Detailed Overview of Preliminary Year-End Financial Results

City of Saskatoon General Fund – 2023 Summary				
	2023 Budget	**2023 Actuals**	**Variance**	**Percentage**
Revenues	592,620,000	600,943,509	8,323,509	1.40%
Expenditures	592,620,000	607,036,784	(14,416,784)	-2.43%
Surplus/(Deficit)	**-**	**(6,093,275)**	**(6,093,275)**	**-1.03%**
Future Borrowing for Snow Event	**-**	**16,038,553**	**16,038,553**	
Surplus/(Deficit)	**-**	**9,945,278**	**9,945,278**	**1.68%**

2023 YEAR-END MILL RATE RESULTS

The surplus for the year ended December 31, 2023, is $9.9 million equivalent to a 1.68% variance from budget. This does not include the $16.0 million that was spent as a result of the December 2022, Snow Event as it is being funded via borrowing as approved at the January 25, 2023 City Council meeting. Without this borrowing, The City would have had a $6.1 million deficit in 2023 with minimal funds available in stabilization reserves to offset this. Also included in these totals is:

- $210,348 transfer to the Parks Division Grounds Maintenance Stabilization Reserve as per Council Policy No. C03-003, Reserve for Future Expenditures; and
- One-time funding of $10,022,400 in reallocated funds from the Investing in Canada Infrastructure Program.

The Administration is recommending that the surplus of $9.9 million be allocated as follows:

- $5.7 million surplus related to Snow and Ice Operations be allocated to the Snow and Ice Management Contingency Reserve. This will bring the reserve to a balance of approximately $6.2 million to provide funding in future years for higher than normal snowfall; and
- The remaining $4.2 million civic surplus be allocated to the Fiscal Stabilization Reserve which will bring the balance to approximately $5.8 million which will be available to offset future operating budget deficits or challenges.

Stabilization Reserves

The Administration is recommending funding the Snow and Ice Management Contingency Reserve and Fiscal Stabilization Reserve with the surplus funds as these reserves have been significantly depleted in recent years and funding these will allow the rebuilding of funds to offset future unforeseen challenges and/or potential deficits.

Between 2017 and 2022, the Snow and Ice program has experienced a deficit in five of the six years, resulting in the Snow and Ice Management Reserve being fully depleted as at December 31, 2022. In 2023 as part of the regular operating budget an amount of $488,500 was put into this reserve, without any additional contributions, only this amount would be left to deal with future years that have higher snowfall then normal. The recommended one-time allocation of $5.7 million will help to build this funding for future snow events. In addition to this one-time allocation, within the 2024 and 2025 budget a total of $175,400 and $166,800, respectively was approved to start building additional ongoing annual funding into this reserve for response to future emergency snow events.

In terms of overall City operations, excluding Snow & Ice, between 2017 and 2022, the City has experienced an overall deficit in five of these six years, resulting in the Fiscal Stabilization Reserve being fully depleted as at December 31, 2022. As part of the 2023 Preliminary Business Plan and Budget meeting held on November 28, 2022, City Council transferred an amount of $1.6 million from the Reserve for Capital Expenditures into the Fiscal Stabilization Reserve. The recommended transfer of an additional $4.2 million in this report will bring the balance to $5.8 million within the Fiscal Stabilization Reserve as of December 31, 2023 which will be available for future years to address unforeseen budget challenges and/or deficits.

While no target is set in policy for a minimum or maximum balance of these 2 City's stabilization reserves, 5% of the overall civic operating budget has often been referred to as a common targeted minimum balance to aspire to, to ensure adequate available resources to deal with future unforeseen events. If these recommendations are approved, there would be approximately $12.1 million in these two major City stabilization reserves combined, equivalent to an approximate 2.0% contingency.

Inflationary Impacts in 2023

The City experienced significant 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 was completed within 2023, was reduced to align with budget allocations. As an example, the anticipated work completed for paving program was reduced to ensure budgets are met. These one-time work reductions were made to ensure budgets were met within 2023 and the City's ongoing response to these inflationary challenges was a significant consideration during the 2024/2025 budget deliberations where funding and service level expectations were aligned.

Comparison to 3rd Quarter Results

The [2023 Year-End Financial Forecast] presented to Governance and Priorities Committee meeting on December 12, 2023 estimated a surplus of $3.0 million for the 2023 year-end civic operating results. The increased surplus at year end is due to many factors with some of the larger items being:

- Higher surplus than anticipated in the Snow and Ice Management Service Line of $2.45 million due to no further snow events from October to December, whereby the Q3 forecasts assumed an average amount of snowfall and snow events.
- Higher overall fuel savings due to cost per litre being approximately $0.15/litre lower from October to December than forecasted in the Q3 results. Total fuel savings for the year were approximately $4.1 million and are described in further detail at the end of this Appendix.
- Higher surplus than anticipated in Community Support of $850,000 due mostly to lower-than-expected abatements and incentives.

