Detailed Overview of Preliminary Year-End Financial Results

City of Saskatoon General Fund – 2020 Summary				
	2020 Budget	**2020 Actuals**	**Variance**	**Percentage**
Revenues	532,092,300	520,094,189	(11,998,111)	-2.25%
Expenditures	532,092,300	520,796,002	11,296,298	2.12%
Surplus/(Deficit)	**-**	**(701,813)**	**(701,813)**	**-0.13%**

2020 YEAR-END MILL RATE RESULTS
The deficit remaining for the year ended December 31, 2020 is $0.70 million. The Administration is recommending that this be funded from the Fiscal Stabilization Reserve. Included in this deficit is the large surplus in the Road Maintenance service line of $15.00 million due to the reduction in the transfer to the Paved Roadways Infrastructure Reserve from the Municipal Economic Enhancement Program (MEEP) funding used for the program. This deficit also assumes that the following items:

- The transfer from the Snow and Ice Management Contingency Reserve as per Council Policy No. C03-003, Reserve for Future Expenditures, of $3.45 million and as recommended in this report; and
- Waiving the transfer to the Internal Audit Program Reserve in the amount of $0.32 million as per the report of the Chief Financial Officer dated April 12, 2021.

Explanations for the variances by business line, and service line for further information where applicable, are provided in greater detail below.

Community Support
The surplus in the Community Support business line of $0.84 million is mostly due to the COVID-19 related expenditure reduction in the joint-use school and accessibility programs. These are offset with reduced revenues within the Recreation & Culture business line. Additionally, under expenditures in staffing, training, and travel were also realized.

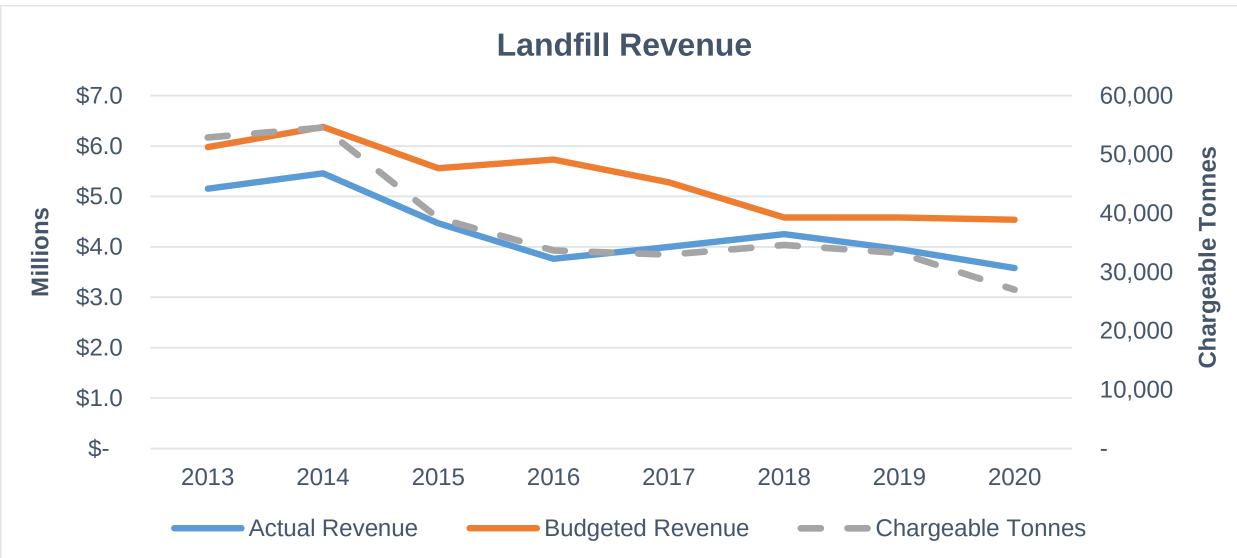
Corporate Asset Management
Although there were additional cleaning expenditures related to COVID-19, these additional costs were offset with savings in operating and maintenance costs related to the closures or reduced hours of civic buildings. This resulted in a surplus of $1.12 million within the Corporate Asset Management business line.

Corporate Governance & Finance
Corporate Governance & Finance experienced a deficit of $0.36 million. COVID-19 expenditures of approximately $1.73 million were required for additional staff time, cleaning supplies, security, and personal protective equipment. An unfavourable variance was also realized on administrative recoveries due to a base budget item from water and wastewater. These are offset in part by the favorable variance in the Internal Audit Program, reduction in costs due to cancellation of in-person meetings, training and travel savings, and staff vacancies from positions not being filled.

