City of Saskatoon

# Financial Review Audit

## FINAL REPORT

January 15, 2025

# Disclaimer

Ernst & Young LLP (EY) prepared the attached Report only for the City of Saskatoon ("Client") pursuant to an Agreement solely between EY and Client. EY did not perform its services on behalf of or to serve the needs of any other person or entity. Accordingly, EY expressly disclaims any duties or obligations to any other person or entity based on its use of the attached Report. Any other person or entity must perform its own due diligence inquiries and procedures for all purposes, including, but not limited to, satisfying itself as to the financial condition and control environment of Client, as well as the appropriateness of the accounting for any particular situation addressed by the Report.

EY did not perform an audit, review, examination, or other form of attestation (as those terms are identified by Chartered Professional Accountants of Canada ("CPA Canada"), the American Institute of Certified Public Accountants ("AICPA") or by the Public Company Accounting Oversight Board ("PCAOB")) of Client's financial statements. Accordingly, EY did not express any form of assurance on Client's accounting matters, financial statements, any financial or other information or internal controls. EY did not conclude on the appropriate accounting treatment based on specific facts or recommend which accounting policy/treatment Client should select or adopt.

The observations relating to accounting matters that EY provided to Client were designed to assist Client in reaching its own conclusions and do not constitute our concurrence with or support of Client's accounting or reporting. Client alone is responsible for the preparation of its financial statements, including all of the judgments inherent in preparing them.

This information is not intended or written to be used, and it may not be used, for the purpose of avoiding penalties that may be imposed on a taxpayer.

# Executive Summary

## Background and Objective of the Audit[1]

During and post the pandemic period (2020-2023), the City of Saskatoon ('the City') has experienced operating deficits, which required the City to draw from reserves. In addition to reliance on reserves, in response to additional costs incurred for Emergency Response Plan activities related to the December 2022 snow event, borrowing was also utilized as a funding source to offset relevant expenditures in 2022 and 2023. In 2023, the City posted a surplus of $9.9 million following a conscious decision to utilize borrowing to fund the decision to execute the City's Emergency Response Plan for city-wide snow clearing and removal, following the December 2022 significant snow event. Without the borrowing decision, the City would have realized a deficit of $6.09M before transfers from reserves. In 2022, the City realized a deficit of $10.99M, and smaller deficits of $6.54M in 2021 and $4.15M in 2020.

The audit's principal objective is to provide an independent assessment of the City's financial health and, where applicable, in comparison with selected municipalities. This analysis encompasses several areas of the City's fiscal performance, and the structure of this report is aligned with these assessment areas:

1. Comparative assessment of the City's fiscal performance compared to selected municipalities
2. Analysis of keys that contributed the most to the operating expenditure growth
3. Assessment of the City's budgeting approach and processes

The analysis also highlights key findings for each assessment area and provide relevant recommendations for improvement that would support the City's financial sustainability.

## The City's Financial Pressures and Their Consequences

Saskatoon's financial health assessment (discussed in detail in sections <u>1. Comparative Financial Assessment</u> and <u>2. Analysis and Insights of Expenditure Growth</u>) has revealed several key themes that provide a deeper understanding on the financial pressures and corresponding consequences the City faced in the past few years. These include the following:

- The analysis of three main business lines—Transportation, Police Service, and Corporate Governance & Finance—which contributed to 59% of the increase in operating expenditures during the 2019-2023 period, has shown that their expenditures have experienced continuous growth, influenced by inflationary and cost volatility pressures.
- The City's operating budget per capita (in 2019 terms) declined in the past 3 years ($1,908 in 2021, $1,816 in 2022, $1,749 in 2023). The decline in this metric would generally result in, or be driven by, a reduction in the service levels provided to residents or deferral of

---

[1] Assessment includes review of only civic operations and does not include utility programs, the Saskatoon Public Library (SPL) or controlled corporations.

some programs or services, unless the City achieved corresponding tangible organization-wide operational efficiencies.

- Due to continuous cost pressures, the City's Fiscal Stabilization and Snow & Ice Management Contingency reserves have not been regularly replenished and have had low balances compared to their minimum target amounts. Over the past five years, the Fiscal Stabilization Reserve's ending balance has varied, with $4,775,000 in 2019 (0.9% of the Operating Budget), $4,073,000 in 2020 (0.8%), $6,678,000 in 2021 (1.2%), nil in 2022 (0.0%), and $5,800,000 in 2023 (1.0%). With the minimum recommended balance for the reserve targeted to be 5% of the current year's tax supported operating expenses (per the City's Reserves for Future Expenditures policy), the situation is limiting the City's contingency funding options in the event of unplanned large expenditures, such as the December 2022 snow event.

### Budgeting Process Challenges

The analysis of the City's budgeting process (discussed in detail in section 3. Budgeting Process Assessment) has showed that while the City's budget framework and processes are well-defined and structured, there are some inefficiencies in the process:

- The process involves a large volume of manually maintained spreadsheets, and manual activities are generally both time-consuming (e.g., budget takes 9 months to prepare and publish) and prone to errors.
- The City's current use of financial systems for planning activities is limited, as neither SAP or Oracle ERPCS have any financial planning capabilities, except for data storage for SAP and budget book creation for ERPCS.
- There is limited drill-down visibility and driver linkage between Finance template and operational budget models that requires closer interaction between Finance and operational departments. This approach constrains the flexibility of the budgets and relevant scenario modelling capabilities.
- Lastly, drawbacks of the budgeting approach were identified, such as significant focus being placed towards top-down cost reductions efforts, rather than prioritization of City's services and allocating funding accordingly.

### Addressing the City's immediate and long-term fiscal pressures

Based on the challenges outlined above, six (6) opportunities and recommendations for improvement were identified (discussed in detail in section 4. Recommendations for Improvement. If implemented, these recommendations may help with managing both immediate and longer-term fiscal pressures impacting the City, while also enhancing the organization's budgeting practices. These opportunities are:

1. Improved contingency funding – consider establishing a formal Contingency Reserve Replenishment Plan that mandates annual contributions to the Fiscal Stabilization and Snow & Ice Management Contingency reserves.
2. Alternative revenue tools - consider options to increase tax revenues in line with comparable municipalities. This may include assessment of incremental property tax levies, such as a special levy on property or other type of levies or fees (e.g., ride sharing fees, land transfer tax) all of which have been implemented at other Canadian municipalities.
3. Process automation - consider automation options to improve the technological linkages throughout the City's financial planning process that could include a) Python integration for financial data automation, b) direct SAP integration, c) implementation of an integrated modern financial planning tool.
4. Driver-based planning model - consider transitioning into an integrated driver-based planning model by initially integrating Excel templates with the source business line / department planning models for real-time data feed.
5. Shared services model analysis / Value-based outcomes assessment – consider exploring opportunities to further improve efficiency and effectiveness of the City's budgeting process. This may include continued expansion of the City's shared services model to reduce duplication of common services, as well as conducting value-based outcomes assessments or value for money reviews to identify activities that could be further optimized, reduced, or eliminated completely.
6. Priority based planning and predictive analytics - consider exploring Priority Based Budgeting approach to financial planning. Also, consider assessing more advanced estimation techniques, such as predictive analytics that can help with predicting future costs potentially more accurately.

The implementation of the recommendations outlined in this report holds the potential to improve the City's fiscal performance and operational efficiencies. While these recommendations alone may not resolve all financial challenges, they provide opportunities for improvement for the City to continue to move towards its goal of long-term fiscal sustainability.

# Table of Contents

# 1. Comparative Financial Assessment

## 1.1 City of Saskatoon – Overview of Financial Health

### Operating Budget Assessment

For the period assessed, the City's operating expenses have been well aligned with budget, with slight overspending in 2019[2] (0.23%) and 2022 (0.41%), offset by relatively larger underspends in 2020 (-2.11%) and 2021 (-1.82%), driven primarily by decreases in activity levels in several business lines during the COVID-19 pandemic (Figure 1). The principal exception is 2023, where the City experienced a 2.43% overspend primarily due to $16M in one-time expenditures[3] related to unseasonal snowfall in December 2022. The City addressed this by adopting an Emergency Response Plan to enable city-wide snow clearing and removal. At the January 25, 2023 City Council meeting, Council agreed to fund this response through borrowing as no funds were available in either the Snow & Ice Management Contingency or Fiscal Stabilization reserves at that time.

*Figure 1: 2019-2023 Operating Expense Variance*

| Year | Tax Supported Operating Expense Budget (000's) | Tax Supported Operating Expense Actuals (000's) | 2023 Expense Variance (000's) (Actuals – Budget) | Expense Variance (%) |
|---|---|---|---|---|
| **2019** | $510,361 | $511,550 | $1,189 | 0.23% |
| **2020** | $532,092 | $520,850 | -$11,242 | -2.11% |
| **2021** | $546,616 | $536,682 | -$9,934 | -1.82% |
| **2022** | $566,893 | $569,218 | $2,325 | 0.41% |
| **2023** | $592,620 | $607,036 | $14,416 | 2.43% |

From an operating revenue perspective, the City recognized revenue exceeding budget for both 2019 (0.33%) and 2023 (1.40%). However, primarily due to the impacts of the COVID-19 pandemic, the City earned less than budgeted revenues in 2020 (-2.24%), 2021 (-3.01%), and 2022 (-1.53%).

*Figure 2: 2019-2023 Operating Revenue Variance*

| Year | Tax Supported Operating Revenue - Budget (000's) | Tax Supported Operating Revenue - Actuals (000's) | 2023 Revenue Variance (000's) (Actuals – Budget) | Revenue Variance (%) |
|---|---|---|---|---|
| **2019** | $510,361 | $512,068 | $1,707 | 0.33% |
| **2020** | $532,092 | $520,148 | -$11,944 | -2.24% |
| **2021** | $546,616 | $530,143 | -$16,473 | -3.01% |
| **2022** | $566,893 | $558,226 | -$8,667 | -1.53% |
| **2023** | $592,620 | $600,944 | $8,324 | 1.40% |

The overall budget variances (combining the impact of revenue and expense variances described above) for 2019-2023 period are shown in Figure 3. Variances in 2019-2020 were both very

---

[2] The City's fiscal year is from January 1 to December 31.

[3] Additional expenses of approximately $2M were incurred in 2022 and included in that year's operating expense results, almost fully accounting for the overspend in that year.

minor (0.10% surplus and -0.13% deficit respectively) and essentially offsetting; whereas, in each of the last three years, the overall budget variance was in the range of 1-2% deficit positions.

*Figure 3: 2019-2023 Overall Operating Variance*

| Year | Overall Variance (000's) | Overall Variance (%) |
|---|---|---|
| 2019 | $518 | 0.10% |
| 2020 | -$702 | -0.13% |
| 2021 | -$6,539 | -1.20% |
| 2022 | -$10,992 | -1.94% |
| 2023 | -$6,092 | -1.03% |

The City presented its 2023 operating actuals in alignment with its standard financial reporting principles, exclusive of debt funding ($16M) associated with the 2022 Snow Emergency Response Plan. However, given the significance of the Emergency Response Plan, the City also presented its operating results by including the internal debt raised for the Emergency Response Plan as a reduction in associated expenditures. Based on this presentation, the City's total operating results indicated a $9.95M or 1.68% surplus.

When analyzing changes in budgets, it is important to also consider the connection of expenses to inflation (CPI) and population growth over the same period. Many of the City's services (e.g., Police, Fire, Transit, Recreation & Culture, etc.) are directly or indirectly impacted by both of these factors, among others. The analysis revealed that in 2020, budgeted expenses increased at a rate exceeding combined CPI and population growth (2.1% vs 4.3%) (see Figure 4). However, during 2021-23 period, budgeted expense increases were lower compared to combined CPI and population growth, thus bringing the four-year growth rate of expenses to only 0.65 times that of CPI + population growth[4].

*Figure 4: 2019-2023 Total Operating Expense vs CPI and Population Change*

| Year | CPI + Population change, annual %[5] | CPI + Population change, cumulative %[5] | Operating Expense - Budget (000's) | Operating Expense – Budget, annual change % | Operating Expense - Budget, cumulative change % | Cumulative Operating Expense change to CPI + Population change ratio |
|---|---|---|---|---|---|---|
| 2019 | - | - | $510,361 | - | - | - |
| 2020 | 2.1% | 2.1% | $532,092 | 4.3% | 4.3% | 2.04 |
| 2021 | 3.4% | 5.5% | $546,616 | 2.7% | 7.0% | 1.26 |
| 2022 | 9.1% | 14.6% | $566,893 | 3.7% | 10.7% | 0.73 |
| 2023 | 8.8% | 23.4% | $592,620 | 4.5% | 15.2% | 0.65 |

When assessing the City's Operating Expense Budget per capita, it is observed that while per capita expenses increased in the past four years (2019-2022), the rate of increase has been steadily decreasing (see Figure 5). Assessing the City's Total Operating Expense Budget per capita

[4] It is acknowledged that budgeted expenses are planned and committed in advance of the year to which they refer, while population data is presented after-the-fact. In general, budgeted expenses are planned with certain assumptions, while actual events and results will likely differ from these assumptions.

[5] See Figure 18 for detailed breakdown of CPI and Population change calculations

in 2019 real dollars, it is evident that while the budget increased in 2020, budgeted spending declined significantly in the following three years (2021-2023). Overall, the operating expense per capita in 2019 real dollars have decreased by 7% from 2019 to 2023 (from $1,881 to $1,749). Absent material operational efficiency improvements, reduced spending per capita may result in, or be attributed to, a reduction in the service levels (be it in quantity, frequency, or quality, etc.) provided to residents or the deferral of some programs or services, which may not be favourable over an extended period.

*Figure 5: 2019-2023 Total Operating Budget per Capita*

| Year | Population | Tax Supported Operating Expense - Budget (000's) | Total Operating Budget Per Capita (Nominal), % change | Total Operating Budget Per Capita (Nominal) | Canada CPI index, cumulative (2019 base year) | Total Operating Budget Per Capita (Real) | Total Operating Budget Per Capita (Real), % change |
|---|---|---|---|---|---|---|---|
| 2019 | 271,259 | $510,361 | - | $1,881 | 0.0% | $ 1,881 | - |
| 2020 | 274,971 | $532,092 | 2.9% | $1,935 | 0.7% | $1,921 | 2.1% |
| 2021 | 275,202 | $546,616 | 2.6% | $1,986 | 4.1% | $1,908 | -0.7% |
| 2022 | 281,496 | $566,893 | 1.4% | $2,014 | 10.9% | $1,816 | -4.8% |
| 2023 | 295,204 | $592,620 | -0.3% | $2,007 | 14.8% | $1,749 | -8.3% |

Further analysis of the City's operating budget, particularly major trends for key business lines and relevant variance explanations, is presented below in the section titled 2. Variance Analysis and Insights of this Report.

Reserves Assessment

The City's Reserves for Future Expenditures policy (last updated on June 26, 2024) provides a governance framework for managing the City's Operating Reserves. It includes detailed guidance on each reserve, including its purpose, sources of funds, application, minimum balance requirements (if applicable), and responsibility for managing each reserve. The City conducted a reserve sufficiency evaluation several years ago (December 2016) to analyze financial preparedness for future funding needs, with some reserves expected to have substantial carryovers for future infrastructure funding.

Given their importance to the City's fiscal performance over the period under assessment, the balance of this sub-section is focused on the Fiscal Stabilization Reserve and the Snow & Ice Management Contingency Reserve.

### Fiscal Stabilization Reserve

Consistent with other municipalities, the Fiscal Stabilization Reserve serves as a buffer for unforeseen operating financial needs and balancing operating budget variances. For the period 2019-2021, the reserve's balance was relatively stable (Figure 6), as total operating budget variances were relatively small. However, in 2022, the reserve's balance was fully depleted to (partially) cover the $11M operating deficit for that year (primarily caused by lower-than-expected revenues). The reserve was replenished by the end of 2023 to $5.8M, with $4.2M of that amount coming from the $9.95M adjusted surplus generated during the year (stemming from funding through borrowing principally to fund the 2022 snow event activities), and a $1.6M one-time transfer from the City's Capital Reserves.

For the period assessed, the Fiscal Stabilization Reserve to the Operating Budget ratio was maintained at about 1%, substantially below the City's minimum targeted balance of 5% of the current year's tax-supported operating expenses (per the City's Reserves for Future Expenditures policy).

*Figure 6: Five-Year Reserve Balances*

| Saskatoon (2019 - 2023) | Fiscal Stabilization Reserve Ending Balance (000's) | Fiscal Stabilization Reserve as a % of Operating Budget | Snow & Ice Management Contingency Reserve (000's) |
|---|---|---|---|
| **2019** | $4,775 | 0.9% | $2,965 |
| **2020** | $4,073 | 0.8% | - |
| **2021** | $6,678 | 1.2% | - |
| **2022** | - | 0.0% | - |
| **2023** | $5,800 | 1.0% | $6,200 |

Based on the analysis of the operating budget results for the 2019-2023 period, dedicated funding for replenishment of the Fiscal Stabilization Reserve was observed only for 2021 ($3.7M prior to transfers out of the reserve to fund that year's operating deficit) and 2023 (as discussed previously). This could be explained by the environment of continuous cost reduction targets embedded in the operating budgets that leaves limited to no available funding for such replenishment.

### Snow and Ice Management Contingency Reserve

The Snow and Ice Management Contingency Reserve is designated as a contingency fund to cover any unexpected substantial expenses related to snow removal events. As weather-related expenses are usually difficult to predict and can be very volatile, this reserve plays a crucial role in enabling an effective response to such events whilst mitigating volatility in the year over year operating budgets. According to the Reserves for Future Expenditures policy, an annual provision will be made from the City's Operating Budget to replenish the reserve as approved by City Council.

The Snow and Ice Management Contingency Reserve's balance at the end of 2019 and 2023 was $3M and $6.2M respectively, and zero in between (see Figure 6). Similar to the Fiscal Stabilization Reserve, this divergence in year-end balances suggest that there were inadequate annual contributions (roughly $0.5M each year that were fully used up by year-end) made to replenish the Snow and Ice Management Contingency Reserve as required by City Policy. Therefore, this reserve had, and likely will have again, the risk of not being sufficiently funded to cover expenses associated with major snow events (despite additional budgeted funding of $175,400 in 2024 and $166,800 in 2025).

In summary, it is observed that the above two important stabilization reserves are not being replenished adequately to the levels targeted by the City's Reserves for Future Expenditures policy. Without maintaining such funding levels, there is an increased risk that, the City is required to find an alternative funding mechanism to finance unforeseen events (i.e. 2022 snow event related expenditures in 2023) and/or effectively mitigate operating budget volatility.

## 1.2 Selection of Comparator Municipalities

Several municipalities were considered for a comparative analysis to the City of Saskatoon. These include the cities of Regina, Winnipeg, Edmonton, Vaughan, London, Windsor, Markham, and Red Deer. The selection was narrowed down to three cities based on several factors, principally population and area, the depth of the budget variance explanations provided, publicly available data, and the structure or compatibility of its financial reports. These are Regina, Winnipeg, and Edmonton (detailed analysis provided in Appendix A.1).

## 1.3 Comparator Municipality Analysis

This section provides an overview of the analysis performed between the City and the three selected comparator municipalities (Regina, Winnipeg, and Edmonton). The objective of such analysis is to assess where Saskatoon stands in terms of financial health, reserve management and contingency planning, relative to the other municipalities. It is important to note that due to differences in reporting and availability of data for comparator municipalities, certain assumptions and were required to conduct the analysis below (described in Appendix A.2).

Additionally, to achieve a more relevant comparison for total tax-supported operating revenues and expenses across the comparator municipalities, the several adjustments were made – see Appendix A.3 for detailed discussion).

