

## ADMINISTRATIVE REPORT

<b>TO:</b> Horacio Galanti, Interim City Manager	<b>DATE:</b> November 8, 2018
<b>FROM:</b> Danielle Whiteway, CPA, CA Financial Business Analyst	<b>MEETING:</b> Corporate Services Committee
<b>SUBJECT:</b> Unaudited Financial Statement – September 30, 2018	

### RECOMMENDATIONS

That the Corporate Services Committee receive the unaudited financial statements and schedules for the nine-month period ending September 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 nine-month period ending September 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 property owners 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 \$23,840,000 from the December 2017 balance reflects the 2018 property tax levy, less payments up to the end of September 2018.

Trade & Other Receivables are amounts that are outstanding from customers excluding taxes and loans receivable. As of September 2018, the amount is approximately \$3,327,000 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.

Deferred Revenue is for revenue received, but not yet used in operations as of September 2018. The significant increase of approximately \$23,200,000 is due to MSI funding received during the quarter that will be recognized as revenue based on actual spending at year-end.

Long-term debt has increased slightly over the balance at December 2017 due to new borrowing.

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 September 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 to be recognized in December.

## Budget/Actual Summary

In 2018, the surplus from operations is expected to be approximately \$1,623,000 (0.98% of total expenditures 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 \$1,200,000 shortfall in the snow removal budget. This is due to increased snow removal costs incurred as a result of the above average snow fall recorded this past winter. Council, may choose to offset this deficit with a transfer from the Winter Stabilization Reserve. This option will increase the overall surplus from \$1,623,000 to approximately \$2,800,000. City Manager is expecting a deficit mostly due to increased legal expenses.

The contributors to the projected surplus are Community Living (\$393,000), Corporate Services (\$962,000) and Fiscal Services (\$1,113,000). Factors contributing to the surpluses in these areas are higher penalty revenue than budgeted, salary and benefit savings due to vacancies and managed man power, as well as lower utility costs and general program savings as a result of 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 \$1,623,000 without a transfer from reserves to offset the snow removal deficit and could potentially be approximately \$2,800,000 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 \$1,623,000.

Management has completed the financial statements for January to September 2018, which are not externally audited, a high degree of confidence in their accuracy is appropriate. The total variance from budget is approximately 0.98%. 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 September 30, 2018**

<b>Description</b>	<b>YTD Actuals</b>	<b>YTD Budget</b>	<b>Variance</b>	<b>Annual Forecasted Variance</b>
<b>City Manager</b>	\$ 3,413,988	\$ 3,436,187	\$ 22,199	(154,914)
<b>Infrastructure and Protective Services</b>	43,125,076	45,622,601	2,497,525	(691,445)
<b>Community Living</b>	23,480,523	24,299,964	819,441	392,655
<b>Corporate Services</b>	9,140,507	10,784,445	1,643,938	961,593
<b>Fiscal Services</b>	(117,905,669)	(117,818,512)	87,157	1,115,368
<b>Total Summary of Service Areas</b>	<u>(38,745,575.00)</u>	<u>(33,675,315.00)</u>	\$ 5,070,260	\$ 1,623,257
<b>Depreciation Expense</b>	\$ 16,416,399			\$ 21,888,532

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

In 000's

<b>City Manager</b>		
Council	Council budget savings in Public Relations, travel, conferences, advertising and other general goods and supplies	77
Legal Services	Increased legal fees	(290)
City Manager	Surplus due to salary and benefit savings as a result of multiple replacements and general supply savings	115
City Clerk	Deficit anticipated due to Census costs and FOIP consulting services	(34)
Citizen Engagement	Deficit from staff transition costs	(23)
<b>Total Projected Surplus/(deficit) - City Manager</b>		<b>(155)</b>

