

Strathcona County 2017 First Quarter Management Report

Prepared by Financial Services

Prepared for
Priorities Committee
June 13, 2017

Year-to-Date Operating Variance and the Year-End Forecast of the Annual Operating Surplus for Tax Purposes for Municipal, Utility, Library Operations and Pioneer Housing Foundation (PHF)

1. Year-to-Date Operating Variance

The operating variance at March 31, 2017 is **\$7.3 million** (Q1 2016 \$7.5 million). The operating variance is the difference between the year-to-date actual and budgeted results, and is comprised of timing differences that are expected to reverse during the remainder of the year, and permanent differences that have occurred and will affect the year-end results.

County Operating Segments	2017 Q1 YTD Timing Differences \$M	2017 Q1 YTD Permanent Differences \$M	2017 Q1 YTD Variance \$M	2016 Q1 YTD Variance \$M
Municipal	6.6	0.6	7.2	8.0
Utility	-	-	-	(0.5)
Library	0.1	-	0.1	-
PHF	-	-	-	-
TOTAL	6.7	0.6	7.3	7.5

The year-to-date operating variance includes reserve transactions and debt repayments that are excluded from Public Sector Accounting Standards (PSAS) financial reporting.

2. Year-End Forecast of the Annual Operating Surplus for Tax Purposes (Permanent Differences + Forecasted Items)

County Operating Segments	2017 Q1 Forecast \$M	2016 Q1 Forecast \$M
Municipal	1.7 (0.6%)	2.6 (0.9%)
Utility	-	-
Library	-	-
PHF	-	-
TOTAL	1.7 (0.5%)	2.6 (0.7%)

Please note that the percentages represent the proportion of surplus compared to the respective annual operating budgets. The annual operating surplus for tax purposes includes reserve transactions and debt repayments that are excluded from Public Sector Accounting Standards (PSAS) financial reporting.

The year-end forecast is based on the information available as of March 31, 2017 and is subject to the uncertainty of unknown events or circumstances which may transpire during the remainder of the year.



3. Analysis of the 2017 Year-End Forecast

a. Municipal Operations – \$1.7 million – Contributing Factors (In Order of Significance)

Favourable:

- i. Savings in winter road maintenance;
- ii. Higher investment income; and
- iii. Personnel cost savings due to staff turnover, vacancies, and deferred hiring (net of slippage).

b. Utility Operations – No significant impacts to report.

c. Library Operations – No significant impacts to report.

d. Pioneer Housing Foundation Operations – No significant impacts to report.

2017 Consolidated PSAS Budget

The final 2017 Consolidated PSAS budget, provided in Appendix 1, includes adjustments for the allocation of the 2017 cost of living allowance (COLA) from Fiscal Services to each respective department. Additionally, the capital budget (cash flowed) has been updated to include the 2016 unspent capital funding (2016 capital variance carried forward), and the year-to-date capital budget amendments.

The 2017 Capital Budget (cash flowed), as amended, totals \$163.6 million. This represents the total capital expenditure planned to be incurred during 2017, which is comprised of:

- The 2017 Capital Budget approved of \$65.6 million, approved by Council on November 28, 2016;
- 2017 Council approved capital budget amendments of \$1.1 million;
- Unspent prior years budgeted capital expenditures and amendments of \$202.6 million; and
- Budgeted capital expenditures planned to be incurred after 2017 of (\$105.7) million.



Assessment of the County's Financial Condition – Key Financial Indicators

The following section is prepared based on the Q1 2017 Strathcona County Consolidated Financial Statements (unaudited) provided in Appendix 2. The Consolidated Financial Statements are prepared in accordance with Public Sector Accounting Standards (PSAS).