- Higher surplus than anticipated in Transit and Access Transit of $1.8 million due in part to continued increases in revenue from higher then forecasted ridership and lower expenditures for maintenance, technology and transit ticket sales commissions.
- Lower deficit in Corporate Support by $1.2 million due to higher staff vacancies and lower Information Technology from lower licensing costs than anticipated.

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 $226,691. The surplus is due in part to $179,500 from the expired loan that remained budgeted for the City's portion of the TCU Expansion project that was approved in 2005. This contribution was removed as part of the 2024 budget. In addition to the loan, higher then anticipated contributions to the Civic Buildings Comprehensive Maintenance reserve (CBCM) from SaskTel of $47,000.

Community Support
The surplus in the Community Support business line is $1.0 million. Expenditure savings were realized due to savings in grants 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. Expenditures were also lower than expected within the economic incentives for abatements and incentives given throughout the year.

Corporate Asset Management
There was a deficit of $973,765 within the Corporate Asset Management business line. Expenditures were higher than budgeted for staffing costs due to overtime required to support critical work, 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 as well as water usage at spray pads. Lower cost recovery then originally budgeted primarily due to closure of Harry Bailey Aquatic Centre and less capital work completed in 2023 than originally budgeted is also reflected in this business line. These overages are partially offset with savings in Energy Management mostly due to savings in natural gas costs and reduction in the use of contractors for maintenance.

Corporate Governance & Finance

Corporate Governance & Finance experienced a deficit of $2.0 million. This business line contains the budget for $5.69 million of the global reduction or targeted savings. Many of these savings are recognized in various other business lines and summarized in the Overall Saving section of this Appendix. This business line also contains the budget for overall staffing payroll costs/benefits, CBA increases, etc. that would also be recognized throughout the various other business lines. 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 staff costs to support critical operations, and corporate priority initiatives. A significant portion of these additional staff costs play pivotal roles in bolstering various business technology initiatives, including GIS projects, which are overseen through the IT project portfolio process. These resources 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.

- An unfavourable variance of $596,100 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 in the 2024/2025 budgets.
- A favourable variance of $1,000,000 in COVID-19 related expenditures that were budgeted for but not spent. These expenditures have been removed in the approved 2024 budget.
- As per Policy, any unexpended funds, if applicable, in the Independent Office of the City Auditor program (Office) would get transferred to the Internal Audit Program Reserve or over expenditures would be funded from the reserve. During 2023, $432,065 was spent on staffing, external audit engagement, and administrative costs resulting in an over expenditure of $5,165 which was transferred from the Internal Audit Program Reserve. Following the transfer from reserve, the Internal Audit Program Reserve has a balance of $398,558 as of December 31, 2023. The Office will have sufficient funding with the 2024 operating funds and the funds remaining in the Internal Audit Program Reserve for the execution of the Internal Audit Plan for 2024.
- Savings from staff vacancies, materials and office supplies helps to partially offset the unfavourable variances within this Business Line.

Environmental Health

Overall, Environmental Health experienced a surplus of $539,181. The service line of 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, revenues for this service line remained under budget by $595,000 in 2023. The revenue shortfall is partially 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 deficit within this service line of $156,767.

