

**APPENDIX A**

# **2021 Mid-Year Financial Report**



## BACKGROUND

The 2021 Mid-Year Financial Report provides a high-level summary of how the City of Regina is performing in relation to its 2021 Operating and Capital Budgets. Financial projections reflect a point in time estimate and can change as new information and additional actions are taken. The report shows that the City is effectively managing its operations within the current economic climate.

The mid-year forecast reflects an estimated General Fund Operating surplus of \$3.3 million (0.7% from budget). The COVID-19 pandemic continues to have a negative financial impact including reduced revenues and cashflows due to the suspension or moderation of service delivery.

Through the Safe Re-Start Program, the Federal government provided \$16.3 million of funds in 2020 to assist with the operating challenges and financial impact of the pandemic. The City drew \$418,000 to cover COVID-19 related costs. The remaining \$15.9 million was transferred to the COVID-19 Recovery Reserve. To keep the mill rate low, the 2021 budget was built utilizing \$12 million of the reserve funds. This draw and other commitments against the reserve leave the COVID-19 Recovery Reserve at a balance of approximately \$1.8 million.

The Mid-Year Financial Report indicates the projected revenue losses due to the pandemic to be within the \$12 million as budgeted. The pandemic has negatively impacted transit revenues (\$5.9 million), recreation fees and charges (\$3.5 million), parking revenues (\$1.8 million) and amusement tax (\$475 thousand) and increased expenditures \$500 thousand.

In addition to the impact of the pandemic on revenues, the City is projecting a reduction in property tax revenues and investment income. 2021 is a revaluation year for property assessments and in reassessment years there are a higher number of assessment appeals. Assessment appeals may result in a reduction to the assessment which in turn lowers the tax revenue. It is currently estimated that there will be a slight reduction to the property tax revenue (0.5 percent). Investment income is also projected to be below budget due to the current low interest rates.

Overall, the projected reduction in revenue is offset mainly by the approved use of COVID-19 Recovery Reserve funds and savings in salaries due to the hiring freeze, a measure initiated in 2020, which continued until the end of the first quarter of 2021. Overall, the Mid-Year 2021 Financial report projects the City will maintain a balanced operating budget.

The Utility Fund Operating surplus is forecast to be almost \$3.5 million (2.3% from budget). The current dry weather conditions are resulting in water consumptions greater than the five-year average used to calculate the budget, resulting in a moderate surplus in revenue. In addition, reduced expenditures, mainly due to vacancy management, have a positive financial impact to the Utility Fund Operating forecast.

The forecast is unaudited and is a projection of the expected results for the City of Regina.

## FINANCIAL FORECAST OVERVIEW

Throughout the year, Administration prepares and closely monitors the progress of achieving the annual budget approved by Council. The information included in this report is the budget and mid-year (June 30) financial forecast.

As the corporation works toward delivering services to the community, a variance between the budgeted and the projected year end revenue and cost is created. The variance, over or under the established budget, is the result of controllable and uncontrollable factors. These factors include, but are not limited to:

- Changes to revenue or expenditures during the year that were not anticipated at the time of developing the budget;
- Staff vacancies;
- Price differences in supplies; and
- Impact of weather conditions on capital construction.

### General Fund Operating Forecast Overview

The General Fund Operating surplus is forecast to be \$3.3 million. The surplus is the net result of \$3.9 million reduction in revenues offset by under expenditures of \$7.2 million.

As shown below, revenues are forecast to be below budget largely due to property tax assessment appeals and a reduction in investment revenues as interest rates remain low.

**Table 1: General Fund Operating Financial Forecast (in \$ thousands)**

Financial Performance Measures					
June 30, 2020					
General Fund Forecast	Revenue	Expense	Surplus (Deficit)	% of Budget	
	\$ 477,022	\$ 473,739	3,283	0.7%	

### Operating Revenue

**Table 2: General Fund Operating Revenue Forecast (in \$ thousands)**

Financial Performance Measures					
June 30, 2020					
General Fund Revenue	Budget	Forecast	Variance	% of Budget	
	\$ 480,940	\$ 477,022	\$ ( 3,918)	(0.8)%	

The majority of the City services are financed by General Fund Operating Revenue. About half of the General Operating Revenue comes from property taxes, and the City also charges user

fees, secures grants from other levels of government, and collects revenues from a variety of smaller sources.

