Preliminary Year-End Financial Results – December 31, 2017

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

1. That the fuel surplus amount of $355,002 not be transferred to the Fuel Stabilization Reserve;

2. That a reduction of $1,250,000 in the budgeted contribution to the Landfill Replacement Reserve be approved;

3. That the Snow & Ice surplus of $87,800 not be transferred to the Snow & Ice Management Reserve;

4. That a reduction of $488,500 in the budgeted contribution to the Snow & Ice Management Reserve be approved;

5. That a reduction of $130,539 in the contribution to the Golf Course Capital Reserve be approved;

6. That an additional one time return on investment transfer of $325,000 be made from the Water/Waste Water Utility to the Civic Operating Budget; and

7. That a $3,104,900 withdrawal from the Fiscal Stabilization Reserve be applied to the 2017 year-end results in order to balance the budget.

Topic and Purpose
The purpose of this report is to inform City Council of the preliminary year-end financial results for the 2017 fiscal year, and obtain approval of the recommendations which will result in an overall year-end deficit of $3.10 million subject to the confirmation by the external audit.

Report Highlights
1. Preliminary civic year-end results indicate a deficit of $3.10 million.

2. All civic utilities posted preliminary surpluses or balanced budgets.

3. The City of Saskatoon's Boards all reported preliminary surpluses or balanced budgets in 2017.

4. The actual to budgeted fuel expenditures for mill-rate programs resulted in a surplus of $355,002. The Administration is recommending that the surplus not be transferred to the Fuel Stabilization Reserve due to a sufficient balance within the reserve.

5. In an effort to mitigate the impact of the 2018 Landfill Revenue, the Administration is recommending that the calculated transfer of $2.25 million be reduced to $1.00 million.

6. Due to the relative health of the Snow & Ice Management Stabilization Reserve and overall corporate deficit, the Administration is recommending that an amount equal to $576,300 not be transferred to this reserve. The $576,300 consists of the year-end operating surplus of $87,300 and the originally budgeted transfer of $488,500.

7. The civic golf courses experienced a $296,193 deficit in 2017 as a result of lost revenue from poor spring weather and a delay in the opening of the Executive 9 Golf Course at Holiday Park. A reduction in the transfer to the Golf Course Capital Reserve of $130,539, previously budgeted at $477,500, is required in order to balance the golf course's budget.

8. Due to a dryer than normal 2017, water usage was higher than anticipated resulting in an excess utility surplus. Based on this, the Administration is recommending a one-time transfer of $325,000, an additional one-time return on investment from the Water/Waste Water Utility.

Strategic Goal
This report supports the Strategic Goal of Asset and Financial Sustainability by demonstrating how the City of Saskatoon (City) invests in what matters, and demonstrates openness, accountability and transparency in the allocation of resources.

Background
Prior to the external audit of the City's year-end financial statements, the Administration presents a report to City Council to provide information on the preliminary year-end financial results.

The external audit of the 2017 financial statements is expected to be complete in May 2018, at which time the finalized audited financial statements will be tabled with City Council for approval in May/June 2018. At that time, the year-end financial results will be confirmed or adjusted based on the external audit.

Any deficit would be covered by a withdrawal from the Fiscal Stabilization Reserve which has a balance of $8.12 million.

Report
<u>Civic Year-End Results – Summary</u>
Attachment 1 is a summary of the preliminary year-end financial results. Attachment 2 is the preliminary financial results by business line for the year ended December 31, 2017.

The preliminary results indicate a deficit of $3.10 million after the adjustments to reserve transfers as outlined in the recommendations of this report. This is a 0.65% variance from the overall budget of $477.65 million. The deficit was largely due to shorfalls within various operating revenues, outlined as follows and detailed in Attachment 1.

- Landfill revenue experienced a $1.28 million shortfall in 2017 largely due to the continued trend of declining chargeable tonnage as commercial haulers and other customers have opted for competing landfills within the region.

- Traffic violations had a $871,400 deficit in 2017 largely due to the continued trend of declining Saskatoon Police Service (SPS) traffic violations being issued.

- Parking ticket revenue experienced a $1.66 million shortfall in 2017 largely due to increased compliance as the cost of violations increased from $20 - $30 in 2017, as well as the convenience of the parking app that was released.

- Transit ridership had a $1.01 million deficit in 2017. Although ridership and revenue both had increases from 2016, the final revenue figures contine to trail behind the budgeted target of $15.1 million.

- Leisure Centre admission revenues experienced a $535,000 deficit in 2017. While actuals continue to see a positive trend since the introduction of the revised pricing and marketing strategy that was implemented in 2015, actuals continue to fall short of the budgeted target.

Other negative variances experienced in 2017 include:

- Community Support Business Line had a $1.51 million negative variance largely due to a $1.49 million deficit related to Community Investments and Support. Economic incentives were $1.2 million overspent in 2017 due to a large number of incentive programs coming into effect that were not adequately budgeted for. Some of the most significant economic incentives coming on line in 2017 were The Banks at 410 Avenue C South, North Prairie Developments Ltd. at 550 4th Avenue N and Broadstreet Properties at 206 Akhtar Bend.

- Parks Maintenance & Design has a $722,900 negative variance largely due to increased water usage (35% more volume than normal) to compensate for dry conditions in 2018.

- Facilities Management had a $872,300 negative variance as a result of aging infrastructure and assets that caused unplanned increased maintenance on pools, office buildings and various arenas.

- Street Cleaning & Sweeping had an unfavourable variance of $762,000 largely due to providing a service level that exceeded the current budget, and has since been corrected in the 2018 budget as part of the 2017 service level reviews and budget deliberations.

A significant positive variance in the Corporate Governance & Finance business line of $3.75 million assisted in mitigating the deficits outlined above. This variance is largely due to:

- $2.3 million positive variance in General Services, most notably as a result of lower payroll costs than originally anticipated from lower employment insurance and workers compensation rates, as well as a corporate hiring freeze that was undertaken for the last half of 2017.