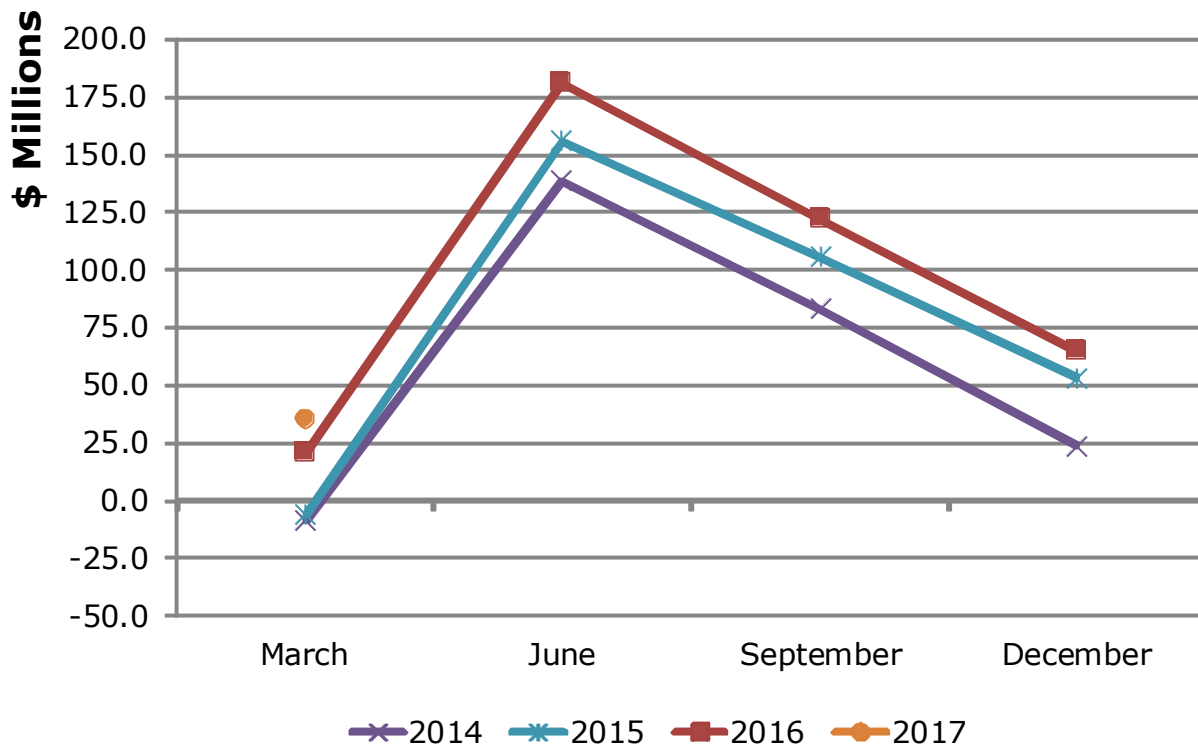
Statement of Financial Position – Highlights

a. Net Financial Assets (Net Debt) Position

As of March 31, 2017, the County's net financial asset position is \$34.9 million compared to a \$64.6 million net financial asset position at December 31, 2016 a decrease of (\$29.7) million. The decrease in net financial assets is expected for the first quarter, as the Q1 operational activity is financed in advance of the recognition of the 2017 property tax revenue.

b. Net Financial Assets Trend Analysis

Net Financial Assets (Net Debt)