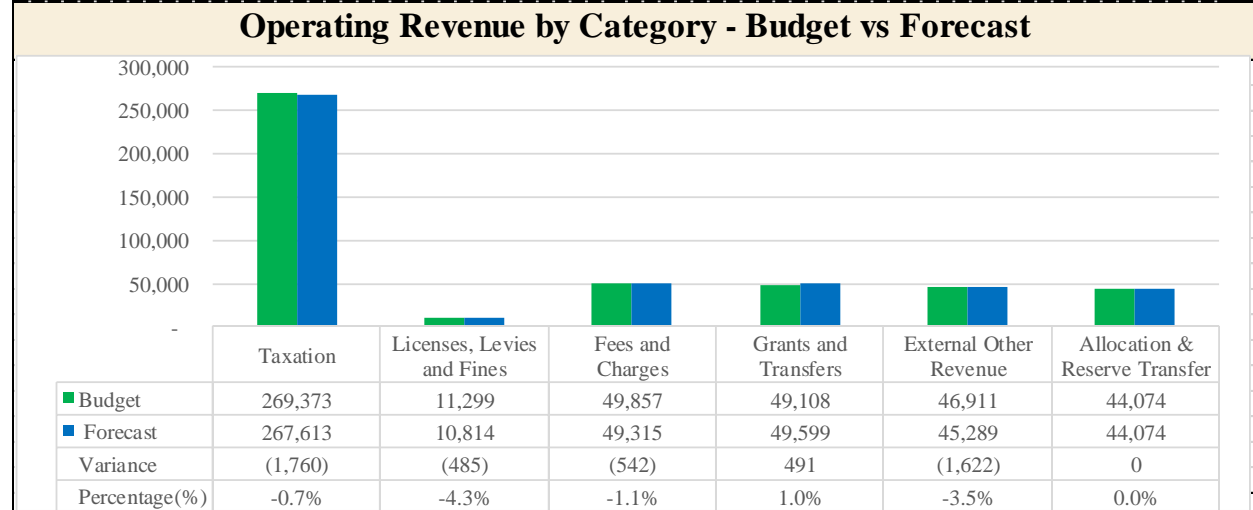
Revenues are currently tracking to be slightly below the approved budget by \$3.9 million (0.8%). Projected revenue reductions reflect provisions for potential property tax appeals and reduced investment revenue due to interest rates remaining low.

Property tax revenue is projecting a reduction as a result of assessment appeals stemming from the revaluation of property assessments. The current estimate is providing for a reduction to the property tax revenue of approximately \$1.3 million, or 0.5 percent from budget. As the appeal decisions are known, the projection will be updated.

Investment income is approximately \$2.2 million below budget due to the current low interest rates.

Graph 1 below presents the civic operations revenue by category or source.

**Graph 1: General Operating Revenue (in \$ thousands)**



**Taxation Revenues** – Includes property taxes, Grant In Lieu, and school/library board service charges. The variance is mainly a provision for assessment appeals.

**Licenses, Levies and Fines** – Includes revenues such as: Business, Taxi, Animal Licences; Fire and Bylaw Violation Fines; Traffic Violations; Parking Tickets; Back Alley Levies and Amusement Tax. The variance is mostly due to reduced revenues in Traffic Violations and Parking Tickets.

**Fees and Charges** – Includes Transit Fees, Recreation Fees, and Parking Revenue, which continue to be impacted by the pandemic.

**Grants and Transfers** – Includes Federal and Provincial grants and transfers. The Provincial Paratransit Grant is greater than budgeted.

**External Other Revenue** – Includes Penalties on Property Taxes, Investment Interest Income, and Electrical/Natural Gas Provincial Shared Revenues. The variance is mostly due to lower than budgeted Investment Interest Income due to current low interest rates.

**Allocation & Reserve Transfer** – Includes the reserve funds used in the current fiscal year.

## Operating Expense

**Table 3: General Fund Operating Expense Forecast (in \$ thousands)**

Financial Performance Measures					
June 30, 2020					
General Fund Expense	Budget	Forecast	Variance	% of Budget	
	\$ 480,940	\$ 473,739	\$ 7,201	1.5%	

