

## Preliminary Year-End Results – December 31, 2024

### ISSUE

This report is to inform City Council of the preliminary year-end financial results for the fiscal year ending December 31, 2024. Administration is also requesting City Council approval of the following recommendations, subject to the confirmation of the external audit.

### RECOMMENDATION

That the Standing Policy Committee on Finance recommend to City Council:

1. That \$158,798.02 of the year-end surplus be transferred to the Printing and Mail Equipment Replacement Reserve;
2. That the City Solicitor be directed to prepare a Bylaw Amendment for an exemption to allow the printer savings in 2024 and also savings expected for 2025 to be transferred to Printing and Mail Equipment Replacement Reserve;
3. That \$414,528 of the year-end surplus be transferred to the Self-Insured Retention Reserve; and
4. That the remainder of the 2024 year-end surplus be transferred to the Fiscal Stabilization Reserve in the amount of \$11,698,989.

### BACKGROUND

Prior to the annual external audit of the City of Saskatoon's (City) year-end financial statements, the Administration tables a report to inform City Council and the public on the preliminary year-end financial results.

At its June 26, 2024 Regular Business Meeting, while considering a report titled [Harry Bailey Aquatic Centre Rehabilitation and Upgrades – Capital Budget Adjustment](#), City Council resolved that:

- “1. The budget for Capital Project No. 10014, to support essential rehabilitation and upgrades at the Harry Bailey Aquatic Centre facility, be increased by \$5,950,000 to \$29,982,700; and
5. That the additional funding be allocated as outlined in the HBAC Funding Plan included in this report, which includes an exception to Reserve for Future Expenditures Council Policy C03-003 for a \$500,000 allocation from the Fiscal Stabilization Reserve related to the 2023 operational savings at the HBAC.”

At its December 18, 2024 Regular Business Meeting, while considering a report titled [Housing Accelerator Fund Interest](#), City Council resolved:

“That the Administration direct the Housing Accelerator Fund Interest to General Revenue and report back as part of the 2024 Year-End Preliminary Financial Results on the 2024 Interest made on Housing Accelerator Funds and options on how to allocate these.”

At its January 29, 2025 Regular Business Meeting, City Council received a [Financial Review Audit Report](#) from the City Auditor.

## **DISCUSSION/ANALYSIS**

Appendix 1 provides a summary of the financial results by business line for the year ending December 31, 2024. Appendix 2 provides a detailed overview of the 2024 Preliminary Year-End Financial Civic Operating or Property Tax Supported Budget results, and recommendations for allocation of the surplus funds, while Appendix 3 is a detailed overview of the Utility programs.

### Property Tax Supported Civic Operating Budget Results

A surplus of \$12.27 million is expected in the Civic operations which is a 1.96% variance from the approved civic budget of \$626.18 million. This surplus is mainly due to \$9.14 million higher than anticipated investment income, details of which is outlined in the following section.

### Investment Income

The \$9.14 million surplus in investment income in 2024 is due to several factors, which include:

- The interest rate earned through the bank was stronger than anticipated with an average rate of 4.90% compared to an expected average rate of 3.50%. The City's bank interest is directly tied to Canada's prime rate and the 2024 budget had anticipated rate decreases to happen earlier in 2024 than what occurred. The City's interest rate forecast was based off the projections of many major financial institutions.
- Interest on bond investments remained resilient in 2024 and was higher than expected with an average yield earned on new investments of 3.80% compared to a budgeted yield of 2.00% as experienced in prior years.

While the bond earnings and bank interest resulted in a \$9.14 million surplus in 2024, it is anticipated that in 2025 investment income from these portfolios should be much closer to budget for the following reasons:

- The approved 2025 civic operating budget included an increase of \$4.03 million in net investment income based on these favourable results and projection.
- The Bank of Canada targeted overnight rate began 2024 at 5.00% but started declining in June 2024. On January 29, 2025, the Bank of Canada further reduced the target for the overnight rate by 0.25% bringing that rate to 3.00%. This reduction has impacted the amount of interest earned in the City's bank account; and
- The bond market is currently experiencing some uncertainty and reductions in returns for various reasons including interest rate reductions and the introduction of more political uncertainty than in previous years including the impact of potential tariffs.

The investment earnings include \$500,600 earned on the Housing Accelerator Funds (HAF) as previously reported at the December 18, 2024 Regular Business Meeting

through the [Housing Accelerator Fund Interest](#) report. City Council can choose to allocate the interest on the HAF in various ways as described in Appendix 4. If City Council chooses to allocate these funds to areas other than the transfer to the Fiscal Stabilization Reserve, direction and changes to the recommendations in this report would be required.

#### Remaining Property Tax Supported Civic Operating Budget Results

After accounting for the \$9.14 million investment income surplus, the remaining civic operating budget surplus is \$3.13 million which is a 0.50% variance from the approved civic budget of \$626.18 million and is due to several favourable and unfavourable variances in various areas. Some of the more significant variances include:

- Snow & Ice Management experienced a deficit of \$6.48 million. The Emergency Response Plan (ERP) activation in March 2024 resulted in a \$5.50 million deficit and additional snow events in the remainder of the year are causing the additional overage. A total of nine snow events occurred in 2024 compared to the budgeted number of events of five to six annually.
- Transit Operations had a surplus of \$4.96 million. Revenues were \$2.10 million favourable due to increased ridership and higher than expected UPass revenue. In addition, expenditure savings of \$2.86 million were primarily due to fuel and salary savings and vacant positions; and
- As part of a corporate-wide objective to help offset budgetary pressures, Administration realized savings, in staff training and travel, staff vacancies, materials, office supplies and other expenditures, of approximately \$4.87 million in 2024 amongst the Civic Operating or Property Tax supported Business Lines.