Environmental Health
Overall, Environmental Health experienced a deficit of $0.27 million. Waste Handling Services had a $1.08 million deficit in 2020 due to lower revenues. The landfill's revenue shortfall is due in part to the operation of competing landfills in the Saskatoon metropolitan area. These competing landfills have shifted collection volumes away from the Saskatoon Landfill resulting in lower sales revenues. In addition, the suspension or cancellation of waste collection services from businesses due to COVID-19 resulted in reduced revenues.

Chart 1 illustrates the gap between budget and actual landfill revenues over the last eight years, overlaid with collection volumes, described as chargeable tonnes. To ensure comparative values with prior years, the budgeted and actual revenues in 2020 do not include the payment for airspace value consumed at the landfill.

Chart 1 – Landfill Revenue



Waste Reduction had a deficit of $0.09 million due to an overage in salaries and a newly approved rate per tonne paid to Cosmo Industries for increased use and high rates of contamination of recycling services. Surpluses in both the Urban Biological Services and Urban Forestry service lines of $0.34 million and $0.48 million respectively helped to offset the deficits within Waste Reduction. These savings are mostly due to reduced staffing and reduced contracted services to adjust to the service level reduction.

Recreation & Culture
Recreation & Culture experienced a deficit of $2.07 million.

- The Forestry Farm Park and Zoo reopened in July 2020 and revenues ended up $0.75 million lower than budget which was partially offset by reduced staffing, programming costs and reduction in transfers to reserves based on revenues for an overall deficit of $0.60 million.

- Golf Courses ended 2020 with a surplus of $0.39 million which was transferred to the Golf Course Capital Reserve to balance the service line to $0. This was a combination of unfavourable revenues which were offset by a larger reduction in expenditures from lower staffing costs, golf pro contracts, maintenance, and supplies.
- Gordie Howe Campsite required a reduced contribution to the Campsite Reserve to offset the deficit of $0.08 million. Unfavourable revenues were partially offset by reductions in expenditures.
- Indoor Rinks and Leisure Centres had a combined deficit of $3.39 million. These facilities were closed in mid-March and began a phased reopening from mid-July to October. Revenues were impacted significantly in these facilities (achieving between 30% to 83% of budgeted revenue) which were offset partially by reductions to staffing, contract instructors, and operational expenditures.
- Parks Maintenance & Design operations posted a $1.13 million surplus. This surplus aligns with direction of City Council. At its meeting on April 27, 2020, City Council resolved that the Administration proceed with a reduced service level for Parks to save approximately $1.02 million. These savings resulted from a reduction in seasonal labourers, lower fuel, vehicle and equipment charges, materials, and supplies. In accordance with Council Policy No. C03-003, the unexpended funds in Parks Maintenance & Design should be transferred to the Parks Division Grounds Maintenance Stabilization Reserve. Based on City Council's direction and as per the policy which delegates to the Director of Finance the decision on the reserve transfers for this program, the Administration has foregone the transfer to this reserve for 2020 which will allow the surplus in this program to help offset the overall City deficit. The current balance in the reserve is $0.46 million and the risk of not making this transfer is that if a future weather-related unfavourable variance is in excess of this amount, that balance would fall to the City's overall bottom line once this reserve is depleted.
- Playground & Recreation Areas also had a surplus of $0.61 million due to a reduction of salaries and program costs. The playground program was reduced to 40% of regular operations.
- Nutrien Playland did not operate in 2020 resulting in lost revenue offset by staffing and operational expenditure savings for a deficit of $0.22 million (for the required annual contribution to the maintenance reserve as part of the overall asset management program).
- Targeted Programming's (youth centres and skateboard program) surplus of $0.29 million was a result of reductions in salaries, programming costs, advertising, training, and maintenance due to the youth centres not operating in the summer and limited fall programming.

<u>Saskatoon Fire</u>

The deficit of $0.50 million for Saskatoon Fire is mostly due to overtime paid to staff who were required to quarantine, as well as increased retirements which resulted in reduced available staff. In addition, an unexpected engine replacement was required during the last quarter of 2020.