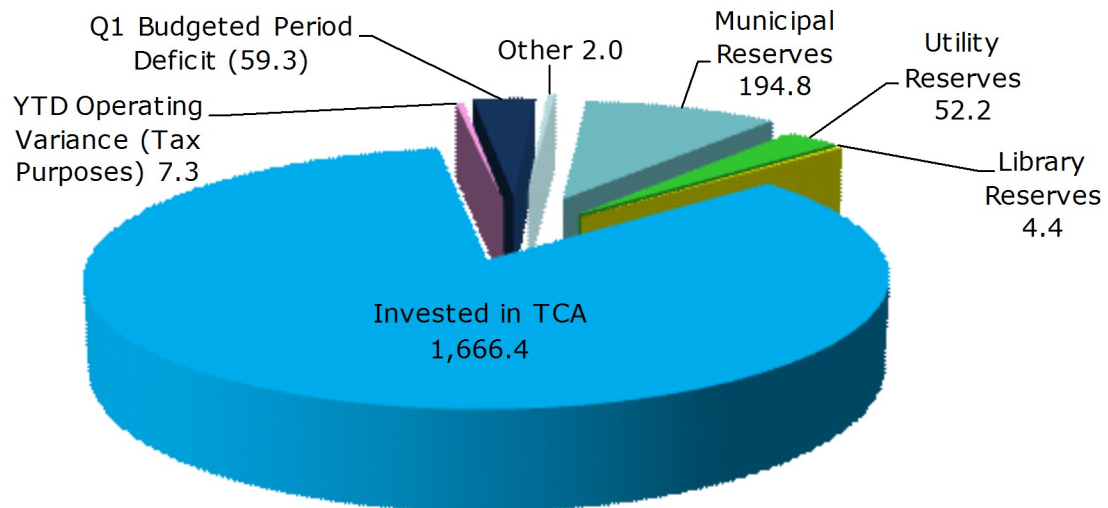


c. Accumulated Surplus

Accumulated surplus totals \$1,867.8 million at March 31, 2017 (\$1,909.7 million at December 31, 2016). The composition of the Q1 2017 accumulated surplus is as follows:

- i. Reserves of \$251.4 million (Q4 2016 - \$232.3 million);
- ii. Investments in tangible capital assets of \$1,666.4 million (Q4 2016 - \$1,676.3 million);
- iii. The March 31, 2016 budgeted period operating deficit of (\$59.3) million (Q4 2016 - \$nil);
- iv. The March 31, 2017 year to date favourable operating variance of \$7.3 million (Q4 2016 - \$nil); and
- v. The unrestricted surplus (deficit) of \$2.0 million (Q4 2016 - \$1.1 million).

Composition of Accumulated Surplus



\$ Millions



Appendix

1. 2017 Consolidated PSAS Budget
2. Consolidated Financial Statements and Supporting Schedules for the Period Ended March 31, 2017 (unaudited)
3. Glossary of Terms



STRATHCONA COUNTY
Consolidated Statement of Operations and Accumulated Surplus
(in thousands of dollars)

Appendix 1

	2017 Budget (Unaudited)	2016 Budget
OPERATING REVENUE		
Property Taxes	\$ 220,530	\$ 219,958
Government Transfers - Operating	6,190	5,202
Utility User Rates	54,184	54,084
User Fees and Charges	40,071	40,270
Penalties and Fines	5,862	5,830
Investment Income	5,691	6,093
Other	8,383	7,904
TOTAL OPERATING REVENUE	340,911	339,341
EXPENSES		
Infrastructure and Planning Services		
Economic Development and Tourism	1,457	1,429
Capital Planning and Construction	4,273	4,456
Planning and Development Services	10,175	11,182
Transportation and Agriculture Services	31,671	31,422
Utilities	57,350	56,995
	104,926	105,484
Community Services		
Emergency Services	34,732	33,967
Family and Community Services	8,393	7,376
Strathcona Transit	19,069	19,310
RCMP and Enforcement Services	24,632	23,315
Recreation, Parks and Culture	43,733	42,708
	130,559	126,676
Corporate Services	37,981	36,931
Chief Financial Officer	7,098	6,642
Senior Administration	6,643	6,576
Elected Officials	1,348	1,303
Fiscal Services	50,092	50,339
Strathcona County Library	10,435	10,074
Pioneer Housing Foundation	974	974
	114,571	112,839
TOTAL EXPENSES	350,056	344,999
SURPLUS (DEFICIT) BEFORE CAPITAL REVENUE	(9,145)	(5,658)
CAPITAL REVENUE		
Contributed Tangible Capital Assets	-	-
Government Transfers - Capital	57,113	41,381
Other Capital Revenues	34,439	58,638
TOTAL CAPITAL REVENUE	91,552	100,019
ANNUAL SURPLUS	82,407	94,361
ACCUMULATED SURPLUS, BEGINNING OF YEAR	1,909,672	1,824,629
ACCUMULATED SURPLUS, END OF YEAR	\$ 1,992,079	\$ 1,918,990

STRATHCONA COUNTY
Consolidated Schedule of Segmented Information
(in thousands of dollars)

