

**Summary of Preliminary Year-End Financial Results**

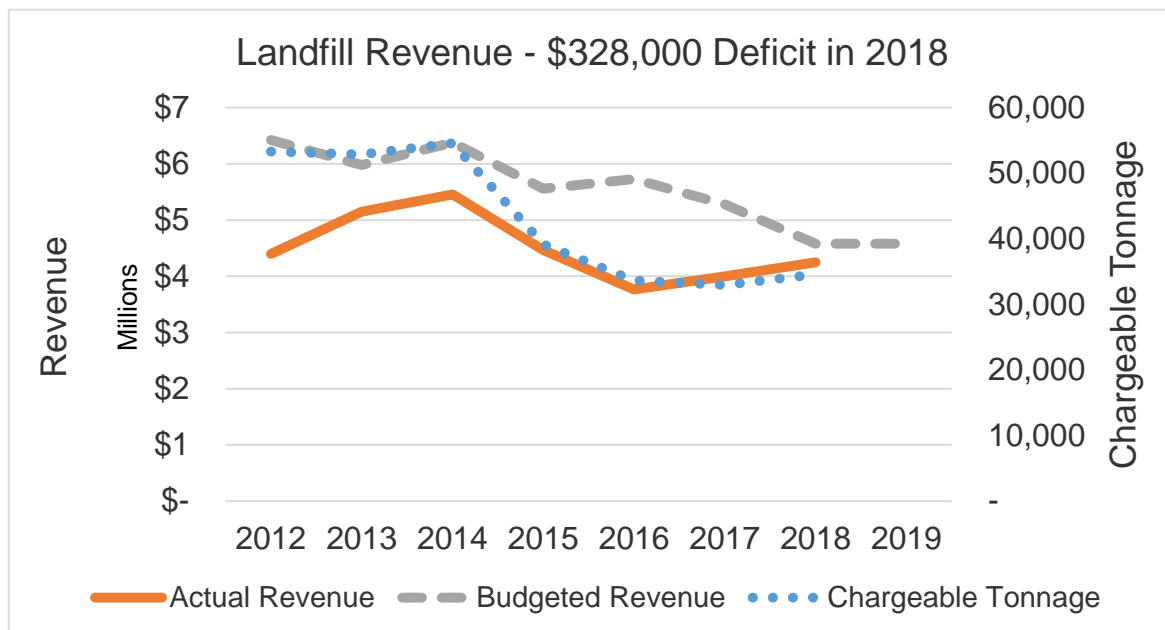
<b>City of Saskatoon General Fund - 2018 Summary</b>				
	<b>2018 Budget</b>	<b>2018 Actuals</b>	<b>Variance</b>	<b>Percentage</b>
Revenues	\$490,627,200	\$490,151,764	\$ 475,436	0.01%
Expenditures	\$490,627,200	\$493,171,330	\$2,544,130	0.52%
<b>Surplus/(Deficit)</b>	<b>\$ -</b>	<b>\$ 3,019,566</b>	<b>\$3,019,566</b>	<b>0.62%</b>

Mill Rate Year-End Results – Summary

The preliminary deficit prior to transfers to reserve for the City’s mill rate operations in 2018 is \$3.02 million, which is equivalent to a 0.62% variance from budget. This deficit was largely due to shortfalls in various operating revenues. The following provides an overview of the largest operating challenges the City is currently facing, early projections for 2019 and strategies to correct them.

Waste Handling Services (\$1.4 Million Deficit)

Overall, Waste Handling Services experienced a \$1.4 million, or 17.1%, negative variance. The revenue shortfall within the Landfill continues to improve, with a \$328,000 deficit compared to a \$1.28 million deficit in 2017 due to adjustments to base budgets and increased tonnages. Cost pressures remain relatively unchanged year-over-year and experienced an approximate \$1.0 million deficit.