- Administrative service lines such as Assessment & Taxation, City Clerks, City Manager, City Solicitor, Corporate Support, and Revenue Services had a combined $1.60 million positive variance largely due to the hiring and spending freeze implemented for the last half of 2017.

Other smaller positive variances within Road Maintenance, Transportation Serices, Fire Services and SPS were experienced in 2017 as a result of operational efficiencies and a spending and hiring freeze implemented mid-year.

All civic utilities posted balanced budgets or surpluses in 2017 as follows (in millions):

• Saskatoon Light & Power	$1.47
• Storm Water Management Utility	$0.29
• Water Utility	$1.22
• Waste Water Utility	$1.82
• Waste Services Utility	$ -

These surpluses have been transferred to the applicable Stabilization and/or Capital Reserve as stipulated in Council Policy No. C03-003, Reserve for Future Expenditures, and Capital Reserve Bylaw No. 6774.

In regard to the City's Boards and SPS, SPS posted a surplus of $319,300 which is incorporated within the civic year-end results, SaskTel Centre has a preliminary surplus of $1.35 million, and TCU Place reported a $1.04 million surplus. Pending confirmation from the Remai Modern's external auditor, the Remai Modern/Mendel Art Gallery had an operating deficit of $20,700 which will be covered through a contribution from the Building Transition Fund.

<u>Fuel Stabilization Reserve</u>
The Fuel Stabilization Reserve was established to accumulate funds for the purpose of offsetting any over-expenditure in the City's tax-supported fuel budget attributable to variations in fuel pricing.

The actual to budgeted fuel expenditures for mill-rate programs resulted in a surplus of $355,002. The allowable maximum in the reserve as per Council Policy No. C03-003 is $2.0 million. The Administration considers the current reserve balance of $1.325 million to be sufficient based on current fuel trends, and is recommending that the 2017 surplus not be transferred to the Fuel Stabilization Reserve.

Landfill Replacement Reserve

The Landfill Replacement Reserve was established to accumulate funds for the purpose of financing the cost to replace the City's landfill.

In an effort to mitigate the impact of the 2018 landfill revenue, the Administration is recommending that the calculated transfer of $2.25 million be reduced to $1.00 million. While this approach will minimize the year-end deficit for 2017, it is not a sustainable approach as reserve contributions are required for funding the eventual landfill closure costs. The balance of the reserve continues to be in an approved deficit position of $543,000 as at December 31, 2017 and will come into a positive balance in 2018. The Administration will continue to report on waste as a utility as a potential option to ensure the landfill and waste operations are financially sustainable.

Snow & Ice Management Reserve

The operating results for this program in 2017 indicate a small $87,800 surplus. This surplus includes the reduction of $488,500 in budgeted transfers to the Snow & Ice Management Reserve.

The Snow & Ice Management Reserve is used to stabilize the Snow & Ice program in fiscal years where deficits occur. The current balance in the reserve is $3.11 million. Due to the relative health of the reserve and overall corporate deficit, it is recommended that an amount equal to $576,300 not be transferred to this reserve. The reserve would remain at a balance of $3.11 million.

Golf Course Reserve

The purpose of the Golf Course Capital Reserve is to finance the long-term capital plan for civic golf courses, including the replacement of equipment and vehicles and the expansion and redevelopment of course facilities and services.

The civic golf courses experienced a $296,193 deficit in 2017 as a result of lost revenue from poor spring weather and a delay in the opening of the Executive 9 Golf Course at Holiday Park. Of this deficit, $165,654 was absorbed by the Golf Course Stabilization and Holiday park Development Reserves as per policy, however, the stabilization was drawn to a zero balance and was insufficient to cover this operating deficit. A reduction in the transfer to the Golf Course Capital Reserve of $130,539, previously budgeted at $477,500, is required in order to balance the Golf Course's budget. The December 31, 2017 balance of the Golf Course Capital Reserve will be approximately $525,000 after this adjustment.

Water/Waste Water Return on Investment

The Water and Waste Water Utility currently provides a return on investment to the civic operating budget of $6.35 million. Due to a dryer than normal 2017, water usage was higher than anticipated resulting in a positive variance. Based on this, the Administration is recommending that an additional return on investment one-time transfer of $325,000 from the Water/Waste Water Utility be added to the 2017 year-end results, bringing the total transfer to $6.68 million.

<u>Fiscal Stabilization Reserve</u>
The Fiscal Stabilization Reserve was established to mitigate mill-rate impacts from fluctuations in operating results from year-to-year and has a balance of $8.12 million. As a result of the $3.10 million deficit, a withdrawal is required which would lower the overall balance to $5.02 million.

Options to the Recommendation

Fuel Stabilization Reserve - City Council can choose to transfer $355,002 of the surplus to the Fuel Stabilization Reserve, which would bring the reserve balance to approximately $1.68 million. This would increase the overall civic deficit to $3.46 million. The Administration did not recommend this option as the current Fuel Stabilization Reserve is deemed sufficient with its current balance and projected fuel prices.

Landfill Replacement Reserve - City Council can choose to transfer the deferred contribution of $1.25 million to the reserve. This would bring the reserve balance to approximately $707,000, however, would increase the overall corproate deficit from $3.10 million to $4.35 million. The Administration did not recommend this option due to the landfill revenue challenges and the need to offset this deficit.

Snow & Ice Management Reserve:

- City Council can choose to transfer the Snow & Ice Surplus of $87,800 to the Snow & Ice Management Stabilization Reserve. This would increase the overall civic deficit to $3.19 million while increasing the Snow & Ice Stabilization Reserve to $3.19 million. The Administration did not recommend this option because the Snow & Ice Management Stabilization Reserve is currently healthy at $3.11 million and this would further increase the corproate deficit.

- City Council can choose to transfer the originally budgeted $488,500 to the Snow & Ice Management Stabilization Reserve. This would create a deficit within the Snow & Ice Management program of $400,700 while increasing the overall corporate deficit to $3.50 million. The balance in the Snow & Ice Management Stabilization Reserve would be $3.60 million if this option was choosen. The Administration did not recommend this option because the Snow & Ice Management Stabilization Reserve is currently healthy at $3.11 million and this would further increase the corproate deficit.