Appendix 1

	Municipal Operations	Utility Operations	Library Operations	Pioneer Housing Foundation	Eliminations	2017 Budget (Unaudited)	2016 Budget
OPERATING REVENUE							
Property Taxes	\$ 211,058	\$ -	\$ 9,472	\$ -	\$ -	\$ 220,530	\$ 219,958
Government Transfers - Operating	5,632	7	551	-	-	6,190	5,202
Utility User Rates	-	54,184	-	-	-	54,184	54,084
User Fees and Charges	38,891	1,129	52	-	-	40,071	40,270
Penalties and Fines	5,684	-	178	-	-	5,862	5,830
Investment Income	4,662	916	112	-	-	5,691	6,093
Other	7,870	6	147	1,254	(895)	8,383	7,904
TOTAL OPERATING REVENUE	273,798	56,242	10,512	1,254	(895)	340,911	339,341
EXPENSES							
Salaries, Wages and Benefits	151,643	10,609	6,456	-	-	168,708	164,042
Contracted and General Services	49,704	11,998	344	-	-	62,046	62,610
Supplies, Materials and Utilities	27,010	24,713	1,309	-	-	53,033	54,625
Interest on Long-Term Debt	3,572	2,451	919	895	(895)	6,942	6,869
Grants and Requisitions	1,904	200	-	-	-	2,104	2,050
Amortization	45,929	7,288	1,402	974	-	55,592	53,287
Other Expenses	1,534	91	5	-	-	1,631	1,516
TOTAL EXPENSES	281,297	57,350	10,435	1,869	(895)	350,056	344,999
SURPLUS (DEFICIT) BEFORE CAPITAL REVENUE	(7,499)	(1,109)	77	(615)	-	(9,145)	(5,658)
CAPITAL REVENUE							
Contributed Tangible Capital Assets	-	-	-	-	-	-	-
Government Transfers - Capital	59,124	(2,011)	-	-	-	57,113	41,381
Other Capital Revenue	28,627	5,811	-	-	-	34,439	58,638
TOTAL CAPITAL REVENUE	87,751	3,800	-	-	-	91,552	100,019
ANNUAL SURPLUS (DEFICIT)	80,252	2,691	77	(615)	-	82,407	94,361
Reconciliation to Tax Levy Based Budget:							
<i>Surplus (Deficit) from Above</i>	80,252	2,691	77	(615)	-	82,407	94,361
<i>Eliminate Government Transfers - Capital</i>	(59,124)	2,011	-	-	-	(57,113)	(41,381)
<i>Eliminate Other Capital Revenue</i>	(28,627)	(5,811)	-	-	-	(34,439)	(58,638)
<i>Eliminate Amortization expense</i>	45,929	7,288	1,402	974	-	55,592	53,287
<i>Add Interfund Entries:</i>	-	-	-	-	-	-	-
<i>From Reserve Fund</i>	11,240	1,946	1	-	-	13,186	9,644
<i>To Capital Fund</i>	312	-	(603)	-	-	(291)	(338)
<i>To Reserve Fund</i>	(44,167)	(4,608)	(128)	-	-	(48,902)	(46,732)
<i>Loan Funds Repaid</i>	972	-	-	500	-	1,472	593
<i>Capital Leases Repaid</i>	-	-	-	-	-	-	(109)
<i>Over Borrowed Debt Payments</i>	70	-	-	-	-	70	-
<i>Local Improvement Debt Payments</i>	4	40	-	-	-	44	-
<i>Long-Term Debt Repaid</i>	(6,860)	(3,557)	(749)	(860)	-	(12,026)	(10,687)
Balanced Tax Levy Based Budget	-	-	-	-	-	-	-

STRATHCONA COUNTY

Consolidated Financial Statements

For the Period Ended March 31, 2017 (in thousands of dollars)

(unaudited)

STRATHCONA COUNTY
Consolidated Statement of Financial Position
As at March 31, 2017 (in thousands of dollars)

	March 31, 2017	December 31, 2016
FINANCIAL ASSETS		
Cash and Cash Equivalents	\$ 7,318	\$ 5,718
Accounts Receivable		
Property Taxes	-	4,050
Government Transfers	6,681	9,510
Trade and Other	15,931	16,114
Development Levies and Charges	439	1,617
Investments	268,862	306,498
Investment Interest Receivable	10,882	10,071
	310,113	353,578
LIABILITIES		
Accounts Payable and Accrued Liabilities	12,592	41,047
Deposit Liabilities	15,701	16,082
Deferred Revenue	83,638	65,747
Long-Term Debt	163,277	166,140
	275,208	289,016
NET FINANCIAL ASSETS	34,905	64,562
NON-FINANCIAL ASSETS		
Tangible Capital Assets	1,830,116	1,841,834
Inventories of Materials and Supplies	964	947
Prepaid Expenses	1,822	2,329
	1,832,902	1,845,110
ACCUMULATED SURPLUS	\$ 1,867,807	\$ 1,909,672

