

May 8, 2018

To: Members
Finance & Administration Committee

Re: 2017 City of Regina Annual Report and Public Accounts

RECOMMENDATION

That the draft 2017 City of Regina Annual Report as outlined in Appendix A and the draft 2017 Public Accounts as outlined in Appendix B be forwarded to the May 28, 2018 City Council meeting for approval.

CONCLUSION

The draft 2017 City of Regina Annual Report, including the consolidated financial statements and auditor's report, have been drafted for approval by the Finance and Administration Committee. In addition, the 2017 Public Accounts have also been drafted for the Committee's approval.

BACKGROUND

The draft 2017 Annual Report, included in Appendix A, describes the corporation's service efforts and accomplishments from a financial and non-financial perspective. The consolidated financial statements included within the Annual Report have been drafted by Administration according to generally accepted accounting principles as established by the Public Sector Accounting Board and have been audited by MNP LLP.

Appendix B includes the draft 2017 Public Accounts which details major expenditures for the year of 2017 for the City of Regina, Regina Police Services, Regina Exhibition Association Limited, Regina Public Library, Buffalo Pound Water Treatment Corporation, Economic Development Regina Inc., Regina Downtown Business Improvement District and Regina's Warehouse Business Improvement District. Public Accounts provides a summary of City Council remuneration and expenses, grants, employee remuneration or expenses \$50,000 or more.

The documents demonstrate public accountability and comply with *The Cities Act*.

DISCUSSION

2017 Annual Report

The draft 2017 City of Regina Annual Report provides an overview of the financial and non-financial accomplishments of the corporation for the previous year. The Annual Report includes the consolidated financial statements, which include:

TABLE 1: Consolidated Financial Statements

| Name | Purpose | Comments |
|--|--|---|
| Consolidated Statement of Financial Position | Provides a summary of the City's consolidated assets and financial liabilities (the financial resources available to provide future services and the future revenues required to pay for past transactions) | <ul style="list-style-type: none"> • Includes tangible capital assets • Reserves and Reserve Funds are reported as part of "Accumulated Surplus" |
| Consolidated Statement of Operations and Accumulated Surplus | Summarizes revenues, expenses for the year and accumulated surplus at year end. This statement reflects the combined operations of the operating, capital (revenue portion only), reserve and reserve funds for the City of Regina and its consolidated entities and provides the calculation of the City's year-end accumulated surplus | <ul style="list-style-type: none"> • Includes amortization charge – capital spending is not shown as expenditures • Only reflects interest payments on debt (debt principal repayments reflected in balances shown on Statement of Financial Position) • Contributed assets reflected as revenue |
| Consolidated Statement of Change in Net Financial Debt | Summarizes the change in net financial assets (debt) as a result of annual operations, tangible capital asset transactions and changes in other non-financial assets | <ul style="list-style-type: none"> • This is a statement unique to governments which assists readers in understanding whether enough net revenue was generated during the year to cover capital and other non-financial assets |
| Consolidated Statement of Cash Flow | Summarizes the City's cash position and changes during the year by describing the source and uses of cash categorized by operating, capital, investing and financing transactions | |

The consolidated financial statements combine the financial results of the City's divisions with the financial results of all entities that are accountable to and controlled or owned by the City. The entities consolidated in the financial statements are described in the Summary of Significant Accounting Policies accompanying the statements and include:

- Regina Downtown Business Improvement District
- Regina's Warehouse Business Improvement District
- Economic Development Regina Inc.
- Regina Public Library
- Buffalo Pound Water Treatment Corporation
- Regina Exhibition Association Limited

The financial statements present five key indicators about a government's finances:

1. Net financial assets (debt)
2. Accumulated surplus (deficit)
3. Annual surplus (deficit)
4. Annual change in net financial assets (debt)
5. Cash flow

Consolidated Statement of Financial Position and Consolidated Statement of Change in Net Financial Assets

The Consolidated Statement of Financial Position is the municipal equivalent of the private sector's Balance Sheet. Among other details, it reports two of the five key indicators – net financial assets (debt) and accumulated surplus (deficit).

The Consolidated Statement of Financial Position focuses on the City's assets (financial and non-financial) and liabilities. The difference between liabilities and financial assets is the City's net financial debt, which represents the amount that must be financed from future budgets to pay for prior period decisions. Net financial debt results from cumulative expenses exceeding cumulative revenue. The City of Regina's net financial debt position decreased in 2017 by \$42.1 million to a total of \$28.9 million. The net financial debt position is due to the financing of major capital projects, such as the new Mosaic Stadium project and the Wastewater Treatment Plant, to meet the City's present and future demands.

The Consolidated Statement of Changes in Net Financial Debt describes the factors making up the annual change in net financial debt and the difference between the annual surplus and net financial assets (debt). The inclusion of budget figures allows for an assessment of planned versus actual results.

Accumulated Surplus is the amount by which all assets, including tangible capital assets, exceed liabilities. An accumulated surplus indicates a government has net resources (financial and physical) to provide services in future reporting periods. Conversely, an accumulated deficit indicates liabilities are greater than assets and the government has been financing annual operating deficits by borrowing. The City of Regina has an accumulated surplus of \$2.1 billion.