Lastly, it needs to be noted that the following analysis is limited to only one year comparison (2023), as the financial results for prior years, particularly for 2020 and 2021, were distorted significantly by COVID-19 pandemic among comparator municipalities.

To conduct the comparison of financial health across municipalities, the following metrics were considered and are discussed below:

1. Operating budget per capita;
2. Operating budget revenue and expense variances metrics;
3. Debt metric;
4. Snow and Ice Management reserves;
5. Property tax revenue metrics; and
6. Adequacy of relevant reserves.

Operating Budget per Capita

Operating Budget per Capita provides an indication of the adequacy of operating budgets across municipalities, all things considered equal (e.g., service levels). In 2023, the City's total operating budget per capita (see Figure 7) is comparable (within 10%) to that of Regina and Winnipeg, both of which are more closely aligned to Saskatoon in population than Edmonton. However, Edmonton, while having a larger population base, also has a substantially higher operating budget per capita (+46.94%) than the City, partly driven by light rail transit (LRT) that is applicable only to Edmonton among the comparator municipalities.

*Figure 7: Total Operating Budget per Capita*

| Municipalities | 2023 Population | 2023 Tax Supported Operating Expense - Budget (000's) | 2023 Total Operating Budget Per Capita |
|---|---|---|---|
| Saskatoon | 295,204 | $592,620 | $2,007 |
| Regina | 245,640 | $539,724 | $2,197 (+9.46%) |
| Winnipeg | 815,999 | $1,533,627 | $1,879 (-6.38%) |
| Edmonton | 1,128,811 | $3,328,418 | $2,949 (+46.94%) |

Operating Budget Revenue and Expense variance metrics

For the comparators analyzed, 2023 Revenue Variances ranged from -2.1% to +2.6%. The City's variance (+1.4%) was again most closely aligned with Regina (+2.6%) and Winnipeg (+1.0%), with Edmonton (-2.1%) being an outlier (see Figure 8).

*Figure 8: 2023 Total Operating Revenue Variances*

| Municipalities | Operating Revenue - Budget 2023 (000's) | Operating Revenue - Actuals 2023 (000's) | Revenue Variance 2023 (000's) | Revenue Variance 2023 (%) |
|---|---|---|---|---|
| Saskatoon | $592,620 | $600,944 | $8,324 | 1.4% |
| Regina | $539,724 | $553,868 | $14,144 | 2.6% |
| Winnipeg | $1,533,627 | $1,548,731 | $15,104 | 1.0% |
| Edmonton | $3,386,991 | $3,316,813 | -$70,178 | -2.1% |

The City's 2023 operating expenses (see Figure 9) were $14.4M or 2.4% higher than budget. In absolute terms, this variance was less than Regina's (-3.1%) and greater than both Winnipeg's (-0.9%) and Edmonton's (+0.7%). It should be noted that a lower variance on these items may be an indication of either a more accurate budget, improved financial responsibility, unforeseen circumstances, or a combination of all three. However, as noted previously, one of the largest contributors to this variance for the City of Saskatoon was the unplanned expenditure of $16M related to the 2022 snow event.

*Figure 9: 2023 Total Operating Expense & Net Operating Budget Variances*

| Municipalities | Operating Expense - Budget 2023 (000's) | Operating Expense - Actuals 2023 (000's) | Expense Variance 2023 (000's) | Expense Variance 2023 (%) | Net Variance 2023 (000's) | Net Variance 2023 (%) |
|---|---|---|---|---|---|---|
| Saskatoon | $592,620 | $607,037 | -$14,417 | -2.4% | -$6,093 | -1.0% |
| Regina | $539,724 | $556,598 | -$16,874 | -3.1% | -$2,730 | -0.5% |
| Winnipeg | $1,533,627 | $1,547,728 | -$14,101 | -0.9% | $1,003 | 0.1% |
| Edmonton | $3,328,418 | $3,306,669 | $21,749 | 0.7% | -$48,430 | -2.7% |

The City's net budget to actual variance (i.e., revenue and expense variances combined) for 2023 was -$6.1M or -1.0% (see Figure 9). When compared to the operating results of the other municipalities, Saskatoon's total operating variance was, proportionally, larger than that of Regina and Winnipeg. As noted in the Operating Budget Assessment sub-section of this report, given the significance of the Emergency Response Plan related to December 2022 Snow Event, the City also opted to present its operating results whereby the internal debt raised for Emergency Response Plan activities were included as a reduction in associated expenditures. Based on this presentation, the City's total operating results indicated a $9.95M or 1.68% surplus.

## Debt

In municipalities across Canada, debt financing is primarily used for purpose of funding public infrastructure (i.e., capital) projects, such as municipal facilities, parks, and roadways. Debt is not considered an effective and sustainable tool for bridging operating funding gaps and is generally only be considered after all other options, including support from higher orders of government, are exhausted.

One of the key metrics for a financial health assessment is total debt as a percentage of total revenue ("debt to revenue ratio"), as an indicator of an organization's capacity to repay its debt from its revenue streams or obtain additional debt (see Figure 10).

For 2023, Saskatoon's total debt to revenue ratio (23%) was the lowest among comparator municipalities. This can be interpreted as an indicator of the City's strong financial position, particularly considering that the City's current long-term debt stands at 47% of its debt limit ($558M).

*Figure 10: Total Debt to Revenue Ratio*

| Municipalities | 2023 Total Revenue – Actual (000's) | 2023 Total Debt – Actual (000's) | 2023 Total Debt as % of Revenue – Budget |
|---|---|---|---|
| Saskatoon | $1,134,686 | $263,043 | 23% |
| Regina | $878,465 | $313,122 | 36% |
| Winnipeg | $1,927,704 | $1,411,222 | 73% |
| Edmonton | $3,674,077 | $4,167,486 | 113% |

Snow & Ice Management expense metrics

Snow & Ice Management (S&IM) related expenditures are one of the most volatile and unpredictable expense categories, as spending is triggered by events over which municipalities have no control. While each municipality may categorize S&IM activities under different titles, the expenses related to such activities have been used for the below comparison/categorization. Examining the S&IM expenses for 2023 reveals significant variances between budgeted and actual expenditures among comparator municipalities that report such data, which is to be expected given the unpredictable nature of such events and the challenges of accurately estimating the associated expenses over a short time horizon (i.e. annually) (see Figure 11).

*Figure 11: Snow & Ice Management Expenditures*

| Municipalities | 2023 S&IM Budget (000's) | 2023 S&IM Actual (000's) | 2023 S&IM Variance (000's) |
|---|---|---|---|
| Saskatoon | $15,391 | $9,100[6] | $6,291 |
| Saskatoon + $16M | $15,391 | $25,139 | -$9,748 |
| Regina | $8,597 | No public data | N/A |
| Winnipeg | $36,262 | $40,500 | -$4,238 |
| Edmonton | $63,574 | $54,917 | $8,657 |

Highlighting this volatility, the City's 2023 preliminary year-end results report noted that five (5) snow events were budgeted for the calendar year, however no significant snow events were noted. This resulted in an underspend of $6.3M (excluding unplanned expenditure related to the 2022 snow event). As a prudent practice, the City used most of the unspent funds to replenish the Snow & Ice Management Contingency reserve ($5.7M was transferred).

Lastly, a high-level metric that combines city area and snow precipitation for each municipality was developed and analyzed (see last column of Figure 12), reporting the cost to remove a cubic volume of snow. While this measure is not precise[7], it can provide directional insights into a municipality's cost efficiency in snow removal. The City's performance on this metric is the lowest among the comparator municipalities.

*Figure 12: Snow & Ice Management Expenditures to Area multiplied by Snow Precipitation*

| Municipalities | 2023 S&IM Actual (000's) | City Area (km2) | 2023 Snowfall (in meters) | Area x 2023 Snow Precipitation | 2023 S&IM Actual Expense to Area x Snow Precipitation |
|---|---|---|---|---|---|
| Saskatoon | $9,100[8] | 236 | 0.7 | 174 | $52 |
| Regina | No public data | 179 | 1.0 | 179 | N/A |

[6] Excluding the $16M expenditure related to the December 2022 snow event.

[7] One of the preferred metrics would be 'total cost for winter maintenance of roadways per lane-kilometer maintained', but this data was only available for the City of Winnipeg.

[8] Excluding the $16M expenditure related to the December 2022 snow event.

| | | | | | |
|---|---|---|---|---|---|
| Winnipeg | $40,500 | 462 | 1.1 | 525 | $77 |
| Edmonton | $54,917 | 782 | 1.2 | 965 | $57 |

A detailed departmental analysis with specific data (e.g., utilizing the metric mentioned in the footnote) is recommended to achieve a more precise comparison for this service category.

Property tax revenue metrics

Property tax plays a crucial role as the most significant own-source revenue category for many municipalities. Like other metrics discussed earlier, one major adjustment was necessary to enable more relevant cross-municipality comparison: Frontage Levy and Business Tax were added to Winnipeg's reported property tax revenues for 2023 (see detailed discussion in Appendix A.4). There are several property tax related metrics that can assist with analyzing municipal financial health.

In analyzing Property Related Tax Revenue Per Capita (see 5th column of Figure 13), we noted that, at $988, Saskatoon's metric was the lowest among the comparator municipalities. Given the breadth of the range among comparator municipalities, it should be noted that this measure does not consider several nuances related to property tax, such as the proportion of properties in each class (e.g., residential, commercial), corresponding mill rates, average property values, average household size, etc.

*Figure 13: Property Tax Revenue*

| Municipalities | 2023 Population | 2023 Property Related Tax Revenue Actuals (000's) | Operating Revenue - Actuals 2023 (000's) | 2023 Property Related Tax Revenue Per Capita | 2023 Property Related Tax as % of Total Operating Revenues |
|---|---|---|---|---|---|
| Saskatoon | 295,204 | $291,746 | $600,944 | $988 | 48.5% |
| Regina | 245,640 | $295,060 | $553,868 | $1,201 | 53.3% |
| Winnipeg | 815,999 | $852,773 | $1,548,731 | $1,045 | 55.1% |
| Edmonton | 1,128,811 | $1,898,464 | $3,316,813 | $1,682 | 57.2% |

For further analysis, the assessment also analyzed property and related taxes as a percentage of Operating Revenues (see 6th column of Figure 13) which indicates the extent to which a municipality is dependent on this revenue source. For this metric, Saskatoon is the least dependent on the property tax among the four municipalities. This, alongside the property tax per capita metric discussed earlier, may be interpreted as an indication that property taxes have an opportunity to play a larger role in the City's revenue generation, considering it is a relatively stable and efficient source of revenue.

For further clarity, the assessment also analyzed the Residential Property Tax Bill Per Fixed Taxable Assessed Property Value (see last column of Figure 14, with $350K as the sample value). This metric enables comparison of an indicative residential property tax related bill across the selected municipalities. The analysis suggests that Saskatoon's property tax revenue from this specific type of property is 11 - 18% lower than the comparator municipalities, suggesting that Saskatoon's property tax rates have room to increase vis-à-vis the comparator cities.

While mean residential property value is arguably a more accurate measure for this metric, no verifiable common source of this data was identified for all the comparator municipalities. Thus, a fixed property value was used.

*Figure 14: Indicative Residential Property Tax*

| Municipalities | 2023 Property Related Tax Revenue Actuals (000's) | 2023 Residential Mill Rate | 2023 Residential Mill Rate Factor | 2023 Effective Rate | 2023 Provincial Taxable Value Adjustment Factor | 2023 Residential Property Tax Bill for assessed property value of $350K |
|---|---|---|---|---|---|---|
| Saskatoon | $291,746 | 8.5034 | 0.88920 | 7.5612 | 80% | $2,117 |
| Regina | $295,060 | 10.1313 | 0.91034 | 9.2229 | 80% | $2,582 |
| Winnipeg | $852,773 | 12.9000 | 1.0000[9] | 12.9000 | 45% | $2,382[10] |
| Edmonton | $1,898,464 | 7.0081 | 1.0000[7] | 7.0081 | 100%[11] | $2,453 |

Note that this metric should not be used in isolation as it does not consider several factors:

a. The mix or share of each category of property, i.e., for any given city, residential properties will form a greater or lesser share of the total.

b. Different mill rates that may be in effect by property type, whereby certain types of properties in each city may have more preferential rates than other types.

To further assess the City's property tax revenue profile, the residential mill rate trends from 2019 to 2023 for the City and the three comparator municipalities have been analyzed (see Figure 15 and Appendix D – Exhibit 10). Direct comparisons between municipalities (particularly for different jurisdictions) are limited due to differences in reassessment cycle, legislation, and adjustments to mill rates to partially offset the impact of independent and unrelated changes in property tax values.

For legislative reasons, Regina is the closest comparator, and its 4-year compounded annual mill rate increase was higher than the City's (4.4% for Saskatoon vs 5.9% for Regina). Edmonton and Winnipeg are less directly comparable as the timing of assessments and assessment methods differ from Saskatoon.

The City may benefit from further assessing whether the level of municipal services or asset conditions for Saskatoon have been impacted with relatively smaller mill rate increases as a component of evaluating the value of services provided by the City.

[9] For Winnipeg and Edmonton, since they do not have a mill rate factor, 1 (one) was used as a figure for calculating the effective mill rate so that it does not affect the outcome.

[10] For Winnipeg, an estimated $350 is added as frontage levy, similar to the example provided by the city in 2023 Budget document (page 54).

[11] Edmonton does not have a taxable value adjustment factor; hence, it was assumed to be 100% for this purpose.

*Figure 15: Residential Mill Rate Trend (2019 – 2023)*

| | 2019 | 2020 | 2021 | 2022 | 2023 | 4-year CAGR[12] |
|---|---|---|---|---|---|---|
| **Saskatoon** | | | | | | |
| Effective Residential Mill Rate | 6.3628 | 6.6002 | 6.9731 | 7.2449 | 7.5612 | |
| **YoY change, %** | | *3.7%* | *5.7%* | *3.9%* | *4.4%* | *4.4%* |
| **Regina** | | | | | | |
| Effective Residential Mill Rate | 7.3907 | 7.6309 | 8.6039 | 8.8964 | 9.3119 | |
| **YoY change, %** | | *3.2%* | *12.8%* | *3.4%* | *4.7%* | *5.9%* |
| **Winnipeg[13]** | | | | | | |
| Effective Residential Mill Rate | 13.2900 | 12.8610 | 13.1610 | 13.4680 | 12.9000 | |
| **YoY change, %** | | *-3.2%* | *2.3%* | *2.3%* | *-4.2%* | *-0.7%* |
| **Edmonton** | | | | | | |
| Effective Residential Mill Rate | 6.4737 | 6.8168 | 7.0109 | 6.9072 | 7.0081 | |
| **YoY change, %** | | *5.3%* | *2.8%* | *-1.5%* | *1.5%* | *2.0%* |

## Reserves metrics

The reserves analysis (see Figure 16) compared the Fiscal Stabilization reserve among the selected municipalities. There were several important notes to consider when analyzing the 2023 year-end reserve balance for each municipality:

a. The reserves include only non-committed (unappropriated) balances.

b. The reserve figures presented are after any transfers related to operating budget surpluses or deficits.

c. Regina is maintaining a General Fund Reserve as the primary general-purpose reserve to cover unforeseen or emergency circumstances or to take advantage of opportunities. This approach is somewhat different from the other municipalities.

When comparing the Fiscal Stabilization reserve [balance] to the Operating Expense Budget, generally representing the share of annual expenses that the reserve can cover, the City's metric is lower than in Regina or Edmonton, but comparable to Winnipeg (although the latter's balance includes $15M transferred from its Waterworks Fund to replenish the Fiscal Stabilization Reserve).

Saskatoon's comparatively low level of Fiscal Stabilization reserve should not come as a surprise considering the reserve was fully depleted at the end of 2022 and the City was able to replenish it at least somewhat in 2023 primarily after $16M unplanned expenditures associated with the 2022 snow event were funded via borrowing.

[12] CAGR – Compounded annual growth rate.

[13] This analysis does not include frontage levy and business tax components of property related taxes for Winnipeg.

*Figure 16: Fiscal Stabilization Reserve*

| Municipalities | 2023 Fiscal Stabilization Reserve - Ending Balance (000's) | 2023 Fiscal Stabilization Reserve as % of Operating Expense Budget | 2023 Fiscal Stabilization Reserve Target as % of Operating Expense Budget |
|---|---|---|---|
| Saskatoon | $5,800 | 1.0% | 5.0% |
| Regina | $15,800 | 2.9% | 4.3% |
| Winnipeg | $15,712 | 1.0% | 6.0% |
| Edmonton | $103,170 | 3.1% | 5.0% |

Every municipality has established its own minimum recommended balance level for the Fiscal Stabilization reserve, as shown in the last column of Figure 16. It is evident that as at the end of 2023, none of the comparator municipalities has funded its stabilization reserve to the level it targets. At the same time, a healthy Fiscal Stabilization (and to an extent, Snow & Ice Management Contingency) reserve balance needs to be maintained to provide contingency funding options in case of unforeseen events.

It should also be noted that as the other three comparator municipalities do not maintain a discrete and funded Snow & Ice Management reserve (Regina has a similar reserve, but it has had a nil balance since 2022), no comparison could be made for this reserve. It should also be noted that without such reserves, there is a burden that may be placed upon the fiscal stabilization reserves at the comparator municipalities to fund responses to snow and ice events.

Structure of reserves

It needs to be noted that the City has adopted a different approach than the comparator municipalities with respect to fiscal reserves. The City maintains 140+ reserves with specific purposes and restrictions on the use of such funds. By comparison, in 2022, Regina had 27, Winnipeg had 30, and Edmonton had 40 reserves. Saskatoon's reserve funds are categorized as follows (number of reserves for each category for 2022):

- Maintenance (32)
- Capital (18)
- Stabilization (19)
- Reserve for Expenditure (RFE) (73) (including Prepaid Services)

Having fewer reserves generally provides greater flexibility in terms of usage and replenishment, as: a) general operating reserves can be used for multiple purposes, reacting to the changing needs of a city; and b) creates flexibility for transfers between capital and operating reserves. The downside of maintaining fewer general-purpose reserves is usually limited accountability over various inflows and outflows into these reserves, and subsequently more effort to adequately evaluate each reserve's sufficiency.

While the City's approach of having a larger number of dedicated reserves provides enhanced accountability through transparency, it also leads to more administrative effort for management and reduced funding options for certain events/expenditures.

Ultimately, the approach for reserves management needs to be evaluated based on the specific circumstances of a municipality, its performance management principles, and how effectively the approach supports relevant decision-making processes.

### 1.4 Summary of Findings

Below is the summary of findings based on the comparator analysis. These findings will be used to develop relevant opportunities for improvement in section 4. Recommendations for Improvement.

1. **Inadequate replenishment of Fiscal Stabilization and Snow & Ice Management Contingency reserves**

   The City's Fiscal Stabilization and Snow & Ice Management Contingency reserves have not been regularly replenished, and thus have balances that are below their recommended minimum levels as outlined in the City's Reserves for Future Expenditures policy. This underfunding limits each reserve's ability to serve its stated purpose, which is primarily acting as a contingency funding option in the event of unplanned large expenditures and/or revenue shortfalls, such as the 2022 snow event.

   It is also noted that there is no documented strategy in place on how to continue replenishing either reserve to the target level, other than operating budget surpluses that are dependent on favourable budget performance during a fiscal year.

2. **Recent trend of decline in the of operating budget per capita**

   In real dollars (2019 base year), the City's operating budget per capita has declined for the past three years, reducing the purchasing power of its assets and services. This trend is not sustainable without either significant gains in operational efficiency or corresponding compromises in, or risks to, service levels provided to residents.