<b>Infrastructure &amp; Protective Services</b>		
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.	(629)
Crime Prevention	Vacancy savings	120
RCMP	Surplus mainly to additional revenue	169
Fire Department	Significant salary savings due to staff movement through the ranks and new recruitments at lower rates and motor vehicle collisions recovery	187
Engineering	Cost savings due to leaves and vacancies, combined with additional revenue	214
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).	(1,196)
Inspection Services	Salary savings combined with less spending on general goods and supplies	51
Planning & Development	Surplus resulting from revenue higher than anticipated, salary savings and general supplies savings	266
GIS	In-house expertise allowing for lower outside support costs combined with vacancy savings	70
Economic Development	Salary savings caused by vacancy	28
Other	General savings in salaries and supplies throughout, combined with additional revenue	29
<b>Total Projected Surplus/(deficit) - Infrastructure &amp; Protective Services</b>		<b>(691)</b>

<b>Community Living</b>		
Community Living	Mainly due to salary related expenses	(119)
Parks	Parks savings mainly due to salary and general cost savings	267
Transit	Shortfall due to a combination of salary related expenses and lower than anticipated revenue.	(259)
Heritage Resources	Shortfall due to salary overages resulting from reclassifications and restructuring	(57)
Bear Creek Outdoor Pool	Savings resulting from the non-operational state of the facility for the year	167
Eastlink Centre	Shortfall resulting from lower than anticipated revenue.	(314)
ELC Gymnicks	Utility and salary savings	68
Revolution Place	Lower margins due to weaker economy and lower Canadian dollar	(50)
CSD	Surplus due to Additional FCSS funds from province to reduce municipal contribution and salary savings	211
Strategic Marketing	Savings from vacant positions during the year	136
Community Group Funding	Less applicants for Large Scale Tourism, combined with revised funding base for Peace Libraries	122
Food & Beverage	Savings from inability to operate South Bear Creek Consession	117
Montrose Cultural Centre	Small revenue surplus combined with security cost savings	55
Other Departments	Savings from increased marketing revenue and other general goods and supplies savings	48
<b>Total Projected Surplus/(deficit) - Community Living</b>		<b>392</b>

<b>Corporate Services</b>		
Assessments	Surplus due to salary savings	54
Accounting Services	Salary savings	80
ITS	Software licensing and benefits below budget	22
Facilities	Surplus mainly salary savings and increased operational efficiencies	668
Human Resources	Savings from staff vacancies	138
<b>Total Projected Surplus/(deficit) - Corporate Services</b>		<b>962</b>

<b>Fiscal Services</b>		
Other Revenue	Higher penalty revenue than budgeted	605
Operating Contingency	Salary and benefit savings	250
Police Protect	RCMP debt recovery payments	90
Rec/Parks/Fac	Savings from delayed borrowing for Bear Creek Outdoor Pool	170
<b>Total Projected Surplus/(deficit) - Fiscal Services</b>		<b>1,115</b>

<b>Total projected Surplus</b>	<b>1,623</b>
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**CITY OF GRANDE PRAIRIE  
STATEMENT OF FINANCIAL POSITION  
September 30, 2018**

	<u>September 30 2018</u>	<u>Dec 31 2017</u>
<b>FINANCIAL ASSETS</b>		
Cash & Temporary Investments	\$ 165,307,084	\$ 108,857,361
Taxes & Grants in Lieu of Taxes	\$ 31,311,510	7,472,273
Trade & Other Receivables	\$ 5,983,528	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>\$ 304,405,023</u>	<u>\$ 218,415,018</u>
<b>FINANCIAL LIABILITIES</b>		
Accounts Payable & Accrued Liab	\$ 26,125,837	\$ 25,854,643
Deferred Revenue	\$ 42,642,822	19,431,229
Long-term Debt	\$ 130,735,713	130,435,996
	<u>\$ 197,727,779</u>	<u>\$ 175,751,868</u>
<b>NET FINANCIAL ASSETS</b>	<b>\$ 106,677,244</b>	<b>\$ 51,723,633</b>
<b>NON FINANCIAL ASSETS</b>		
Inventory for Consumption	\$ 808,517	\$ 720,390
Prepaid Expenses	\$ 446,925	168,127
Tangible Capital Assets	\$ 656,564,923	629,448,583
	<u>\$ 657,820,365</u>	<u>\$ 630,437,100</u>
<b>NET ASSETS</b>	<b>\$ 764,497,609</b>	<b>\$ 682,160,733</b>
<b>MUNICIPAL EQUITY</b>		
<b>ACCUMULATED SURPLUS</b>	<b>\$ 764,497,609</b>	<b>\$ 682,160,733</b>

