Appendix 1

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 September 30, 2023 is indicating a potential surplus of $3.0 million for 2023. It is cautioned that this forecast relies on nine 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.	15.6	14.6	1.0
Corporate Governance & Finance	81.2	73.0	8.2
Environmental Health	17.1	17.8	(0.7)
Fire & Protective Services	57.4	56.4	1.0
Land Development	0.0	0.0	0.0
Policing	113.7	113.7	0.0
Recreation & Culture	34.8	37.1	(2.3)
Taxation & General Revenues	(491.7)	(488.4)	(3.3)
Transportation	133.0	139.5	(6.5)
Urban Planning & Development	7.6	7.8	(0.2)
Operating Deficit (Surplus)	**(3.0)**	**0.0**	**(3.0)**
Utilities	(10.9)	0.0	(10.9)
Transfer to/(from) Utility Res.	10.9	0.0	10.9
Operating Deficit (Surplus)	**3.0**	**0.0**	**3.0**

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 $5.1 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 $146,900 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 than expected, temporary staff vacancies and discretionary savings.

Corporate Asset Management – Projected $1.1 Million 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 unbudgeted enhanced cleaning and security checks at outdoor washrooms. Structural budget issues remain for water usage at spray pads. 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 $3.0 million mainly due to additional Microsoft and other software licensing of $2.0 million, and unbudgeted salaries to support critical operations, and corporate priority initiatives. 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. 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 $756,900 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 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 $316,000. The revenue shortfall is offset by staff expenditure savings as Landfill staff worked on the Materials Recovery Centre start-up which is funded by capital, 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 $459,200.

Sustainability is expecting a favourable variance of $296,600 mostly due savings in the Household Hazardous Waste program due to less events than in prior years because of a later than expected award of the contract for the service. There was also a focus on additional capital project work. Urban Biological Services is expecting a $144,300 favourable variance mostly due to reduced purchase of chemicals, and staff vacancies.

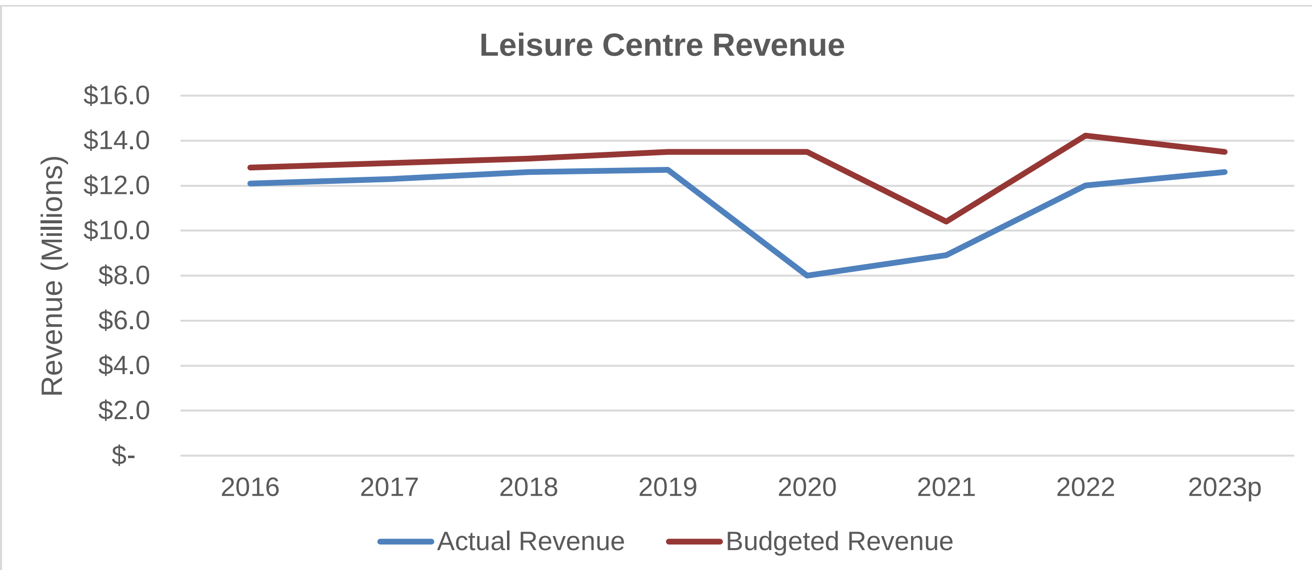
Fire Services – Projected $994,200 Deficit
Fire Services is projecting an unfavourable variance due to collective agreement settlement, unbudgeted statutory holiday pay as well as additional spending for

apparatus maintenance. These expenditures are partially offset by staff vacancies from retirements and delayed hiring, reduced spending for training and fuel savings.