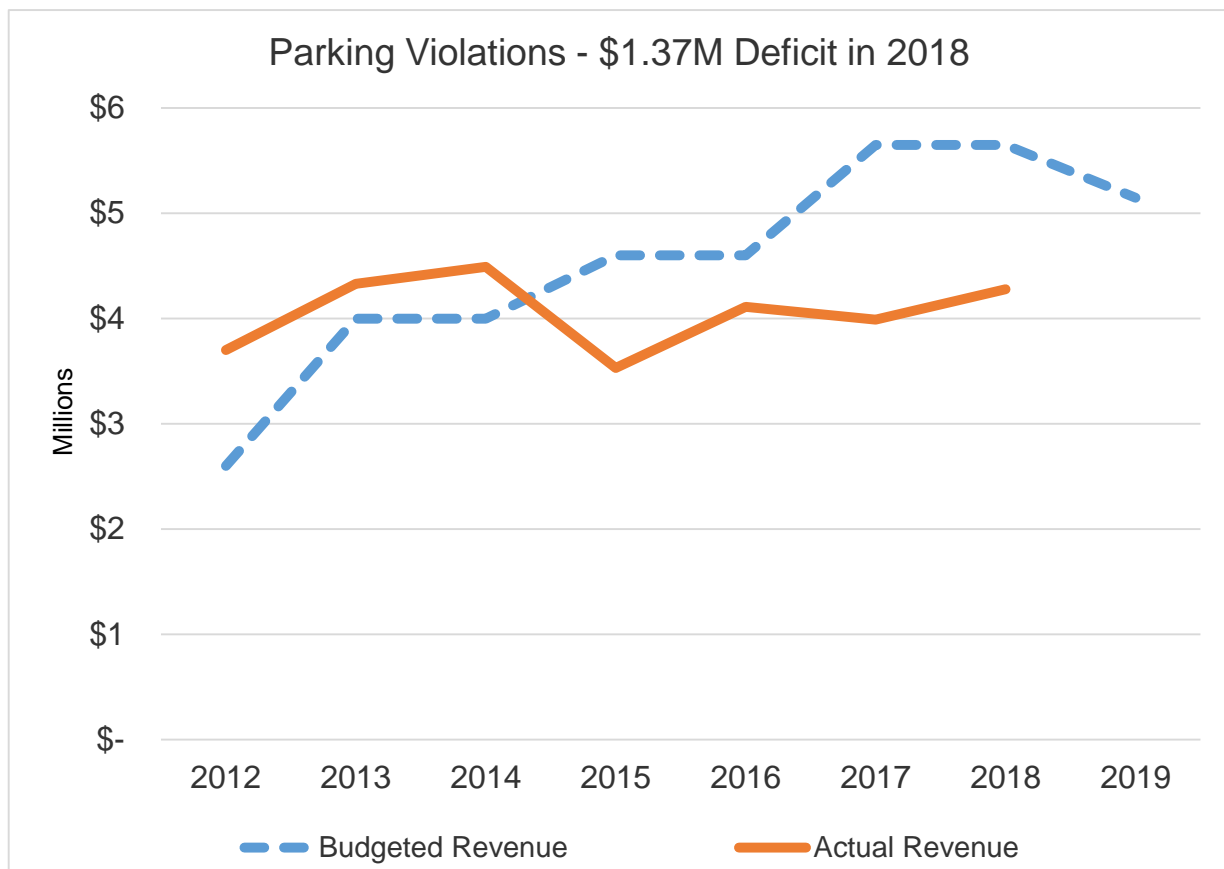


The over-expenditures in the Waste Handling Service Line are consistent with the ongoing Waste reports and base budget challenges that have been discussed at length with City Council over the past year. The biggest drivers behind the over expenditures in this area include ongoing subsidization to the Waste Utility Program, mainly the Compost Program (\$501,400 overspent) and Leaves and Grass (\$150,400 overspent).

Other expenditure pressures include additional staffing costs (\$254,800 overspent) for overtime, temporary resources to address operational and regulatory requirements, and equipment rentals and maintenance (\$184,700 overspent) due to higher maintenance costs than originally anticipated.