Saskatoon Police Service

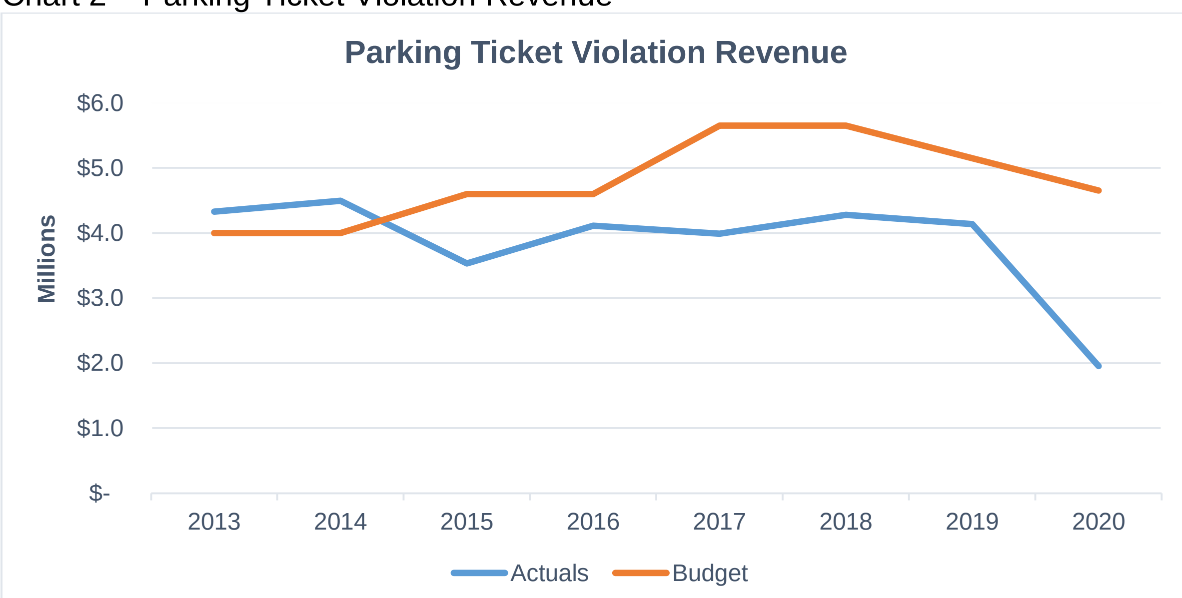
Saskatoon Police Service (SPS) realized a surplus of $0.91 million. SPS undertook to find savings to ensure that COVID-19 expenditures incurred were more than offset by savings. The largest savings in expenditures were related to training and travel with employees foregoing training in 2020. In 2021, training will have to resume to ensure maintenance of appropriate certifications of employees. Further energy savings related to Police Headquarters were also realized in 2020. This surplus within SPS helps to offset the overall City deficit.

Taxation & General Revenues

Taxation and General Revenues had a deficit of $6.53 million.

- Fines & Penalties had a $4.66 million deficit. Traffic violations revenue was below budget by $2.80 million offset by a favourable variance in expenditures of $1.00 million from officers moving from traffic duty to patrol and public safety, resulting in less tickets being issued. Red light cameras were not operational until August 2020, resulting in an unfavorable revenue variance of $1.60 million offset by expenditure reduction of $1.10 million. Parking ticket violation revenue also had an unfavourable variance of $2.70 million due mostly to reduced parking from COVID-19 restrictions (42% of budgeted revenue). Since the implementation of the Way to Park parking system, the base budget for parking ticket violation revenue has also been too high for normal operations, as demonstrated in Chart 2 where budgets have been above actual revenues for six years.

Chart 2 – Parking Ticket Violation Revenue



- Property Levy experienced a deficit of $0.79 million due to lower supplementary property tax billings. This is due to reduced commercial builds and assessors unable to inspect properties due to COVID-19.