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

Recreation and Culture – Projected $2.3 Million Surplus
The Leisure Centres revenues for leisure centres are projected to be below budget by $894,800 and below the 2019 pre-pandemic revenues by $87,300. 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 $1.7 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 $304,000 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.

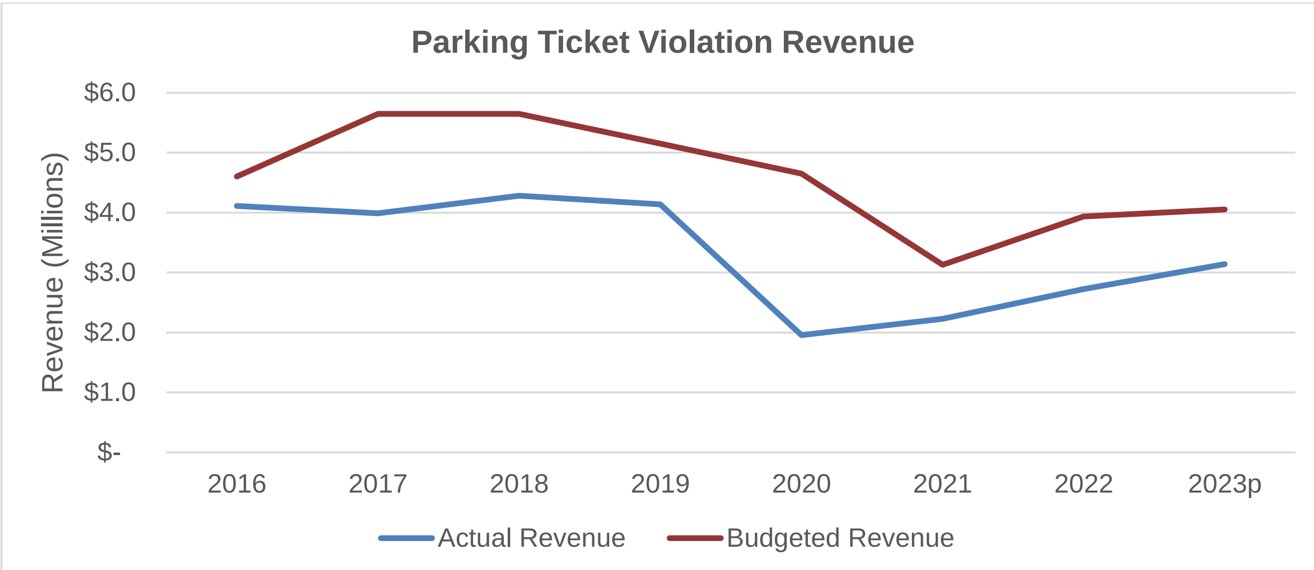
Outdoor Pools is projecting a favourable variance of $112,600 due to higher admission, registration and accessibility revenues partially offset by lower school usage and reduced concession revenue and lower utility costs.

Outdoor Sports Fields is projecting a favourable variance of $111,600 due to higher school use offset by lower league use, and lower electricity usage as the Gordie Howe Bowl parking lot is not completed.

Taxation and General Revenue - Projected $3.3 Million Surplus
The Fines and Penalties program is projecting an unfavourable variance of $912,000, due to less than budgeted Parking Ticket Violation revenue. Projected Parking Ticket violation revenue remains below the 2019 pre-pandemic revenues by $1.0 million.

