel, reduced training and deferral of staff hiring.

Urban Planning and Development – Projected $230,200 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 subdivision and discretionary use revenue for a net expected surplus of $230,200.

Utilities – Projected $5.3 Million Surplus (will be offset through transfers to reserves)
Wastewater is projecting an overall favourable variance of $4.9 million due to revenues projected to be higher than budget by $1.1 million, reduced overtime, decreased water usage, minimizing biogas usage and savings in chemicals.

Water is projecting a favourable variance of $487,300 due to favourable revenue projections due to increased sales volume partially offset by increased chemical and natural gas.

Saskatoon Light and Power is projecting an unfavourable variance of $411,500. Increased revenues due to sales volume, reduced bulk power costs are offset by higher Grants In-Lieu, supplies and tools costs.

Waste Services is projecting a favourable variance of $732,600 mostly due savings for staff vacancies, advertising and single family and multi-unit recycling revenues being higher than projected.

Storm Water Management is projecting an unfavourable variance of $394,200. Additional revenues are offset by increased maintenance costs due to the number of repairs being 56% above historical levels, year to date.

All Utility variances will be offset through transfers to reserves at year-end.

Overall Savings
As part of a corporate-wide objective to help offset the budgetary pressures, Administration is projecting savings, in staff training and travel, staff vacancies, materials, office supplies and other expenditures, will be approximately $4.9 million. These savings are split amongst the business lines and are already included in the numbers mentioned in this report.

Stabilization Reserves
The Fiscal Stabilization Reserve was established to mitigate mill rate impacts from fluctuations in operating results from year to year and has a current balance of $1.64 million which would be available to help offset in the event there is a year-end deficit.

Once the actual year-end variance is determined, if required, the use of the stabilization reserves would be reported on, along with the impact to applicable programs.