3. **Limited revenue tools for funding increasing operating costs**

   As the primary Council-set revenue tool, Saskatoon's 2023 property tax revenue share of total operating revenue was the lowest among comparator municipalities. This indicates that the City may not have utilized property taxes in the same manner as comparator municipalities as a lever to fund increasing operating costs that have faced continuous inflationary and growth pressures (further discussed in section 2. Analysis and Insights of Expenditure Growth). As mentioned in finding #1 above, this situation may also have contributed to under-funding for replenishment of important stabilization reserves. Lastly, it is also noted that, in addition to increased property taxes, other municipalities also benefit from additional sources of tax- or non-tax-based revenue, such as Winnipeg's frontage levy.

## 2. Analysis and Insights of Expenditure Growth

The objective of this analysis is to identify the City's business lines (i.e. functions) with the most impact on the growth of the City's total operating expenses from 2019-2023 and provide analysis and insights for budgetary control purposes considering the continuous cost pressures facing the City's operating budget.

The three business lines that met the criteria (described in Appendix B.1 section) were: Transportation, Saskatoon Police Service (SPS), and Corporate Governance & Finance[14] (see Appendix D – Exhibit 11 for detailed view).

1. Transportation: Cumulative expense growth of over $20.7M from 2019 to 2023, with average annual growth of 3.7% (see Figure 17).
2. Saskatoon Police Service: Cumulative expense growth of $21.4M, with average annual growth of 5.1% (see Figure 17).
3. Corporate Governance & Finance (multiple 'back office' and support functions): Cumulative growth (including Debt Servicing) of $6.7M, approximately 8.8% or 2.2% average annual growth (see Figure 17). Considering Debt Servicing cost category had a cumulative decrease of $1.5M over this 5-year period, if this service line is removed, then Corporate Governance & Finance business line had a cumulative increase of nearly $8.2M, with average annual growth of 4.4%.

*Figure 17: Business lines with Significant Impact to Operating Growth in Budgeted Expenses 2019-2023*

| Business line | Budget Expenses 2019 (000's) | Budget Expenses 2023 (000's) | Increase (000's) | Increase (%) | Average Annual Increase Rate (%) | % of 2023 Operating Expense Budget |
|---|---|---|---|---|---|---|
| Transportation | $139,288 | $160,074 | $20,786 | 14.9% | 3.7% | 27.0% |
| Saskatoon Police Service (SPS) | $105,014 | $126,404 | $21,390 | 20.4% | 5.1% | 21.3% |
| Corporate Governance & Finance[15] | $75,685 | $82,378 | $6,693 | 8.8% | 2.2% | 13.9% |
| Sub-Total | $291,012 | $341,376 | $50,364 | 17.3% | 4.3% | 62.2% |
| Total (All Business lines) | $510,361 | $592,619 | $82,258 | 16.1% | 4.0% | 100.0% |

Compared to the combined CPI and population change over this period (with combined average annual increase of 5.8% - see Figure 18), the average annual expense increases were lower for both the above-mentioned three business lines (4.3%) and total operating expense category (4.0%). While there are several factors that might have impacted the cost increases for each business/service line, in general, this trend could be interpreted as an indication of cost reduction/containment efforts by the City.

[14] These three service lines represented 59% of the total operating expense increase from 2019 to 2023.
[15] Including Debt Servicing cost category.

*Figure 18: CPI and Population Change during 2019-2023 period*

| Business line | 2019 | 2020 | 2021 | 2022 | 2023 | Cumulative Change (2019 - 2023) | Average Annual Change (%) |
|---|---|---|---|---|---|---|---|
| General Price Index | 136.0 | 137.0 | 141.6 | 151.2 | 157.1 | - | - |
| Annual % change | - | 0.7% | 3.4% | 6.8% | 3.9% | 14.8% | 3.7% |
| | | | | | | | |
| Population | 271,259 | 274,971 | 275,202 | 281,496 | 295,204 | - | - |
| Annual % change | - | 1.4% | 0.1% | 2.3% | 4.9% | 8.6% | 2.2% |
| | | | | | | | |
| CPI + Population Change (%) | **-** | **2.1%** | **3.4%** | **9.1%** | **8.8%** | **23.4%** | **5.8%** |

Sections 2.1-2.3 below analyze the financial and relevant high-level operational performance of these business lines, with the analysis performed at the service or expense type level. Moreover, some of the operational performance variances have been categorized based on unit cost or categories (see Appendix B.2 for detailed discussion). Analyzing these categories of variances may provide enhanced understanding of variances and develop more effective mitigation actions for each type of variance.

## 2.1 Transportation

Transportation is responsible for the planning, development, and maintenance of the City's transportation infrastructure and services including roads, bridges, sidewalks, cycle tracks, the operations of public transit, and snow and ice management, street cleaning, etc.

Three service lines (Road Maintenance, Snow and Ice Management, and Transit Operations) contributed the most to the business line expense increase over the period, representing a combined 73% of the 2023 transportation expense. Figure 19 provides breakdown of the Transportation budget expenses from 2019 to 2023 by these service lines.

*Figure 19: Transportation Budgeted Expenses: Main Service line Lines*

| Gross Service Line Expenses | Annual Change – Budget (000’s) | | | | Average Change for 2019 – 2023 (000’s) | 2023 Budget (000’s) | % of Total 2023 Transportation Budget |
|---|---|---|---|---|---|---|---|
| | 2019 to 2020 | 2020 to 2021 | 2021 to 2022 | 2022 to 2023 | | | |
| Transit Operations | $2,246 | $916 | $2,199 | $2,973 | $2,083 | $51,648 | 32.3% |
| Road Maintenance | $1,229 | $1,047 | $1,389 | $1,735 | $1,350 | $50,174 | 31.3% |
| Snow & Ice Management | $332 | $300 | $332 | $761 | $431 | $15,391 | 9.6% |
| Sub-Total | $3,807 | $2,262 | $3,920 | $5,470 | $3,865 | $117,213 | 73.2% |
| Total (All Service Lines) | $5,132 | $3,040 | $5,638 | $6,976 | $5,196 | $160,074 | 100% |

| Gross Service Line Expenses | Annual Change – Budget (%) | | | | Average Change for 2019 – 2023 (%) |
|---|---|---|---|---|---|
| | 2019 to 2020 | 2020 to 2021 | 2021 to 2022 | 2022 to 2023 | |
| Transit Operations | 5.2% | 2.0% | 4.7% | 6.1% | 4.5% |
| Road Maintenance | 2.7% | 2.3% | 3.0% | 3.6% | 2.9% |
| Snow & Ice Management | 2.4% | 2.1% | 2.3% | 5.2% | 3.0% |

### Transit Operations

Transit Operations (Transit) expenses have increased at annual rates in the range of 2.0% - 6.1% in the 2019-2023 period (Figure 20).

As mentioned in section 1.1, Saskatoon's population grew annually from 2019 to 2023, with a cumulative growth rate of just under 9%. Population growth is an important contributor to municipal Transit budget, as services are adjusted to maintain the service levels in line with the increasing population.

Compared to the population growth rate, the Transit service line experienced higher increase in budget expenses during 2019-2023 period. For example, in 2022, the budgeted expense increase rate was 4.7%, which was twice as high as growth in the population (2.3%) for the same year. Some of the causes of these increases include:

- In 2022, $1.4M projected inflationary increase in staff compensation and operational costs associated with tire rental, maintenance equipment, and the Civic Operation Centre P3 costs.
- In 2023, $800K was estimated for significant fuel price increases and additional expenditures for maintenance driven by anticipated increase transit ridership levels.

These cost increases indicate inflationary pressures, service expansion needs to meet growing demand post-COVID, as well as inherent volatile variables, such as fuel prices.

*Figure 20: Saskatoon Population Growth vs Transit Expense Budget Increase (2019-2023)*

| Year | Population | Population Change, Annual % | Transit Operations Expense - Budget (000's) | Change in Transit Operations Budget Expense (000's) | Change in Transit Operations Budget Expense (%) |
|---|---|---|---|---|---|
| 2019 | 271,259 | - | $43,315 | - | - |
| 2020 | 274,971 | 1.4% | $45,560 | $2,246 | 5.2% |
| 2021 | 275,202 | 0.1% | $46,476 | $916 | 2.0% |
| 2022 | 281,496 | 2.3% | $48,675 | $2,199 | 4.7% |
| 2023 | 295,204 | 4.9% | $51,648 | $2,973 | 6.1% |

From an operational performance perspective, it is observed that in 2023, transit ridership has still not recovered to pre-COVID levels (Figure 21). It needs to be noted that for this analysis it is more applicable to compare the operating performance against actual expense data. When analyzing the indicative metric of transit expense per public transit rider (last row of Figure 21), in 2023, this figure is higher compared to 2019 level, although it has been decreasing since 2021. By the end of 2023, while the ridership was still 6.8% lower than 2019 level, the total transit expenses have increased by 30% from 2019 to 2023, indicating significant cost pressures facing this service line.

*Figure 21: Transit Operations*[16]

| Transit | 2019 Actuals | 2020 Actuals | 2019 vs 2020, % | 2021 Actuals | 2020 vs 2021, % | 2022 Actuals | 2021 vs 2022, % | 2023 Actuals | 2022 vs 2023, % |
|---|---|---|---|---|---|---|---|---|---|
| Public Transit Riders ('Calculated'[17] method) | 13,196,854 | 7,014,667 | -46.8% | 6,661,936 | -5.0% | 10,414,489 | 56.3% | 12,300,000 | 18.1% |
| Transit Expenses (Actuals) | $42,977,000 | $ 41,471,000 | -3.5% | $ 44,094,000 | 6.3% | $ 48,471,000 | 9.9% | $ 55,887,000 | 15.3% |
| Transit Expense per Public Transit Rider | $3.3 | $5.9 | | $6.6 | | $4.7 | | $4.5 | |

### Road Maintenance

As one of the largest service line lines in the Transportation category (31.3% in 2023), the Road Maintenance budget has seen an average year-over-year increase of 2.9% during 2019-2023 period. In 2022, the City allocated extra $266K for the addition of three full-time positions (Operations Maintenance Coordinators and Operations Super Intendent) to have adequate staffing for the expanding service network. The following year saw a further addition of a new Operations Superintendent role, demonstrating the growth needs of the service line. Although these cost increases can be considered justified for improving the longevity and integrity of municipal infrastructure, it also indicates a challenge in managing a budget category that has shown a continuous growth and infrastructure maintenance needs through the years assessed.

### Snow and Ice Management

Budgeted expenses for Snow and Ice Management service line have increased by 2.1-2.4% during 2019-2022 period and a higher increase of 5.2% in 2023. As discussed in Financial Health Metrics Analysis section, as no major snow events were experienced in 2023, the service line had a surplus. However, this excludes unplanned expenditures related to December 2022 snow event. In the 2022 preliminary year-end report, it was highlighted that the City experienced 10 snow events (including December 2022 snow event) compared to budgeted five events. This demonstrates the inherent volatility around weather event assumptions. The 2023 operating budget included the service line’s several growth needs, such as additional full-time employees, growth in network lane kilometers, and inflationary increases related to fuel costs, winter materials and supplies, and contractor services.

Based on the above analysis of expense increases over the past 5 years for three main Transportation service lines, it is evident that the service line has experienced growth and inflationary cost pressures in various areas. Coupled with volatile nature of weather events, this situation creates a risk of ongoing cost increase environment for the Transportation business line.

---

[16] Data retrieved from the Saskatoon Transit Annual Reports for 2019, 2020, 2021, 2022 and 2023.

[17] ‘Calculated’ figures use a historical formula to estimate ridership as reported in Saskatoon Transit Annual Reports. Refer to those documents for additional description of the ‘calculated’ methodology.

## 2.2 Saskatoon Police Service (SPS)

The SPS business line is responsible for the preservation of the public peace, prevention of crime, detection and apprehension of law offenders, and investigation of crime, all leading to reduced victimization within Saskatoon. Enforcement of federal and provincial laws, and City bylaws falls within the scope of the duties of the SPS as well. During 2019-2023 period, SPS demonstrated a consistent expense increase, with an average annual increase of 5.1% over this period (Figure 17). The public financial reports describe SPS budget cost categories by object rather than service line (as was the case with Transportation business line). Therefore, to analyze the underlying factors contributing to the SPS expense budget increase trend, the two largest cost objects were selected that had the highest share in the total SPS expense budget. These are Wages and Benefits and Contracted and General Services (Figure 22).

*Figure 22: SPS Budgeted Expenses – Breakdown of Service Line Expenses by Object*[18]

| Cost Objects | Annual Change – Budget (000's) | | | Average Change for 2020 – 2023 (000's) | 2023 Budget (000's) | % of Total 2023 SPS Budget |
|---|---|---|---|---|---|---|
| | 2020 to 2021 | 2021 to 2022 | 2022 to 2023 | | | |
| Wages and Benefits | $3,570 | $1,952 | $5,435 | $3,652 | $99,090 | 78.4% |
| Contracted and General Services | $583 | $500 | $1,109 | $730 | $16,651 | 13.2% |
| Sub-Total | $4,153 | $2,451 | $6,543 | $4,382 | $115,741 | 91.6% |
| Total (All Service Lines) | $4,559 | $4,721 | $6,693 | $5,324 | $126,404 | 100% |

| Cost Objects | Annual Change – Budget (%) | | | Average Change for 2020 – 2023 (%) |
|---|---|---|---|---|
| | 2020 to 2021 | 2021 to 2022 | 2022 to 2023 | |
| Wages and Benefits | 4.1% | 2.1% | 5.8% | 4.0% |
| Contracted and General Services | 4.0% | 3.3% | 7.1% | 4.8% |

### Wages and Benefits

Wages and Benefits represent the most substantial portion of the SPS budget, accounting for 78% of the total 2023 expense budget. This cost category has seen a steady increase, with an average annual increase of $3.7M or 4% from 2020 to 2023. The consistent upward trend can be attributed to factors such as, increase in budget of the overall full time equivalent (FTE) cost by 4.3% per year, unionized staff wage increases based on bargaining agreements, changes in staffing levels, and adjustments for inflation, as highlighted in the FTE Audit Report conducted by the City Auditor.[19] The increase in 2023 (5.8%) was higher than the average of the previous years, which may indicate an ongoing cost pressure for this cost category.

[18] SPS budget expense categorization was different in 2019, thus the data for this year is not comparable with the categories for the subsequent years. Data for 2020 – 2023 period is used for this analysis.

[19] Staffing Review Audit Report was conducted by the Independent Office of The City Auditor – published on November 2, 2023.

When analyzing the expense increases in this category, it is also worth noting that between 2019 and 2023, SPS revenues from the provincial government grew by $2.2M, or an average of $550K per year. This included not only 5 additional FTEs funded by the province but also increased funding for program expenditures, such as SPS taking over provincial responsibility for the ICE program, including the budget for and administration of expenditures for other partners included in the ICE program within the province.

### Contracted and General Services

Contracted and General Services is another key driver of the SPS budget, making up 13% of the total budget. The average annual change for this cost object was over $700K or 4.8% from 2020 to 2023, reflecting steady cost increase trend. This increase is largely due to projected increase in service call volume, as the service line adjusts its service level to meet the growing demand for public safety measures. The establishment of the Community Mobilization Unit and the addition to the budget for various specialized roles, such as a Forensic Accountant and a Wellness Coordinator, are also indicators of the response to increasing service demands.

As noted above, in 2023 alone, $371K of increases in this category are related to taking over the ICE program administration for the province and $200K was the estimate included for the City to cross charge the SPS for Fusion licensing and support. Other annual increases that are significant in nature include cross charges from the City for Fleet and Fuel and Maintenance plus external charges for software licensing.

## SPS Select Metrics Analysis

Figure 23 below provides data for general, and emergency calls received, detention arrests and SPS authorized staff. In 2022, a sharp increase in calls received (13.9%), emergency calls (10.2%) and detention arrests (9.6%) are observed. These are important indicators of increased service demands. The business line has correspondingly increased its staff level (last row of Figure 23). However, the staff increase rate (2.4% for 2022) was below the rate of increase in services indicated earlier. Further analysis outside of the scope of this assessment is required to determine whether this was achieved through the realization of operational efficiencies (to address higher service needs with fewer staff) or if the service quality was compromised to an extent.

*Figure 23: SPS Calls Volume*[20]

| | 2020 | 2021 | 2020 vs 2021 (%) | 2022 | 2021 vs 2022 (%) |
|---|---|---|---|---|---|
| Total Calls Received | 262,844 | 268,813 | 2.3% | 306,184 | 13.9% |
| Emergency Calls | 99,950 | 107,500 | 7.6% | 118,422 | 10.2% |
| Detention Arrests | 9,214 | 9,386 | 1.9% | 10,284 | 9.6% |
| Number of Authorized FTEs | 678 | 691 | 2.0% | 708 | 2.4% |

[20] Data retrieved from the Annual Report statistics for 2019, 2020, 2021, and 2022. 2023 data is not included in the analysis, as the Annual Report has not been published at the time of the assessment.

It is important to note that these metrics only cover certain service indicators and do not encompass the complete range of services provided by the SPS. Whilst limited, this type of indicators can still be helpful in measuring the cost effectiveness of services provided and inform relevant cost estimation approach.

## 2.3 Corporate Governance and Finance

The Corporate Governance and Finance business line encompasses services such as Assessment and Taxation, City Clerk's Office, City Manager's Office, Corporate Support, and Financial Services. These services collectively ensure the compliance with legal and regulatory requirements, manage financial resources, and support the City's strategic objectives. The business line experienced a cumulative growth (including Debt Servicing) of $6.7M, approximately 8.8% or 2.2% average annual growth (see Figure 17). Considering Debt Servicing cost category had a cumulative decrease of $1.5M over this 5-year period, if this service line is removed, then Corporate Governance & Finance business line had a cumulative increase of nearly $8.2M, with average annual growth of 4.4%.

When analyzing this business line's budget, it was identified that Corporate Support is the most significant service line contributing to budget expense increases year-over-year[21] (Figure 24).

*Figure 24: Corporate Governance and Finance (CGF) – Key Service line*

| Gross Service line Expenses | Annual Change – Budget (000's) | | | | Average Change for 2019 – 2023 (000's) | 2023 Budget (000's) | % of Total 2023 Corp Gov and Finance Budget |
|---|---|---|---|---|---|---|---|
| | 2019 to 2020 | 2020 to 2021 | 2021 to 2022 | 2022 to 2023 | | | |
| Corporate Support | $2,773 | $603 | $1,789 | $1,129 | $1,574 | $27,193 | 33% |
| Total (All Service Lines) | $2,066 | -$889 | $100 | $5,416 | $1,673 | $82,379 | 100% |

| Gross Service line Expenses | Annual Change – Budget (%) | | | | Average Change for 2019 – 2023 (%) |
|---|---|---|---|---|---|
| | 2019 to 2020 | 2020 to 2021 | 2021 to 2022 | 2022 to 2023 | |
| Corporate Support | 13.3% | 2.5% | 7.4% | 4.3% | 6.9% |

### Corporate Support

The Corporate Support service line consists of various support functions, such as Human Resources, IT, Supply Chain Management, etc. The service line has had an average annual increase of 6.9% or $1.6M during 2019 to 2023 period (see Figure 24). 2020 saw the most significant increase (13.85%) mainly due to Human Resources transformational strategy whereby $912,000 was transferred to Human Resources from other operating areas and $482,100 in new

[21] While Debt Servicing had the largest share of total Corporate Governance and Finance budget in 2023 (33.4%), during 2019-2023 period, it had a cumulative decrease of $1.5M. Thus, it is not a contributor to the increase in the business line's expenses.

funding was provided to focus on developing capacity to support a strategic approach to Human Resources and Leadership Development within the organization.