The City of Regina's accumulated surplus grew by \$161.5 million in 2017. This is attributable to an increased investment in tangible capital assets of approximately \$120.5 million as well as a decrease in net financial debt of \$42.1 million.

The City of Regina has a growing accumulated surplus balance which is a positive as this means that the City is investing in assets, for example infrastructure and new facilities that will provide future benefits. At the same time our net financial debt is decreasing which means that we have been able to make these investments without drawing down financial assets.

Focusing on both net financial debt and accumulated surplus helps provide a more complete picture of the corporation's financial position. It helps illustrate the relationships between maintaining sufficient reserve balances, prudently using debt and protecting the corporation's investment in tangible capital assets with asset management plans and sufficient expenditures on asset maintenance.

Consolidated Statement of Operations and Accumulated Surplus

The Consolidated Statement of Operations and Accumulated Surplus is the municipal equivalent of the private sector's Statement of Income and Retained Earnings. It provides a summary of the revenues, expenses, and surplus throughout the reporting period and outlines the changes in accumulated surplus.

It is important to note that a surplus does not indicate that there are "profits" or extra cash to spend. However, judgements about the meaning and significance of a reported annual surplus need to consider the sources and uses of cash and the change in gross/net debt during the reporting period.

While the City shows an annual surplus of \$161.5 million, \$26.1 million was contributed assets which are not cash but tangible capital assets transferred from developers and which the City now maintains from future revenues. Second, there is a cash outflow of \$195.5 million to invest in tangible capital assets which is not included as an expense, however amortization of \$87.9 million is included.

Consolidated Statement of Cash Flows

The Consolidated Statement of Cash Flows describes how activities were financed during the reporting period and the effect of activities on cash balances. As the statements shows, the most significant use and source of cash respectively are the investment in tangible capital assets and sale of long-term investments to finance the tangible capital assets.

The Consolidated Statement of Cash Flows helps inform readers about whether future cash resources are sufficient for sustaining the corporation's activities. However, assessments of "sufficiency" must also consider the corporation's financial policies, capital plan and expected service levels. While the financial statements provide an opportunity to consider these policies and plans, they will also be considered during Council's review of the annual budget.

General Trust Fund

The City of Regina administers two trust funds (Perpetual Care Trust and Williamson Driver Award). Financial results for these funds are presented within the General Trust Fund Financial Statements. The assets, liabilities, revenues and expenses for the trust funds remain consistent with previous years and there are no significant changes to report as at December 31, 2017.

2017 Public Accounts

In compliance with provincial legislation and regulations, Public Accounts discloses financial information for 2017. Where applicable, the entity responsible for the expenditure is noted the document includes entities accountable to and controlled or owned by the City. The Public Accounts is divided into four sections:

TABLE 2: Public Accounts

| Name | Purpose | Comments |
|--|---|---|
| City Council Remuneration and Expenses | Details the total remuneration for the Mayor and Councillors, and details of expenses incurred directly or on behalf of the Mayor and Councillors. | |
| Grants | Provides detail on the grants and subsidies provided by the City of Regina to various organizations and individuals. The report provides a further breakdown of the grant or subsidy of more than \$50,000 into the following categories: <ul style="list-style-type: none"> • Operating and Capital Grants • Tax Abatements and Exemptions • Subsidized Rent • Transit Subsidies | In order to provide the disclosure outlined in <i>The Cities Regulations</i> , the term grants, rather than community investments, has been used in the Public Accounts document. |
| Employee Remuneration | Provides information on employee salaries more than \$50,000 including any retroactive pay relating to prior years paid during 2017. | Regina's Warehouse Business Improvement District did not have any salaries in excess of the threshold amount for reporting. |
| Expenses | Summarizes expenses more than \$50,000 with the information shown for each entity that incurred an expense in relation to a particular company, organization or individual. | |

RECOMMENDATION IMPLICATIONS

Financial Implications

While this report has no direct financial implications, indirectly, Public Sector Accounting Board standards reflected in the financial statements help highlight the importance of incorporating fully the costs of items such as landfill liabilities, cost of replacing capital assets and being able to meet future post-employment obligations by having adequate funding in our reserve.

Environmental Implications

None related to this report.

Policy and/or Strategic Implications

The Annual Report describes the City of Regina's progress toward meeting its strategic objectives. It contributes to meeting the commitment to publicly report our progress as identified in *Design Regina: The Official Community Plan*.

Other Implications

None related to this report.

Accessibility Implications

None related to this report.

COMMUNICATIONS

To comply with Section 157 (1) of *The Cities Act*, copies of the Annual Report and Public Accounts will be sent to the Saskatchewan Minister of Government Relations. Copies will also be provided to individuals upon request and posted on the City of Regina website.

DELEGATED AUTHORITY

In accordance with Section 157 and 158 of *The Cities Act*, the recommendation contained in this report requires City Council approval.

Respectfully submitted,



June Schultz, Director
Finance

Respectfully submitted,



Barry Lacey, Executive Director,
Financial & Corporate Services

Report prepared by:
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