Parking Ticket Revenue (\$1.37 Million Deficit)

Revenue from parking tickets experienced a \$1.37 million, or 24.2% compared to a \$1.66 million deficit in 2017. This deficit is largely related to the effectiveness of the new parking system and the implementation of the parking app provided increased compliance.



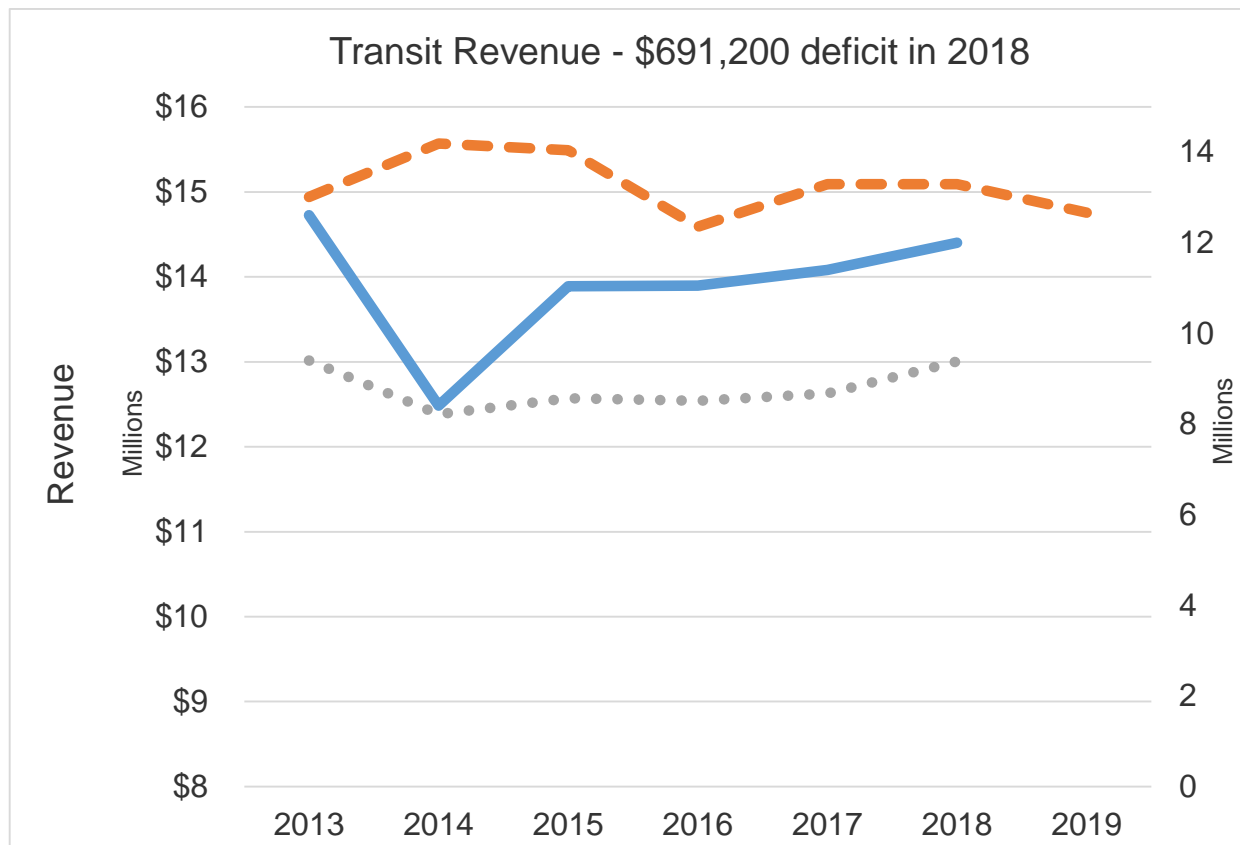
As a result of increased compliance, metered parking revenue experienced a surplus of \$450,000. However, this excess is dedicated to vendor payments for the installation of parking terminals until mid-2019.