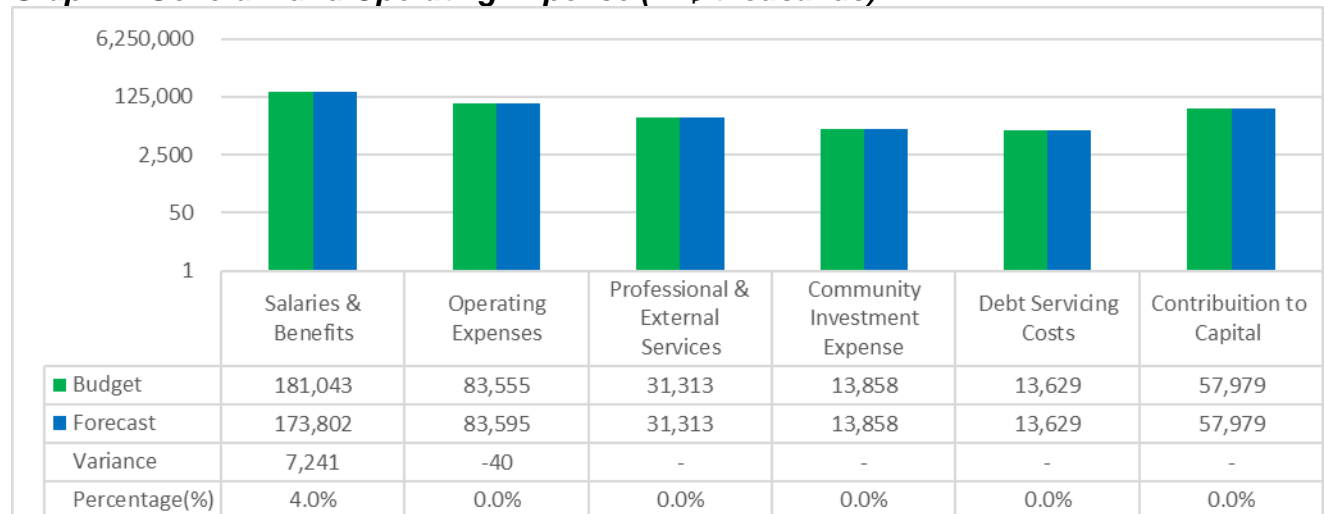
General Fund Operating Expenses support most of the services provided by the City. Expenses are driven by controllable and uncontrollable factors. Some costs are driven by environmental factors such as the weather and their impact on the services, such as Winter Road Maintenance and are managed by the City by establishing reserves specifically for the purpose of supporting unanticipated costs in any given year.

The current projection reflects operating expenses to be under budget by \$7.2 million (1.5%).

The under expenditure is reflective of the savings in salaries due to the hiring freeze, a measure initiated in 2020, which continued until the end of the first quarter of 2021.

Graph 2 below presents the civic operations expenditures by category.

**Graph 2: General Fund Operating Expense (in \$ thousands)**



**Salaries & Benefits** – Includes Salaries and Benefits, Professional Dues, Training and Development, and Travel. In 2020 measures were taken to offset the projected negative financial impacts of the COVID-19 pandemic, including a hiring freeze and reductions in conferences, training and related travel expenditures. The hiring freeze continued until the end of Q1 of 2021. At mid-year, projected savings are \$7.2 million.

**Operating Expenses** – Includes expenses such as Software Maintenance and Telephone Charges, Insurance Costs, Printing and Office Supplies, Materials Goods and Supplies, Utilities, Fleet, Fuel, Facility Trades and Bad Debt Expense. The variance is due to a projected increase in Software Costs and Bad Debt Expense offset by Fuel Cost savings in Transit.

**Professional & External Services** – Includes Consulting, Contracting and Other Purchased Services.

**Community Investment Expense** – Community investments are used to fund and partner with community non-profit organizations to deliver programs, projects and services that align with the City of Regina's priorities, have a clear community impact and respond to community needs.

**Debt Servicing Costs** – Includes Debenture Debt Principal and Interest payments.

**Contribution to Capital** – Represents the current year contributions to the Capital Program.

## Utility Fund Operating Forecast Overview

The Utility Fund Operating Surplus is forecast to be almost \$3.5 million (2.3% above budget). As described below, revenues are projected to be higher than budget while expenses are forecast lower than budget.