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

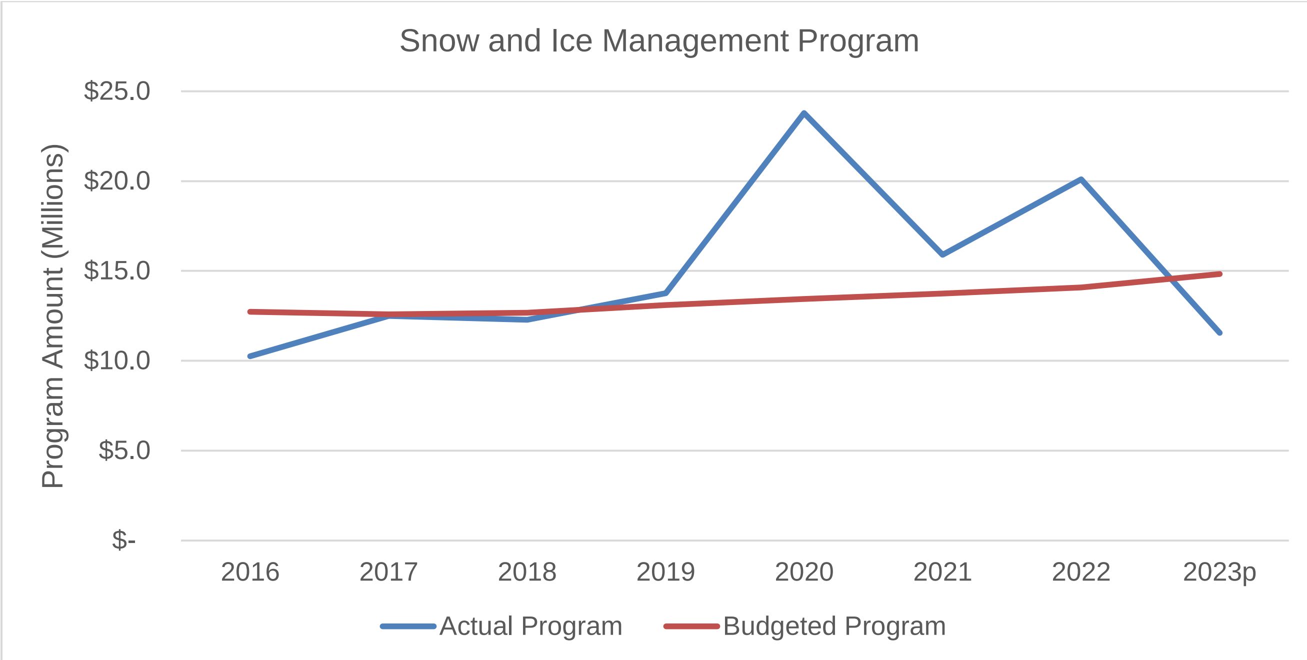


Supplemental Property Tax revenue is projecting to be $200,000 higher than budget. Franchise Fees from the Provincial Crown Corporations is expected to be $316,300 favourable. Municipal Revenue Sharing (MRS) revenue is received from the provincial government and is based on Provincial Sales Tax revenue and 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 $1.5 million and $1.2 million higher Grants-In-Lieu from Saskatoon Light and Power.

Transportation – Projected $6.5 Million Surplus

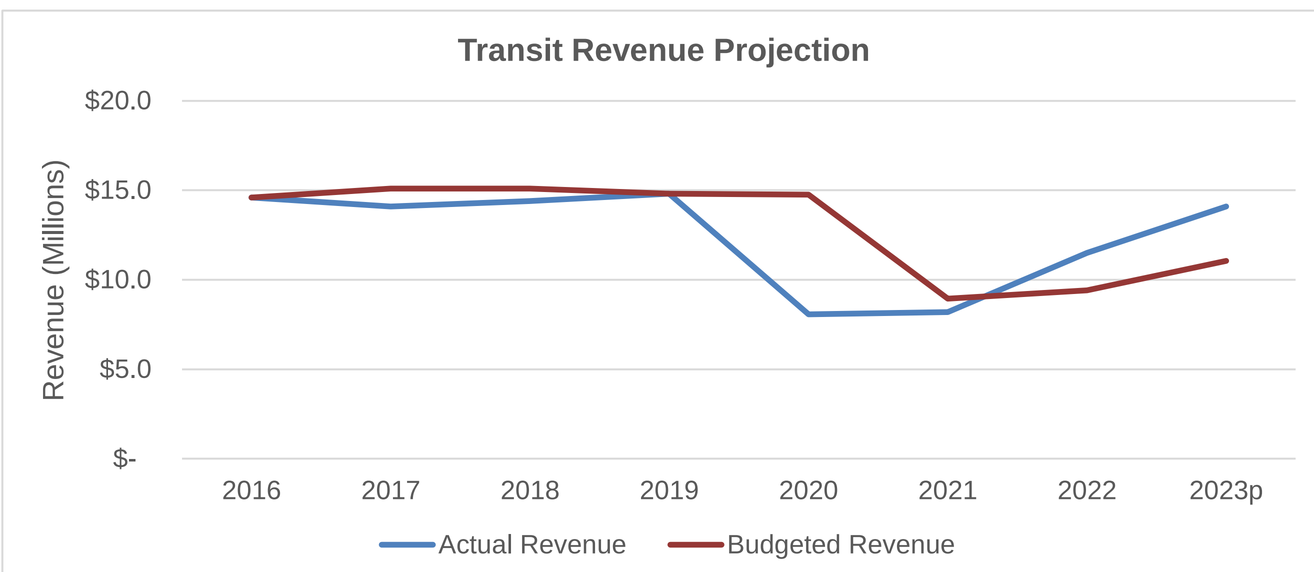
Snow and Ice Management service line is projecting a favourable variance of $3.3 million as there were no major snow events in January to April 2023 and Administration has assumed a typical snowfall for Fall/Winter 2023. Chart 4 shows the variability in this snow and ice program that is weather dependent. 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