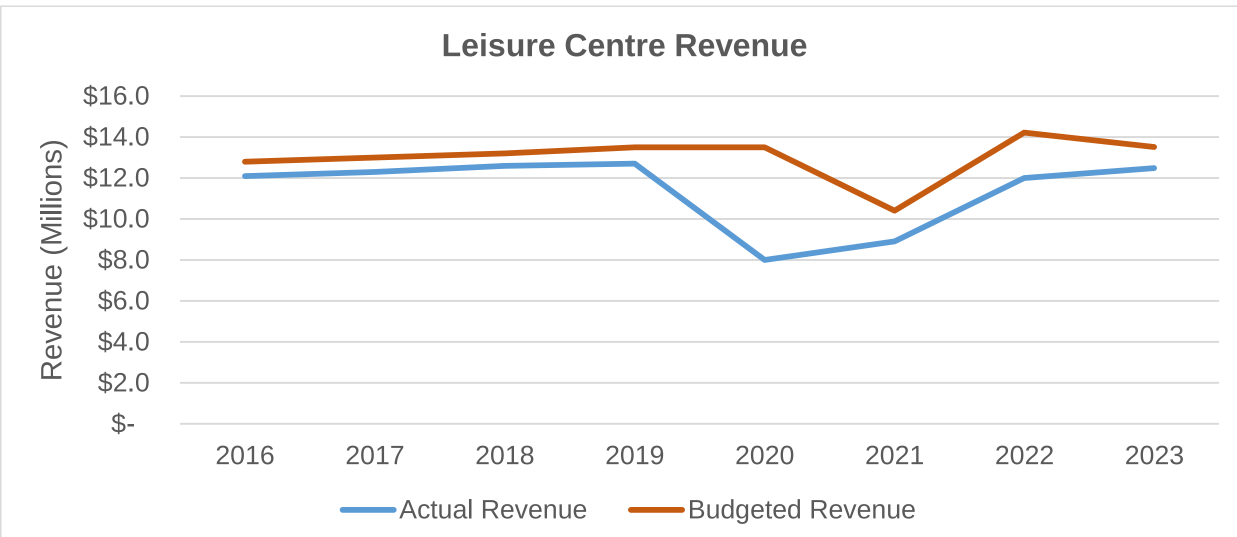
Sustainability had a favourable variance mainly related to savings in the Household Hazardous Waste program due to less events than in prior years because of a later than expected award of the contract for the service. Urban Biological Services also had a favourable variance mostly due to reduced purchase of chemicals, and staff vacancies.

Recreation & Culture

Recreation & Culture experienced a surplus of $2.7 million.

- Golf Courses ended 2023 with a surplus of $687,700 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 a later start to the season offset in part by higher building, netting and tree maintenance.
- Gordie Howe Campsite increased the contribution to the Campsite Reserve to offset the surplus of $32,700 which was due to higher rental revenue, offset by slightly higher staffing costs.
- Leisure Centres had a surplus of $2.1 million. Overall revenues for leisure centres are below budget by $1.0 million and below the 2019 pre-pandemic revenues by $208,000 as shown in Chart 2. However, this revenue deficit 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 lower utility expenditures resulting in an overall surplus for the Leisure Centres of $2.1 million.

Chart 2 – Leisure Centre Revenue



- Parks Maintenance & Design operations had a surplus of $514,348 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. 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 contribution of $210,348 was transferred to the reserve resulting in a December 31, 2023 balance of $478,531 remaining in the Parks Grounds Maintenance Stabilization Reserve. The full amount of the surplus was not transferred to the reserve due to the global savings of $340,000 from deferral of hiring summer labourer positions as part of the Administration's intentional efforts to achieve additional savings to help impact the overall City surplus.

- River Landing is a service line that is balanced to $0 with a transfer from the RCE. Lower than expected property tax and parking revenue was partially offset by savings in salaries, lower insurance, security, and cleaning for the parkade resulting in an overall surplus of $309,011 which was transferred to RCE to balance this service line to $0.

Saskatoon Fire

The deficit of $2.2 million for Saskatoon Fire is partially due to contract settlement more than budget which would be offset, in part, by global contingency that was held in Corporate Governance and Finance and savings from staff vacancies. 2024's budget has been adjusted to account for the contract settlement impacts. Additional expenditures for apparatus maintenance due to older apparatus, inflationary pressures and unbudgeted statutory holiday pay also contributed to the deficit.