A more detailed overview of all favourable and unfavourable variances can be found in Appendix 2.

#### Property Tax Supported Civic Operating Budget Recommendations

If the recommendations of this report are approved, the 2024 surplus will allow for a contribution to the Fiscal Stabilization Reserve which has been significantly relied upon in recent years. The stabilization reserves are critical tools the City uses to address unforeseen financial challenges such as years with higher-than-normal snowfall, volatile prices in various areas such as fuel and other operating budget fluctuations. The Administration's recommendation is to utilize the surplus of \$12.27 million, as follows:

- \$158,798 of the year-end surplus be transferred to the Printing and Mail Equipment Replacement Reserve. This recommendation is intended to retain 2024 printer lease savings for future use when the City's printer fleet requires replacement and is currently under funded. More information can be found in Appendix 2.
- \$414,528 of the year-end surplus be transferred to the Self-Insured Retention Reserve. This recommendation is a result of \$638,116 in insurance savings in 2024 compared to budget from Administration revising existing insurance contracts. A partial \$414,528 transfer into the Self-Insured Retention Reserve

would bring the reserve balance to the maximum amount allowable of \$2.50 million as per Council Policy C03-003, Reserves for Future Expenditures.

- The remaining \$11.70 million of the civic surplus is recommended to be allocated to the Fiscal Stabilization Reserve which will bring the balance to approximately \$17.04 million which will be available to offset future operating budget deficits or challenges. As presented in the City Auditor report on January 29, 2025, the City's Fiscal Stabilization and Snow and Ice Management Contingency Reserves are underfunded and the Fiscal Stabilization Reserve fails to meet the minimum targeted balance of 5% of the current year's tax-supported expenditures as outlined in [Council Policy No. C03-003 Reserves for Future Expenditures](#). For 2024, 5% of the budgeted tax-supported expenditures would have been approximately \$31.3 million. The recommended transfer would bring the Fiscal Stabilization Reserve to \$17.04 million and would also leave the existing funds of \$6.90 million within the Snow and Ice Management Contingency Reserve.

### Utilities

As shown in Appendix 3, the following City Utility surpluses or deficits were realized in 2024, resulting in an overall 2.46% surplus in the City's Utilities:

Utility Program	(Surplus)/Deficit
Saskatoon Light & Power	\$145,820
Storm Water Utility	(\$220,129)
Water Utility	(\$5,803,741)
Waste Water Utility	(\$4,099,153)
Waste Services Utility	(\$757,018)
<b>Total</b>	<b>(\$10,734,221)</b>

The majority of the 2024 surplus is related to Saskatoon Water and Wastewater which experienced revenue which was higher than expected from higher sales volumes and also experienced savings in chemicals, and maintenance and equipment from lower water main breaks.

For additional context, the Water/Wastewater Utilities have seen three deficits and four surpluses in the past seven years (including 2024). The City's operating budget, including Utilities, is always based on a variety of assumptions including weather fluctuations which impact the financial performance of the utilities significantly. Over the past seven years (2018 – 2024) Saskatoon Water/Wastewater has generated an approximate 2.00% positive variance from budget which has been utilized to fund the infrastructure renewal and replacement plans for the utility reducing the impact on future rates and borrowing.

The 2024 Utility surpluses or deficits have been transferred to or from their respective utility stabilization, capital or replacement reserves as outlined in [Council Policy No. C03-003](#), Reserves for Future Expenditures. More information can be found in Appendix 3 on the Utility surplus.

### **Statutory Boards and Controlled Corporation Results**

The Saskatoon Police Service's surplus of \$1.72 million, and the subsequent transfer to the Police Fiscal Stabilization Reserve is included in the City's year-end results. The remaining Statutory Boards and Controlled Corporations are not included in the City's year-end results but are summarized as follows:

- SaskTel Centre is reporting a preliminary surplus of \$1.35 million (The guaranteed amount from the SEG agreement) before contribution to the Civic Buildings Comprehensive Maintenance Reserve and the write off of capital assets.
- TCU Place is reporting a preliminary deficit of \$920,000 for the fiscal year ended December 31, 2024. The deficit will be covered through the TCU Stabilization Reserve.
- Remail Modern is reporting a preliminary operating surplus of \$512,100 for the fiscal year ended December 31, 2024, which will be used primarily for planned allocations to their stabilization reserve and capital funds.

### **FINANCIAL IMPLICATIONS**

The financial implications are included within the report.

### **OTHER IMPLICATIONS**

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

### **NEXT STEPS**

The external audit of the financial statements is expected to be completed in June. Following the external audit, the audited financial statements will be presented to City Council for approval. At that time, the year-end financial results will be confirmed or adjusted based on recommendations of the external audit.

### **APPENDICES**

1. Preliminary Financial Results – Year Ending December 31, 2024
2. Civic Operating/Property Tax Supported Preliminary Year-End Financial Results
3. Utility Preliminary Year-End Financial Results
4. Options for the Housing Accelerator Fund Interest

### **REPORT APPROVAL**

Written by: Kari Smith, Director of Finance

Approved by: Clae Hack, Chief Financial Officer