A deficit in parking revenues is expected to occur again in 2019, however, should be significantly reduced as actuals continue to trend upwards, and the 2019 Business Plan and Budget provided for a \$500,000 downward adjustment to budgeted revenue. In

addition, capital payments for the parking terminals are expected to be complete in 2019 and there will be an opportunity to redirect this additional revenue to alleviate some of the pressure on the parking violation revenue budget.

### Transit (\$1.2 Million Deficit)

Transit ridership and revenue have both increased from 2017, as ridership grew from 8.7 million to 9.4 million (electronic method) and \$14.4 million in revenue compared to \$14.1 million in 2017. However, as per below, this increase in revenue is still behind the budgeted revenue of \$15.1 million which created a Transit revenue deficit of \$691,200 in 2018.



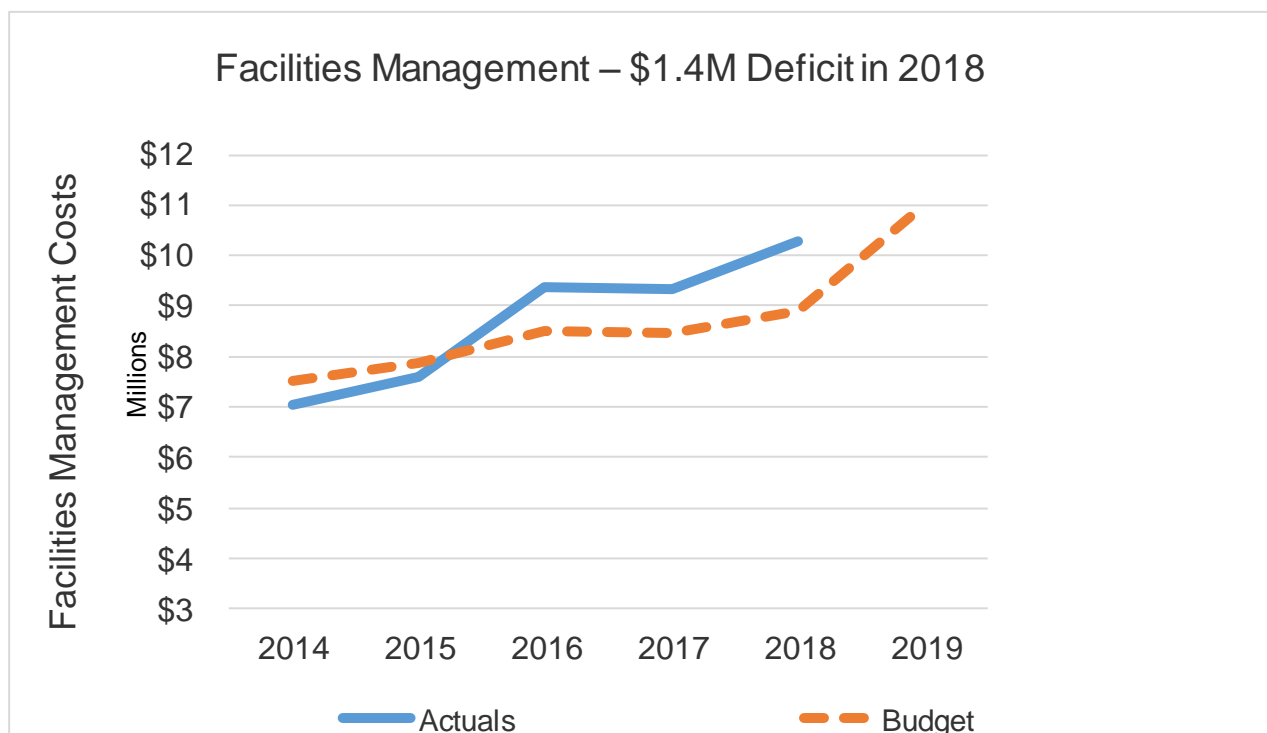
In addition, Transit experienced nearly a \$500,000 over expenditure in fuel largely due to higher diesel prices than originally projected. The over expenditure in fuel will be offset by a transfer from the Fuel Stabilization Reserve, as outlined later in this attachment.