Golf Course Capital Reserve - City Council can choose not to reduce the Golf Course Capital Reserve contribution by $130,539. This would create a deficit within the golf course program which would require funding from the mill rate fund to balance the golf course budget. The overall corporate deficit would increase to $3.23 million. The Administration did not recommend this option as the golf course program is designed to be self-sufficient with no contributions from the mill rate fund.

Return on Investment - City Council can also choose not to transfer an additional one-time return on investment from the Water/Wastewater Utility of $325,000 which would increase the year-end deficit by an equivalent amount. The Administration is not recommending this as the Utility's favourable variance is able to assist in the reduction of the mill rate deficit.

Communication Plan

A news release will be issued regarding the preliminary 2017 fiscal year-end financial results. The year-end financial results for fiscal year 2017 will also be communicated to the public with a news release and annual report to be issued subsequent to the year-end audit.

Policy Implications

As per Council Policy No. C03-003, the funding for the Fuel Stabilization Reserve is to be "any year-end surplus in the City's tax-supported fuel budget." Since the recommendation is to not transfer the 2017 surplus due to sufficiency in the reserve, City Council must approve the recommendation to not transfer the fuel surplus.

Bylaw No. 6774, The Capital Reserve Bylaw, requires that the funding for the Landfill Replacement Reserve be equivalent to a rate per tonne charge fixed by City Council. As the recommendation is to not transfer $1.25 million of this calculation, City Council approval is required.

As per Council Policy No. C03-003, the Director of Finance shall have authority to effect a year-end transfer of unexpended snow removal funds to the Snow & Ice Management Stabilization Reserve. Not transferring the $87,800 is recommended.

As per Council Policy No. C03-003, the funding source for the Snow & Ice Stabilization Reserve is an annual provision made in the City's operating budget. As the Administration is recommending not transferring the originally approved amount of $488,500, City Council approval is required.

As per Bylaw No. 6774, The Capital Reserve Bylaw requires that the Golf Course Capital Reserve be funded by an annual provision as authorized in the City's Operating Budget. As the Administration recommends not transferring $130,539 of this amount, City Council approval is required.

Financial Implications

The financial implications are identified under the options section of the report.

Other Considerations/Implications

There are no environmental, privacy, or CPTED considerations or implications, and neither public and/or stakeholder involvement is not required.

Due Date for Follow-up and/or Project Completion

The external audit is currently underway and will be completed in May at which time the Standing Policy Committee on Finance will review the preliminary financial statements and forward the approved Consolidated Financial Statements and other financial-related reports to City Council in May/June 2018.

Public Notice

Public Notice pursuant to Section 3 of Policy No. C01-021, Public Notice Policy, is not required.

Attachments

1. Summary of Preliminary Year-End Financial Results
2. Preliminary Financial Results by Business Line - Year Ended December 31, 2017

Report Approval

Written by: Clae Hack, Director of Finance
Approved by: Kerry Tarasoff, CFO/General Manager, Asset & Financial Management Department

2017PrelimYEResults.docx

Summary of Preliminary Year-End Financial Results

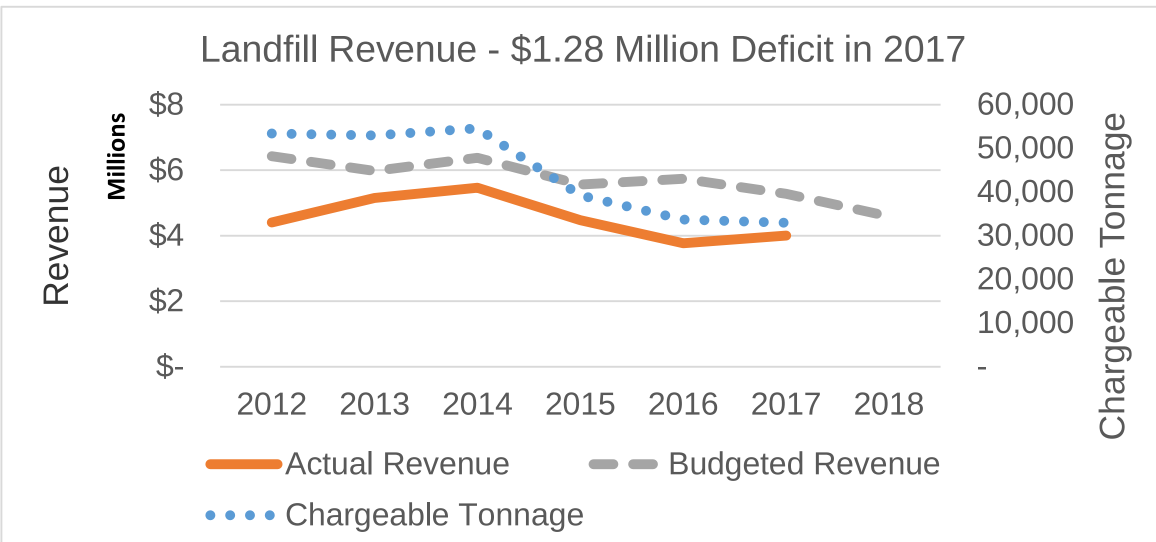
City of Saskatoon General Fund - 2017 Summary				
	2017 Budget	**2017 Actuals**	**Variance**	**Percentage**
Revenues	$477,649,100	$471,988,200	($5,660,900)	(1.19%)
Expenditures	$477,649,100	$475,093,100	$2,556,000	0.54%
Surplus/(Deficit)	**$ -**	**($3,104,900)**	**($3,104,900)**	**(0.65%)**

Mill Rate Year-End Results – Summary

The preliminary deficit prior to transfers to reserve for the City's mill rate operations in 2017 is $3.10 million, which is equivalent to a 0.65% variance from budget. This deficit was largely due to shortfalls in various operating revenues. The following five sections provide an overview of the largest operating revenue challenges the City is currently facing, early projections for 2018 and strategies to correct them.