Saskatoon Police Service

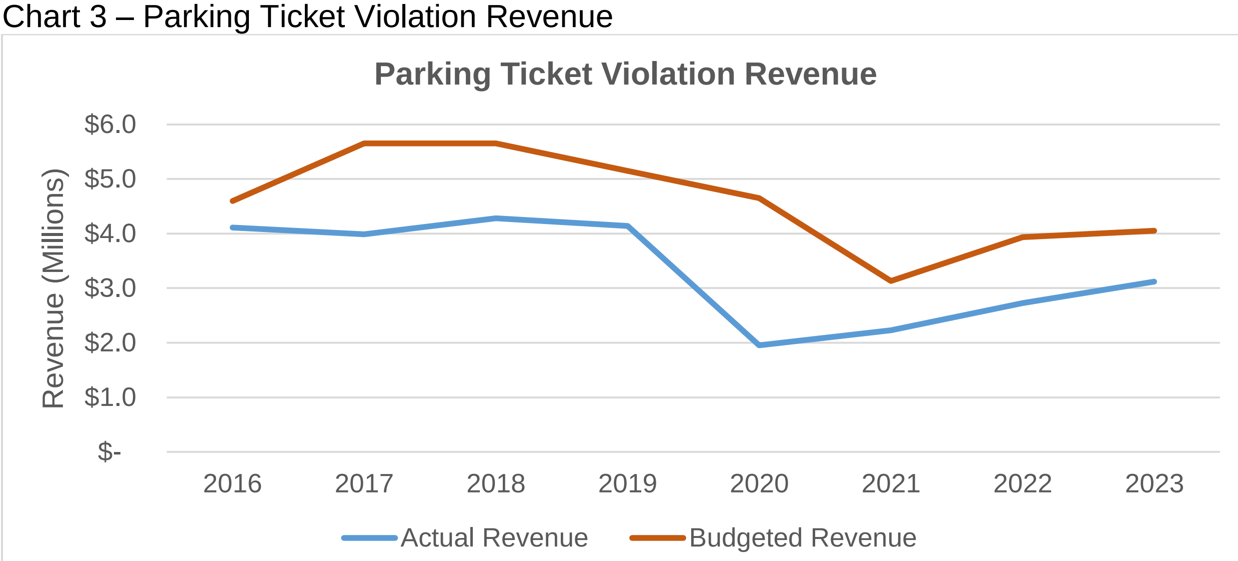
Saskatoon Police Service (SPS) realized a surplus of $294,924. The surplus is due to additional revenues from the Municipal Policing Agreement and unplanned secondments supporting external agencies, less training and lower contract expenditures which were partially offset by higher-than-expected overtime costs.

Taxation & General Revenues

Taxation and General Revenues had a surplus of $812,276.

- Fines & Penalties had a $1.8 million deficit due to parking ticket violation revenue which had an unfavourable variance of $930,000 (77% of budgeted revenue). And additional expenditures for court fees and collections. 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 parking app 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 $706,523 due to additional Municipal Service Agreement revenue from the Kahkewistahaw First Nation Urban Reserve which was not budgeted for as well as additional tax penalty revenue received throughout the year.
- General Revenues had a $1.6 million surplus mostly due to favourable amounts in investment income from capital gains and interest earned of a net amount of $1.2 million 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 surplus of $496,919 due to higher payments received from Saskatoon Light & Power (SL&P) then originally estimated partially offset by a lower payment from the Provincial and Federal entities.
- Municipal Revenue Sharing (MRS) revenue is received from the provincial government and is based on Provincial Sales Tax revenue. The amount received was slightly higher than budgeted by $26,400.

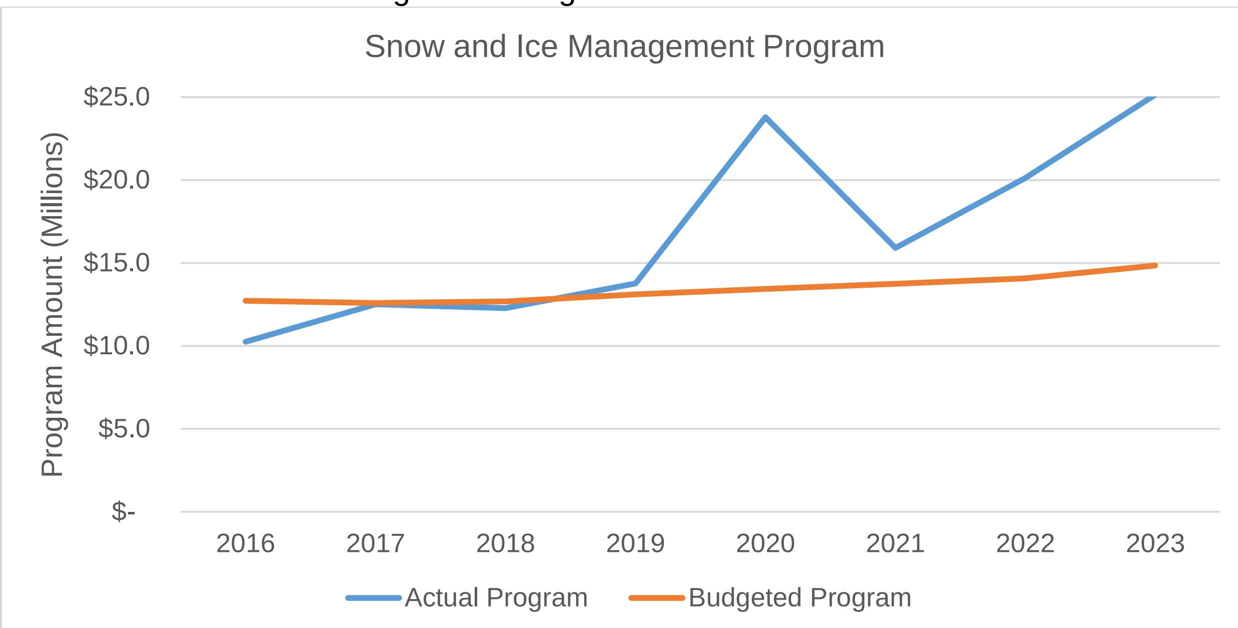
<u>Transportation</u>
There was a surplus in Transportation of $9.2 million however, that includes a reduction for the 2023 costs related to final cleanup of the December 2022 Snow Event costs of $16.0 million that was approved to be funded through borrowing or from the Major Capital Project Funding Plan. Without the amount removed for the 2023 costs related to the December 2022 Snow Event, the business line would be at a deficit of $6.8 million.