With continued ridership growth and a \$334,500 base budget adjustment to Transit revenues in 2019, the Administration is confident that the Transit revenue deficit is well-positioned to be fully corrected in 2019 and 2020. On the expenditure side, fuel budgets have been adjusted upwards in 2019 due to anticipated higher prices, and depending on fuel price volatility in 2019 are positioned to reduce or eliminate the deficit experienced in 2019.

### Facilities Management (\$1.4 Million Deficit)

Facilities Management has undergone some uncertainty over the past several years as the City opened new buildings with unique characteristics, such as the new Police Headquarters and Remai Modern. While the Police Headquarters requirements have been appropriately accounted for in the budget, the cost to maintain the Remai Modern was \$500,000 more than the allocated budget. A new call-out program was also implemented in 2019 in order to provide improvements to emergency situations by reducing response times. The program resulted in \$300,000 for higher staff costs than originally budgeted. This change is being reviewed to make the necessary adjustments to minimize costs.

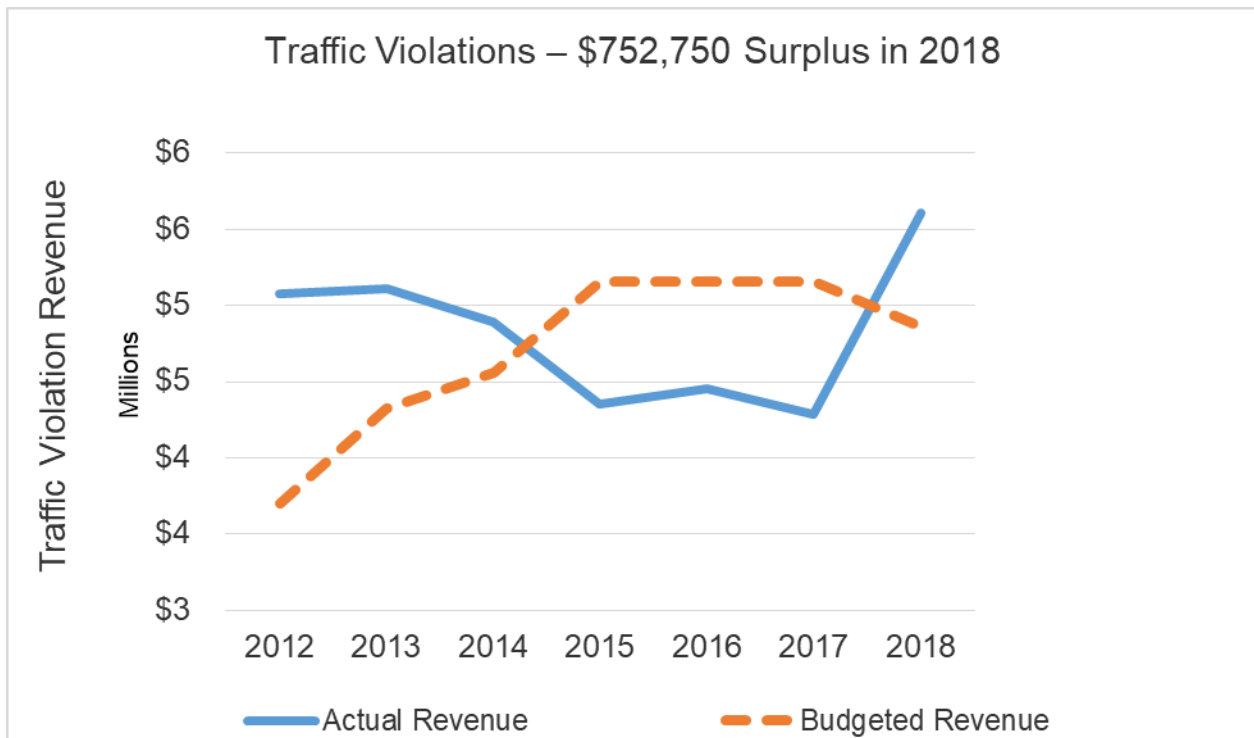
In addition, there were other smaller variances due to higher snow removal costs for civic buildings, corporate security and graffiti management. An overview of Facilities Management's historical trending is shown below:



Facilities Management is currently undergoing an internal review of all costs in order to align actual costs with budgets in future years. In addition, service level agreements are currently being developed for all areas to align facilities management and customer expectations with the approved budget.

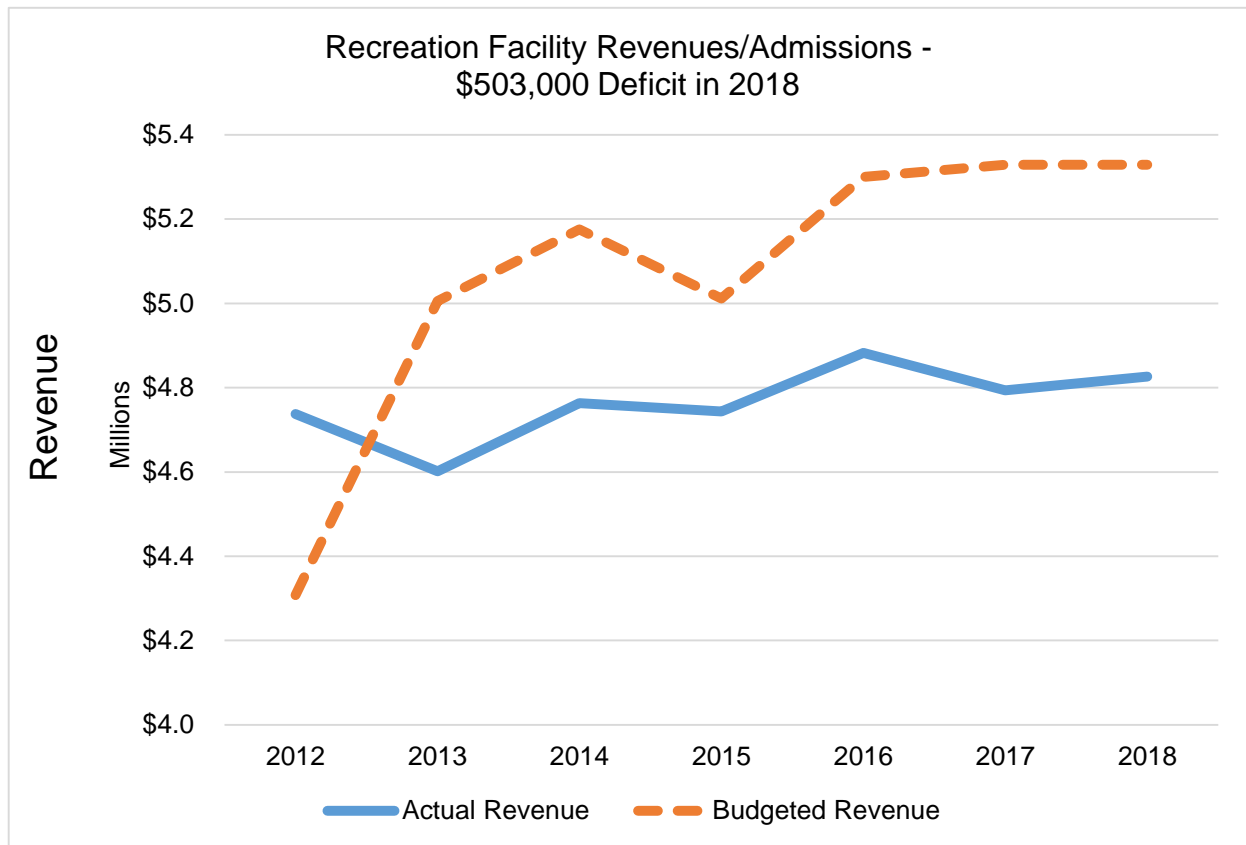
### Traffic Violations (\$750,000 Surplus)