2022 saw an 8.94% increase mainly for a variety of positions to support the public and organization including:

- 9.0 Supply Chain Management positions to centralize and optimize the City's procurement process. These positions had no mill-rate impact as they were paid through a cost recovery model within existing operations;
- 7.0 Information Technology positions for continued security enhancements, project management services and mobile program administrators;
- 2.0 positions for the Reconciliation, Equity, Diversity and Inclusion Manager and Indigenous Employment Coordinator;
- 2.5 Communication positions for a Public Engagement Advisor, Communications Consultant and Public Engagement Consultant; and
- 1.7 positions for a Parks Operations Manager and Customer Service Support Manager

During 2021-2023 period, the City continued to face increases in IT-related expenditures primarily driven by the increase in budget for Microsoft licensing, IT equipment purchases, expansion of the cybersecurity program, increase in FTE to address technological issues. Additionally, as highlighted in the Staffing Review Audit Report[22] completed by the City Auditor, Corporate Support accounted for 47 out of 59 (80%) net FTE increase in the Corporate Governance and Finance business line during 2018-2023 period. These transformation initiatives and increases in headcount are an indication of growing service demands that put cost increase pressures for this business line.

## Sensitivity Analysis for Transportation, Police Service and Corporate Governance & Finance

Sensitivity analysis is a financial method used to predict how different values of an input can affect an output under a certain set of assumptions. If completed in conjunction with the City's budget process, this may help to identify the budget drivers that have the most impact on the overall budget outcomes. This in turn may enable concerted efforts on reducing volatility of projections for such drivers to achieve more accurate budget estimates. Refer to Appendix B.3 for additional commentary on Sensitivity Analysis for Transportation, Police Service and Corporate Governance & Finance business lines.

[22] Staffing Review Audit Report was completed by the Independent Office of The City Auditor – published Nov 2, 2023.

## 2.4 Analysis of 2023 Q2 Forecast vs Year-end Results (Net Budget)

To maintain fiscal responsibility and transparency around budget performance, the City prepares interim financial forecasts and variance analysis reports consistent with other comparable municipalities. Public reports are developed for mid-year (Q2), Q3, and year-end results.

The assessment analyzed the 2023 Q2 net budget forecast and year-end projections for three major service lines assessed in the segments above to assess the effectiveness of the mid-year forecasting and proposed mitigation actions identified at that time. Below are the key observations from the analysis for each business line (see Figure 25 for data):

1. Transportation: Actual year-end expenses were 9.6% higher than Q2 forecast. Considering the volatility of costs for this business line described earlier in this section, this variance warrants a more detailed investigation at departmental level.
2. SPS: Year-end actuals were slightly lower than forecasted in Q2 with a small negative variance of 0.3%, suggesting that the City has a more established forecasting process and relatively more stable cost base for this business line.
3. The Q2 forecast for Corporate Governance and Finance business line overestimated the year-end actuals by 7.6%.

*Figure 25: 2023 Q2 Forecast vs Year-end Results Analysis*

| Business Line | Budget (000's) | Q2 Forecast | Year-End Actuals | Budget to Actuals Variance ($) | Budget to Actuals Variance (%) | Q2 Forecast to Actuals Variance ($) | Q2 Forecast to Actuals Variance (%) | Change from Q2 Forecast to Actuals |
|---|---|---|---|---|---|---|---|---|
| Transportation | $139,456 | $133,486 | $146,304 | $6,848 | 4.9% | $12,817 | 9.6% | Increase |
| Saskatoon Police Service | $113,724 | $113,724 | $113,429 | -$295 | -0.3% | -$295 | -0.3% | Minimal Change |
| Corporate Governance & Finance | $73,031 | $81,254 | $75,076 | $2,046 | 2.8% | -$6,178 | -7.6% | Decline |

## 2.5 Summary of Findings

Below is the summary of findings based on the analysis of three major business lines that contributed the most to the operating expense increases during 2019-2023 period. These findings will be used to develop relevant opportunities for improvement in the section title 4. Recommendations for Improvement.

### 1. Continuous growth, inflationary and cost volatility pressures

The analysis for the selected three major business lines (i.e., Transportation, Police Service and Corporate Governance and Finance) has revealed the following:

- These business lines have experienced consistent increase in service demands (e.g., double-digit increase rate for SPS operational metrics in 2022), which have necessitated partial service expansion whether through increases in FTE, maintenance work or goods/materials, among others.
- Even with ongoing cost reduction targets, hiring freezes or cost deferrals embedded in the operating budgets (further discussed in section 3. Budgeting Process Assessment), in some cases, the cost increases have outpaced the growth indicators (e.g., Transit costs increasing at a higher level than population or ridership increase). This can be viewed as an indicator of inflationary pressures.
- Some services (e.g., Snow & Ice Management) are prone to high volatility in expense behaviour driven by cost drivers such as fuel, weather, etc. This is further evidenced by significant expenditures incurred in 2023 related to December 2022 snow event. This volatility in costs puts additional pressure on the City's efforts to contain the annual cost increases.

## 2. Q2 forecast comparison indicates inherent cost volatility

Comparison of 2023 mid-year (Q2) forecast to preliminary year-end results for the selected three business lines has demonstrated varying results. These outcomes are described below:

- Police Service had a minimal change.
- Corporate Governance and Finance demonstrated 7.6% decrease.
- Transportation business line showed 9.6% increase.

The above outcomes could be interpreted as an indication of inherent cost volatility, particularly for weather related cost categories, such as Snow & Ice Management service line (part of Transportation business line). This volatility makes forecasting certain type of costs more difficult and can generate a wide range of financial outcomes.

# 3. Budgeting Process Assessment

## 3.1 Budgeting Process Overview

The City's budgeting process is governed by the Multi-Year Business Plan & Budget policy (effective April 1, 2019) that provides a framework for developing the City's Operating and Capital budgets. Based on this policy, the City adopted a two-year operating budget cycle, where detailed first- and second-year operating budgets are prepared, with additional focus on the changes to the first-year's operating budget from the prior year budget. Both years must be balanced at a City level. Departmental or service line surpluses or deficits are used to offset opposite positions elsewhere such that there is no departmental rollover to a subsequent year and the City delivers a balanced budget.

<u>Overall Budgeting Process</u>

The detailed discussion of the City's budgeting approach and activities (including development of departmental budgets) are discussed in Appendix C.1. The key takeaways from the analysis of the budgeting process are:

- The budgeting process takes approximately 9 months (March – November) in the first year of two-year budget cycle and involves thousands of hours across every City department. It is observed that the process is very labour-intensive (particularly during the first year of multi-year budget preparation), including data input, data checks, reconciliations, public reports, decisions, and data updates.
- The use of technology is limited as the data between Excel spreadsheets, SAP, and Oracle ERPBCS needs to be manually verified. Thus, the controls are highly dependent on manual verification which can be prone to errors and impact the accuracy of data and/or require rework.
- The starting point for each departmental budget is to determine the cost to maintain Council-approved service levels while considering the impact of service area growth, inflation, as well as historical performance. While this process has its advantages, there are also some disadvantages to this approach:
    - While departments assess options to improve how they deliver their services, it is observed that during the budgeting process, major focus is placed towards top-down cost reductions efforts;
    - It is observed that there is limited prioritization of existing services, as well as whether certain activities can be reduced or eliminated completely to free up capacity.

## 3.2 Budgeting Process for 2024/25 Cycle

In 2023, the budgeting process for the 2024/25 multi-year budget was somewhat different compared to the previous budget cycles. This came about as the City experienced higher-than-normal inflationary pressures, with some inputs seeing year-over-year increases of 30% or more. Additionally, COVID-related funding of $10M was removed for 2024. The summary of City Council and the Governance and Priorities Committee (GPC) meetings and key observations from these meetings are included in the Appendix C.2. During these meetings, the City Administration and GPC members discussed the cost reduction options to address the said budget pressures and achieve the mill rate increase guidance provided by Council for 2024 and 2025. Through the decisions made by the GPC members during these meetings, the potential mill rate increases for 2024 and 2025, if there were no further reductions, were reduced from the initial 18.6% and 7% to 8.5% and 6% by the end of summer 2023, respectively. Subsequently, the approved service line / department activities formed the basis for preparation of the 2024/25 Budget Book in advance of final budget deliberation meetings in November 2023.

The final step of the budget deliberations process occurred from 28-30 November 2023. During these meetings, City Administration reviewed several agenda items, including:

- brief overview of budgeting activities carried out to date;
- budget presentation by City-controlled corporations and statutory boards
- various information reports requested by City Council to aid the decision-making process;
- business line reports; and
- business plan options.

As a result, through further budget reduction decisions made by Council during these meetings, the mill rate increases were further reduced and approved at 6.04% for 2024 and 5.64% for 2025. The meetings are concluded with voting by City Council to approve the operating and capital budgets.

For the 2025 budget process, including its preparation and review, much of its content was already extensively discussed, reviewed, and approved in 2023 during the 2024/25 multi-year budget deliberations. As established by the City Administration, any changes to the 2025 budget are to be managed on an exception basis – only adjustments equal to or greater than $500,000 per service/business line will be considered for a 2025 budget update; adjustments less than $500,000 will be explained through the variance analysis process. Excluded from this rule are statutory boards such as Police or Library, as they are independent and can submit any adjustments which their boards have approved for submission. Further, and helping to limit large adjustments to the 2025 budget, most inflation, growth, and operating impact assumptions are expected to remain largely consistent as the previously approved 2025 budget.

Below are several other starting assumptions for the 2025 budget process:

- Corporate assumptions: As noted above, most corporate assumptions previously approved for 2025 remain consistent. However, items that have changed materially due to unanticipated factors, such as fuel, will be reviewed for possible change in the budget.
- Cross-charges: Remain the same as previously approved.
- FTEs: No changes at this time - 2025 FTEs were already reviewed and approved in principle during the 2024/25 budget deliberations.

The above approach helps City Administration reduce the number of activities required to prepare the adjusted 2025 budget and, as a result, save a substantial number of hours of effort that would have been spent to prepare a full new budget. This translates into fewer budgeting activities and meetings in 2024 spanning from April to December.

The budget activities and discussions described above are an important illustration of a major dilemma facing most Canadian municipalities, i.e., maintaining the desired level of municipal services while managing an operating budget in a prudent manner and keeping mill rate increases to levels that do not overburden residents. While hiring freezes or limits and spending deferrals, along with fixed operational savings targets embedded into a budget, can help temper operating expense increases in the short-term, longer-term solutions rely on achieving sustainable operating efficiencies. These efficiencies can be primarily achieved through major operating model transformation initiatives, such as rationalization of shared services, and the enhancement of operational efficiencies and process automation through technology-enabled solutions.

## 3.3 Forecasting and Performance Management Overview

While the primary focus of this assessment report is on the budgeting process, it is also important to briefly highlight the activities that take place after each year’s budget has been approved. Based on the City’s Multi-Year Business Plan & Budget policy, City Administration provide mid-year, end-of-third-quarter, and year-end forecast, and performance reports to City Council through a designated Standing Policy Committee. These reports provide updates on the performance of the City (including operating activities) towards the achievement of City Council’s Strategic Priorities and approved business plans and budgets. The detailed discussion of the City’s budgeting approach and activities (including development of departmental budgets) are discussed in Appendix C.3. Below are the key takeaways from the analysis of the forecasting and performance management processes:

- Monthly internal performance reporting is more difficult to carry out in the first year of the budgeting cycle, as the same resources are involved in a more comprehensive first-year budgeting process and consequently have very limited capacity to execute monthly reporting activities. Based on stakeholder interviews, it is observed that City Administration does not see any major time pressures across the involved teams when developing monthly (in the second year of the budgeting cycle) and quarterly performance reports. However, even the quarterly reporting process is challenging to conduct during the first year of budgeting cycle, particularly from August-October when most budget preparation activities take place.

- Similar to the budgeting process, the City's variance analysis and forecasting process involves significant use of manually maintained Excel spreadsheets. It should be noted that while all data originates from SAP, groups may use that data to create their own spreadsheets for forecasting purposes. This comes with a relatively high risk of errors related to data input and formula mistakes, among other issues. Therefore, this process relies heavily on the judgement and experience of users involved to achieve the intended and accurate outputs.
- The use of existing technology is observed to be limited, as the process involves a significant amount of effort to manually verify data between SAP and Excel spreadsheets.

### 3.4 The City's Budgeting Approach Compared with Other Municipalities

When analyzing the budgeting approaches of the three comparator municipalities, it was observed that each municipality had recently adopted a multi-year budgeting approach. Regina developed its first multi-year budget during the 2023-24 budget process, covering two budget years; Winnipeg introduced a four-year multi-budget approach in 2019, covering the 2020-2023 period; and Edmonton adopted a four-year budgeting approach starting with the 2015-2018 period. In their public budget documents, the municipalities indicated several reasons for adopting multi-year budgets, including the following:

- improve financial management - identify major funding gaps and proactively develop mitigation strategies
- improve efficiency
- reduce uncertainty
- provide better alignment with the city's strategic plan
- provide indicative property tax impacts one or more years into the future
- save time spent on budgeting that can be redirected to other value-add work

There are certain advantages and disadvantages associated with each option that are described below (see Figure 26).

*Figure 26: Advantages and disadvantages of two- and four-year budget cycles*

| | Two-Year Budget Cycle | Four-Year Budget Cycle |
|---|---|---|
| Pros | • Higher accuracy for budget predictions due to shorter planning horizon.<br>• Allows for more frequent adjustments to reflect changes in strategic priorities and economic conditions. | • Aligns better with council election cycles, ensuring accountability for the full duration.<br>• May reduce the total time commitment over the cycle compared to preparing two |

| | | |
|---|---|---|
| | • Easier to manage and adapt to funding constraints and operational changes.<br>• Council has opportunity to first learn the process and then update budget to better align with their strategic plans. | separate two-year budgets, thereby the saved time can be redirected to other value-add work. |
| Cons | • Requires more frequent full budget updates (first year of two-year cycle), thereby increasing staff workload.<br>• May not align with council election cycles, leading to potential accountability gaps. | • Accuracy of budget predictions for the latter years may be lower, providing less value to users.<br>• Effort to update the last two years may be greater than creating a new two-year budget. |

According to the Government Finance Officers Association (GFOA)[23], it is recommended that all levels of governments prepare and maintain a long-term financial plan, projecting revenues, expenses, financial position, funding sources, and external factors impacting government operations. However, the GFOA does not specifically prescribe an optimal budget cycle; instead, it emphasizes the importance of long-term planning to enhance fiscal sustainability and informed decision-making.

There are several factors that need to be considered when evaluating the effectiveness of the current budget approach, regardless of the budget cycle duration chosen. These include:

a. How effective are the budget assumptions when compared to actual annual results? If a city faces challenges with accurately predicting financial results, and/or there is considerable volatility in the forecasts, then a shorter budget cycle would be more appropriate.

b. For the budget years following the first within a multi-year cycle, are service/business lines comfortable with the expense projections? If this is the case, then continuous improvement and cost reduction initiatives will be harder to identify and realize.

c. Is there a continuity in the budgets? In other words, does a new budget cycle start with all the cost deferrals that may have been pushed from prior years without full consideration of funding constraints? This scenario can create a situation where past budget decisions, often aimed at minimizing property tax increases, can lead to larger funding pressures in subsequent years, in turn causing pressure for even larger cost and/or service level reductions, among other consequences.

d. Is a city able to allocate adequate funding to meet its strategic priorities within a given budget cycle duration? If a city struggles to fund its strategic priorities with a short budget cycle duration, then, over time, a longer budget cycle could be more effective as it facilitates a longer-term outlook.

e. Does a city have the right skills in the organization to adopt more advanced budgeting methods, such as rolling budgets/forecasts or zero-based budgets? If a city wishes to enhance its budgeting methodology but lacks the required human and technological resources to do so, it will clearly be more difficult to implement such initiatives.

[23] https://www.gfoa.org/materials/long-term-financial-planning

Ultimately, the selected budget cycle duration needs to provide a reasonable balance between budget preparation efforts and planning accuracy. Each of the comparator municipalities recently faced significant inflationary and growth pressures, as well as volatility in their budgets. Therefore, an optimal budget cycle duration would be the one that addresses these challenges as effectively as possible without putting undue pressure on the organization's limited human capital and financial resources.

It needs to be noted that in addition to the four-year budget cycle, the City of Winnipeg provided long-term financial projections in its 2023 budget book. These projections indicated scenarios for the city's revenues and expenses up to 2030, forecasting funding gaps of $83.3M for 2024 and $109-$153M for 2030, which translated to 5% and 7-10% of 2023 total operating budget expenses, respectively. The following assumptions and scenarios were used in the projections beyond 2024:

- Expenses:
  - Scenario 1 - estimated to increase at historical average rates;
  - Scenario 2 – estimated based on maintaining the levels as determined by City Council;
- Revenues forecasted to grow at 3.5% per year;
- Unfunded capital projects are not included.

This type of scenario planning can be a useful method for understanding a city's long-term financial position and thus inform multi-year budget decisions, especially if significant surpluses or deficits are projected. It is observed that the City does not conduct this type of analysis.

## 3.5 Current State Maturity Assessment

Through transformed planning and performance management processes, leading Finance organizations gain enhanced insights into data and thus realized improvements in efficiency, agility, and flexibility. Transforming the budgeting, forecasting, and performance management process requires the consideration of all elements of an enterprise operating model, such as the one shown in Appendix C.4 – Exhibit 6. This model was used to assess the maturity of the City's budgeting, forecasting, and performance management processes, adapting the general framework slightly by combining the elements into three dimensions: 1) policy and process, 2) people and organization, and 3) data and technology.

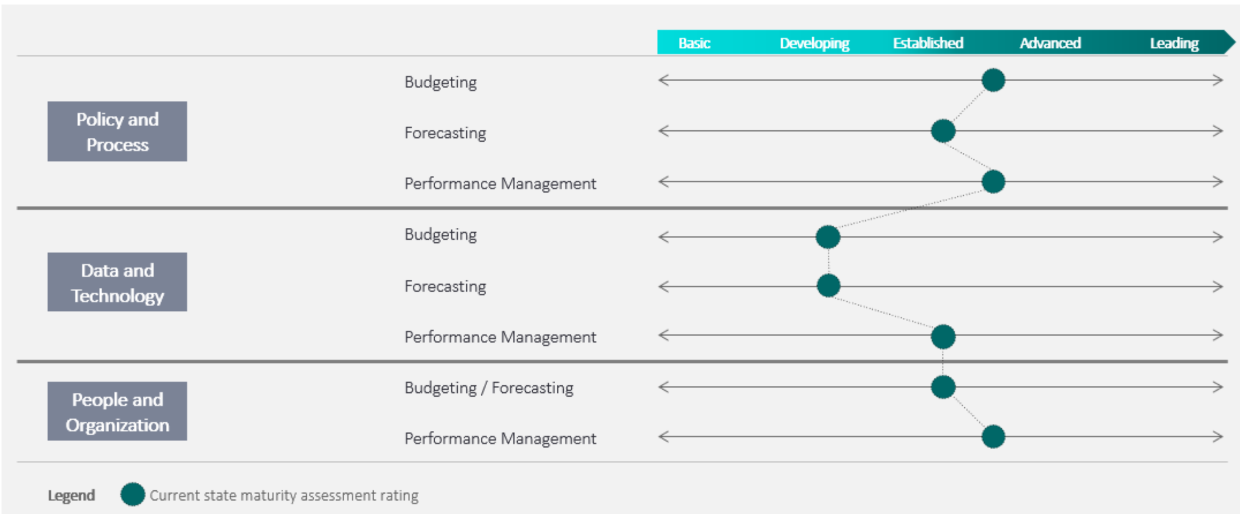
This section includes a summary assessment and discussion of the maturity of each of the three financial planning processes, with each process consisting of several specific areas of assessment. A detailed discussion of the maturity assessment can be found in Appendix C.4.