STRATHCONA COUNTY
Consolidated Statement of Operations and Accumulated Surplus
For the period ended March 31, 2017 (in thousands of dollars)

	2017 Period Budget	March 31, 2017	March 31, 2016
REVENUE			
Property Taxes	\$ 55,133	\$ -	\$ -
Government Transfers - Operating	1,547	1,270	891
Utility User Rates	13,546	13,386	13,745
User Fees and Charges	10,018	11,809	10,901
Penalties and Fines	1,465	1,752	1,403
Investment Income	1,423	1,546	1,398
Other	2,096	1,916	2,026
TOTAL REVENUES	85,228	31,679	30,364
EXPENSES			
Infrastructure and Planning Services			
Capital Planning and Construction	1,068	942	837
Economic Development and Tourism	364	313	303
Planning and Development Services	2,544	1,963	2,065
Transportation and Agriculture Services	7,918	4,849	4,314
Utilities	14,337	12,184	12,528
	26,231	20,251	20,047
Community Services			
Emergency Services	8,683	8,020	7,569
Family and Community Services	2,098	1,959	1,704
Strathcona Transit	4,767	4,247	4,238
RCMP and Enforcement Services	6,158	6,040	5,557
Recreation, Parks and Culture	10,933	8,607	8,218
	32,639	28,873	27,286
Corporate Services	9,495	8,037	7,645
Chief Financial Officer	1,774	1,603	1,364
Senior Administration	1,661	1,348	1,429
Elected Officials	337	262	260
Fiscal Services	12,523	12,668	12,072
Strathcona County Library	2,609	2,506	2,452
Pioneer Housing Foundation	243	-	245
	28,642	26,424	25,467
TOTAL EXPENSES	87,512	75,548	72,800
SURPLUS BEFORE CAPITAL REVENUE	(2,284)	(43,869)	(42,436)
CAPITAL REVENUE			
Contributed Tangible Capital Assets	-	1,139	2,405
Government Transfers - Capital	14,278	646	5,295
Other Capital Revenues	8,610	219	270
TOTAL CAPITAL REVENUE	22,888	2,004	7,970
PERIOD SURPLUS	20,604	(41,865)	(34,466)
ACCUMULATED SURPLUS, BEGINNING OF PERIOD	1,909,672	1,909,672	1,824,629
ACCUMULATED SURPLUS, END OF PERIOD	\$ 1,930,275	\$ 1,867,807	\$ 1,790,163

STRATHCONA COUNTY
Consolidated Statement of Change in Net Financial Assets (Net Debt)
For the period ended March 31, 2017 (in thousands of dollars)

	2017 Budget	March 31, 2017	December 31, 2016
PERIOD SURPLUS	\$ 20,604	\$ (41,865)	\$ 85,043
Acquisition of Tangible Capital Assets	(40,895)	(720)	(96,906)
Contributed Tangible Capital Assets	-	(1,139)	(32,711)
Amortization of Tangible Capital Assets	13,898	13,550	54,469
Loss on Disposal of Tangible Capital Assets	-	(319)	661
Proceeds from Disposal of Tangible Capital Assets	-	347	244
	<u>(6,393)</u>	<u>(30,147)</u>	<u>10,800</u>
Acquisition of Inventories of Materials and Supplies	-	(408)	(1,359)
Acquisition of Prepaid Expenses	-	(269)	(3,439)
Use of Inventories of Materials and Supplies	-	391	1,387
Use of Prepaid Expenses	-	776	3,848
	<u>-</u>	<u>490</u>	<u>437</u>
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(6,393)	(29,657)	11,237
NET FINANCIAL ASSETS, BEGINNING OF PERIOD	<u>64,562</u>	<u>64,562</u>	<u>53,325</u>
NET FINANCIAL ASSETS, END OF PERIOD	<u>\$ 58,169</u>	<u>\$ 34,905</u>	<u>\$ 64,562</u>

