

ADMINISTRATIVE REPORT

TO: Robert Nicolay, City Manager	DATE: May 22, 2018
FROM: Dan Sieben, CPA, CGA Finance Manager	MEETING: Corporate Services Committee
SUBJECT: Unaudited Financial Statement – March 31, 2018	

RECOMMENDATIONS

That the Corporate Services Committee receive the unaudited financial statements and schedules for the three-month period ended March 31, 2018 for information.

PREVIOUS COUNCIL / COMMITTEE DIRECTIONS

There are no previous Council or Committee directions.

BACKGROUND

The purpose of this report is to present the unaudited financial statements and supplementary schedules for the three-month period ended March 31, 2018.

ANALYSIS

A budget is a financial plan designed to articulate Council's strategic objectives and contains a significant number of assumptions. Once approved, the budget remains a relatively static document that becomes a guide for Management and provides a tool for financial analysis.

Operating variances result from differences between approved budget and actual financial results. Internal and external factors influence operating variances and include, but are not limited to, population growth, operating efficiencies, economic conditions, availability of resources, weather conditions, and unforeseen conditions.

Management is responsible to actively monitor and manage the overall operating results to ensure that service delivery is maintained at acceptable levels and that operational costs are contained within available resources.

Appendix 1, attached to this report, provides a summary of projected variances for the year ended December 31, 2018.

Statement of Financial Position

Trade & Other Receivables consist of amounts outstanding from customers excluding taxes and loans receivable. As at March 2018, the amount is approximately \$4.9M lower than at the end of December 2017. The difference can be explained by Aquatera dividends, GST Refund and interests accrued at the end of December 2017 and, as such, they are not reflected in the March statements because they were received and reversed. In addition, grants receivable at year-end are accrued in December.

Deferred property taxes are taxes collected in advance or carried forward but not yet recognized as revenue. As of March 31, 2018, there is approximately \$5.4M of taxes collected.

Prepaid Expenses mainly consist of AMSC Insurance services premiums paid for the year. This amount is expected to reduce as the year progresses. Hence the difference between December 2017 and March 2018.

Tangible capital assets consist of assets with a life longer than one year that have been capitalized, as well as work-in-progress on capital projects, not yet completed.

Budget/Actual Summary

In 2018, surplus from operations is expected to be \$378,000 (0.23% of total budget). With the exception of Infrastructure and Protective Services (IPS), all areas are expected to realize favourable variances. The main contributor of the deficit in IPS is about \$1,200 shortfall in the snow removal budget. This is because of increased snow removal contractor costs incurred as a result of the amount of snow fall recorded this past winter. Council, could choose to offset this deficit with a transfer from the Winter Stabilization Reserve.

The largest contributors to the projected surplus are Community Living (\$717,000), and Corporate Services (\$259,000). Factors contributing to the surpluses in these areas include:

- Lower salary costs due to vacancies
- Lower benefit costs than budgeted
- Lower Utility cost in various facilities

More detailed explanations of variances are provided on Appendix 2.

Key Performance Indicators

Appendix 6 illustrates two performance indicators.

The first graph relates to the impact of heavy and prolonged snow fall during the first quarter of 2018. The graph indicates the magnitude of the snow fall increase and the impact on costs. Snow fall (cm's) more than doubled from quarter 1 2017 numbers – up 226.9%. This created a much higher demand on snow clearing services and increased the costs by 160.2% from the same period last year.

The second graph shows a positive trend in membership at the Eastlink Centre. The Centre's individual memberships have increased since September of 2017. Also, catering revenues at Coca Cola Centre are up 74.4% from quarter 1 of 2017 and the first quarter of 2018 representing approximately \$21,000.

Relationship to City Council's Focus Areas / Strategic Directions

Adopting this reporting model and the communication of it with the city's stakeholders aligns with Council's Guiding Principle of being Fiscally Responsible

Environmental Impact

There are no environmental impacts associated with this report.

Economic Impact

There are no relevant economic impacts associated with this report.

Social Impact

There are no relevant social impacts associated with this report.

Relevant Statutes / Master Plans / City Documents

Section 153(d) of the Municipal Government Act states that:

“Councillors have the duty to obtain information about the operation of administration of the municipality from the chief administrative officer or a person designated by the chief administrative officer”.

