

# 2023 Year-End Financial Forecast – City of Saskatoon’s Business Plan and Budget

## ISSUE

This report presents the forecast for the City of Saskatoon’s (City) 2023 Business Plan and Budget.

## BACKGROUND

Each year, the Administration provides mid-year, third quarter and year-end reports to City Council on the fiscal performance of the City’s Business Plan and Budgets. The objective is to keep City Council and residents informed on expenditure and revenue variances from the budget estimates as the fiscal year progresses.

## CURRENT STATUS

This forecast is based on the most current information known to the Administration at the time of preparing this report. It uses the September 2023 actual revenues and expenditures as well as any other significant known budget changes to date. Based on the 3<sup>rd</sup> quarter forecast, the Administration estimates at the end of the fiscal year, the 2023 operating budget will have a surplus of \$3.0 million (0.5% deviation). The City’s Utilities are expected to realize a \$10.9 million surplus (2.7% deviation).

## DISCUSSION/ANALYSIS

General City Operations:

The Administration is projecting to deliver a surplus budget for 2023 of \$3.0 million. The 2023 budget included targeted savings of \$5.7 million in addition to structural budget challenges such as \$3.0 million in Information Technology Structural Budget Issues and various other post-pandemic revenue challenges [previously reported](#). Between these two items alone, \$8.7 million in favorable budget variances would be needed in 2023 to realize a balanced budget.

As at the end of Q3, the City has benefited from both intentional efforts to achieve these savings as well as favourable circumstances which are contributing to the City’s projected \$3.0 million surplus.

With intentional effort, the Administration put in place discretionary hiring and spending freezes early in 2023, expected to result in approximately \$5.1 million in savings as a result of:

- Approximately \$800,000 in savings from reduced training investments;
- \$3.1 million savings from deferred hiring; and
- \$1.2 million in savings from office, maintenance or other expenditure deferrals.

While these initiatives have led to savings in 2023, continuing with this approach year after year can lead to longer term impacts such as higher future costs of maintenance, staff falling significantly behind on training, and erosion of service levels.

In addition to these intentional efforts, these favourable external factors have contributed to the City’s projected surplus including:

- Relatively minor snow events in 2023 compared with typical years resulted in a projected \$3.3 million surplus in the City’s snow and ice management program;
- Higher than anticipated interest rate environment has resulted in \$1.5 million in additional investment income;
- Closure of Harry Bailey Aquatic Centre has contributed to an overall surplus for Leisure Centres expenditures of \$1.7 million; and
- Significant increases to Transit and Access Transit revenues and a quicker return to pre-pandemic ridership resulting in \$3.2 million in higher than budgeted revenues.

The \$14.8 million favourable variance between the intentional efforts and favorable circumstances identified above has been used to offset the \$5.7 million in targeted annual savings as well as additional base budget challenges such as \$3.0 million in Information Technology and \$1.1 million in Facilities Management.

While a projected surplus of \$3.0 million in 2023 is certainly welcome news after years of financial deficits and challenges throughout the pandemic and post-financial recovery, it is important to note that many of the external factors experienced in 2023 such as little to no snow events, higher interest rate environments and the closure of Harry Bailey Aquatic Centre may not continue in future years. This highlights the importance of the 2024/2025 Budget deliberations establishing a sustainable budget with approved service levels moving forward.

Additional details of the variances to the 2023 budget are included in Appendix 1. Each of these items are based on projections and estimates, and some have a high degree of volatility. While these figures are preliminary and are based on data available at this time, Administration will continue to follow existing fiscal restrictions. Including discretionary spending and hiring restrictions in place since 2020, balanced with the need to continue providing for the delivery of all civic services.

Other key information or results:

- The City has \$1.64 million within the Fiscal Stabilization Reserve.
- Utilities are projecting a \$10.9 million net surplus. Any utility variance is offset through transfers to or from the applicable stabilization reserves. If this surplus is realized, contributions will be made to the respective reserves. Additional funding into the capital reserves would help to address the City’s ongoing asset management plans where funding gaps have been previously identified.

Forecasts for the City’s controlled corporations (SaskTel Centre, TCU Place, and Rемаi Modern), are not included in the analysis. A brief summary is outlined below:

- SaskTel Centre has an agreement with the Saskatoon Entertainment Group whereby it is guaranteed to be profitable for 2023.
- TCU Place is projecting a deficit of approximately \$419,000 in 2023, compared to a budgeted deficit of \$507,000. Increased revenues and focused spending are helping to rebuild operations post pandemic. The deficit for TCU Place will be covered by its Stabilization Reserve and/or transfers from its Equipment Replacement Reserve.
- Rемаi Modern is forecasting to break even for 2023. In order to offer a world-class museum experience accessible to everyone, the focus of Rемаi Modern is to generate revenue while keeping expenses in line with budgets.

### **FINANCIAL IMPLICATIONS**

The financial implications are outlined in this report.

### **OTHER IMPLICATIONS**

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

### **NEXT STEPS**

In early 2024, the Administration will report on the 2023 year-end actual results and any suggested reserve transfers.

### **APPENDICES**

1. 2023 Year-End Projection by Business Line

### **REPORT APPROVAL**

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