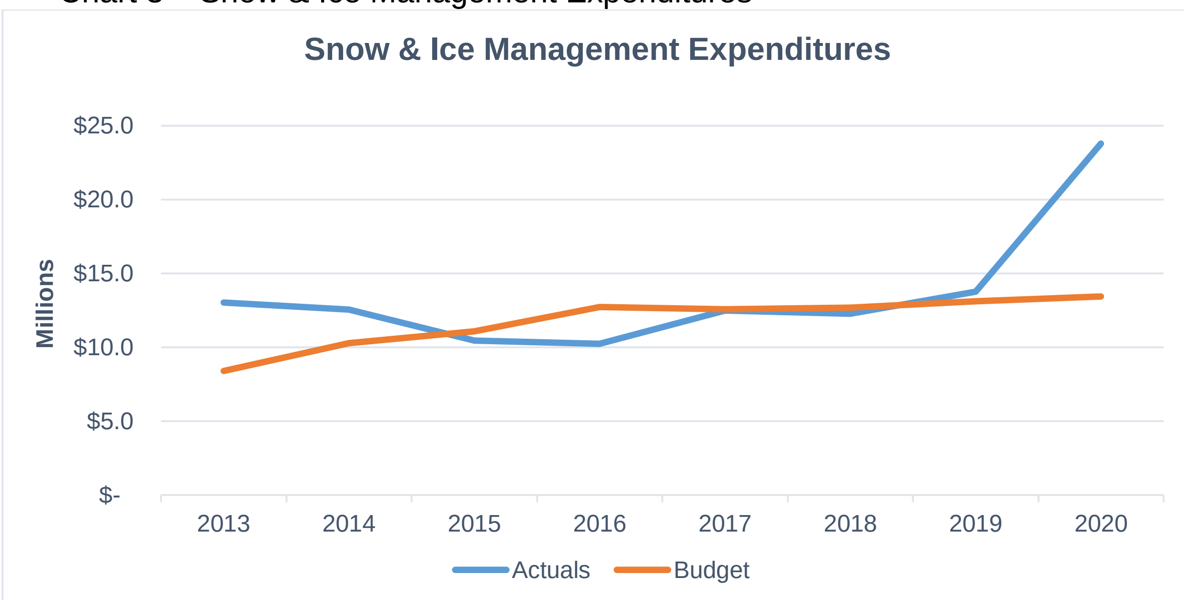
- General Revenues had a $0.60 million deficit.
    - The Return on Investment (ROI) received from the Water and Wastewater Utilities was lower than budget by $0.30 million due to a formula change that was not reflected in the budget.
    - Franchise fees revenue received from the provincial Crowns were lower than budget by $0.49 million due to SaskEnergy shortfall offset by a surplus from SaskPower.
    - Land surplus contribution was $0.11 million less than budget due to a reduction in parking lot revenue.
- Grants-in-Lieu of Taxes (GIL) had a deficit of $0.47 million due to a lower payment from Saskatoon Light & Power (SL&P). SL&P revenues were down resulting in lower GIL paid to the City.

<u>Transportation</u>
There was a surplus in Transportation of $1.35 million.

- Road Maintenance had a surplus due to a reduction in the transfer to the Paved Roadways Infrastructure Reserve of $15.00 million. The Paved Roadways capital program received $15.00 million from MEEP to ensure that the program was not negatively affected. The reduction in the transfer to the Paved Roadways Infrastructure Reserve of $15.00 million is reflected in the deficit number presented.
- Access Transit had a surplus of $0.87 million. Although revenues were less than budgeted due to the fare exemptions from April to June, the favourable variance in the expenditures offset the revenue shortfall. The expenditure savings were due to fuel and maintenance savings, and salary savings from deferred hiring or voluntary layoffs and less overtime.
- Transit Operations had a deficit of $2.59 million. Revenues were $6.68 million unfavourable due to the fare exemption from April to June as well as reduced ridership for the remainder of the year. Expenditure savings due to fuel and maintenance savings, salary savings from deferred hiring or voluntary layoffs, as well as less overtime, training, advertising, and uniform savings helped to partially offset the revenue shortfall.
- Parking experienced a deficit of $2.55 million. Revenues were under budget by $3.28 million due to paid parking suspension from mid-March to the end of May, three free parking Saturdays in December, and overall volume decreases. The revenues were partially offset by staff vacancies; reduced commissionaires' costs; fuel, vehicle and equipment savings; and reduced bank charges and Way to Park app fees.

- Snow & Ice Management experienced a deficit of $10.34 million. This is due to the major snow event that took place over the weekend of November 7, 2020. The snow response included residential snow management to deal with the drifts and ice which is outside the normal levels of service in the budget. To help offset this deficit, the Administration is recommending that the Snow and Ice Management Contingency Reserve be used in the amount of $3.45 million which will leave $0 remaining in the reserve. This reserve receives funds in years where there is a surplus in the operations and are used in years, such as 2020, when deficits occur. Chart 3 shows the variability in a program that is weather dependant and the fluctuations that can occur.

Chart 3 – Snow & Ice Management Expenditures



<u>Urban Planning & Development</u>

Urban Planning & Development had surplus of $1.35 million. This is due to the reduced transfer to the Streetscape Reserve because of the reduced parking revenue. Attainable Housing had a favourable variance of $0.19 million that was transferred to the Attainable Housing Reserve. Building & Plumbing Permits & Standards and Licenses & Permits are both self-balancing service lines. Building & Plumbing Permits & Standards required a transfer from the Building Standards Stabilization Reserve of $0.16 million to balance. Licenses & Permits' favourable variance of $0.11 million was transferred to the Business Licensing Stabilization Reserve and the Vehicle for Hire Stabilization Reserve.

Utility Year-End Results

- Saskatoon Light & Power (SL&P) reported a surplus of $1.49 million. It is difficult to differentiate what impact to revenue was specific to COVID-19 compared to other variables, such as regular changes in consumer consumption. However, using trending in the months leading up to COVID-19, it is estimated that SL&P experienced approximately 1.4% loss in revenues due to COVID-19. This was offset by a reduction in bulk power purchases.