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

	BALANCE DEC 31/17	TRANSFER TO RESTRICTED FUND	OTHER ADDITIONS	SUB TOTAL ADDITIONS	REDUCTIONS	BALANCE SEPT 30/2018
<b>Fleet Management System</b>	\$ 13,107,431	\$ 64,185	\$ 27,959	\$ 92,144	3,500,000	\$ 9,699,575
<b>Winter Stabilization</b>	2,575,753	12,613	0	12,613	0	2,588,367
<b>Cemetery Perpetual Care</b>	2,776,841	13,598	33,647	47,245	0	2,824,086
<b>Public Housing Commission</b>	590,950	2,894	0	2,894	0	593,844
<b>Fire Dept Equipment Replacemer</b>	1,033,980	5,063	197,250	202,313	0	1,236,293
<b>RCMP Detachment Reserve</b>	298,465	1,462	0	1,462	0	299,927
<b>Facility Renewal Reserve</b>	1,270,368	6,221	3,551,868	3,558,089	4,247,459	580,998
<b>Public Reserve</b>	2,314,663	11,335	0	11,335	400,000	1,925,998
<b>Transportation System Levy</b>	6,280,221	30,753	556,975	587,729	1,140,915	5,727,035
<b>Future Expenditure</b>	9,970,477	48,824	0	48,824	4,934,532	5,084,769
<b>Financial Stabilization</b>	7,206,047	35,287	2,605,000	2,640,287	100,000	9,746,334
<b>Pinnacle Ridge Special Tax</b>	6,190	30	0	30	0	6,220
<b>Public Art</b>	50,213	246	2,500	2,746	9,000	43,959
<b>Neighbourhood Entrance Reserv</b>	0	0	2,500	2,500	0	2,500
	<b>\$ 47,481,599</b>	<b>\$ 232,511</b>	<b>\$ 6,977,699</b>	<b>\$ 7,210,211</b>	<b>\$ 14,331,906</b>	<b>\$ 40,359,905</b>

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

		<u>Actual</u>
Opening Balance:	June 30, 2018	129,338,954
Less:		
Principal portion of debt payments		-2,603,241
Plus:		
Additional debt taken		4,000,000
Ending Balance:	September 30, 2018	<u>130,735,713</u>
Interest paid on Long-Term Debt		<u>1,490,036</u>
July 1, 2018 - September 30, 2018		<u>1,490,036</u>

**Contribution Room**

Legal Debt Limit:	December 31, 2017	262,345,845
Ending Balance:	September 30, 2018	130,735,713
Remaining Debt Limit		<u>131,610,132</u>



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

<b>COUNCIL MEMBER</b>	<b>MANDATORY and City Business EXPENDITURES</b>	<b>DISCRETIONARY EXPENDITURES</b>	<b>TOTAL</b>
GIVEN, BILL	17,070.98	210.00	17,280.98
BLACKBURN, CLYDE	6,122.92	141.50	6,264.42
BRESSEY, DYLAN	11,153.28	3,791.17	14,944.45
CLAYTON, JACKIE	5,392.18	3,589.46	8,981.64
FRIESEN, EUNICE	6,644.44	548.00	7,192.44
MINHAS, YAD	7,678.74	1,601.76	9,280.50
O'TOOLE, KEVIN	13,107.45	2,686.48	15,793.93
PILAT, WADE	3,557.67	2,423.31	5,980.98
THIESSEN, CHRIS	11,371.25	4,088.38	15,459.63
	82,098.91	19,080.06	101,178.97
	82,098.91	19,080.06	101,178.97

**Notes:**

Mandatory column: includes travel, subsistence, accommodations  
and per diems related to City Business

Discretionary column: includes tickets and any other costs related to public  
relations or education/training events