Risk

There are no relevant risks associated with this information

Alternatives (Optional)

None

STAKEHOLDER ENGAGEMENT

The unaudited financial statements will be posted on the City's website.

BUDGET / FINANCIAL IMPLICATIONS

The total projected 2018 operating surplus is \$ 378,000, which represents 0.23% of the City's total budget. Operating variances are reported on Appendix 2.

SUMMARY / CONCLUSION

For the year end of 2018, Management projects an operating surplus of \$378,000. This projected surplus does not include the depreciation expense.

Management has completed the financial statements for January to March 2018, which are not externally audited, a high degree of confidence in their accuracy is appropriate. The total variance from budget is approximately 9.03%. The patterns of variances are generally expected as they have occurred and the City's financial condition can be considered sound and healthy for this period.

ATTACHMENTS

The following financial statements and schedules are attached:

- Appendix 1 - Budget/Actual Summary
- Appendix 2 - Financial Statement Highlights
- Appendix 3 - Statement of Financial Position
- Appendix 4 - Operating Reserves
- Appendix 5 - Long Term Debt and Debt Servicing

Appendix 6 - Council Travel Expense
Appendix 7 - Key Performance Indicators
Appendix 8 - Consultant Service Operating Costs

**City of Grande Prairie
 Operating Revenue And Expenditure Summary
 For the Period Ending March 31, 2018**

Description	YTD Actuals	YTD Budget	Variance	Annual Forecasted Variance
City Manager	\$ 1,190,308	\$ 1,691,974	\$ 501,666	\$ 101,000
Infrastructure and Protective Services	13,730,028	14,996,215	1,266,187	(858,000)
Community Living	8,453,876	9,014,044	560,168	717,000
Corporate Services	2,060,329	2,878,432	818,103	259,000
Fiscal Services	10,798,276	11,250,000	451,724	159,000
Total Summary of Service Areas	<u>\$ 36,232,817</u>	<u>\$ 39,830,665</u>	<u>\$ 3,597,848</u>	<u>\$ 378,000</u>
Depreciation Expense	\$ 5,472,133			\$ 21,888,532

Note: This report is a net of Revenue and Expenditures.

The City of Grande Prairie
 Financial Statement Highlights
 March 31, 2018

In \$000's

City Manager		
Council	Council budget savings in Public relations, advertising and other general goods and supplies	59
Strategic Communications & Governance Relations	Savings due to a vacant position and reduced expenditures	65
Economic Development	Savings due to a vacant position	40
Corporate Web Management		83
Common Services	Common Services shortfall mainly due to increased legal fees	(252)
Human Resources	Savings mainly due to staff vacancies in the first quarter	95
Other Departments	Other departments general cost savings	11
Total Projected Surplus/(deficit) - City Manager		101

Infrastructure & Protective Services		
RCMP	Enforcement strategies has resulted in improved driving habits which leads to reduced revenue.	(256)
Crime Prevention	Savings due to a vacant position	62
Fire Department	Surplus due to motor vehicle collisions recovery and salary savings due to vacancies	250
Engineering	Engineering salary savings due to vacancies	107
Transportation	Deficit resulting from higher than anticipated snow removal contractor costs due to unfavourable weather. This may be offset with the Winter Stabilization Reserve)	(1,225)
Inspection Services	Savings due to a vacant position	100
Planning & Development	Surplus resulting from increased revenue than anticipated due to several large development projects	104
Other Departments	Mainly due to salary savings	
Total Projected Surplus/(deficit) - Infrastructure & Protective Services		(858)

Community Living		
Community Living	Mainly due to salary related expenses	50
Custodial Services	Shortfall resulting from salary related expenses	(24)
Peace Library System	Savings due to grant allocation being lower than anticipated	84
Transit	Mainly due to salary related expenses	(27)
Montrose Cultural Centre	General program cost savings	15
Heritage Resources	Savings mainly due to programming review and restructuring	(95)
Dave Barr	Dave Barr savings mainly due to program restructuring	50
Coca Cola Centre	Surplus resulting from increased revenue	44
Eastlink Centre	Surplus mainly due to increased revenue resulting from increased membership	15
ELC Gymnicks	Savings mainly due to lower utility costs	50
The Leisure Centre	Reduced salary and utility costs	87
Revolution Place	Lower margins due to weaker economy and lower Canadian dollar	(55)
Muskoseepi Park Programs	General program savings	101
CSD	Surplus due to lower occupancy costs, salary costs, and utility costs	422
Other Departments		
Total Projected Surplus/(deficit) - Community Living		717