Landfill Operations

The chargeable tonnage delivered to the City's landfill has been steadily declining since 2014 as commercial haulers have opted for competing landfills within the region. This has resulted in revenue deficits as large as $1.97 million in 2016. The budget was adjusted by $450,000 in 2017 resulting in a smaller revenue deficit of $1.28 million at the landfill.



In order to mitigate the landfill operating revenue deficit, the $3.10 million corporate deficit includes $1.25 million in deferred contributions to the Landfill Replacement Reserve.

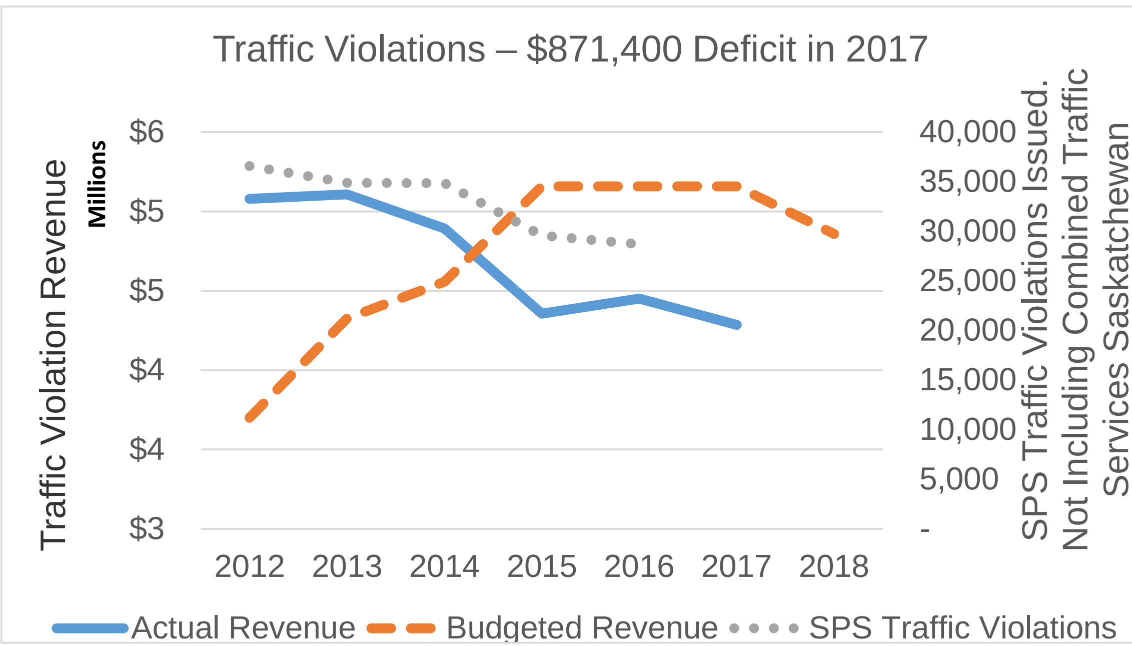
A revenue deficit in 2018 is likely to reoccur based on current trends, however, should be significantly smaller as the 2018 revenue budget was adjusted downward by $700,000. The Administration will attempt to offset any realized revenue deficit in 2018 by continuing to manage operating expenditures as well as recommending adjustments to reserve transfers if required.

In addition, the Administration continues to move forward and report to City Council regarding waste as a utility which would provide a financially sustainable model for landfill operations, as well as assist the City in reaching its environmental goals and targets.

Traffic Violations

Beginning in 2012 through 2015, a historic trend has shown a decrease in provincial and city traffic violations resulting in decreased revenue as shown below.

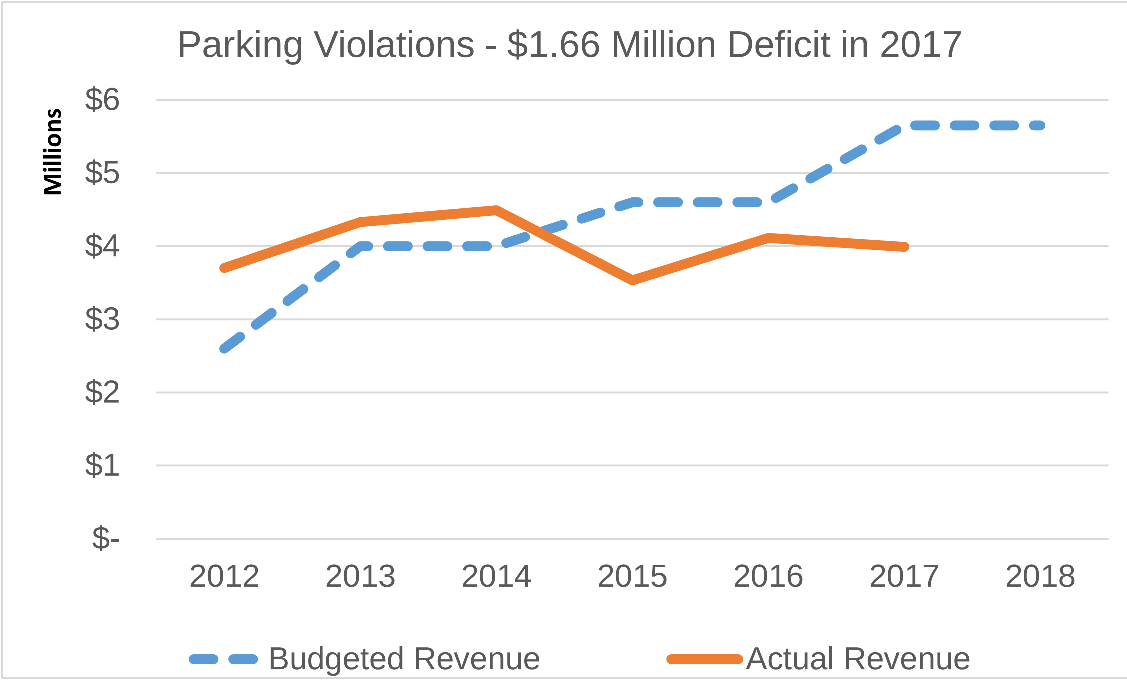
Most notably, in December 2014, the City's first two automated speed enforcement cameras came online. Previously, all speed enforcement revenue had contributed to general revenue to offset property taxes, however, the revenue generated from automated speed enforcement was directed to the Traffic Safety Reserve. Automated speed enforcement has resulted in increased compliance from citizens as well as a reduction in SPS regular enforcement. While a positive societal benefit has been seen, the redirection of this revenue and decreased regular enforcement has resulted in decreases to general revenue.