Traffic violation revenue was approximately \$750,000 higher than originally budgeted and \$1.3 million higher than 2017. This increase in traffic violation revenue was largely due to increases in the price of violations which were adjusted by the Province on May 1, 2018. Examples of increase which took effect on May 1, 2018 include a \$30 increase to the base price of every speeding ticket and doubling of the per-kilometer penalties.



Leisure Centre Admission Revenue (\$503,000 Deficit)

Leisure Centre facility revenue and admissions experienced a \$503,000 deficit as seen in the following graph.

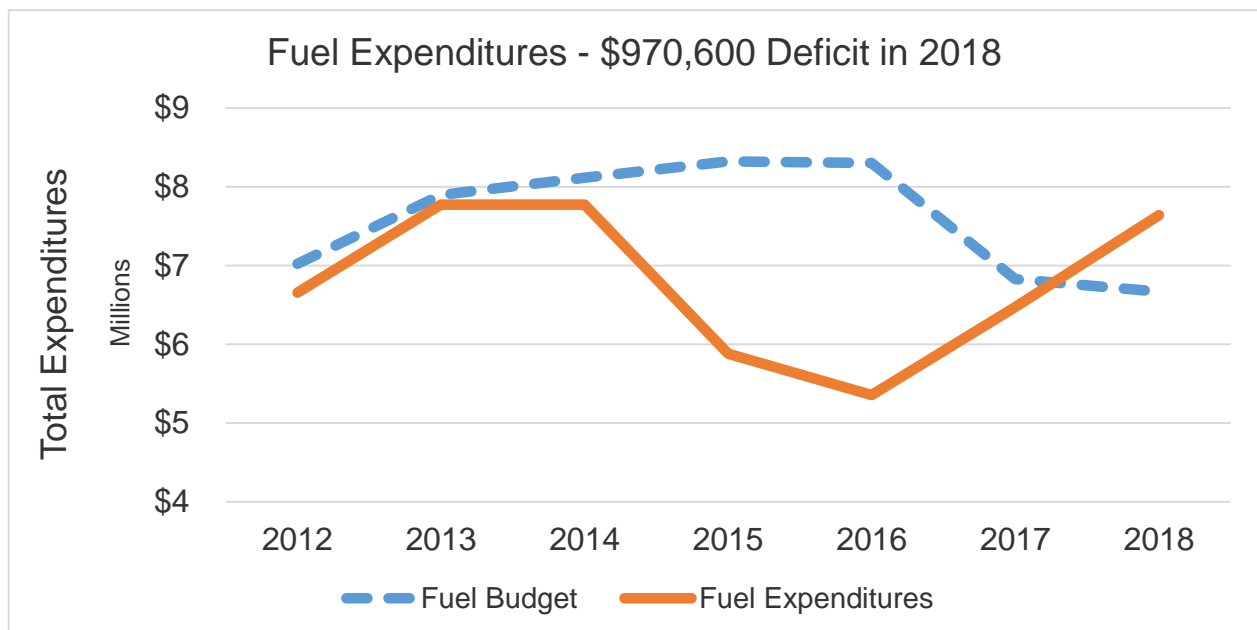


Although Leisure Centre admissions show a year-over-year increase, it has not been able to reach the currently budgeted target. With current initiatives and effort, the Administration is anticipating a continued decrease of this gap, however, it will be difficult to fully close the gap between budgets and actuals in a single year. Initiatives include an updated rate and fee report with corresponding recommendations which was presented and approved by City Council at its 2019 Business Plan and Budget Review, as well as potential adjustments to the current budget which will assist in aligning budgets with actuals over time.