- Road Maintenance had a deficit of $1.0 million tied to a longer operations season in 2023 due to no snow events occurring in 2023 as well as an increase in potholes reported and repaired.
- Access Transit had a surplus of $396,017 due mostly to additional revenues as well as fuel savings.
- Transit Operations had a surplus of $5.6 million. Revenues were $3.3 million favourable due to increased ridership which brings the revenue to 97% of the pre-pandemic levels. Expenditure savings were due to salary savings from lower operator hours and vacant positions, fuel savings, ticket sales commission, training, and license and insurance expenditures.
- Parking experienced a deficit of $226,312. Revenues were under budget by $615,100 due to parking revenue achieving only 88% of the budgeted revenue partially offset by higher late ticket fees. This is approximately 82% of the pre-pandemic revenue levels. The revenues were partially offset by reduced commissionaire costs in the residential parking permit program, savings from a lease for civic parking that was not renewed, reduced terminal maintenance and vehicle rentals and inversely offset by higher bank charges and software licensing charges.
- Snow & Ice Management experienced a surplus of $5.7 million; however, that includes a reduction for the 2023 costs related final cleanup of the December 2022 Snow Event costs of $16.0 million that was approved to be funded through borrowing or from the Major Capital Project Funding Plan. Without the amount removed for the December 2022 Snow Event, the service line would be at a

deficit of $10.3 million. For budgetary purposes, it is estimated there will be an average of five snow events for a calendar year and in 2023 there were no significant snow events resulting in savings. Administration is recommending the $5.7 million be transferred to the Snow and Ice Management Contingency reserve.

Chart 4 shows the variability in a program which is weather dependant and the fluctuations that can occur. This includes the December 2022 Snow Event costs that impacted both 2022 and 2023.

Chart 4 – Snow & Ice Management Program



- Transportation Services had an unfavourable variance of $1.8 million due to increased inflationary costs on materials as well higher operational work being completed.

Urban Planning & Development

Urban Planning & Development had a surplus of $362,195.

- Urban Design had a surplus of $316,111 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 $48,800 mostly due to staff vacancies that was transferred to the Attainable Housing Reserve.
- Building and Plumbing Permits & Standards is a self-balancing program that had a $1.6 million surplus that was transferred to the Building Standards Stabilization Reserve mostly due to increased building permit revenues, savings in salaries, partially offset by reduced plumbing permit revenues.
- Long Range Planning, Neighbourhood Planning, Planning Project Services, Regional Planning, and Research and Mapping had a combined surplus of $426,350 due to savings in salaries, engagement, car allowance, travel and training and office expenditures.

- Development Review had a deficit of $255,794 due to revenues being below budget partially offset with reduced expenditures from reduced staffing and other discretionary savings.

<u>Training and Discretionary Spending Savings</u>
As part of a corporate-wide objective to help offset the budgetary pressures, Administration realized savings, in staff training and travel, staff vacancies, materials, office supplies and other expenditures, of approximately $5.5 million in 2023 amongst the Civic Operating or Property Tax supported Business Lines.

The savings are due to approximately $900,000 in savings from training, $3.4 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.

<u>Fuel Favourable Variance</u>
In 2023 the tax supported fuel budget had a favourable variance of $4.1 million. Although the surplus in the City's tax supported fuel budget could get transferred to the Fuel Stabilization Reserve which is currently at a $0 balance, Administration is recommending that this balance be considered as part of the overall surplus to be allocated as recommended in this report. Allocating to Fiscal Stabilization will allow future deficit, regardless of the reason to be covered where the Fuel stabilization will be specific to only fuel for future years deficits.

RECOMMENDATIONS
The Administration is recommending:

1. That the surplus amount of $5,746,794 be transferred to the Snow and Ice Management Contingency Reserve; and
2. That the remaining surplus of $4,194,484 be transferred to the Fiscal Stabilization Reserve to balance the budget.