The maturity model used for this analysis draws on a 5-point scale from Basic to Leading, and the assessment was based on interviews conducted with the City's Finance function stakeholders, review of its processes and analysis of City financial reports.

## Summary of Maturity Assessment

The maturity of the City's budgeting, forecasting and performance management processes has been summarized in Figure 27, followed by a brief explanation of the rationale behind the ratings.

*Figure 27: Summary of Current State Maturity Ratings*




<u>Policy and Process:</u> The City's financial planning processes are well-defined and largely follow the Multi-Year Business Plan and Budget policy. However, limited use of driver-based planning, significant manual work involved, particularly during the first year of the two-year budget cycle, as well as lack of external benchmarking places the City's maturity ratings for this category between Established and Advanced.

<u>Data and Technology:</u> The primary factors behind the Developing-Established ratings are heavy reliance on Excel spreadsheets and resulting risks to data integrity, limited use of automation tools, limited visibility into key drivers, and disparate non-integrated financial applications. The Performance Management process is rated Established level due to the extensive utilization of SAP and Oracle EPRCS for planning inputs, enabling better data management and version control.

<u>People and Organization:</u> Positive contributing factors behind mainly Established ratings include a close linkage between planning processes and the City's service operating model, adequate level of financial and technical expertise across the organization and structured performance review activities. However, the lack of an integrated financial planning tool, limited visibility between operating drivers and budget/forecast estimates, as well as limited data and analytics capabilities in the Finance function limit the rating from being Advanced.

## 3.6 Summary of Findings

Below is the summary of findings based on the analysis of the City's budgeting, forecasting, and performance management processes. These findings will be used to develop relevant opportunities for improvement in the section titled 4. Recommendations for Improvement.

### 1. Limited automation and heavy reliance on manual data input, reconciliation, and validation

The City's budgeting, forecasting, and performance measurement processes involve extensive use of manually maintained Excel spreadsheets; this comes with a relatively high risk of errors, particularly with respect to data entry and formula accuracy/consistency. Therefore, this process relies heavily on the judgement and experience of users to validate the accuracy of reports and thus achieve the intended and accurate outputs. The use of SAP and Oracle EPRCS also involves manual checks between them and spreadsheets that are used as a basis for budget and forecast data, as well as variance analysis.

This approach is labour intensive for the Finance team and department directors and managers, and combined with the length of the budgeting cycle (9 months, March – November), particularly for the first year of the two-year budget cycle, this situation places two major constraints on the City:

a) While quarterly financial forecasts are still completed, monthly internal performance reporting and forecasting is limited and sometimes does not take place in the first year of two-year budget cycle due to resources allocated to the budgeting process; and

b) Reduced time is spent on high-value activities, such as developing actionable insights to achieve the budget targets.

Lastly, the City's current use of financial systems for planning activities is suboptimal, as neither SAP or Oracle ERPCS have any financial planning capabilities, except for data storage for SAP and budget book creation for ERPCS. Without an integrated enterprise-level financial planning tool, the planning activities mainly utilize either 'offline' datasets via spreadsheets or static data in SAP or Oracle.

### 2. De-centralized driver-based planning restricts the flexibility of financial plans

There is limited drill-down visibility into the key assumptions and drivers used for budget and forecast estimates, as these are primarily provided in the Excel templates maintained by the Finance team, but without linkage to the source files which are developed and maintained by each department and/or service line. While the forecasts provide general explanations and overviews of assumptions, drivers and variances, there is a technology disconnect between how the estimates are developed by the service lines, in their respective planning files, and the way the data is collected/presented in the Excel templates maintained by the Finance team. This approach reduces the flexibility of the prepared financial plans and requires back and forth conversations and work between departments and Finance to provide alternative analysis on forecasts, budget, and other financial documents.

No corporate level scenario modelling activities were identified in the budgeting or forecasting processes that could help the City with gaining a deeper understanding into the financial implications of alternative external/internal scenarios (e.g., unplanned weather events) and prepare corresponding risk mitigation plans as these are completed at the service line / departmental level.

Lastly, with multiple rounds of cost reductions during the 2024/25 budget deliberations process, there is no clear technology linkages into the underlying calculations and key drivers that were modified to arrive at the final budget estimates without going through past Council reports or requiring service line / departmental level involvement.

### 3. Limited operational review when developing budget

The City's approach for building an operating budget is based determining the cost for existing service levels which involves analyzing prior years' budgets and actuals/results, as well as conducting a review of known inflationary or growth pressures. Several limitations of this approach were observed, including:

- While departments assess options to improve how they deliver their services, it is observed that during the budgeting process, major focus is placed towards top-down cost reductions efforts;
- It is observed that there is limited prioritization of existing services, as well as whether certain activities can be reduced or eliminated completely to free up capacity.

Therefore, while hiring freezes or limits and spending deferrals, along with fixed operational savings targets embedded into a budget, can help temper operating expense increases in the short-term, the longer-term solutions rely on achieving sustainable operating efficiencies. These efficiencies can be primarily achieved through major operating model transformation initiatives, such as rationalization of shared services, the enhancement of operational efficiencies and process automation through technology-enabled solutions.

# 4. Recommendations for Improvement

Drawing from the current state findings discussed in Sections 1, 2, and 3 of this Report, this section of the Report discusses opportunities and recommendations for improvement. If implemented, these recommendations may assist with managing both immediate and longer-term fiscal pressures impacting the City, while also enhancing its budgeting practices.

The City Administration will consider the provided recommendations in conjunction with other priorities and in-flight continuous improvement projects and identify appropriate business case and timing for each, as applicable.

## 4.1 Opportunities for Improvement

### 1. Improved contingency funding

| Current State Findings | Opportunity |
|---|---|
| The City's Fiscal Stabilization and Snow & Ice Management Contingency reserves are underfunded, failing to meet the minimum target balance outlined in Reserves for Future Expenditures policy. Without appropriate reserves, the City’s ability to respond to unforeseen events, without direct impacts to operating budgets, will be limited. | To strengthen the City's financial health, it is recommended that the City considers establishing a formal Contingency Reserve Replenishment Plan that mandates annual contributions to the Fiscal Stabilization and Snow & Ice Management Contingency reserves (and any other relevant reserve) based on a percentage of the operating budget or a fixed monetary amount. The plan may also include source(s) of funding that will be used for reserve replenishment. The City can also consider combining stabilization reserves to provide greater flexibility as done by other comparator municipalities. |
| **Expected Benefits** | |
| Strengthening the City's financial reserves is expected to lead to a more stable fiscal management and make the City better equipped to address future budget deficits. A well-funded reserve can act as a safeguard against unplanned expenditures, thereby minimizing the risk of service disruptions and reduce the need to unconventional funding mechanisms that can have a long-term negative impact on the future operating budgets. | |
| **Implementation Considerations** | |
| Implementing these changes will require wider organizational engagement to gain support for reserve replenishment plan and its implications on the business lines. This approach will also require setting aside necessary funding in the operating budget (i.e., additional funds/revenue). | |
| **Risks and Dependencies** | |
| The City may encounter funding challenges on a reserve replenishment plan, particularly if the funding source is property tax dependent. Economic conditions could also impact the City's ability to generate enough revenue level to enable and sustain adequate replenishment for the above-mentioned reserves. However, with current limited reserve buffer, the City’s funding source alternatives in case of a large unplanned expenditure(s) will be very limited. | |

## 2. Alternative revenue tools

| Current State Findings | Opportunity |
|---|---|
| As a primary Council-set revenue tool, Saskatoon's 2023 property tax revenue share in the total operating revenue was the lowest among comparator municipalities. This may indicate that property and other taxes can play a bigger role in helping the City to fund increasing operating expenses that have faced continuous inflationary, growth and cost volatility pressures. | The City is recommended to consider options to enhance its revenue collection to meet growing expenditure demands. This may include analysis and exploration for additional taxes, such as a special levy on property tax, or other type of levies or fees (e.g., ride sharing fees, municipal land transfer tax, vacant homes tax) that other Canadian municipalities have evaluated and implemented.<br><br>In analyzing such avenues, the City may benefit from considering actions taken by other municipalities including Mississauga (Capital Infrastructure and Debt Repayment Levies) and Toronto (the City Building Fund) which have introduced levies that are directed toward specific purposes, with the funding used to leverage additional funds (e.g., borrowing for specific capital projects). |

| Expected Benefits |
|---|
| This type of additional levies can provide alternative funding mechanism for the City to fund specific municipal needs and at the same time, incorporate transparency and accountability over the use of such funds. |

| Implementation Considerations |
|---|
| Administrative efforts around property tax assessment are expected to be low. However, implementing other levies/taxes will require considerably more effort administratively, such as review, public consultation, system implementation, etc. |

| Risks and Dependencies |
|---|
| Legislative requirements and public engagement are the key dependencies for successful execution of this option. |

### 3. Process automation

<table>
<tr><th>Current State Findings</th><th>Opportunity</th></tr>
<tr><td>The City’s planning processes involve extensive use of manually maintained Excel spreadsheets; this comes with risk of errors, particularly with respect to data entry and formula accuracy / consistency. Additionally, the City’s current use of financial systems for planning activities is limited, as neither SAP or Oracle ERPCS have any financial planning capabilities, except for budget/actual data storage for SAP and budget book creation for ERPCS. Without an integrated enterprise-level financial planning tool, the planning activities mainly utilize either ‘offline’ datasets via spreadsheets or static data in SAP or Oracle.</td><td>The City is recommended to consider following automation options:<br>1) Python integration for financial data automation: Python scripts can be used to automate data extraction from non-SAP sources. This can enable creation of dynamic financial tables with high customization flexibility.<br>2) Direct SAP integration: Eliminate manual copy/pasting by linking directly to SAP reports in the workbook. This can be used with the SAP AFO module (if available) within SAP to help automate processes.<br>3) Consider implementing an integrated modern financial planning tool (this can also cover a longer-term solution for opportunity #4).</td></tr>
<tr><th colspan="2">Expected Benefits</th></tr>
<tr><td colspan="2">Python scripts offer wide range of possibilities for customizing data extraction and report generation. This method can be seamlessly integrated with SAP and other data sources for comprehensive data retrieval. It is also compatible with PowerBI for creating interactive dashboards. Also, this method reduces the risk of human error in data handling and calculations. Lastly, as Python is open source, this option reduces software costs for automation tasks.</td></tr>
<tr><th colspan="2">Implementation Considerations</th></tr>
<tr><td colspan="2">Detailed process flowcharts are necessary, demanding upfront analysis and planning.</td></tr>
<tr><th colspan="2">Risks and Dependencies</th></tr>
<tr><td colspan="2">Adapting to automated systems may require training and adjustments for existing staff.</td></tr>
</table>

4. Driver-based planning model

<table>
<tr><th>Current State Findings</th><th>Opportunity</th></tr>
<tr><td>The City's financial planning currently lacks centralization in driver-based planning, resulting in limited visibility and/or additional steps to identify the key assumptions and drivers behind budget and forecast estimates with the individual departments. Data is collected in Excel templates and SAP without direct links to the source files from each business line, creating a technological disconnect and reducing the flexibility of financial plans at the corporate level and require insights and discussion with departments in order to plan for various scenarios. The absence of scenario modeling capabilities at the corporate level means that the City cannot quickly assess and understand the financial implications of various budget scenarios and develop corresponding adaptable risk mitigation plans without involvement from the departmental areas.</td><td>To further enhance its financial planning capabilities, it is recommended that the City considers transitioning into an integrated driver-based planning model. This transition may initially involve integrating Excel templates with source business line / department planning models for real-time data feed and enable flexible planning with scenario modeling capabilities. The automation opportunity (e.g., Python scripts) described earlier can supplement this opportunity. The longer-term solution may involve integration with modern financial planning software that supports these functionalities in a more structured and automated manner.</td></tr>
<tr><th colspan="2">Expected Benefits</th></tr>
<tr><td colspan="2">Driver-based planning can create a connected planning environment for the City's budgeting, forecasting and performance management processes. This approach can enhance the flexibility of the prepared financial plans and drive significant effort reduction for conducting any major update / iteration to the planning estimates. Moreover, it can provide improved visibility into business line level impact of any cost reduction targets.</td></tr>
<tr><th colspan="2">Implementation Considerations</th></tr>
<tr><td colspan="2">A full-scale financial planning tool implementation will involve usually the following key elements:<br>• Software selection<br>• Pilot launch<br>• Process redesign<br>• Full-scale implementation<br>• Staff training and change management</td></tr>
<tr><th colspan="2">Risks and Dependencies</th></tr>
<tr><td colspan="2">There is a risk of resistance to change from staff that is accustomed to the current process. A broader software implementation also can create challenges in selection and implementation of the tool. Also, without proper training and change management process, there is a risk that the new processes may not be adopted as intended, reducing the expected efficiencies of the implementation. Dependencies include availability of skilled personnel to manage the transition and the need for ongoing vendor support.</td></tr>
</table>

## 5. Shared services model analysis / Value-based outcomes assessment

| Current State Findings | Opportunity |
|---|---|
| Several limitations were observed based on the assessment of the City's current budgeting approach, as described below:<br>• While departments assess options to improve how they deliver their services, it is observed that during the budgeting process, major focus is placed towards top-down cost reductions;<br>• It is observed that there is limited prioritization of existing services, as well as whether certain activities can be reduced or eliminated completely to free up capacity. | It is recommended that the City considers several sub-opportunities described below that can help with addressing the current stage findings described in this section related to the City's budgeting approach:<br>1) Utilize value-for-money reviews to determine whether the City is obtaining the best value for taxpayer dollars from the existing service levels and service delivery approach. This could include further investigation into in-sourcing vs. outsourcing, efficiency metrics, as well as opportunities for additional growth in the City's shared services between departments.<br>2) Conduct activity rationalization initiative to identify activities that can be reduced or eliminated. This can be done with via value-based outcomes assessment for major service lines. |

**Expected Benefits**

Delivering internal support services more efficiently can allow resources and staff time to be redirected to external service delivery. This opportunity can also help with reductions in agency and corporation costs. Value-based outcomes assessment can provide a series of alternatives that could assist the City in moving towards a sustainable financial position and at the same time maintain the required level of City services.

**Implementation Considerations**

For internal services, fully within control of City Administration; expansion to agencies may require Council approval or direction. Including agencies will require creation of a new governance structure and cost allocation methodologies.

**Risks and Dependencies**

- Continuous process improvement and re-engineering would be required until the new shared services model reach the desired level of maturity
- Stakeholder consultations and continuous engagement is critical to developing a robust operating model framework for the shared services entity

## 6. Priority based planning and predictive analytics

| Current State Findings | Opportunity |
| --- | --- |
| The analysis of Transportation, Police Service and Corporate Governance and Finance business lines has revealed that the primary underlying factors impacting expenditure increases are approved service levels, service area/driver growth, inflation, and cost volatility. Based on the historical analysis of the City's financial results, it is expected that these factors will continue to overburden the City's finances.<br>Also, the City's operating budget per capita in real terms (2019 based year) has been declining for the past 3 years. This trend is not sustainable without either significant gains in operational efficiency or risks to the service levels. | • It is proposed that the City considers evaluating Priority Based Budgeting approach to financial planning. This approach can help the City's business lines to focus activities on the highest priorities of the community rather than rolling over the budgeted activity sets from one year to another with the objective of maintaining similar service levels.<br>• The City can also benefit from assessing more advanced estimation techniques, such as predictive analytics that can help with predicting future costs more accurately. |

**Expected Benefits**

- Priority Based Budgeting can help the City improve resource allocation among major business lines and reduce costs related to lower priority activities.
- Predictive analytics can improve the City ability to a) estimate more accurately, thereby reduce the risk of unplanned expenses and b) predict future cost movements and proactively identify mitigation plans to reduce the funding impact, particularly for annual property tax rate increase.

**Implementation Considerations**

Minimal

**Risks and Dependencies**

- Priority Based Budgeting would require buy-in from business lines and the initiative can encounter resistance to change.
- Predictive models are heavily dependent on the quantity and quality of the relevant data. Thus, data cleanup and rationalization are an important prerequisite for achieving full benefits of this methodology.

# Appendix A

## A.1 Selection of Comparator Municipalities

Several municipalities were considered for a comparative analysis to the City. These include the cities of Regina, Winnipeg, Edmonton, Vaughan, London, Windsor, Markham, and Red Deer. The selection was narrowed down to three cities based on several factors, principally population and area, the depth of the budget variance explanations provided, publicly available data, and the structure or compatibility of its financial reports. These are Regina, Winnipeg, and Edmonton. The other municipalities did not make the selection, as they were rated lower based on the factors described earlier.

Based on the factors described above, every municipality was rated on a scale of 1 to 10, with 1 being very low and 10 being very high, that suggesting a strong candidate for comparison. A description of the selection rationale and rating outcomes for these municipalities is presented below.

### Regina:

- **City statistics:** Similar in area size and population to Saskatoon with comparable weather conditions.
- **Pros:** The similarity in population and climate means that service demands, and the size of its budget are likely comparable to Saskatoon. Being in the same province, Regina also shares similar provincial funding patterns and regulatory environment.
- **Cons:** Based on the analysis of Regina's public financial documents and relatively limited level of detailed information available in those reports, the city was rated as low on the data availability score. For example, there is no information available on budget versus actual figures at a service line level in Regina's year-end preliminary financial reports, which limits the scope of the analysis.
- **Overall City Score:** 7/10

### Winnipeg:

- **City statistics:** Larger city with a significantly higher population but similar weather conditions.
- **Pros:** Similarity in Winnipeg's climate means that the service demands are also more comparable to Saskatoon, adjusted for size. The larger population size also allows for comparison at a bigger scale.
- **Cons:** The city's larger size may result in slightly different city management activities and infrastructure needs. The City's data availability is moderate, but the lack of service line level budget versus actuals data in public documents limits the scope of analysis.

- **Overall City Score:** 7/10

**Edmonton:**

- **City statistics:** Much larger city with population exceeding 1 million but a comparable climate.
- **Pros:** Edmonton received a high data availability score, as it provides a comprehensive budget to actuals analysis with relevant variance explanations. Availability of budget versus actuals data at a service line level also allows for a more granular analysis. The similarity in climate means that service demands, again adjusted for size, are also comparable to Saskatoon.
- **Cons:** Edmonton's larger size and population may not compare well with Saskatoon's budgetary needs, municipal priorities, and revenue levels.
- **Overall City Score:** 7/10

In conclusion, Regina, Winnipeg, and Edmonton were chosen for the comparator assessment because their core characteristics are generally comparable to Saskatoon's and the data reporting for these municipalities is adequate to enable comparison at certain level.

## A.2 Data and Reporting Challenges and Comparative Assessment Assumptions

### 1. Identifying the most relevant financial reports

It is important to note that budget-based financial data served as the primary data set for conducting a comparative assessment of the City's tax-supported budget surpluses/deficits and variances with the selected municipalities. This approach ensures a 'like-for-like' comparison that provides relevant, comparable, and meaningful analysis.