  There was a negative impact to revenue and bulk power purchases from the increased carbon taxes in 2020. These impacts were offset by savings in salaries due to vacancies in staffing, as well as reduced vehicle and equipment usage and training, and delaying procurement for uniforms, which resulted in an overall net surplus in SL&P. This surplus was transferred to the Electrical Revenue Stabilization Reserve which brought the reserve balance over the maximum allowable by the policy, therefore, an amount of $1.41 million was subsequently transferred from this stabilization reserve to the Electrical Distribution Extension Reserve, leaving a balance in the Electrical Revenue Stabilization Reserve of $2.54 million.

- Water Utility reported a year-end surplus of $2.11 million. Although consumption volumes were below budget due to conservation and COVID-19 commercial temporary shutdowns, expenditure savings offset the revenue reductions. The expenditure savings included reduced chemical usage and power pumping, deferral of maintenance and fixed asset purchases with a focus on inspection and preventative work, staff vacancies, and reduction of travel and training. There were 193 watermain breaks in 2020 compared to 247 in 2019 resulting in lower expenditures. The Water Utility surplus was transferred to the Water and Wastewater Stabilization Reserve, resulting in a year-end balance in this reserve of $7.31 million.

- Wastewater Utility reported a year-end surplus of $2.37 million. As within the Water Utility, consumption volumes were below budget due to conservation and COVID-19 commercial temporary shutdowns. Expenditures savings offset the revenue reductions. These savings included limiting lift station maintenance; reductions in chemical usage, maintenance costs, lab toxicity testing frequency due to acceptable results to date, travel, and training; and deferral of fixed assets purchased. The Wastewater Utility surplus was transferred to the Water and Wastewater Stabilization Reserve, resulting in a year-end balance in this reserve of $7.31 million.

- Storm Water Management Utility reported a year-end surplus of $1.61 million. This favourable surplus was due in part to higher revenues from commercial reassessments, resulting in increased equivalent run-off Units. A commercial equivalent run-off unit represents the water runoff from these properties based on size and surface type. In addition, reductions in fuel and fleet costs, use of external contractors, and work on the storm sewer systems, and halting work on the drainage program early due to weather contributed to the overall surplus. This surplus was transferred to the Storm Water Management Stabilization Reserve in the amount of $0.34 million, and to the Infrastructure Storm Water Replacement Reserve in the amount of $1.27 million.

- Waste Services Utility reported a year end surplus of $1.25 million. Growth within single-family recycling, multi-unit recycling and leaves and grass programs resulted in surplus revenue. Additional Multi-Material Stewardship Western (MMSW) revenue was received compared to budget. Savings from staffing in the green cart program was realized as navigators were not used so that social distancing could be maintained. Additional savings were realized from advertising due to the delay in the Holiday Waste Campaign. The surplus was transferred to the Waste Minimization Reserve in the amount of $0.87 million and the Recycling Stabilization Reserve in the amount of $0.38 million.

OVERALL SAVINGS

<u>Training Savings</u>

Including the mill rate and Utility programs, the staff training budgets had a favourable variance of $2.03 million due to a reduction in travel and a corporate-wide objective for training savings to help offset the revenue reductions that the City was experiencing due to COVID-19. Training-related savings are split out amongst the business lines and are already included in the numbers mentioned in this report.

<u>Fuel Savings</u>

In accordance with Council Policy No. C03-003, the Fuel Stabilization Reserve receives funding from year-end surplus within the City's tax supported fuel budget. In 2020 the tax supported fuel budget had a favourable variance of $3.26 million. Instead of moving this variance into the Fuel Stabilization Reserve, the amount has been left within the business lines and is being used to help offset the overall deficit.

RECOMMENDED TRANSFERS

The Administration is recommending the following:

1. That the deficit within the Snow and Ice Program be partially offset by a transfer from the Snow and Ice Management Contingency Reserve in the amount of $3.45 million. Due to the large and significant deficit of $10.34 million in this program, the Administration is recommending transferring the full balance in this reserve to help offset the deficit. This will leave $0 within that reserve. In accordance with Council Policy No. C03-003, City Council must be kept informed of all withdrawals from this reserve. City Council approval is required when the withdrawal during the year exceeds 10% of the Snow and Ice Management service line.

2. That the remaining deficit of $0.70 million be transferred from the Fiscal Stabilization Reserve to balance the budget. Currently, the Fiscal Stabilization Reserve has a balance of $4.78 million, and if approved, the new balance would be $4.07 million.