### Recommended Transfers

As a result of the \$3.1 million deficit, the Administration is recommending the following transfers to and from reserve to offset:

- Fuel expenditures were \$970,600 over budget in 2018 due to higher fuel prices than originally estimated for property tax funded programs, as seen in the following chart.



The Administration is recommending that a transfer from the Fuel Stabilization Reserve which has a current balance of \$1.325 million be made in order to offset the \$970,600. The remaining balance in the reserve would be \$354,400.

- A non-transfer of \$1,265,889 to the Snow & Ice Stabilization Reserve, comprised of the \$788,389 operating surplus as well as the originally budgeted \$488,500. The current balance in the Snow & Ice Stabilization Reserve is \$3.123 million as at December 31, 2018, and is sufficient for future requirements.

- Due to over expenditures in Facilities Management, opportunities to reduce the impact are being recommended. The Civic Buildings Comprehensive Maintenance (CBCM) Reserve receives approximately \$8.5 million in annual funding. The Administration is recommending that \$800,000 in unspent CBCM funding be used to offset the deficit.
- The remaining corporate deficit of \$760,466 is recommended to be transferred from the Fiscal Stabilization Reserve. Currently, the Fiscal Stabilization Reserve has a balance of \$5,017,561, and if approved would have a new balance of \$4,257,095 as at December 31, 2018.

#### Utility Year-End Results – Summary

- **Saskatoon Light & Power** recorded a year-end surplus result of \$799,000. This positive variance was the result of several offsetting factors, including net electricity sales having a negative variance of \$7.89 million which was offset by lower bulk power purchase requirements (\$5.64 million) and lower grants-in-lieu of taxes (\$1.08 million). These revenue changes were offset by operating expenditures savings of nearly \$1.4 million due to lower salary costs, transfers to reserve and equipment maintenance. This surplus will be transferred to the Electrical Revenue Stabilization Reserve which will increase the balance to approximately \$3.43 million.
- The **Storm Water Management Utility** posted a surplus of \$286,400. This surplus is largely due to higher revenue than originally budgeted because of updates to Equivalent Runoff Unit Assessments. This surplus will be transferred to the Storm Water Management Stabilization Reserve and bring the balance to \$2.06 million as at December 31, 2018.
- The **Water Utility** recorded a deficit of \$1.41 million mainly due to a \$1.64 million unfavourable variance in revenues from lower than expected volumetric revenues. Higher than anticipated expenditures related to the Water Services and Water Maintenance programs due to an above average number of watermain breaks and water service connections were offset by savings from deferred maintenance and decreased fixed asset purchases in other areas. This deficit will be funded by the Water and Wastewater Stabilization Reserve which has a December 31, 2018 balance of \$5.65 million, including this transfer.
- The **Waste Water Utility** posted a surplus of \$17,300. Unfavourable revenue of \$1.89 million mainly from lower growth in fixed and volumetric revenue sources were offset by a favourable expenditure variance. Expenditures were lower than budget due to a variety of reasons such as lower customer billing and bylaw charges, as well as lower lift station and capital work charges. This surplus will be transferred to the Water and Wastewater Stabilization Reserve which has a December 31, 2018 balance of \$5.65 million, including this transfer.

#### Boards and Commissions Year-End Results – Summary

- **Saskatoon Police Service** had a \$158,800, or 0.18%, positive variance as compared to budget. There were no significant items that resulted in this positive variance and related to general revenues that exceeded budget.

- **TCU Place** is reporting a preliminary surplus of \$1.07 million which will be transferred to its Equipment Replacement Reserve, Capital Expansion Reserve and Stabilization Reserve respectively.
- **SaskTel Centre** has posted a preliminary surplus of \$2.4 million which will be transferred to its Stabilization Reserve and the Capital Enhancement Reserve.
- The preliminary result for the **Remai Modern** indicates a surplus of approximately \$1,000 which will be transferred to the stabilization reserve.