The City uses the modified-accrual basis method for budgeting purposes, ensuring robust and transparent reporting to illustrate the financial impacts of operational decisions and plans. This method accounts for accruals related to expenditures incurred during the fiscal year but paid after year-end, as well as transfers to/from reserves and debt principal payments. The modified-accrual method does not include non-cash expenditures, such as amortization of tangible capital assets, post-employment benefits, and solid waste landfill closure and post-closure expenditures.

The selected comparator municipalities are also using the same budgeting approach, which is widely adopted among Canadian municipalities. The overall objective of this budgeting method is to provide a city council a more accurate picture of a municipality's funding needs, and potential property tax rate changes to bridge any funding gaps. The objectives of this approach include the following:

- Citizens are not overcharged on property taxes for expenditures that are not cash related

- Funds are available, in reserves when required, to minimize the use of debt for large capital projects and
- Funding needs for the large capital projects are phased into the budget appropriately to avoid significant year-over-year fluctuations in property tax rates

In accordance with Public Sector Accounting Standards (PSAS), municipal financial statements must be prepared using the full accrual basis. The full accrual method in municipal accounting records the effects of transactions and events when they occur, regardless of the timing of related cash flows. With this method non-cash items described earlier are also included. Consequently, for variance analysis purposes in annual reports, the applicable budget figures must be translated to the full accrual basis to enable comparability with audited actual financial results. Therefore, while an annual report provides comprehensive year-end financial (and non-financial) results for a municipality, it is not useful for this comparator analysis, as both budget and actual figures are reported in a different way compared to modified-accrual approach.

2. Differing levels of disclosure in preliminary year-end financial reports among comparator municipalities

As an annual report does not provide actuals information in a format useful for comparative assessment purpose, preliminary year-end financial reports have been utilized. When analyzing these reports, it was identified that the level of detail provided in these reports varied between the comparator municipalities. For example, while the City of Edmonton provided a 59-page report of 2023 year-end results compared to the approved budget, the City of Regina's corresponding report was only 9 pages long, with comparatively higher-level variance explanations. Lastly, Winnipeg's preliminary year-end report for 2023 is also relatively short – 14 pages with appendices. Subsequently, the selection of relevant financial metrics for the comparative assessment is restricted by the available financial data reported in the preliminary financial reports across the comparator municipalities.

## A.3 Adjustments Made to Operating Figures of Comparator Municipalities

To achieve a more relevant comparison for total tax-supported operating revenues and expenses across the comparator municipalities, the following adjustments were made (see Exhibit 1 below for more detailed breakdown):

a. Saskatoon – The borrowing for funding the Emergency Response Plan related to the 2022 snow event was not considered in 2023 operating budget results. The operating budget variance needs to be assessed before debt or reserve fund transfers related to a budget deficit or surplus for the year[24]. This way, the City's financial performance is assessed under more comparable conditions to the other municipalities.

[24] Similarly, should the City achieve an operating surplus for a given year and use that surplus to repay debt principal amount, such use of funds would not be considered as operating expenses.

b. Winnipeg – Added transit related revenues and expenses, as other municipalities include transit in their operating budgets. This data was estimated based on the variance explanation provided in the 2023 preliminary year-end report related to the surplus achieved by this department.

c. Edmonton – Removed library related revenue and expense figures, as other municipalities do not include library figures in their operating budgets. Similar to approach taken re transit at the City of Winnipeg, actual data was calculated based on the variance explanations provided; however, the 2023 reports did not provide sufficient data for library operations. As such, the 2021 and 2022 reports were analyzed and it was observed that library operations' actual to budget variance was both very small and stable; extrapolating from that, and without any evidence or information to the contrary, this analysis assumes that the variance for 2023 will be comparably small to the previous two years.

d. Regina – No adjustments

*Exhibit 1: Adjustments to Total Tax-supported Operating Revenue and Expense Figures (Winnipeg and Edmonton only)*

| Tax Supported Operating Revenues (000's) | | | |
|---|---|---|---|
| Winnipeg | | | Source |
| Pre-adjustment: 2023 Tax Supported Operating Revenue – Budget | | $1,299,996 | |
| Adjustment: 2023 Transit Revenue – Budget | Add: | $233,631 | 2023 Budget Book |
| **Adjusted: 2023 Tax Supported Operating Revenue – Budget** | | **$1,533,627** | |
| | | | |
| Pre-adjustment: 2023 Tax Supported Operating Revenue – Actuals | | $1,315,100 | |
| Adjustment: Estimated 2023 Transit Revenue – Actuals | Add: | $233,631 | 2023 Preliminary Report |
| **Adjusted: 2023 Tax Supported Operating Revenue – Actuals** | | **$1,548,731** | |
| Edmonton | | | Source |
| Pre-adjustment: 2023 Tax Supported Operating Revenue – Budget | | $3,394,465 | |
| Adjustment: 2023 Library Revenue – Budget | Less: | $7,474 | 2023 Budget Book |
| **Adjusted: 2023 Tax Supported Operating Revenue – Budget** | | **$3,386,991** | |
| | | | |
| Pre-adjustment: 2023 Tax Supported Operating Revenue – Actuals | | $3,324,259 | |
| Adjustment: Estimated 2023 Library Revenue – Actuals | Less: | $7,446 | Estimate |
| **Adjusted: 2023 Tax Supported Operating Revenue – Actuals** | | **$3,316,813** | |

| Tax Supported Operating Expenses (000's) | | | |
|---|---|---|---|
| Winnipeg | | | Source |
| Pre-adjustment: 2023 Tax Supported Operating Expenses – Budget | | $1,299,996 | |
| Adjustment: 2023 Transit Expenses – Budget | Add: | $233,631 | 2023 Budget Book |
| **Adjusted: 2023 Tax Supported Operating Expenses – Budget** | | **$1,533,627** | |
| | | | |
| Pre-adjustment: 2023 Tax Supported Operating Expenses – Actuals | | $1,315,397 | |
| Adjustment: Estimated 2023 Transit Expenses – Actuals | Add: | $232,331 | 2023 Preliminary Report |
| **Adjusted: 2023 Tax Supported Operating Expenses – Actuals** | | **$1,547,728** | |
| Edmonton | | | Source |

| | | | |
|---|---|---|---|
| Pre-adjustment: 2023 Tax Supported Operating Expenses – Budget | | $3,394,465 | |
| Adjustment: 2023 Library Expenses – Budget | Less: | $66,047 | 2023 Budget Book |
| **Adjusted: 2023 Tax Supported Operating Expenses – Budget** | | **$3,328,418** | |
| | | | |
| Pre-adjustment: 2023 Tax Supported Operating Expenses – Actuals | | $3,372,472 | |
| Adjustment: Estimated 2023 Library Expenses – Actuals | Less: | $65,803 | Estimate |
| **Adjusted: 2023 Tax Supported Operating Expenses – Actuals** | | **$3,306,669** | |

## A.4 Additional tax revenue sources added under property tax category for Winnipeg

The City of Winnipeg has two revenue sources directly tied to properties but that are not formally labelled as property taxes:

a. Frontage levy – this levy is based on the length of the boundary of the property that fronts any portion of a sewer main or water main. As set out in the City of Winnipeg Charter, funds from this levy can be used for the upgrade, repair, replacement and maintenance of water mains, sewer mains, streets, and sidewalks, as well as for the installation, upgrade, repair, replacement, and maintenance of lighting in streets and back lanes.

b. Business tax – this is a tax on businesses that occupy space within the City of Winnipeg. Taxes are calculated by applying the annual business tax rate as a percentage of the annual rental value of the business premise. The annual rental value is determined by considering the rents paid by premises similar in size and location and includes the cost of services necessary for the comfortable use or occupancy of the premise.

Given that both levies are directly tied to a property, they appear to function in a manner similar to property taxes, and in substance are tied to property values. Therefore, these levies were added to Winnipeg's reported property tax revenues, as shown below for 2023 (see Exhibit 2 below).

*Exhibit 2: Winnipeg Property Tax Components*

| Winnipeg | Actual (000's) |
|---|---|
| Property Tax (reported) | $709,975 |
| Frontage Levy (added) | $82,622 |
| Business Tax (added) | $60,176 |
| **Total** | **$852,773** |

# Appendix B

## B.1 Assumptions Applied for Selecting Relevant Business Lines

The following assumptions and limitations were applied when identifying the business lines for this analysis:

- Budget business line expenses were used as there is a consistent and structured analysis of year-over-year budget changes provided at business line level in the City's budget books.
- Revenues were not considered in the analysis. At the aggregate level, revenues are more predictable, stable, and are heavily driven by Council-set rates. Revenues by business line are not relevant as many lines do not have material, if any, own-source revenue and report an allocated share of various revenue sources.
- Budget-to-actual variances are generally relevant, but as the review period encompasses three years heavily impacted by the COVID-19 pandemic, the magnitude and wholly unpredictable nature of the variances make that comparison very hard to measure and from which to provide future-focused insights.
- The goal of the selection process was to ensure that the larger business lines were considered, as they have the most impact and there was significant expense growth in both amount and percentage terms.
- The criteria used to determine the business lines with the most impact on the growth of the City's total operating expenses were as follows:
    - Expense growth in nominal dollars from 2019 to 2023
    - Minimum total growth of 10% in the same period
    - Absolute level of expenditures

## B.2 Categorization of Operational Metric Variances

This section discusses various categories of variances that can help the City a) gain better understanding on the nature of variances for the above mentioned three major business lines and b) develop more effective mitigation actions for each type of variance. Below are brief descriptions of key variance categories utilized:

- Unit Cost/Price Variance: a variance between actual cost per unit of goods or services against budgeted unit cost. The causes of such variance may stem from changes in market prices, alterations in supplier contracts, or unexpected shifts in purchasing patterns. Understanding these variances can help with negotiating better terms with suppliers, seeking cost-effective alternatives, etc.
- Volume Variance: a difference between actual and budgeted quantity of goods consumed or services provided. This could be influenced by demographic shifts, policy

changes, or demand fluctuations. Analyzing volume variances can help with better aligning the service levels with the service demands, adjust procurement strategy, etc.

- Efficiency Variance: a difference between actual and budgeted usage of resources to provide certain level of services. It measures how well an organization/department utilizes its resources, including labor, materials, overhead, etc.

Based on this categorization, the section below discusses variances that were identified previously for three selected business lines.

### Transportation – Volume and Unit Cost Variance Examples

The significant year-over-year volatility (see Figure 21) in public transit ridership in the 2019-2023 period (driven by COVID-19 pandemic) is an example of a volume variance. The City may benefit from analyzing the flexibility of certain costs related to ridership, such that it could respond more quickly and pro-actively to future changes in ridership.

As an example of unit cost variance, when analyzing transit expense per public transit rider, it is observed that this metric increased more than ridership volume changes, demonstrated by an increase from $3.3 in 2019 to $4.5 in 2023.

### Saskatoon Police Service (SPS) – Volume Variance

The SPS business line's volume variance can be determined by analyzing the Annual Report data for calls received and emergency calls (Figure 23). From 2020 to 2021, calls received increased by 2%, and emergency calls rose by 8%. The following year, 2021 to 2022, saw a more substantial increase of 14% in calls received and 10% in emergency calls. This upward trend in service demand indicates that the Police business line is experiencing growth in volume that exceeds the overall population increase. Further analysis is required to understand how these drivers impact the costs for SPS business line. This understanding can help the City improve its budget/forecast estimates and at the same time, evaluate whether the business line is adequately resourced to handle increasing volume of public safety services.

By analyzing the variance categories, the City can get a better understanding not only of the variances and their underlying causes, but also linkage between key drivers that cause these variances.

## B.3 Sensitivity Analysis for Transportation, Police Service and Corporate Governance & Finance Business Lines

Sensitivity analysis is a financial method used to predict how different values of an input can affect an output under a certain set of assumptions. For budgeting purpose, this can help the City to identify the budget drivers that have the most impact on the overall budget outcomes. Subsequently, this can lead to concerted efforts on reducing volatility of projections for such drivers to achieve more accurate budget estimates. Sensitivity analysis can also help gain better understanding on the 'elasticity' of costs for business lines, i.e., whether a small change for a particular driver can result in larger change for a business line result. This understanding can help the City prioritize financial scrutiny and control measures on areas where there is the most financial impact.

As discussed in section 3. Budgeting Process Assessment, while the budget data is developed in operational budgets and populated into the template maintained by the Finance team, there is limited linked drill-down visibility into drivers used to develop budget estimates, as there is no direct linkage between operational budget worksheets and the budget template maintained by the Finance team for budget modelling. Consequently, scenario planning or sensitivity analysis is done at the micro or departmental/operating level and these capabilities are limited for the higher-level budget process. Therefore, the analysis in this sub-section is restricted to more basic sensitivity assessment for the three main business lines selected which are discussed in section 2. Analysis and Insights of Expenditure Growth (i.e., Transportation, Police Service and Corporate Governance & Finance).

The following table (Exhibit 3) highlights the sensitivity of the City's 2023 actual operating expense budget to changes in each of these business lines. As expected, the sensitivity impact of a particular business line is directly proportionate to its share of the overall budget. For example, a 10% increase in Transportation business line expenses would be result in a 2.8% increase ($17M) in the total operating budget.

*Exhibit 3: Sensitivity Analysis of Saskatoon's Key Business Line's Operating Expenses*

| Business Lines | 2023 Actual Expenses (000's) | % Share of Total Operating Expenses | Impact of 10% increase (000's) | Increase in Total Operating Expenses (%) |
|---|---|---|---|---|
| Transportation | $171,032 | 28.2% | $188,135 | **2.8%** |
| Saskatoon Police Service (SPS) | $126,949 | 20.9% | $139,644 | **2.1%** |
| Corporate Governance & Finance | $83,843 | 13.8% | $92,227 | **1.4%** |
| **Total Operating Expenses** | **$607,036** | | | |

To obtain a more detailed understanding on the behavior of key drivers, it is recommended to develop a driver-based, connected financial model for every major business line and conduct sensitivity analysis based on those models. This will involve examining the specific assumptions and calculation methods used in constructing the budget for every major component of a service line (i.e., department); see section 4. Recommendations for Improvement for more details on this improvement opportunity. The City Administration has a good understanding of the budgetary impacts caused by key business drivers. Continual and further analysis of service lines/departments, and their specific drivers via a connected driver-based model, may provide earlier and more granular visibility into financial trends and budget outlook that may impact the City's fiscal position and enable more accurate forecasting. Thereby, provide further support for the City in developing effective and proactive mitigation plans to manage unplanned expenses and potential budget overruns.

# Appendix C

## C.1 Overall Budgeting Process

For budgeting, the City utilizes the modified accrual basis of accounting as required by Saskatchewan legislation which provides a more accurate representation of the funding needs of the City compared to the full accrual method mandated by Public Sector Accounting Standards (PSAS); one of the key differences is that non-cash items reported under PSAS, such as amortization, are replaced with capital funding requirements expected during the budget year. This approach provides a better presentation of the City's cash inflows and outflows used to provide municipal services, and maintain assets, among other activity categories (as discussed in the following paragraph and in section 1.3 Comparator Municipality Analysis). Consequently, this approach provides better and more comprehensive financial information that can be used by Council in deliberating and approving the expense budget and the correspondingly required mill rate that drives property tax revenues.

The two-year operating budget process starts with the Finance team releasing budget templates, a high-level preparation timeline, and corporate budget assumptions that include fuel rates, salary and benefit changes based on collective bargaining agreements, and any other relevant estimates deemed necessary by the Director of Finance. City departments are expected to utilize these assumptions uniformly across the organization to develop their budgets unless they have identified compelling evidence to deviate from this approach. This deviation will need to be discussed with the Finance team and ultimately approved by an appropriate General Manager.

Based on the budget assumptions provided by the Finance team, initial budget estimates are developed by the service lines and compiled in SharePoint Excel spreadsheets. This phase of the process consists of business plan meetings within departments to discuss the City's priorities for the budget year, develop operating plan options, and identify key risk and mitigation strategies to achieve the desired priorities. Some of the key components of this phase are the development of headcount (FTE) budget information for each department and cross charges (e.g., cost recoveries for corporate services) that will need to be processed among relevant City business lines or departments.

These initial budget estimates are then reviewed and approved by the General Manager / Chief of each service line. Following that, the indicative budget is presented at the City Council - Governance and Priorities Committee (GPC) (May-June) as a basis for determining the "Indicative Rate"; this is the mill rate that would be needed to meet the spending levels proposed in the initial or indicative budget to maintain the same level of services and incorporates growth and inflationary cost impacts for those service levels[25]. The Indicative Rate is used to guide subsequent budget deliberation activities and compare these initial budget estimates to the target mill rate guidance provided by City Council.

Following the GPC meeting mentioned above, each service/business line updates its specific operating and capital plan, and associated risks, and mitigation strategies. During this process,

[25] New or expanded levels of service are not included in the indicative budget calculations.

City departments are also developing continuous improvement initiatives that can drive operating efficiencies and thus possible reductions in their operating budgets. This is followed by a review process by General Managers / Chiefs, where they evaluate operating and capital business plans, make necessary adjustments, and approve the plan.

Afterwards, the budget information is entered into the City-standard SAP (BPC) system that is used as the single source of budget data. The data is then analyzed by the Finance group for accuracy and integrity in comparison to the source, i.e., the Excel template. Whilst elements of the data upload are automated, given the volume of data (required to capture granular operating and capital line-item budgets), additional staff hours are required to input, consolidate, and validate the budget data.

Following that, Oracle Enterprise Reporting (EPRCS) is used to create the relevant budget book and narrative reporting. Budget book is a detailed document that outlines the City's financial plan for the current 2-year budget cycle, including projected revenues, expenditures, and capital projects. Once the budget book is drafted, a full review is conducted by the Finance team (including the CFO) and any items that are unexpected or require adjustments are extensively evaluated. This is followed by a final review process by the City Manager, General Managers / Chiefs, where they go through significant activity drivers and variations for each service/business line, make necessary adjustments, and approve the draft budget for their responsibility centers. The budget book is finalized with relevant narratives (October) and reviewed by the City's Executive Leadership Team (ELT). After approval by ELT, individual service/business line reports are updated accordingly and submitted for presentation to City Council at the budget deliberation meeting. Once the budget book is finalized, it is released to City Council and the media (early November). The last step in the process is final budget deliberations meetings that includes review and approval of the multi-year budget by the City Council (late November).

Development of Departmental Budgets

The starting point for each departmental budget is to determine the cost to maintain existing Council-approved service levels factoring in the impact of service area growth, inflationary pressures, as well as evaluation of historical performance. It is observed that this process, starting at the department level and ending with ELT review, is well-defined and followed across the organization. At each level of review, departmental budgets are challenged to justify any major cost increases relative to the prior budget year and avoid blanket application of inflation factors to cost estimates. While this process has its advantages, there are also some disadvantages to this approach:

a. While departments assess options to improve how they deliver their services, it is observed that during the budgeting process, major focus is placed towards top-down cost reductions efforts;
b. It is observed that there is limited prioritization of existing services, as well as whether certain activities can be reduced or eliminated completely to free up capacity.

To estimate the corresponding revenues and expenses associated with the budgeted activity sets, every department is required to follow the methodology and categorization defined by the City's Multi-Year Business Plan & Budget policy. These include several important budget concepts described below:

For expense planning:

- Growth impact – cost increases that are related to the growth of the City's infrastructure driven by the City's expansion. Two types of growth drivers have been defined:
    - Linear growth – cost increases that stem from an increase in infrastructure or consumption (e.g., use of facilities where maintenance is strongly correlated to usage);
    - Step growth – cost increases that do not as strongly correlate to incremental increases in infrastructure but instead become required at a point in time as the City's overall population and infrastructure networks reach a certain size;
- Inflationary impact – costs that have changed due to changes in overall price levels;
- Operating impact - future costs that are required because of a capital project.