Corporate Services		
Assessments	Surplus mainly due to salary savings	42
ITS	Surplus mainly due to lower licensing fees due to delay in projects	10
Facilities	Surplus mainly salary savings and increased operational efficiencies.	207
Other Departments	Deficit mainly due to salary and recruitment costs	
Total Projected Surplus/(deficit) - Corporate Services		259

Fiscal Services		
Other Revenue	Shortfall due to lower than expected dividend	(234)
General Government	Surplus, mainly due to budgeted carbon tax levy and surplus in RCMP debt recovery payments	393
Total Projected Surplus/(deficit) - Fiscal Services		159

Total projected Surplus		378
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**CITY OF GRANDE PRAIRIE
STATEMENT OF FINANCIAL POSITION
March 31, 2018**

	<u>Mar 31 2018</u>	<u>DEC 31 2017</u>
FINANCIAL ASSETS		
Cash & Temporary Investments	\$ 90,213,047	\$ 108,857,361
Taxes & Grants in Lieu of Taxes	0	7,472,273
Trade & Other Receivables	4,429,625	9,310,284
Agreements Receivable	18,670,044	18,670,044
Land Held for Resale	752,300	752,300
Investments	82,383,239	82,383,239
	<u>\$ 196,448,255</u>	<u>\$ 218,415,018</u>
FINANCIAL LIABILITIES		
Accounts Payable & Accrued Liab	\$ 13,651,946	\$ 25,854,643
Deferred Revenue	19,463,432	19,431,229
Deferred Property Taxes	5,427,008	0
Long-term Debt	128,059,117	130,435,996
	<u>\$ 168,367,417</u>	<u>\$ 175,751,868</u>
NET FINANCIAL ASSETS	\$ 28,080,838	\$ 51,723,633
NON FINANCIAL ASSETS		
Inventory for Consumption	\$ 748,595	\$ 720,390
Prepaid Expenses	1,086,092	168,127
Tangible Capital Assets	626,315,915	629,448,583
	<u>\$ 628,150,602</u>	<u>\$ 630,437,100</u>
NET ASSETS	\$ 656,231,440	\$ 682,160,733
MUNICIPAL EQUITY		
ACCUMULATED SURPLUS	\$ 656,231,440	\$ 682,160,733

**CITY OF GRANDE PRAIRIE
OPERATING RESERVES
March 31, 2018**

	BALANCE DEC 31/17	TRANSFER TO RESTRICTED FUND	OTHER ADDITIONS	SUB TOTAL ADDITIONS	REDUCTIONS	BALANCE March 31/2018
Fleet Management System	\$ 13,107,432	\$ 21,395	\$ 27,959	\$ 49,354	\$ -	\$ 13,156,786
Winter Stabilization	2,575,753	4,204	0	4,204	0	2,579,958
Cemetery Perpetual Care	2,776,841	4,533	8,450	12,983	0	2,789,824
Public Housing Commission	590,950	965	0	965	0	591,915
Fire Dept Equipment Replacemer	1,033,981	1,688	65,750	67,438	0	1,101,419
RCMP Detachment Reserve	298,465	487	0	487	0	298,952
Facility Renewal Reserve	1,270,368	2,074	3,551,868	3,553,942	1,702,459	3,121,851
Public Reserve	2,314,663	3,778	0	3,778	0	2,318,441
Transportation System Levy	6,280,221	10,251	362,331	372,582	6,615	6,646,188
Future Expenditure	9,970,475	16,275	0	16,275	289,532	9,697,218
Financial Stabilization	7,206,047	11,762	0	11,762	0	7,217,809
Pinnacle Ridge Special Tax	6,190	10	0	10	0	6,200
Public Art	50,213	82	2,500	2,582	0	52,795
	\$ 47,481,599	\$ 77,504	\$ 4,018,858	\$ 4,096,362	\$ 1,998,606	\$ 49,579,356