This trend continued in 2017, as traffic violation revenue experienced an $871,400 deficit as compared to budget. This deficit should be reduced in 2018, as the 2018 budget contained a reduction of $300,000 to traffic violation revenue compared to actual. However, there is a risk that an overall revenue deficit continues to exist in 2018, and further negative revenue budget adjustments may be required in future years along with the city's population growth in order to align this budget with actuals.

Parking Ticket Revenue

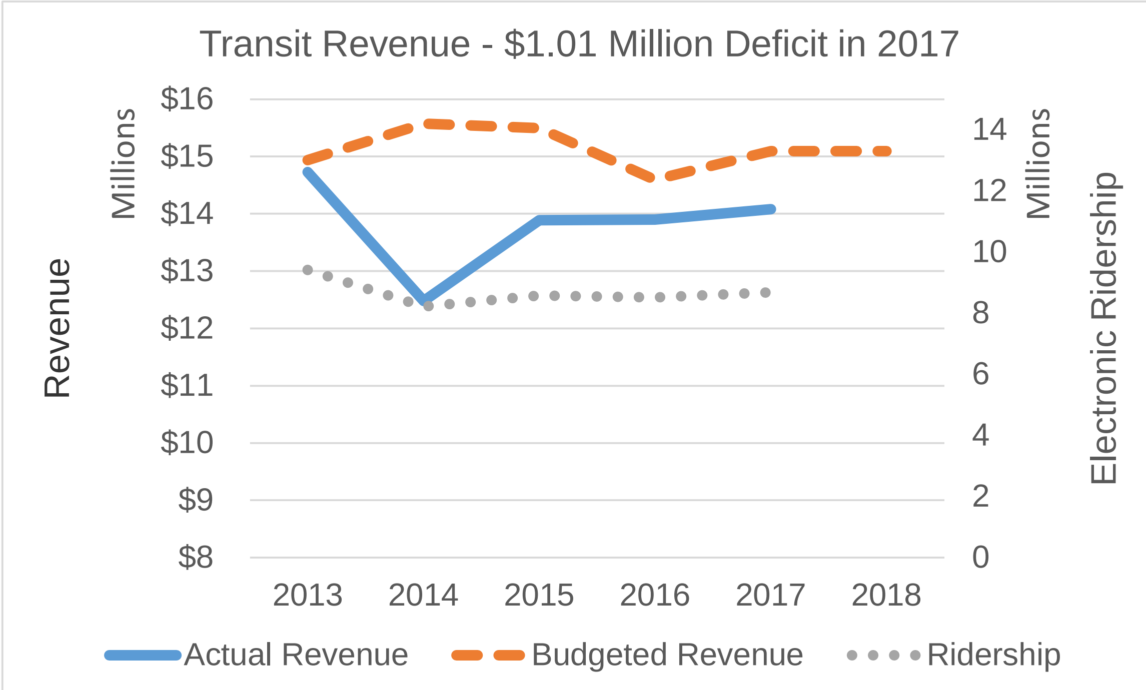
Revenue from parking tickets experienced a $1.66 million deficit in 2017. This deficit is largely due to increased compliance as the cost of violations increased from $20 - $30 in 2017, as well as the convenience of the parking app that was released.



As a result of this increased compliance, metered parking revenue experienced a surplus of $675,000. However, this excess is dedicated to payments to the vendor who installed the parking terminals until mid-2019. Parking revenue has continued to trend upwards in 2018, as January 2018 is 14% higher than January 2017.

A deficit in parking revenues is expected to occur again in 2018, as no changes were made to the budget and underlying parking ticket revenue trends are expected to remain unchanged. However, once the capital payments for the parking terminals are complete in 2019, there will be an opportunity to redirect this additional revenue to alleviate some of the pressure on the parking violation revenue budget. This along with potential adjustments to the parking violation revenue budget will over time align actuals with budget.