For revenue planning:

- Impact of rates –applicable for charge-based revenue sources;
- Impact of volumes – primarily relevant for charge-based revenue sources;
- New types of revenue – new revenue sources;
- Recurring vs non-recurring revenue/funding– this includes regular repeating resources sources, such as property taxes and transit fees, as well as non-recurring revenues such as one-time Covid-related funding.

These definitions and the planning methodology have been in place since the adoption of the multi-year budgeting process. It is observed that this consistent and well-defined categorization facilitates a more standardized approach to the budgeting process, providing clarity for budget preparers, reviewers, and approvers on the budget methodology, inputs, assumptions, and outputs. This in turn leads to a consistent preparation, review, and approval process.

## C.2 2024/25 Budgeting Process – Detailed Discussion

*Exhibit 4: Key 2024/25 multi-year budget City Council GPC meetings*

| Meeting date | Topics covered | Documents presented |
|---|---|---|
| March 15, 2023 | Major budget pressures facing 2024/25 operating budgets | 2023 - 2025 Budgetary Pressures and Trends |
| April 12, 2023 | Meeting series agreed to evaluate budget reduction alternatives | 2024-2025 Business Plan and Budget Process |
| June 14, 2023 | An initial quantified funding gap and corresponding indicative mill rate to bridge the funding gap for 2024 and 2025, | 2024 and 2025 Budget Status Update |

| | | |
|---|---|---|
| | assuming no cost reduction options are implemented (Exhibit 5) | |
| June 22, 2023 | 1. Three (3) budget mitigation options to reduce the funding gap<br>2. Magnitude of expenditure reductions required for 2024 and 2025 to limit mill rate increases to 9%, 6%, and 4% | 1. 2024 and 2025 Inflationary and Phase in Pressures<br>2. 2024 and 2025 Budget Reduction Allocations |
| July 25, 2023 | 1. Updates on several major revenue assumptions<br>2. Analysis of the impacts of a hiring freeze<br>3. Comparison of federal, provincial, and City operating budgets for 2017-2023<br>4. Business line reports were presented and debated | 1. 2024-2025 Budget Information Update<br>2. Impacts of Hiring Freeze or Not Adding Future Staff<br>3. Comparing the Growth in Federal, Provincial, and Municipal Operating Budgetary Expenditures – 2017-2023<br>4. Business Line Reports (e.g., Transportation, Community Support, Saskatoon Fire, etc.) |
| August 15, 2023 | 1. Impact of reduction decisions made on July 25th meeting on the budget funding gap for 2024 and 2025<br>2. Business line reports were presented and debated as a continuation of the discussion on July 25th meeting | 1. 2024-2025 Budget Information Update<br>2. Business Line Reports (e.g., Transportation, Community Support, Saskatoon Fire, etc.) |
| August 16, 2023 | 1. List of operating budget initiatives to achieve the priorities set out in the City's 2022-2025 Strategic Plan<br>2. Cross-municipal comparison of tax-supported FTEs (see below key observation summary) | 1. 2024 and 2025 Business Plan and Budget Options<br>2. Full-Time Equivalent Municipal Comparison |
| August 31, 2023 | Additional reduction initiatives ($1.1M) that further brought down the estimated mill rate increase | 2024/2025 Budget Information Update |

*Exhibit 5: Funding gap for 2024 and 2025 budgets (initial view)*[26]

| | **2024 Funding Gap (in millions)** | **2025 Funding Gap (in millions)** |
|---|---|---|
| Inflation | $30.5 | $15.0 |
| Base Budget Adjustments | $18.4 | $2.4 |
| Growth | $10.9 | $5.8 |
| Black Cart – Utility Program | ($7.4) | - |
| **Total** | **$52.4** | **$23.2** |

[26] City of Saskatoon Admin Report - 2024 and 2025 Budget Status Update - Jun 14, 2023

Below are some of the key observations based on the documents presented in the above-mentioned GPC meetings:

- June 14, 2023: The initial estimate of the 2024 funding gap was very large ($52.4M) (see Exhibit 5) and would have required a 18.6% mill rate increase, before any adjustments the initial budget figures.
- July 25, 2023:
  - o the City continues to implement and improve its SAP systems, processes, data, and reporting, which provide the foundation for the City's business transformation. This is intended to support better data driven decision making, standardized business process, and result in improved organizational efficiency and consequently relatively fewer staff hours;
  - o in real per capita terms, the City's operating expenditures have declined by 9.7% (2018 base year) over the 2017-2023 period that is lower than federal or provincial operating budget trends;
- August 15, 2023: Based on decisions and updates made in June and July meetings, estimated mill rate increase was down to 9% and 6% for 2024 and 2025, respectively.
- August 16, 2023: Compared to select western Canadian municipalities (including Regina, Winnipeg, and Edmonton), the City's tax-supported FTE level is below the median, at 10.3 FTE per 1,000 residents. It is important to note that several factors can impact the number of FTEs per capita, and therefore, deeper analysis into a particular area is required to comment on whether the City's resources are being deployed effectively and efficiently.
- As an example of the City's budgeting process at a department level, it is useful to highlight that during the August meetings, the City Administration provided update on 2022 Snow Response expenses incurred in 2023 and proposed phase-in funding figures to be included in the 2024/25 budget to repay the internal debt (total of $20M) over 10-year timeframe (in addition to $5M allocation from Major Capital Funding Plan). Initially, $1.6M was requested by the City Administration to be included in 2024/25 budget for a) major portion of this amount was slated to be used as a repayment of internal debt related to 2022 snow event expenditures and b) a small share to be transferred to the Snow & Ice Management Contingency reserve. However, the Council-approved amounts for 2024 budget consideration were $791K and $175K respectively, and $800K and $167K for 2025 budget. The City's internal loans are required to pay interest in lieu of the forgone investment income, so annual debt repayment amount needs to cover both the principal, and the interest accrued. It is observed that these phase-in amounts will not provide adequate reserve funding for Snow & Ice Management Contingency reserve. Therefore, this allocation will most likely create additional budget pressures in the future budgets (i.e., 2026 and beyond). Another example of insufficient funding from our perspective is Fire Station related phase-in. The proposed Fire Station phase in was $1,255,000 in each 2024, 2025 and 2026 for a total of $3,765,000. As the City Council

decided to remove phase ins for 2024 and 2025, the total phase in will occur in 2026, as the Fire Station is expected to be operational in 2026. The operating impact of this decision is that 2026 budget will need to include the required funding of $3,765,000, which will create additional cost pressure for that budget year, considering the historical trend of increasing City operating expenses year over year.

## C.3 Forecasting and Performance Management Process

The City provides quarterly public and monthly internal forecasting and performance updates. Based on the City's Multi-Year Business Plan & Budget policy, City Administration shall provide mid-year, end-of-third-quarter, and year-end forecast, and performance reports to City Council through a designated Standing Policy Committee. This report must provide updates on the performance of the City (including operating activities) towards the achievement of City Council's Strategic Priorities and approved business plans and budgets.

The City utilizes an automated report that extracts actual and budget figures from the SAP system. This data is then stored in a SharePoint site in a standardized Excel template and forms the basis for variance analysis. The budget analysts for each service/business line then cross-check the accuracy and completeness of the imported data in SharePoint with the SAP system. The variance explanations for monthly internal and quarterly public reporting purposes are developed in this single Excel spreadsheet template. Each City department also develops its own forecasts and provides forward-looking variance analysis compared to the approved budget in this spreadsheet. The City previously attempted to utilize the forecasting and performance management capabilities of SAP, but the outcomes were not suitable for the needs of the organization.

The department directors and managers analyze departmental performance compared to previous years and conduct trend analysis for major revenue and expenditure items. The primary objective is to improve accuracy of major and more volatile revenue and expense lines (e.g., weather related events such as snowfall, usage trends for electricity, gas, fuel, etc.). The City recognizes that some variables, such as weather-related events, are more volatile than others and therefore more difficult both to predict by analyzing past trends and to perform impact analysis; therefore, it is acknowledged that there are limitations to the effectiveness of this method.

The Multi-Year Business Plan & Budget policy requires that any service line that is projected to exceed its budget beyond the following thresholds requires a remediation plan:

a. for net operating budgets greater than $1M, any variance greater than the lesser of $250K or 5% of the net operating budget; or
b. for net operating budgets less than $1M, any variance greater than $50K.

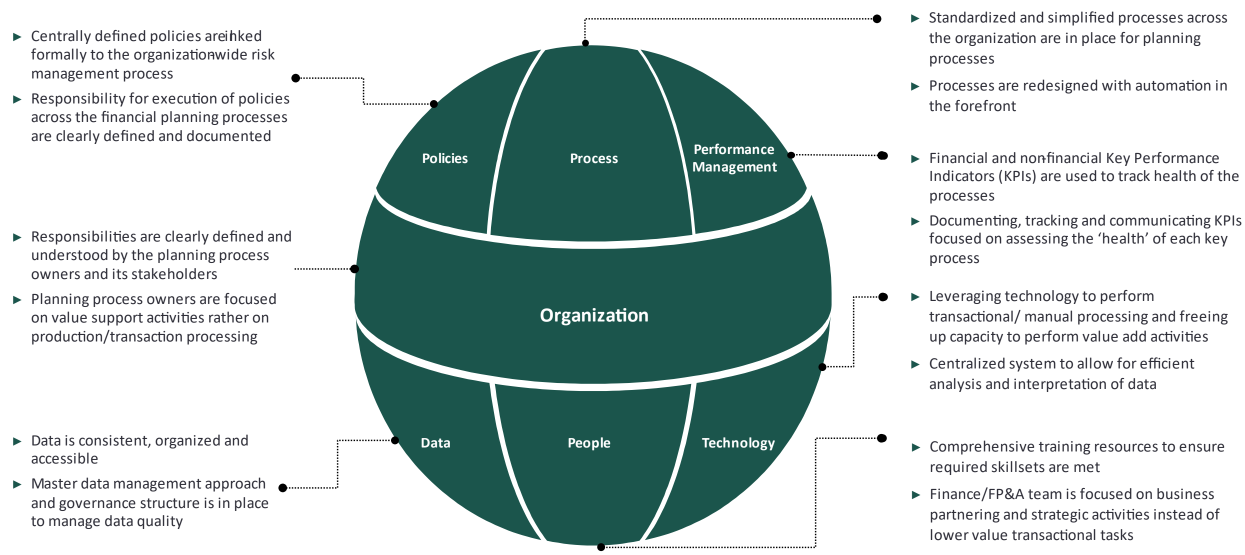
These remediation reports play an integral role for City Administration to develop the City's financial performance outlook for the remainder of the year (via forecasts) and identify mitigation actions to steer the organization’s financial performance towards the achievement of its budget targets.

Once month-end activities are completed, information requests are sent to the business groups to start populating the performance report Excel template in the SharePoint site. The monthly performance reporting takes approximately one (1) month to develop and publish. For quarterly public performance reports, the process takes about two (2) months, due to the additional level of detail required for public reporting.

Additionally, the City prepares annual progress reports to provide the public an update on the municipality’s progress towards achieving its 2022-2025 Strategic Plan priorities. The City’s progress against the Strategic Plan is tracked primarily by using the same Key Performance Indicators (KPIs) identified for the organization’s Strategic Goals and Pillars in 2022. The report consists of two major sections: 1) Performance Overview: highlights key KPIs that track progress on the City’s overall strategic goals; 2) Performance Report: this section provides more details on the work being done by the City’s departments to advance the strategic priorities and status updates on the ‘initiatives to watch’ identified through the business planning activities.

## C.4 Detailed Analysis for Current State Maturity Assessment

*Exhibit 6: Enterprise Operating Model - Illustrative example as related to Budgeting, Forecasting and Performance Management processes*




For current state maturity assessment for Saskatoon's budgeting, forecasting and performance management processes, the closely connected dimensions of the operating model were combined as indicated in the segment headers below. The only remaining Performance Management dimension is widely covered in the respective Performance Management process areas discussed below.

### Policy and Process

To assess maturity in the Policy and Process dimension, each of the three processes was broken down further into two elements, as shown in Exhibit 7. The position of the City's logo reflects the rating for each element of each process.

*Exhibit 7: Detailed Policy and Process Current State Maturity Analysis*

**City of Saskatoon – Current State Process Rating** ●

**Policy and Process**

| | Basic | Developing | Established | Advanced | Leading |
|---|---|---|---|---|---|
| **Budgeting** | • Budgets are based on traditional unsupported assumptions and decentralized formula. No drill-down visibility into key inputs used. | • Budgets are based on 1-2 primary drivers, but they are inflexible and difficult to change and maintain. Limited drill-down visibility into key inputs used. | • Some key drivers are used in budgeting process and there is certain level of alignment on assumptions with operational managers. There is some drill-down visibility into key inputs used. ● | • Budgets are primarily based on key drivers with relevant driver assumptions bought-into by operational managers. There is drill-down visibility into majority of inputs used. | • Budgets are fully driver based with all the driver assumptions bought-into by operational managers. There is clear drill-down visibility into inputs used. |
| | • Processes interrupted, easily broken and time consuming; involves several iterations, no enforcement of timeline | • Multiple iterations of budgets, budgets are finalized after the start of the fiscal year | • Developed process in place to reduce unnecessary budget iterations, but it is ad-hoc and informal; budgets are set just before the start of the financial year | • The process, including workflow, approval and controls, are well defined and understood and completed on a timely basis; there are few unnecessary iterations ● | • The process, including workflow, approval and controls, are well defined and understood and completed on a timely basis with no unnecessary iterations |
| **Forecasting** | • Data collection and approvals are the primary focus of the process | • Initial progress has been made to focus more on high-value activities, but no significant steps have been taken, and still too much of the process is spent on low-value activities | • There is a developed process in place to focus on high-level activities and reduce the time spent on low-value activities, but it is not executed or communicated properly. ● | • Processes are in place to reduce low-value activities. The process is communicated effectively, but the time spent on low value activities still not at an optimal level | • Forecasting process is focused on high-value activities, and time spent on low-value activities is optimal or automated |
| | • Event driven forecasting | • Limited forecasting, but forecasts not used to manage the business | • Regular forecasting cycle but cycles are inconsistent, limiting performance management capabilities ● | • Regular forecasting cycle linked to performance management with activities mostly automated | • Driver-based rolling forecasts (4-6 quarters) used to manage the business, and activities are automated via a planning tool |
| **Performance Management** | • High-level financial outcomes only | • Focus on financial outcomes | • Mostly financial outcome focused with some operational drivers | • Budget is derived from operational and financial targets set in short-term plans ● | • Budget is derived from operational and financial targets set in short-term plans that are aligned with long-term strategic objectives |
| | • Primary focus is on financial metrics with limited linkage to strategy and current initiatives. No metrics available that can be externally benchmarked. | • There is some ad-hoc selection of non-financial metrics – these are not necessarily linked to strategy. Some metrics which can be externally benchmarked may be available. | • Understanding on linkage to strategy or value exists at organizational level. Certain metrics which can be externally benchmarked are available. ● | • Clarity on the few important metrics (including external benchmarks) linked to strategy are understood / communicated. External metrics are available and effectively used. | • Effective review of the few chosen metrics and realignment to strategy, rapid external responsiveness to changes in external environment. Key external metrics are identified and used as an integral measure for benchmarking performance against peers. |

<u>Budgeting process</u>:

- *Driver-based budgeting with drill-down capability*: rating – **Established**. There is some drill-down visibility into key inputs/assumptions that drive the main revenue and expense estimates. However, with multiple rounds of cost reductions being identified during the budget deliberations, there is limited visibility into how key drivers are modified to arrive at the final budget estimates.

- *Budget iterations and approvals*: rating – **Advanced**. The City has a well-defined and understood budgeting process with clear timelines, workflow, and approvals, and the whole organization is closely involved in every phase of the process. At the same time, the primary budgeting activities take approximately 3-4 months to complete, which is longer than the average budgeting cycle of 58 days for a municipality.[27]

<u>Forecasting process:</u>

- *Focus on high-value activities*: rating – **Established**. As discussed in section 3.3, the City has a well-developed process for monthly forecasting activities leveraging a standardized Excel template for gathering necessary variance explanations and mitigations actions. However, there is a significant amount of manual work related to updating the estimates and providing relevant variance explanations and mitigation actions in the template used

[27] EY proprietary benchmarking database

for this process. This constrains the efficiency of the process and limits the time spent on high-value activities, such as developing actionable insights to achieve the budget targets.

- *Forecasting basis and methodology*: rating – **Established**. The City's prepares its forecasts for major revenue and expense items in the Excel template (as described in previous sections). While the template is comprehensive and meets the reporting needs of the City, there is limited visibility into the inputs and drivers used to arrive at the provided estimates and relevant mitigation actions. Also, during the first year of the two-year budget cycle, department directors and managers are very time-constrained due to the budgeting activities; therefore, the forecasting process is limited to quarterly public reporting only (i.e., no monthly internal forecasting).

Performance Management process:

- *Operational and financial targets*: rating – **Advanced**. Saskatoon has a well-defined process for performance reviews that is based on both operational and financial targets, with the additional focus is on financial targets and variance thresholds defined by the City's Multi-Year Business Plan and Budget policy (described in section 3.3). While the City extensively tracks its operational targets, it is observed that from performance management perspective, budgets are primarily focused on cost reduction initiatives and achieving financial targets.
- *Metrics linked to strategy and external benchmarking*: rating – **Established**. As discussed in section 3.3, the City publishes an annual Progress Report to report on the achievement of and towards its strategic priorities. Moreover, the 2024/25 budget book includes numerous metrics that link the operating budget to the City's Strategic Plan. However, it is observed that limited external benchmarking is conducted for these metrics to compare against peer organizations.

### Data and Technology

To assess maturity in the Data and Technology dimension, each of the three processes was broken down further into two elements, as shown in Exhibit 8. As above, the position of the City's logo reflects the rating for each element of each process.