STRATHCONA COUNTY
Consolidated Statement of Cash Flows
For the period ended March 31, 2017 (in thousands of dollars)

	March 31, 2017	December 31, 2016
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Period Surplus	\$ (41,865)	\$ 85,043
Items Not Involving Cash:		
Contributed Tangible Capital Assets	(1,139)	(32,711)
Amortization of Tangible Capital Assets	13,550	54,469
Amortization of Discount on Investments (Gain)	16	65
Loss on Disposal of Tangible Capital Assets	(319)	661
Loss (Gain) on Disposal of Investments	1	(732)
Changes to Non-Cash Assets and Liabilities:		
Property Taxes Receivable	4,050	777
Government Transfers Receivable	2,829	343
Trade and Other Receivables	183	(2,484)
Development Levies and Charges Receivable	1,178	1,199
Land Held for Resale	-	2,632
Accounts Payable and Accrued Liabilities	(28,455)	(3,730)
Deposit Liabilities	(381)	(2,557)
Deferred Revenue	17,891	1,659
Inventories of Materials and Supplies	(17)	28
Prepaid Expenses	507	409
Cash Provided by (Applied to) Operating Activities	(31,971)	105,071
CAPITAL		
Proceeds from Disposal of Tangible Capital Assets	347	244
Acquisition of Tangible Capital Assets	(720)	(96,906)
Cash Applied to Capital Activities	(373)	(96,662)
INVESTING		
Purchase of Investments	(13,044)	(274,454)
Proceeds from Sale/Maturity of Investments	50,664	259,916
Change to Investment Interest Receivable	(811)	(1,854)
Cash (Applied to) Provided by Investing Activities	36,809	(16,392)
FINANCING		
Long-Term Debt Issued	(1)	19,347
Capital Leases Repaid	-	(108)
Long-Term Debt Repaid	(2,862)	(9,752)
Cash Provided by (Applied to) Financing Activities	(2,863)	9,487
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,601	1,504
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	5,718	4,214
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 7,319	\$ 5,718

STRATHCONA COUNTY
Consolidated Schedule of Segmented Information
For the period ended March 31, 2017 (in thousands of dollars)

	Municipal Operations	Utility Operations	Library Operations	Pioneer Housing Foundation	Eliminations	March 31, 2017 (unaudited)	March 31, 2016 (unaudited)	2017 Period Budget (unaudited)
OPERATING REVENUE								
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 55,133
Government Transfers - Operating	1,260	10	-	-	-	1,270	891	1,547
Utility User Rates	-	13,386	-	-	-	13,386	13,745	13,546
User Fees and Charges	11,505	287	16	-	-	11,808	10,901	10,018
Penalties and Fines	1,710	-	42	-	-	1,752	1,403	1,465
Investment Income	1,271	258	17	-	-	1,546	1,399	1,423
Other	1,951	6	17	197	(255)	1,916	2,027	2,096
TOTAL OPERATING REVENUE	17,698	13,946	91	197	(255)	31,678	30,364	85,227
EXPENSES								
Salaries, Wages and Benefits	35,251	2,305	1,430	-	-	38,985	36,431	42,177
Contracted and General Services	8,038	2,020	97	-	-	10,154	10,329	15,512
Supplies, Materials and Utilities	4,589	5,444	374	-	-	10,407	10,006	13,258
Interest on Long-Term Debt	960	616	257	255	(255)	1,833	1,805	1,736
Grants and Requisitions	603	-	-	-	-	603	774	526
Amortization	11,419	1,783	347	-	-	13,550	13,066	13,898
Loss (Gain) on Tangible Capital Assets								
Transfers and Disposals	(319)	-	-	-	-	(319)	(2)	-
Other Expenses	317	16	1	-	-	334	390	408
TOTAL EXPENSES	60,858	12,184	2,506	255	(255)	75,547	72,800	87,514
SURPLUS BEFORE CAPITAL REVENUE	(43,160)	1,763	(2,415)	(58)	-	(43,870)	(42,436)	(2,288)
CAPITAL REVENUE								
Contributed Tangible Capital Assets	1,139	-	-	-	-	1,139	2,405	-
Government Transfers - Capital	607	39	-	-	-	646	5,295	14,278
Other Capital Revenues	192	27	-	-	-	219	270	8,610
TOTAL CAPITAL REVENUE	1,939	66	-	-	-	2,004	7,970	22,888
ANNUAL SURPLUS	(41,221)	1,829	(2,415)	(58)	-	(41,866)	(34,465)	20,602
ACCUMULATED SURPLUS (DEFICIT), BEGINNING OF PERIOD	1,569,757	322,339	9,759	15,242	(7,424)	1,909,672	1,824,629	1,909,672
ACCUMULATED SURPLUS (DEFICIT), END OF PERIOD	\$ 1,528,537	\$ 324,168	\$ 7,345	\$ 15,184	\$ (7,424)	\$ 1,867,806	\$ 1,790,163	\$ 1,930,275

