

ADMINISTRATIVE REPORT

TO: Robert Nicolay, City Manager	DATE: September 11, 2018
FROM: Reginald Hammond, CPA, CGA Assistant Finance Manager	MEETING: Corporate Services Committee
SUBJECT: Unaudited Financial Statement – June 30, 2018	

RECOMMENDATIONS

That the Corporate Services Committee receive the unaudited financial statements and schedules for the six-month period ending June 30, 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 six-month period ending June 30, 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, personnel related expenses, 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 ending December 31, 2018.

Statement of Financial Position

Taxes and Grants in Lieu of Taxes are lump sum tax payments made by residents and other taxes collected from properties owned by provincial and federal governments and their associated agencies that are exempt from property taxation. The difference of approximately \$45,000,000 from the December 2017 balance reflects the 2018 property tax levy, less payments up to the end of June 2018.

Trade & Other Receivables are amounts that are outstanding from customers excluding taxes and loans receivable. As of June 2018, the amount is approximately \$3,400,000 lower than at the end of December 2017. The difference can be explained by payments received for Aquatera dividends, GST Refund and interests accrued at the end of December 2017. In addition, grants receivable at year-end are accrued in December and reversed in the subsequent year.

Prepaid Expenses mainly consist of AMSC Insurance services premiums paid for the year. This amount is expensed as the year progresses. Hence the difference between December 2017 and June 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, the surplus from operations is expected to be approximately \$1,000,000 (0.6% of total budget). Community Living, Corporate Services and Fiscal Services are projecting favourable variances, while Infrastructure and Protective Services (IPS) and City Manager are anticipating deficits. The main contributor of the deficit in IPS is about \$1,100,000 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. This option would increase the overall surplus from \$1,000,000 to approximately \$2,100,000. City Manager is expecting a deficit mostly due to increased legal expenses.

The contributors to the projected surplus are Community Living (\$486,000), Corporate Services (\$891,000) and Fiscal Services (\$502,000). Factors contributing to the surpluses in these areas include:

- Salary and benefit savings due to vacancies and man power management.
- Lower Utility cost and general program savings resulting from strategic initiatives.

More detailed explanations of variances are provided on Appendix 2.

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 \$1,000,000 without a transfer from reserves to offset the snow removal deficit and could potentially be approximately \$2,100,000 should Council decide to use the winter stabilization reserve to offset the deficit in the snow removal budget.

SUMMARY / CONCLUSION

For the year end of 2018, Management projects an operating surplus of \$1,000,000.

Management has completed the financial statements for January to June 2018, which are not externally audited, a high degree of confidence in their accuracy is appropriate. The total variance from budget is approximately 0.6%. 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

**City of Grande Prairie
 Operating Revenue And Expenditure Summary
 For the Period Ending June 30, 2018**

Description	YTD Actuals	YTD Budget	Variance	Annual Forecasted Variance
City Manager	\$ 2,499,171	\$ 2,297,082	-\$ 202,089	(247,000)
Infrastructure and Protective Services	29,073,249	30,449,640	1,376,391	(448,000)
Community Living	15,383,581	16,839,820	1,456,239	371,000
Corporate Services	4,402,896	7,106,243	2,703,347	891,000
Fiscal Services	56,500,000	57,514,918	1,014,918	502,000
Total Summary of Service Areas	<u>\$ 107,858,897</u>	<u>\$ 114,207,703</u>	<u>\$ 6,348,806</u>	<u>\$ 1,069,000</u>
Depreciation Expense	\$ 10,944,266			\$ 21,888,532

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

The City of Grande Prairie
 Financial Statement Highlights
 June 30, 2018

In 000's

City Manager		
Council	Council budget savings in Public Relations, travel, conferences, advertising and other general goods and supplies	33
Legal Services	Increased legal fees and recruitment costs for City Solicitor position	(280)
Total Projected Surplus/(deficit) - City Manager		(247)

Infrastructure & Protective Services		
By-Law Enforcement	Shortfall mainly resulting from the loss of revenue from parking meters due to the downtown construction and loss of revenue as a result of enforcement strategies which has improved driving habits hence reducing court fines.	(170)
Crime Prevention	Vacancy savings	76
Fire Department	Significant salary savings due to staff movement through the ranks and new recruitments at lower rates and motor vehicle collisions recovery	250
Engineering	Cost savings due to leaves and vacancies	190
Transportation	Deficit resulting from higher than anticipated snow removal contractor costs (\$1,077) due to unfavourable weather (This may be offset with the Winter Stabilization Reserve).	(1,077)
Inspection Services	Salary savings combined with less spending on general goods and supplies	50
Planning & Development	Surplus resulting from revenue higher than anticipated.	233
Total Projected Surplus/(deficit) - Infrastructure & Protective Services		(448)

Community Living		
Community Living	Mainly due to salary related expenses	(187)
Peace Library System	Annual grant allocation higher than anticipated	119
Parks	Parks savings mainly due to salary and general cost savings	150
Transit	Shortfall due to a combination of salary related expenses and lower than anticipated revenue.	(33)
Heritage Resources	Shortfall due to salary overages resulting from reclassifications and restructuring	(117)
Bear Creek Outdoor Pool	Savings resulting from the non-operational state of the facility for the year	177
Eastlink Centre	Shortfall resulting from lower than anticipated revenue.	(43)
ELC Gymnicks	Utility and salary savings	70
Revolution Place	Lower margins due to weaker economy and lower Canadian dollar	(46)
CSD	Surplus due to Additional FCSS funds from province to reduce municipal contribution and salary savings	189
Other Departments	Savings from increased marketing revenue and other general goods and supplies savings	92
Total Projected Surplus/(deficit) - Community Living		371

