

Capital Reserve Contribution Reductions

ISSUE

This report provides a response back to outstanding resolutions about the potential impact if the City's reserve transfers were to be reduced.

BACKGROUND

At the March 15, 2023, Governance and Priorities Committee (GPC), the Administration presented a report entitled [2023 - 2025 Budgetary Pressures and Trends](#) which provided an overview of the financial pressures the City will be facing heading into the 2024/2025 Budget preparation.

At the June 14, 2023 GPC, a report was presented titled [2024/2025 Budget Status Update](#) which outlined further the budgetary pressures that the City was experiencing and presented a projected funding gap without further intervention.

At the [July 25, 2023](#), [August 15, 2023](#) and [August 31, 2023](#) GPC special budget meetings, GPC made numerous decisions to reduce the expected funding gap that are now included in the 2024-2025 Preliminary Business Plan and Budget Document.

CURRENT STATUS

At the City Council meeting on [September 27, 2023](#), it was resolved:

1. That the Administration report back regarding the planned 2024/2025 contributions to capital/reserves including whether the reserve is funded via the property tax, utility or self-balancing program;
2. That the Administration report include the implications if a 3% reduction was made to each reserve contribution; and
3. That the Administration report include a summary all 2024/2025 capital projects and their funding source.”

DISCUSSION/ANALYSIS

Appendix 1 details the reserves held by the City but excludes the Saskatoon Police Service, Saskatoon Public Library, and the controlled corporations.

Appendix 1 includes the contribution to the reserve for 2024 and 2025, the dollar amount of a potential 3% reduction as well as the impact to the capital program if a 3% reduction was made.

The analysis reveals that many of the impacts from a reduction would have impacts to the City's ability to maintain infrastructure and service levels. The reductions to the reserve contributions would be permanent base budget reductions that would take future budget increases to get back to the current levels of funding and associated service levels. It adds further risk to many of the City's asset management plans, many of which are already underfunded.

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It is important to note this information includes non-mill rate and utility-funded reserves. City Council, through resolution, could redirect the savings from a reduced contribution to general operating instead of to the utility program. For example, although a reduction to Utility transfer to reserve expenditure typically would result in additional contribution to Utility reserves, as per policy and through resolution, City Council could direct these expenditure reductions to reduce the property tax impact through an increase to the return on investment (ROI).

Appendices 2 and 3 include the listing of all capital projects and their funding source.

FINANCIAL IMPLICATIONS

Financial implications of a possible 3% reduction to reserve contributions are presented in Appendix 1.

OTHER IMPLICATIONS

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

NEXT STEPS

Any next steps are subject to the direction of City Council at its Budget Review meetings beginning November 28, 2023.

APPENDICES

1. Capital Reserve Contributions
2. 2024 Capital Projects
3. 2025 Capital Projects

REPORT APPROVAL

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