STRATHCONA COUNTY
Consolidated Schedule of Tangible Capital Assets
As at March 31, 2017 (in thousands of dollars)

Cost	Balance at January 1, 2017	Additions	Contributed Additions	Disposals	Balance at March 31, 2017
Land	\$ 491,112	\$ -	\$ -	\$ -	\$ 491,112
Land Improvements	106,236	49	355	-	106,640
Buildings	445,163	773	-	-	445,936
Engineered Structures	1,159,091	2,011	784	-	1,161,886
Machinery and Equipment	71,774	1,078	-	(895)	71,957
Books and Periodicals	5,841	78	-	-	5,918
Vehicles	75,516	52	-	1,488	74,080
Assets under Construction	41,784	(3,320)	-	-	38,465
	\$ 2,396,517	\$ 720	\$ 1,139	\$ (2,383)	\$ 2,395,994

Accumulated Amortization	Balance at January 1, 2017	Disposals	Amortization Expense	Balance at March 31, 2017
Land Improvements	\$ 34,002	\$ -	\$ 1,185	\$ 35,187
Buildings	100,410	-	2,310	102,720
Engineered Structures	346,276	-	7,039	353,315
Machinery and Equipment	37,225	(886)	1,566	37,905
Books and Periodicals	2,717	-	146	2,863
Vehicles	34,053	(1,469)	1,304	33,888
Assets under Construction	-	-	-	-
	\$ 554,683	\$ (2,355)	\$ 13,550	\$ 565,878

Net Book Value	Balance at January 1, 2017	Balance at March 31, 2017
Land	\$ 491,112	\$ 491,112
Land Improvements	72,234	71,452
Buildings	344,753	343,217
Engineered Structures	812,815	808,571
Machinery and Equipment	34,549	34,052
Books and Periodicals	3,124	3,055
Vehicles	41,463	40,192
Assets under Construction	41,784	38,465
	\$ 1,841,834	\$ 1,830,116

GLOSSARY OF TERMS:

- **Annual Operating Surplus for Tax Purposes** – The annual surplus or (deficit) resulting from the modified cash flow basis, which includes debt repayment expenditures and reserve transactions, and excludes amortization expense, gains/losses on asset disposals and capital revenues, unlike the Public Sector Accounting Standards (PSAS) Surplus.
- **Committed** – Funding approved as per FIN-001-024: Municipal Reserves policy to be applied towards specific expenditures.
- **Designated** – Funding designated to reserves for a specific purpose, which has not yet been approved by Council to be applied towards specific expenditures.
- **Forecast Variances** – Future variances to budget that have yet to occur, but are expected to be realized based on current information, and are projected to affect the year-end surplus or (deficit).
- **Permanent Differences** – Variances to budget that have occurred and will affect the year-end surplus or (deficit).
- **PSAS Surplus** – The surplus or (deficit) resulting from financial statements prepared in accordance with PSAS.
- **Timing Differences** – Variances to budget that are expected to reverse during the remainder of the year and not affect the year-end surplus or (deficit).
- **Year-End Forecast** – Permanent Differences plus the Forecast Variances make up the Year-End Forecast surplus or (deficit).
- **Year-To-Date Operating Variance** – The favourable or (unfavourable) difference between budget and actuals at a point in time including any Timing Differences.