*Exhibit 8: Detailed Data and Technology Current State Maturity Analysis*

**City of Saskatoon – Current State Process Rating** | **Data and Technology**

| | Basic | Developing | Established | Advanced | Leading |
|---|---|---|---|---|---|
| Budgeting | • Spreadsheet-based "system" with minimal reporting environment | • Developed standard template for input gathering, consolidation and some level of reporting | • Integrated system is developed but limited support on automatically managing timeline and approvals. Limited reporting capabilities | • Technology manages timeline and approvals in an ordered fashion. It can auto-generate certain standardized reports, and it is integrated with few key systems. | • A fully integrated system is in place that is flexible and provides a wide-range of performance reports |
| | • Internally developed and maintained software tools/spreadsheet models | • Highly manual and inflexible budget modelling utilizing a combination of externally developed software and internal spreadsheet models | • Partially automated and integrated use of software tools. The software is meeting the organization's needs to an extent but there is still some manual work involved in the process. | • Modern planning tool have been implemented which makes information accessible and meaningful. Solution partially supports automated workflow/process control. | • State-of-the art software solution is in place which fully supports automated workflows/process control. |
| Forecasting | • Models require hours of rework to make changes and consolidate; no scenario modelling capabilities | • Models require extensive rework and manual consolidation for each iteration. No scenario modelling capabilities | • Models require some level of rework and manual adjustments at every iteration, as the process is partially automated. Limited scenario modelling capabilities. | • Businesses goals and key drivers are linked within planning tools. Scenario modelling is carried out by select users. | • Current planning tools support multiple users / versions and integrated into organization's current IT infrastructure. Scenario modelling capabilities are available at every user level. |
| | • Basic transaction processing and use of spreadsheets for rudimentary analysis | • Technology in wider use across business but not integrated and metrics often require excessive data handling | • Improved technology platforms, however ineffective use of data to drive management actions due to the overflow of metrics and poor integration | • Technology is being implemented to achieve fully integrated key metrics in planning (i.e., driver-based planning), management reporting and decision making | • Technology is integrated, information and drill down capabilities are available to facilitate the delivery of the metrics |
| Performance Management | • Technology suited to providing the minimum statutory and financial reporting | • Lack of standard definitions of data across organization, thus limited capability to compare and integrate data into planning and business performance reporting | • Offline data analysis is the norm, driven by excessive use of spreadsheets. Multiple versions of the truth limit the effectiveness of the key business planning processes. | • Data sources are being rationalized and standardized, enabling consistent data structure between the service lines. Limited level of data discrepancy exists between various functions. | • Data sources are fully aligned and standardized. There is single source of truth. Performance measurement system is dynamic and flexible enough to adapt quickly to increasing complexity and changing external circumstances. |
| | • Data quality is not understood and evaluated | • Poor data quality affects decision-making, and credibility of metrics developed/monitored | • Data quality is understood and actioned, but there is still redundant data and duplicate metrics | • Data quality issues are proactively addressed, redundant and duplicate metrics are being eliminated | • Fully integrated systems minimize data quality issues. Metrics are fully aligned with value drivers and organizational strategy. |

<u>Budgeting process:</u>

- *Input gathering and performance reporting*: rating – **Developing**. As discussed in section <u>3.1</u>, the City is using a standardized Excel template to a) manually gather budget inputs from all the departments, b) consolidate the budget estimates, and c) conduct analysis of the major changes compared to the prior year budget. There is no automation for managing the budget timeline and approvals through a planning tool. For preparation of the budget book, some automation is achieved by utilizing Oracle Enterprise Reporting. The budget data is uploaded into the SAP system via templates, as the budget data is gathered in Excel spreadsheets.

- *Planning tools and automation of workflow*: rating – **Developing**. The City uses SAP as its Enterprise Resource Planning tool for capturing actuals data. As discussed in section <u>3.3</u>, the City has previously attempted to utilize the forecasting capabilities of SAP, but the outcomes were not suitable for the needs of the organization. Thus, the City's use of planning tools is limited, as the majority of budgeting activities are conducted through spreadsheets, a highly manual and relatively inflexible method.

<u>Forecasting process:</u>

- *Automation of forecasting and scenario planning:* rating – **Developing**. As discussed in section <u>3.3</u>, the City's forecasting process relies heavily on the use of a standardized Excel template and any data modelling is also carried in spreadsheets. Accordingly, any major forecast iteration requires extensive rework to update key drivers and assumptions for each impacted department. Once these updates are made, the results will then be entered into the forecast (Excel) template and manually consolidated with relevant variance explanations and mitigation actions. Also, no scenario modelling capabilities have been identified in the forecasting process.

- *Driver-based planning driven by technology:* rating – **Developing**. Through the use of the forecast Excel template, City departments utilize standard corporate assumptions, provided by the Finance team, to develop their forecasts (such as fuel and energy rates). However, SAP tool is not used for forecasting process and limited driver-based forecasting capabilities were identified in the process. There is also no drill-down available for key inputs/assumptions used for major revenue and expense estimates. Consequently, there is limited visibility into how proposed mitigation actions impact key drivers to achieve the forecasted outcomes. Moreover, as current financial systems are disparate and not integrated, data handling, verification, and reconciliation requires significant manual effort and are prone to input errors.

<u>Performance Management process:</u>

- *Standardized data sources*: rating – **Established**. The actuals data is standardized across the organization using SAP. As for the budget data, it is captured in SAP (as a final destination and source of truth) and then the data is transferred to Oracle EPRCS for preparing the Budget Book with relevant narratives. However, when preparing the budget and forecast data, each City department initially uses its own sources of data that are compiled into a single Excel template maintained by the Finance function. There is also no linkage between the data sources from the operations teams and the Finance spreadsheet. Even when the data is uploaded and finalized in SAP, there is no linkage with operational planning models either. Consequently, the budget and forecast data is analyzed 'offline' (i.e., no real-time data is used via an integrated planning tool).
- *Data quality and metrics reporting*: rating – **Established**. The actuals and approved budget data is captured in SAP. This provides a certain level of data quality control and a single source of truth. However, as draft budget and forecast data is collected and analyzed in Excel spreadsheets first, the risk of data entry errors and version control challenges are increased, thus potentially impacting the accuracy and integrity of both budget and forecast data.

## People and Organization

To assess maturity in the People and Organization dimension, budgeting and forecasting are combined as they are best assessed together, and thus each of the two processes was broken down further into two elements, as shown in Exhibit 9. As above, the position of the City's logo reflects the rating for each element of each process.

*Exhibit 9: Detailed People and Organization Current State Maturity Analysis*

**City of Saskatoon – Current State Process Rating** ● — People and Organization

| | Basic | Developing | Established | Advanced | Leading |
|---|---|---|---|---|---|
| Budgeting / Forecasting | • Process is isolated from the service operating model | • Process is somewhat synchronized with the service operating model | • Process and service operating model are mostly in sync, however different parts of the organization follow multiple parallel workflows. ● | • Process and service operating model are in sync, as planning activities are aligned with operating structure of the organization. However, there are management communication issues on how individual targets are aligned with organization-wide objectives. | • The planning horizon and service operating model are completely in sync with minimal ambiguity on alignment of individual targets and organizational objectives for the budget year. |
| | • Basic level of expertise across departments | • Varying level of expertise across service departments - may not have the right people in the right roles | • Have pockets of technical expertise but they are time-constrained ● | • Adequate level of technical and financial expertise at service departments, but it is integrated only for some areas | • Integrated (both financial and technical) expertise across every service departments and organizational levels |
| Performance Management | • Organizational awareness on the importance of measurement of running the business is low, meaning it is not on the agenda | • Dialogues are held about performance measurement although not frequently and primarily restricted to specific functions | • Performance measurement insights are being shared in the organization on a periodic basis | • Insights from performance measurement are discussed in many forums ● | • Widespread, frequent, formalized and structured interactions throughout the organisation about performance measurement |
| | • Foundational knowledge in finance or accounting with little or no operational or institutional business knowledge. Limited proficiency in financial analysis, forecasting, and data interpretation. | • Intermediate knowledge in finance or accounting with some operational experience or institutional knowledge. Building competency in data analysis, and basic business acumen. | • Advanced knowledge in finance, accounting complemented by an intermediate understanding of data and analytics along with substantial operational experience or institutional knowledge. Proficient in financial analysis, forecasting, and financial modeling techniques. ● | • FP&A team highly knowledgeable in finance, financial modeling, accounting, complemented by team members with expertise in data and analytics. Strong skills in strategic thinking, stakeholder management, and utilization of technology and systems. | • The FP&A team comprises finance experts with advanced knowledge in finance, financial modeling, and accounting, complemented by members specializing in data analytics, including emerging areas like Machine Learning and AI, as well as possessing dynamic industry and operational expertise. Expert-level proficiency in all key skills, including advanced financial modelling, strategic alignment, and effective communication with stakeholders. |

<u>Budgeting/Forecasting process:</u>

- *Linkage between the process and service operating model*: rating – **Established**. Based on the analysis in sections 3.1 and 3.2, City's budgeting and forecasting processes demonstrate adequate level of linkage with the City's service operating model, evidenced by how service line financial data (i.e., actuals, budget and forecast) is captured, analyzed and reported in the relevant financial tools/reports. However, without an integrated enterprise-level financial planning tool, it cannot be said that there is full alignment between these processes and the City's service operating model, as budgeting and forecasting activities mainly utilize 'offline' datasets via spreadsheets.
- *Level of technical and financial expertise:* rating – **Established**. Based on the analysis of the City's budgeting and forecasting activities in 2023, it is observed that the organization has an adequate level of technical and financial expertise. For example, the service lines are closely involved in the budgeting and forecasting activities, and actively develop mitigation plans to steer the organization's performance. Additionally, the use of data

and analytics methods is still developing, evidenced by the recent introduction of PowerBI functionalities into the performance reporting process.

Performance Management process:

- *Organization-wide dialogue on measurement insights:* rating – **Advanced**. The City has a well-defined process for performance reviews and these reviews take place across various levels of the organization, particularly during the budgeting and periodic (quarterly or monthly) performance reporting cycles. As discussed in section 3.3, the City publishes an annual Progress Report to report on the organization's progress against the 2022-2025 Strategic Plan priorities. In this report, every City department provides performance updates against a defined set of KPIs.
- *Key competencies of Financial Planning team:* rating – **Established**. Based on the analysis of the City's performance management activities and relevant reports, it is observed that the Finance team has advanced knowledge in finance, accounting, financial analysis, and forecasting, complemented by an intermediate understanding of data and analytics along with substantial operational experience or institutional knowledge.

# Appendix D

## Additional Exhibits

*Exhibit 10: Residential Mill Rate Trend (2019 – 2023)[28] – Detailed Breakdown for Comparator Municipalities*

| | 2019 | 2020 | 2021 | 2022 | 2023 | 4-year CAGR |
|---|---|---|---|---|---|---|
| **Saskatoon** | | | | | | |
| General Mill Rate | 6.8161 | 7.0802 | 7.8703 | 8.1836 | 8.5034 | |
| Multiplied by: Residential Class Factor | 0.9335 | 0.9322 | 0.8860 | 0.8853 | 0.8892 | |
| Effective Residential Mill Rate | 6.3628 | 6.6002 | 6.9731 | 7.2449 | 7.5612 | |
| **YoY change, %** | | *3.7%* | *5.7%* | *3.9%* | *4.4%* | *4.4%* |
| **Regina** | | | | | | |
| General Mill Rate | 8.1081 | 8.3716 | 9.4513 | 9.7726 | 10.2290 | |
| Multiplied by: Residential Class Factor | 0.9115 | 0.9115 | 0.9103 | 0.9103 | 0.9103 | |
| Effective Residential Mill Rate | 7.3907 | 7.6309 | 8.6039 | 8.8964 | 9.3119 | |
| YoY change, % | | *3.2%* | *12.8%* | *3.4%* | *4.7%* | *5.9%* |
| **Winnipeg** | | | | | | |
| Residential Mill Rate | 13.2900 | 12.8610 | 13.1610 | 13.4680 | 12.9000 | |
| Multiplied by: Residential Class Factor | N/A | N/A | N/A | N/A | N/A | |
| Effective Residential Mill Rate | 13.2900 | 12.8610 | 13.1610 | 13.4680 | 12.9000 | |
| **YoY change, %** | | *-3.2%* | *2.3%* | *2.3%* | *-4.2%* | *-0.7%* |
| **Edmonton** | | | | | | |
| General Mill Rate | 6.4737 | 6.8168 | 7.0109 | 6.9072 | 7.0081 | |
| Multiplied by: Residential Class Factor | N/A | N/A | N/A | N/A | N/A | |
| Effective Residential Mill Rate | 6.4737 | 6.8168 | 7.0109 | 6.9072 | 7.0081 | |
| **YoY change, %** | | *5.3%* | *2.8%* | *-1.5%* | *1.5%* | *2.0%* |

[28] This analysis does not include the frontage levy and business tax components of property related taxes for Winnipeg. It shows only municipal mill rates adjusted by the residential factor.

*Exhibit 11: Year-over-year Budget Variance ($) and (%) for 2019 – 2023 period*

(Values in thousands of dollars)

| | 2019 | 2020 | | | 2021 | | | 2022 | | | 2023 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Operating Budget Variance by Business Line** | **Budget 2019** | **Budget 2020** | **YoY Budget Variance ($)** | **YoY Budget Variance (%)** | **Budget 2021** | **YoY Budget Variance ($)** | **YoY Budget Variance (%)** | **Budget 2022** | **YoY Budget Variance ($)** | **YoY Budget Variance (%)** | **Budget 2023** | **YoY Budget Variance ($)** | **YoY Budget Variance (%)** | **% of Total 2023 Operating Expense Budget** | **Budget 2019 to Budget 2023 ($)** | **Budget 2019 to Budget 2023 (%)** |
| **Arts, Culture & Events Venue** | $8,249 | $8,474 | $225 | 2.7% | $8,698 | $224 | 2.6% | $9,250 | $552 | 6.3% | $9,697 | $447 | 4.8% | 1.6% | $1,448 | 17.6% |
| **Community Support** | $18,556 | $18,744 | $188 | 1.0% | $18,551 | -$193 | -1.0% | $20,071 | $1,520 | 8.2% | $21,587 | $1,516 | 7.6% | 3.6% | $3,031 | 16.3% |
| **Corporate Asset Management** | $11,634 | $12,498 | $864 | 7.4% | $14,728 | $2,230 | 17.8% | $14,639 | -$89 | -0.6% | $15,577 | $938 | 6.4% | 2.6% | $3,943 | 33.9% |
| **Corp Gov + Debt Servicing** | $75,685 | $77,751 | $2,066 | 2.7% | $76,862 | -$889 | -1.1% | $76,962 | $100 | 0.1% | $82,378 | $5,416 | 7.0% | 13.9% | $6,693 | 8.8% |
| **Environmental Health** | $19,937 | $23,687 | $3,750 | 18.8% | $26,409 | $2,722 | 11.5% | $27,045 | $636 | 2.4% | $25,613 | -$1,432 | -5.3% | 4.3% | $5,676 | 28.5% |
| **Fire** | $50,873 | $53,135 | $2,262 | 4.4% | $54,721 | $1,586 | 3.0% | $55,956 | $1,235 | 2.3% | $57,622 | $1,666 | 3.0% | 9.7% | $6,749 | 13.3% |
| **Land Development** | $6,066 | $5,311 | -$755 | -12.4% | $5,739 | $428 | 8.1% | $6,759 | $1,020 | 17.8% | $7,071 | $312 | 4.6% | 1.2% | $1,005 | 16.6% |
| **Police** | $105,014 | $110,431 | $5,417 | 5.2% | $114,990 | $4,559 | 4.1% | $119,711 | $4,721 | 4.1% | $126,404 | $6,693 | 5.6% | 21.3% | $21,390 | 20.4% |
| **Recreation & Culture** | $56,201 | $57,518 | $1,317 | 2.3% | $58,430 | $912 | 1.6% | $60,276 | $1,846 | 3.2% | $62,340 | $2,064 | 3.4% | 10.5% | $6,139 | 10.9% |
| **Taxation & General Revenues** | $4,437 | $5,179 | $742 | 16.7% | $5,505 | $326 | 6.3% | $5,214 | -$291 | -5.3% | $5,848 | $634 | 12.2% | 1.0% | $1,411 | 31.8% |
| **Transportation** | $139,288 | $144,420 | $5,132 | 3.7% | $147,460 | $3,040 | 2.1% | $153,098 | $5,638 | 3.8% | $160,074 | $6,976 | 4.6% | 27.0% | $20,786 | 14.9% |
| **Urban Planning & Development** | $14,421 | $14,944 | $523 | 3.6% | $14,523 | -$421 | -2.8% | $17,912 | $3,389 | 23.3% | $18,408 | $496 | 2.8% | 3.1% | $3,987 | 27.6% |
| **Total Expenses** | **$510,361** | **$532,092** | | | **$546,616** | | | **$566,893** | | | **$592,619** | | | | **$82,258** | 16.1% |

## Reference Table

| | Topic | Report Name & Link |
|---|---|---|
| All | 2019 – 2023<br>Canada CPI | **Statistics Canada**<br>https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1810000501 |
| | 2019 – 2023<br>Population | **Statistics Canada**<br>https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1710015501 |
| Saskatoon | 2019 – 2022<br>Actuals Data | **Annual Reports**<br>https://www.saskatoon.ca/city-hall/budget-finances/our-performance-finance-related-reports/finance-related-reports |
| | 2021 Actuals (Preliminary Report) | **Preliminary Year-End Results – December 31, 2021 -** (Council Meeting on April 25, 2022)<br>https://pub-saskatoon.escribemeetings.com/Meeting.aspx?Id=7f856a9d-94cf-4beb-887e-c5060c6b479c&Agenda=PostMinutes&lang=English&Item=54&Tab=attachments |
| | 2022 Actuals (Preliminary Report) | **Preliminary Year-End Results – December 31, 2022 -** (Council Meeting on March 29, 2023)<br>https://pub-saskatoon.escribemeetings.com/Meeting.aspx?Id=f29f1b97-7852-4b01-961a-e00a5036eb1c&Agenda=PostMinutes&lang=English&Item=53&Tab=attachments |
| | 2023 Actuals (Preliminary Report) | **Preliminary Year-End Results – December 31, 2023 -** (Council Meeting on March 27, 2024)<br>https://pub-saskatoon.escribemeetings.com/Meeting.aspx?Id=a5541b3d-e775-4b3c-88b8-c1c34447e104&Agenda=PostMinutes&lang=English&Item=54&Tab=attachments |
| | 2023 Operating Projections | 2023 Operating Projections_Situational Analysis - June 2023.xlsx<br>(Internal Data Source) |
| | Append 1 - Corporate Governance and Finance Business Line | https://pub-saskatoon.escribemeetings.com/filestream.ashx?DocumentId=203150 |
| | Reserves for Future Expenditures - Append 1 - Proposed Amendments to C03-003 | https://pub-saskatoon.escribemeetings.com/Meeting.aspx?Id=fd017e6e-93df-4747-a2c2-6bc0f2e46eb0&Agenda=PostMinutes&lang=English&Item=52&Tab=attachments |
| Regina | 2023 Actuals (Preliminary Report) | **Preliminary Year-End Results – December 31, 2023 - (Audit Finance Council Meeting on May 13, 2024)**<br>https://reginask.iqm2.com/Citizens/Detail_Meeting.aspx?ID=6215 |
| Winnipeg | 2023 Actuals (Preliminary Report) | **2023 Adopted Budget**<br>https://legacy.winnipeg.ca/finance/files/2023AdoptedBudget_Volume2.pdf |

| | | |
|---|---|---|
| Edmonton | 2023 Actuals | Annual Report 2023 – Financial Highlights<br>https://www.edmonton.ca/sites/default/files/public-files/FinancialAnnualReport2023.pdf?cb=1721896990 |

# Glossary of Key Terms

| Term | Definition |
|---|---|
| Annual Report | A comprehensive report for the City’s activities and financial performance throughout the preceding year. |
| Budget Book | A detailed document that outlines the City’s financial plan for the upcoming years, including projected revenues, expenditures, and projects. |
| Business Line | A category within the City’s structure that encompasses a range of related services or functions. Business Lines are larger and encompass multiple Service Lines. Examples include Transportation, SPS, and Corporate Governance and Finance. |
| Linear Growth | Cost increases that stem from an increase in infrastructure or consumption (e.g., use of facilities where maintenance is strongly correlated to usage). |
| Fiscal Stabilization Reserve | The Fiscal Stabilization Reserve serves as a buffer reserve for the City for any unforeseen operating financial needs and balancing operating budget variances. |
| Preliminary Year-End Report | An initial report providing early insights into an organization's financial status or project outcomes before the final data is available. |
| Service Line | A specific subset of services or functions within a Business Line. Service Lines are smaller components of a Business Line and provide detailed breakdowns of services. Examples include Transit Operations, Road Maintenance, and Snow and Ice Management within the Transportation Business Line. |
| Snow and Ice Management Contingency Reserve | The Snow and Ice Management Contingency Reserve is a designated contingency fund to cover any unexpected substantial expenses related to snow and ice removal. |
| Step Growth | Cost increases that do not as strongly correlate to incremental increases in infrastructure but instead become required at a point in time as the City’s overall population and infrastructure networks reach a certain size. |