Corporate Services		
Assessments	Surplus due to salary savings	60
Accounting Services	Salary savings	50
ITS	Software licensing and benefits below budget	70
Facilities	Surplus mainly salary savings and increased operational efficiencies	565
Human Resources	Savings from staff vacancies	146
Total Projected Surplus/(deficit) - Corporate Services		891

Fiscal Services		
Other Revenue	Higher penalty revenue than budgeted	232
Police Protect	RCMP debt recovery payments	100
Rec/Parks/Fac	Savings from delayed borrowing for Bear Creek Outdoor Pool	170
Total Projected Surplus/(deficit) - Fiscal Services		502

Total projected Surplus		1,069
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**CITY OF GRANDE PRAIRIE
STATEMENT OF FINANCIAL POSITION
June 30, 2018**

	<u>June 30 2018</u>	<u>Dec 31 2017</u>
FINANCIAL ASSETS		
Cash & Temporary Investments	\$ 165,083,874	\$ 108,857,361
Taxes & Grants in Lieu of Taxes	\$ 52,489,865	7,472,273
Trade & Other Receivables	\$ 5,908,900	9,310,284
Agreements Receivable	\$ 18,667,362	18,670,044
Land Held for Resale	\$ 752,300	752,300
Investments	\$ 82,383,239	82,383,239
	<u>\$ 325,285,540</u>	<u>\$ 218,415,018</u>
FINANCIAL LIABILITIES		
Accounts Payable & Accrued Liab	\$ 51,940,887	\$ 25,854,643
Deferred Revenue	\$ 4,453,267	19,431,229
Long-term Debt	\$ 129,338,954	130,435,996
	<u>\$ 183,951,321</u>	<u>\$ 175,751,868</u>
NET FINANCIAL ASSETS	\$ 141,334,219	\$ 51,723,633
NON FINANCIAL ASSETS		
Inventory for Consumption	\$ 778,044	\$ 720,390
Prepaid Expenses	\$ 812,173	168,127
Tangible Capital Assets	\$ 632,899,364	629,448,583
	<u>\$ 634,489,581</u>	<u>\$ 630,437,100</u>
NET ASSETS	\$ 775,823,801	\$ 682,160,733
MUNICIPAL EQUITY		
ACCUMULATED SURPLUS	\$ 775,823,801	\$ 682,160,733

**CITY OF GRANDE PRAIRIE
OPERATING RESERVES
June 30, 2018**

	BALANCE DEC 31/17	TRANSFER TO RESTRICTED FUND	OTHER ADDITIONS	SUB TOTAL ADDITIONS	REDUCTIONS	BALANCE June 30/2018
Fleet Management System	\$ 13,107,431	\$ 42,790	\$ 27,959	\$ 70,749	0	\$ 13,178,180
Winter Stabilization	2,575,753	8,409	0	8,409	0	2,584,163
Cemetery Perpetual Care	2,776,841	9,065	26,367	35,432	0	2,812,273
Public Housing Commission	590,950	1,929	0	1,929	0	592,879
Fire Dept Equipment Replacemer	1,033,980	3,375	131,500	134,876	0	1,168,855
RCMP Detachment Reserve	298,465	974	0	974	0	299,439
Facility Renewal Reserve	1,270,368	4,147	3,551,868	3,556,015	2,032,459	2,793,924
Public Reserve	2,314,663	7,556	0	7,556	0	2,322,220
Transportation System Levy	6,280,221	20,502	484,957	505,460	6,615	6,779,066
Future Expenditure	9,970,477	32,549	0	32,549	289,532	9,713,494
Financial Stabilization	7,206,047	23,525	2,605,000	2,628,525	0	9,834,572
Pinnacle Ridge Special Tax	6,190	20	0	20	0	6,210
Public Art	50,213	164	2,500	2,664	0	52,877
Neighbourhood Entrance Reserv	0	0	2,500	2,500	0	2,500
	\$ 47,481,599	\$ 155,005	\$ 6,832,651	\$ 6,987,658	\$ 2,328,606	\$ 52,140,652

**Long-Term Debt and Debt Servicing
For the Quarter Ended
June 30, 2018**

		<u>Actual</u>
Opening Balance:	March 31, 2018	128,059,117
Less:		
Principal portion of debt payments		-2,293,074
Plus:		
Additional debt taken		3,572,911
Ending Balance:	June 30, 2018	<u>129,338,954</u>
Interest paid on Long-Term Debt April 1, 2018 - June 30, 2018		<u>1,222,451</u>

Contribution Room

Legal Debt Limit:	December 31, 2017	262,345,845
Ending Balance:	June 30, 2018	129,338,954
Remaining Debt Limit		<u>133,006,891</u>

**CITY OF GRANDE PRAIRIE
TRAVEL EXPENSE REIMBURSEMENT TO COUNCIL
As at June 30, 2018**

Council Members	Mandatory and City Business Expenditures	Discretionary Expenditure	Total
GIVEN, BILL	14,996.66	210.00	15,206.66
BLACKBURN, CLYDE	5,519.17	116.50	5,635.67
BREESEY, DYLAN	8,517.84	1,843.78	10,361.62
CLAYTON, JACKIE	3,435.76	2,321.84	5,757.60
FREISEN, EUNICE	5,526.19	443.00	5,969.19
MINHAS, YAD	6,943.74	1,451.76	8,395.50
O'TOOLE, KEVIN	6,583.22	1,458.56	8,041.78
PILAT, WADE	2,587.21	2,398.31	4,985.52
THIESSEN, CHRIS	8,574.04	3,976.17	12,550.21
	<u>62,683.83</u>	<u>14,219.92</u>	<u>76,903.75</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 events, travel, meals, accommodations and per diems.