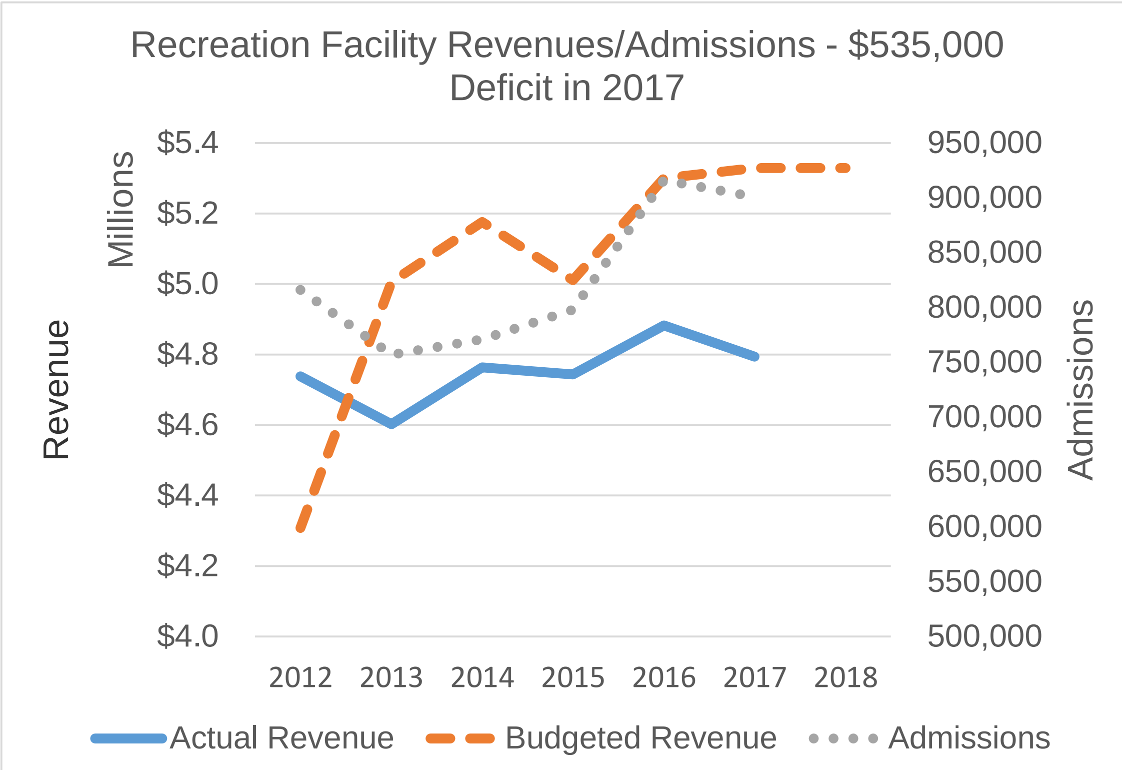
<u>Transit Revenue</u>
Transit ridership and revenue have both increased slightly from 2016. Ridership grew from 8.5 million to 8.7 million (electronic method) and $14.1 million in revenue compared to $13.9 million in 2016. However, as per the following graph, this increase in revenue is still behind the budgeted revenue of $15.1 million which created a transit revenue deficit of $1.0 million in 2017.



While the Administration is confident that the increase in ridership and revenue will continue with current initiatives underway, including the eventual Bus Rapid Transit Program, it is difficult to project Saskatoon Transit making up the $1.01 million revenue gap in one year. As such, a revenue deficit will likely be present in 2018 as well, however, the Administration will continue to minimize expenditures and the overall impact. Additional phased-in budget adjustments will likely be required in future years in order to align budgets with actuals.

<u>Leisure Centre Admission Revenue</u>
Prior to 2014 leisure centre revenues were on a downward trend. In order to increase admissions and related revenue, a detailed review was completed to identify ways to increase participation. In 2014, three extensive research projects were undertaken to gather public input. The results from all elements of research identified that price was the main attribute when considering a visit to a leisure centre. A new pricing and marketing strategy was developed and implemented in fall 2015. Three successful promotions (Two-Week Trial Pass, Summer Indoor LeisureCard, and Last Hour Promotion) continued throughout 2015.

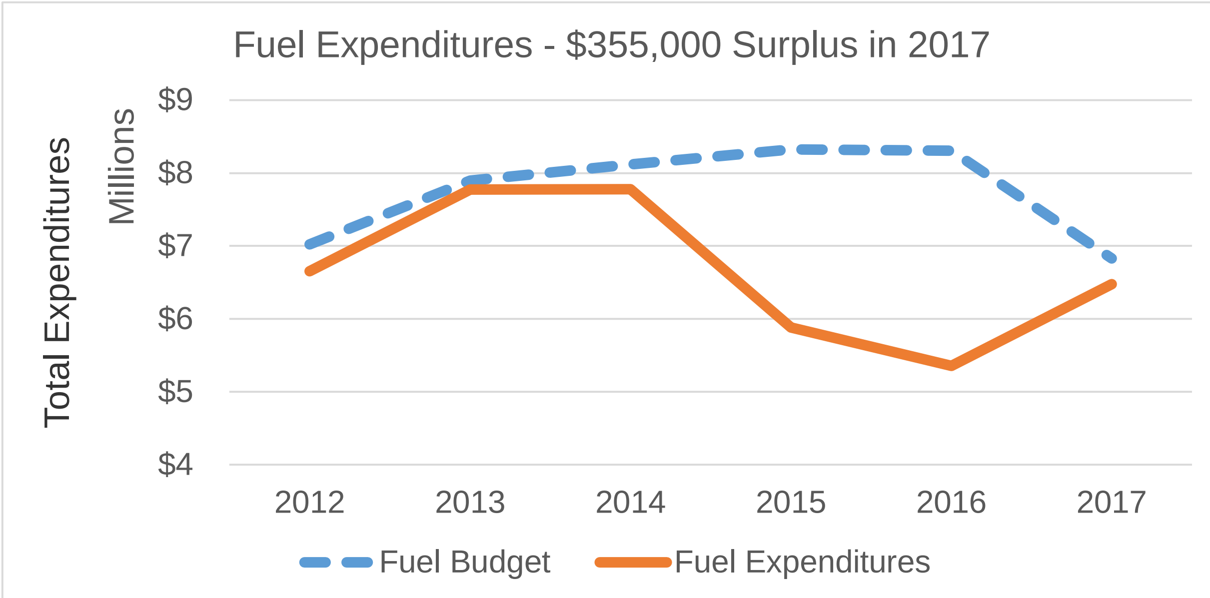
Recent trends, as shown below, show gradual increases in actual revenue and admissions beginning in 2013, and a healthy increase in attendance in 2015 and 2016 after the new marketing and pricing strategy was implemented, with a slight decrease experienced in 2017.



The 2017 results include a $535,000 deficit related to leisure centre admissions. Even though year-over-year revenue has been increasing, 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. Future initiatives include an updated rate and fee report with corresponding recommendations to be presented to City Council as part of the 2019 Business Plan and Budget Deliberations, as well as potential adjustments to the current budget will assist in aligning budgets with actuals over time.