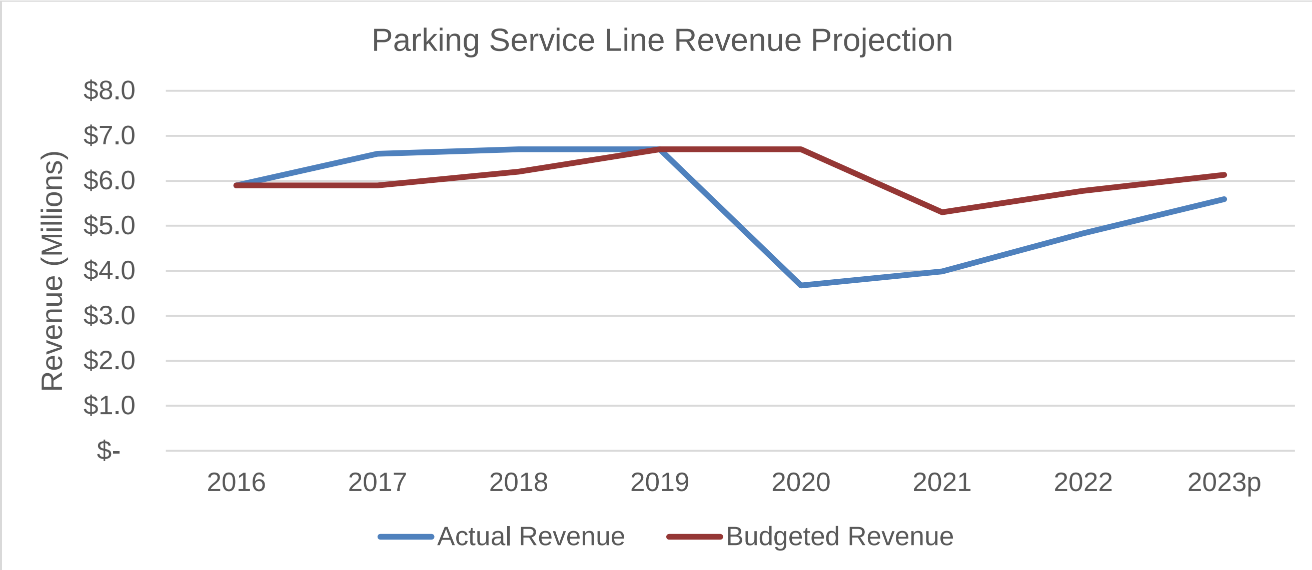
Saskatoon Transit and Access Transit revenues are favourable by $3.2 million. Expected transit revenues remain behind 2019 pre-pandemic levels by $700,000 as shown in Chart 5. Additional revenue, fuel and salary savings are offset, in part, by increased maintenance expenditures. The net projected surplus for Saskatoon Transit and Access Transit is $4.2 million.

Chart 5 – Transit Revenue Projection



Parking revenues are projecting a $539,700 deficit and remain behind 2019 pre-pandemic levels by $1.1 million as shown in Chart 6. The deficit in revenue is partially offset by savings from lease payments on the elimination of a civic parking lot, reduced fuel and vehicle rental and reduced use of commissionaires in the parking program for a net deficit of $321,100 in the Parking service line.

Chart 6 – Parking Service Line Revenue Projection



An unfavourable variance of $400,000 within Transportation Services is due to lower-than-expected internal cost recoveries and inflationary pressures. Road Maintenance is expecting a deficit of $450,000 due to higher maintenance cut repair costs partially offset by additional Urban Highway Connector funding, savings in fuel, reduced training and deferral of staff hiring.

Urban Planning and Development – Projected $278,300 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 sign and occupancy permit revenue and lower development permit revenue for a net expected surplus of $278,300.

Utilities – Projected $10.9 Million Surplus (will be offset through transfers to reserves)
Wastewater is projecting an overall favourable variance of $4.2 million due to revenues projected to be higher than budget by $1.7 million resulting from hot summer temperatures. Efforts to reduce overtime, decreased water usage and savings in chemicals result in reduced expenditures.

Water is projecting a favourable variance of $4.8 million due to increased revenue projections resulting from increased sales volume during hot summer temperatures. Efficiencies gained through better allocation of costs for pumping and treatment result in lower costs for planned maintenance and special services.

Saskatoon Light and Power is projecting a favourable variance of $785,900. Increased revenues due to sales volume are offset by higher bulk power purchases, Grants In-Lieu, supplies and tools costs.

Waste Services is projecting a favourable variance of $1.2 million mostly due to savings for staff vacancies, vehicles and equipment, and single family and multi-unit recycling revenues being higher than projected.

Storm Water Management is projecting an unfavourable variance of $79,700. Additional revenues are offset by increased maintenance costs due to the number of repairs being 47% 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 $5.1 million. The savings are due to approximately $800,000 in savings from training, $3.1 million savings from deferred hiring and $1.2 million from office, maintenance or other expenditure deferrals. 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.