**Long-Term Debt and Debt Servicing
For the Quarter Ended
March 31, 2018**

		<u>Actual</u>
Opening Balance:	December 31, 2017	\$ 130,435,996
Less:		
Principal portion of debt payments		\$ -2,376,879
Plus:		
Additional debt taken		0
Ending Balance:	March 31, 2018	<u>\$ 128,059,117</u>
Interest paid on Long-Term Debt		<u>\$ 1,493,920</u>
January 1, 2018 - March 31, 2018		

Contribution Room

Legal Debt Limit:	December 31, 2017	\$ 262,345,845
Ending Balance:	March 31, 2018	\$ 128,059,117
Remaining Debt Limit		<u>\$ 134,286,728</u>

**CITY OF GRANDE PRAIRIE
TRAVEL EXPENSE REIMBURSEMENT TO COUNCIL
March 31, 2018**

Council Members	Mandatory and City Business Expenditures	Discretionary Expenditure	Total
GIVEN, BILL	\$ 6,996.55	\$ 210.00	\$ 7,206.55
BLACKBURN, CLYDE	4,045.22	0.00	4,045.22
BREESEY, DYLAN	3,768.59	559.00	4,327.59
CLAYTON, JACKIE	3,435.76	1,515.70	4,951.46
FREISEN, EUNICE	995.85	210.00	1,205.85
MINHAS, YAD	1,322.58	940.00	2,262.58
O'TOOLE, KEVIN	3,343.35	946.80	4,290.15
PILAT, WADE	0.00	558.07	558.07
THIESSEN, CHRIS	2,922.14	255.00	3,177.14
	<u>\$ 26,830.04</u>	<u>\$ 5,194.57</u>	<u>\$ 32,024.61</u>

Notes:

Mandatory and City Business Expenditures include:

- AUMA / AAMDC Conference
- All Committee or Board meetings where the Council member attends as the City's representative including travel, meals, accommodations and per diems.

Discretionary Expenditures include:

- FCM Conference
- Other conferences that Councillors attend
- Public relation items including cost of attendance at not-for-profit fundraisers or other travel, meals, accommodations and per diems.



City of Grande Prairie
Summary of Consultant Service Operating Costs
For the Three Months Ending March 31, 2018

Description of Service	Qtr1 2018 Totals	2017 Full Year
1 Legal Services	\$ 156,396	\$ 620,022
2 Medical Services	\$ 44,391	\$ 160,955
3 Audit Service Contract	\$ 24,500	\$ 125,689
4 Training/Facilitating	\$ 18,246	\$ 107,462
5 Engineering Services	\$ 21,961	\$ 85,760
Community Futures	\$ -	\$ 60,527
6 Eastlink Personal Train	\$ 12,123	\$ 48,225
Shows/Forums/etc.	\$ 610	\$ 45,070
Appriasals	\$ 1,320	\$ 30,503
7 Other Consulting	\$ (9,742)	\$ 30,053
Studies/Surveys	\$ -	\$ 21,400
Branding	\$ -	\$ 7,351
Alberta Government	\$ 66	\$ 5,837
	<u>\$ 269,872</u>	<u>\$ 1,348,854</u>

- 1 Legal Consulting costs constitute the biggest portion of the total consulting costs, as they did in fiscal 2017. They are comprised of various types of Legal Services consistent with the requirements of a municipality.
- 2 The majority of the Medical Consulting is for the first quarter of 2017 was for Firefighter medicals and FASD.
- 3 As with 2017, Audit costs rank third on this list.
- 4 The various Training/Facilitating costs were lower than Engineering Services during the quarter. This is opposite of the totals for 2017.
- 5 2018 Engineering Services for the first quarter is on pace with 2017. It covers a variety of engineering to address recruiting challenges.
- 6 Eastlink Personal Trainers are consultants that generate revenue for Eastlink with every class.
- 7 2018 Other Consulting includes a \$14,250 reversal of a 2017 accrual for an Economic Development video. Offsetting costs will come later in 2018.