<u>Other Positive Variances</u>

- As part of the adjustment to minimize the impact of the 2017/2018 Provincial Budget, the City reduced the fuel budget by $1.48 million in order to accommodate for historically low oil and fuel prices. Mill rate related corporate fuel expenditures continued to have a favourable variance of $355,000 in 2017, however, this is a significant change from the $2.947 million favourable variance in 2016. If fuel prices continue to rise, future adjustments to budgets will be required.



- The Corporate Governance & Finance business line had a $3.75 million positive variance in 2017. This variance is largely due to:

  - $2.3 million positive variance in General Services, most notably as a result of lower payroll costs than originally anticipated from lower employment insurance and workers compensation rates as well as a corporate hiring freeze that was undertaken for the last half of 2017.

  - Administrative service lines such as Assessment and Taxation, City Clerks, City Manager, City Solicitor, Corporate Support and Revenue Services all had a combined $1.60 million positive variance largely due to the hiring and spending freeze implemented for the last half of 2017.

- Road Maintenance had a $516,200 positive variance largely due to savings in the Earth and Paved Street Maintenance programs. An increasing number of staff were diverted to capital work and material usage was lower than anticipated.

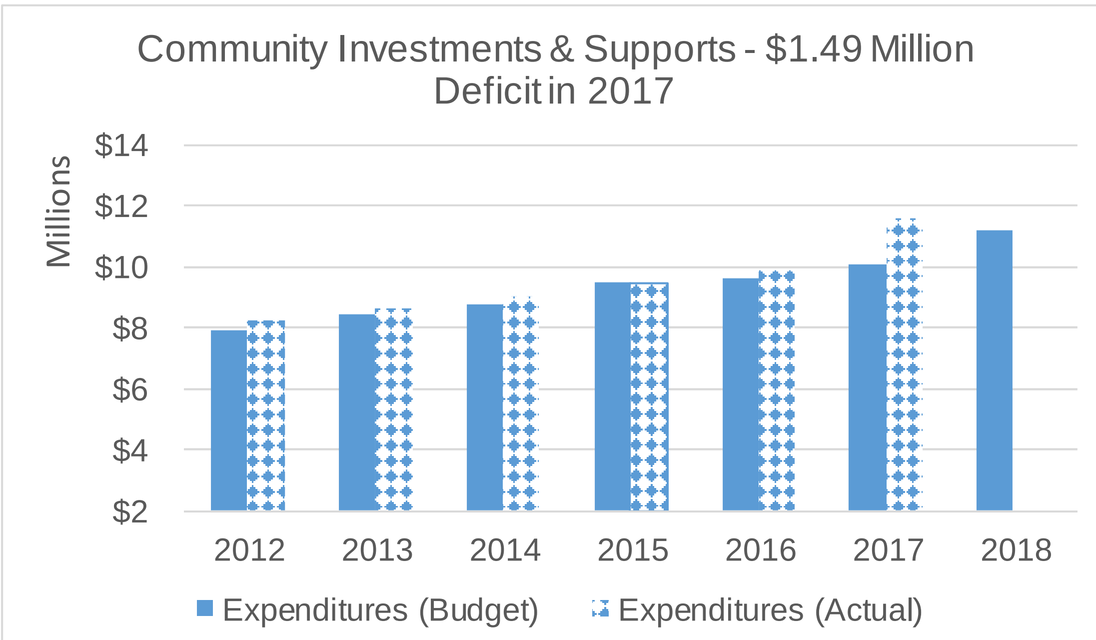
- Transportation Services had a $350,800 positive variance as a result of the spending and hiring freeze, in addition to more roadway detour work being completed for which could be charged to capital projects.

- SPS had a $319,300 positive variance primarily due to energy savings from its headquarters' operations from mild weather conditions throughout 2017 and the overall energy efficient nature of the new facility. The Administration continues to refine the utility and energy budget for SPS Headquarters as more experience with its operation is gained. The 2018 budget includes an adjustment to the energy management budget and no significant surplus for energy is anticipated for SPS in 2018.

Other Negative Variances

- The Community Support business line had a $1.51 million negative variance largely due to a $1.49 million deficit related to Community Investments and Support. Economic incentives were $1.2 million overspent in 2017 due to a large number of incentive programs coming into effect that were not adequately budgeted for.

  Some of the most significant economic incentives coming into effect in 2017 were The Banks at 410 Avenue C South, North Prairie Developments Ltd. at 550 4th Avenue North and Broadstreet Properties at 206 Akhtar Bend. The 2018 budget has been adjusted for this increase and a significant budget variance is not expected to occur again in 2018. An overview of the significant increase experienced in 2017 is illustrated below:



- Parks Maintenance & Design had a $722,900 negative variance largely due to increased water usage (35% more volume than normal) to compensate for dry conditions in 2017. This was partially offset by a transfer from the weather stabilization reserve, however, the reserve is now fully depleted. Also, an additional $325,000 in a one-time water return on investment is recommended from the Water Utility in order to offset the parks water overage. Assuming a normal rainfall in 2018 and the adjustments made as part of the 2018 Service Level Report and Budget Deliberations, a deficit is not expected to reoccur in 2018.

- Facilities Management had an $872,300 negative variance as a result of aging infrastructure and assets that caused unplanned increased maintenance on pools, office buildings and various arenas. The Corporate Asset Management Plan for Facilities is currently being developed and will address funding gaps.

- Street Cleaning & Sweeping had an unfavourable variance of $762,000 largely due to providing a service level that exceeded the current budget. This has since been corrected in the 2018 budget as part of the 2017 service level reviews and budget deliberations. This variance is not expected to occur again in 2018 as appropriate funding was added as part of the 2018 Budget Deliberations in order to deliver this service.

Recommended Transfers
The Administration is recommending the following actions as a result of the 2017 preliminary results:

- Non-transfer of corporate fuel surplus of $355,002 to the Fuel Stabilization Reserve. The Fuel Stabilization Reserve currently has a healthy balance of $1.325 million; the transfer of this surplus is not required.

- Non-transfer of $1.25 million to the Landfill Replacement Reserve. In an effort to mitigate the impact of the 2018 landfill revenue, it is recommended to reduce the calculated transfer of $2.25 million to $1.00 million. While this approach will minimize the year-end deficit for 2017, it is not a sustainable approach as reserve contributions are required for funding the eventual landfill closure costs. The Administration will continue to report on waste as a utility as a potential option to ensure the landfill and waste operations are financially sustainable.

- Non-transfer of $576,300 to the Snow & Ice Stabilization Reserve. This non-transfer is comprised of the $87,800 operating surplus in 2017 as well as the budgeted $488,500. The current balance in the Snow & Ice Stabilization Reserve is $3.113 million as at December 31, 2017 and is sufficient for future requirements.

- Reduction of $130,539 in the contribution to the Golf Course Capital Reserve, previously budgeted at $477,500. The civic golf courses experienced a $296,193 deficit in 2017 as a result of lost revenue from poor spring weather and a delay in the opening of the Executive 9 Golf Course at Holiday Park. $165,654 of this deficit was absorbed by the Golf Course Stabilization and Holiday Park Development Reserves as per policy, however, as the stabilization was drawn to a zero balance and was insufficient to cover this operating deficit, a reduction in the transfer to capital reserve is required in order to balance the program.

- An additional one-time $325,000 in return on investment from the Water Utility is recommended in order to offset the water overage in the Parks and Maintenance service line due to an abnormally dry year in 2017. This would increase the return on investment from the Water Utility to $6.68 million from the originally budgeted $6.35 million.

Utility Year-End Results – Summary
- **Saskatoon Light & Power** recorded a year-end surplus result of $1.47 million largely due to savings in salary and vehicle expenses, as less maintenance work was required and resources were shifted to capital programs. This surplus was transferred to SL&P’s stabilization reserve. The balance of the stabilization year at December 31, 2017 is $2.50 million.

- The **Storm Water Management Utility** posted a surplus of $292,900. This surplus is largely due to savings in the drainage program from a relatively dry year and a staffing vacancy related to the drainage inspector position. This surplus will be transferred to the Storm Water Management Stabilization Reserve and bring the balance to $1.753 million as at December 31, 2017.

- The **Water Utility** recorded a positive variance of $1.22 million due to reduced Plant breakdowns, reductions in emergency overtime, lower maintenance costs related to the distribution system and overall savings from the spending and hiring freeze.

- The **Waste Water Utility** posted a positive variance of $1.82 million due to Plant operational favourable variances from the deferral of equipment, fixed asset and maintenance spending. As well, volume related expenses such as chemicals and wet injection costs were less than anticipated. This surplus includes the recommended additional one-time return on investment of $325,000 to offset the Civic Operating Budget Utility costs as a result of a dryer than normal year in 2017.

- The Water and Waste Water positive variances will largely be utilized for capital programming as the stabilization reserve is at its cap of 5% of the operating budget. This will reduce the reliance on borrowing and the City's overall debt burden as more funds are now available. The following provides details of the transfers that will be completed:

    - $469,728 will be transferred to the Water and Wastewater Stabilization Reserve, bringing the balance to its cap of $7.04 million;
    - $2,312,697 will be transferred to the Water Capital Projects Reserve, which will increase the balance from $3.42 million to $5.73 million; and
    - $228,174 will be transferred to the Wastewater Capital Projects Reserve which will increase the balance from $3.95 million to $4.2 million.

<u>Boards and Commissions Year-End Results – Summary</u>

- **SPS** had a $319,300 positive variance primarily due to energy savings from its Headquarters' operations from mild weather conditions throughout 2017 and the overall energy efficient nature of the new facility. The Administration continues to refine the utility and energy budget for SPS Headquarters as more experience with its operation is gained. The 2018 budget includes an adjustment to the energy management budget and no significant surplus for energy is anticipated for SPS in 2018.

- **TCU Place** is reporting a preliminary surplus of $1.04 million which will be transferred to its Equipment Replacement Reserve, Capital Expansion Reserve and Stabilization Reserve.

- **SaskTel Centre** posted a preliminary surplus of $1.35 million which will be transferred to its Stabilization Reserve, Equipment Replacement Reserve, and the Capital Enhancement Reserve.

- The preliminary result for the **Remai Modern** indicate a $20,700 deficit at year-end. This deficit includes $173,000 and $250,000 in transfers to the Permanent Collection and Remai Exhibition Funds respectively. The $20,700 deficit will be covered through a contribution from the Building Transition Fund.

Preliminary Financial Results by Business Line - Year Ended December 31, 2017

2017 Preliminary Year-End Results (in 000's)			
Mill Rate Programs	**2017 Total Budget**	**2017 Year End Actuals**	**2017 Variance Budget vs. Actuals**
Community Support	14,105	15,620	1,515
Arts, Culture & Events Venues	7,334	7,184	(151)
Corporate Asset Management	8,189	8,662	473
Corporate Governance & Finance	56,149	52,401	(3,748)
Environmental Health	13,344	13,982	638
Fire & Protective Services	47,009	46,719	(290)
Land Development	-	-	-
Policing	86,649	86,330	(319)
Recreation & Culture	28,022	28,846	824
Taxation & General Revenues	(372,493)	(370,387)	2,106
Transportation	106,039	108,293	2,253
Urban Planning & Development	5,652	5,455	(197)
Mill Rate Operating Surplus	**-**	**3,105**	**3,105**

Utility Programs	**2017 Total Budget**	**2017 Year End Actuals**	**2017 Variance Budget vs. Actuals**
Saskatoon Light & Power	-	(1,474)	(1,474)
Saskatoon Storm Water Utility	-	(293)	(293)
Saskatoon Waste Water Utility	-	(1,817)	(1,817)
Saskatoon Water Utility	-	(1,218)	(1,218)
Saskatoon Waste Services Utility	-	-	-
Utility Rate Deficit/(Surplus)	**-**	**(4,802)**	**(4,802)**
Transfer to Applicable Utility Reserve		4,802	4,802
TOTAL UTILITY SURPLUS		**-**	**-**