**Table 4: Utility Operating Financial Forecast (in \$ thousands)**

Financial Performance Measures August 3rd, 2021				
Utility Fund Forecast	Revenue	Expense	Surplus (Deficit)	% of Budget
	\$ 150,444	\$ 146,979	\$ 3,465	2.3%

### Utility Revenue

**Table 5: Utility Operating Revenue Forecast (in \$ thousands)**

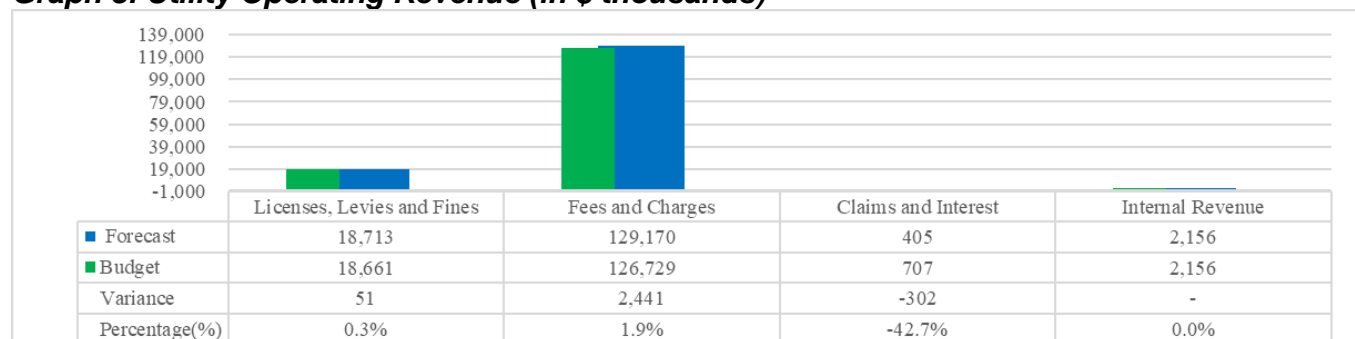
Financial Performance Measures August 3rd, 2021				
Utility Fund Revenue	Budget	Forecast	Variance	% of Budget
	\$ 148,253	\$ 150,444	\$ 2,191	1.5%

The Water and Sewer Utility provides water, wastewater, and drainage services primarily to customers in Regina. It is operated on a full cost-recovery, user-pay basis. Revenues collected from customers account for most of the revenue (88%) with the remainder of the revenue being derived from licenses and levies.

Utility Revenues are mainly the result of fees and charges paid by customers through a daily base rate and through a volume (usage) charge. Revenues are influenced by environmental factors and customers can reduce their costs by conserving water which will reduce revenues. The mid-year forecast shows that revenues are currently projected to be \$2.2 million (1.5%) greater than budgeted due to the dry summer conditions resulting in higher water consumptions.

Graph 3 presents the Utility Operating Revenue by category.

**Graph 3: Utility Operating Revenue (in \$ thousands)**



**Licences, Levies and Fines** – Includes Drainage Levy and Non-Sufficient Fund Charges.

**Fees and Charges** – Includes Water and Sewer Charges and Turn On/Off Administrative Charges. Mid-year forecast projects revenue to be \$2.4 million over budget due to increased water consumption with the dry summer conditions.

**Claims and Interest** – Includes Claims and Late Payment Interest Penalties. The mid-year forecast is projecting a reduction in claims revenue in 2021.

**Internal Revenue** – Includes allocated water charges for City properties.

## Utility Expense

**Table 6: Utility Operating Expense (in \$ thousands)**

Financial Performance Measures				
June 30, 2020				
Utility Fund Expense	Budget	Forecast	Variance	% of Budget
	\$ 148,253	\$ 146,979	\$ 1,274	0.9%

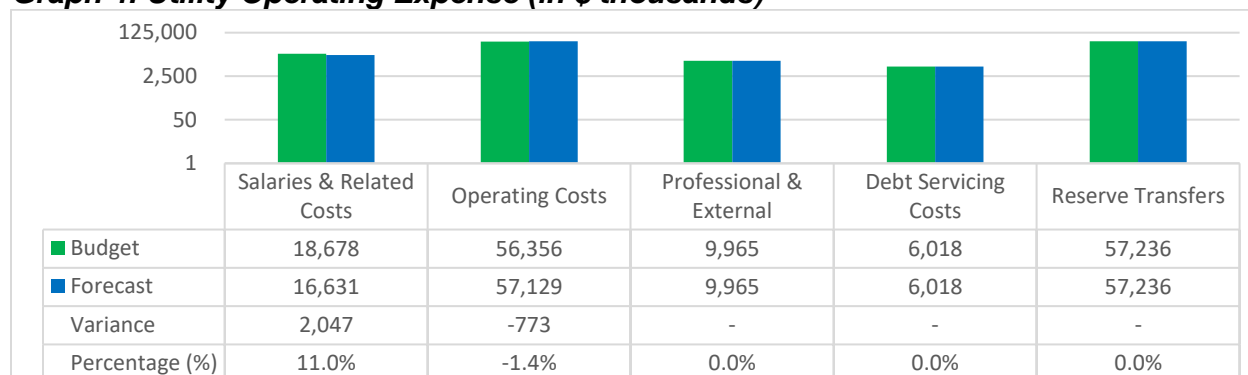
Utility Fund Operating Expenses support the costs of delivering services in four main service areas:

- **Water Supply and Distribution:** The system provides water for residential, institutional, commercial, and industrial customers, as well as for fire protection.
- **Wastewater Collection and Treatment:** The wastewater system collects wastewater from all residential, institutional, commercial, and industrial customers in the City and treats wastewater in accordance with the Provincial and Federal governments' environmental regulations and industrial standards.
- **Storm Water Collection and Flood Protection:** The drainage system controls water runoff from rainfall and melting snow in and around the City.
- **Customer Service:** Customer service has two elements – Utility Billing (producing and collecting on utility billings) and Communications (being responsive to customer inquiries and needs).

Many factors influence the costs of delivering the utility services. The mid-year expenditure forecast currently reflects to be under budget mainly due to salary lag and vacancy management.

Graph 4 details the budget and forecast expenses by expense category.

**Graph 4: Utility Operating Expense (in \$ thousands)**



**Salaries & Related Costs** – Includes Salaries and Benefits, Professional Dues, Training and Development, and Travel. In 2020 measures were taken to offset the projected negative financial impacts of the COVID-19 pandemic, including a hiring freeze and reductions in conferences, training, and related travel expenditures. The hiring freeze continued until the end of Q1 of 2021. At mid-year, projected savings are \$2 million.

**Operating Costs** – Includes expenses such as Software Maintenance and Telephone Charges, Insurance costs, Printing and Office Supplies, Materials Goods and Supplies, Utilities, Fleet, Fuel and Buffalo Pound Water Treatment Corporation (BPWTC) costs. The variance is due to a projected increase in BPWTC costs due to increased water consumption, Water Meter parts, and projected increase in uncollectible charges.

**Professional & External** – Includes consulting, contracting and Bad Debt.

**Debt Servicing Costs** – Includes Debenture Debt Principal and Interest payments.

**Reserve Transfers** – Represents the current year transfer to the Utility Reserve.

## CAPITAL OVERVIEW

The City's capital budget is a five-year program comprising of an approved capital plan for the current year and has a planned program for the following four years. The City has facilitated a multi-year approach, this entails some projects are designed to be completed over several years, allowing for a more accurate assessment on cash flow surpluses and shortages. After each year, the funds that are not expended, but allocated to a project, will carry forward to the next year and allow large scale capital projects to have the necessary funding to be completed.

The City's 2021 Capital Budget was \$186.2 million, between General and Utility funds. The City started the year with a capital carry forward of \$266.5 million between both funds. The City received additional funding of \$30.9 million, from Municipal Economic Enhancement Program (MEEP) funding in July 2020. A portion of the MEEP funding was spent in 2020, leaving \$30.4 million available to be spent in the current year. These three items provide a total of \$483.1 million in capital funding available between the General and Utility funds.

The City's forecast capital expenditure for 2021 is \$243.2 million as of mid-year. This represents an 80% increase in expenditure compared to \$135.1 million in 2020. A large portion of this is due to capital projects postponed due to COVID-19 along with the additional MEEP funding. The planned expenditure would leave the City with an expected carry forward to 2022 of approximately \$239.9 million.



While the City continues to manage and advance planned capital projects, the pandemic has continued to cause supply chain issues for some projects with the availability of materials.

The City's capital funding and expenditure for the remainder of the year are summarized in the Table 7 below.

**Table 7: Capital Expenditure Summary (\$000's)**

Fund	Opening CFWD	2021 Budget	MEEP	Total Funding Available	Forecasted Expenditures	Forecasted Carry FWD
General	149,544	128,425	30,439	308,408	185,795	122,613
Utility	116,920	57,775	-	174,695	57,405	117,290
<b>Total</b>	<b>266,464</b>	<b>186,200</b>	<b>30,439</b>	<b>483,103</b>	<b>243,200</b>	<b>239,903</b>

#### Definitions

- **2021 Budget:** excludes Regina Police Service (RPS) capital.
- **Total Funding Available:** combination of prior year's budget carry-forward and approved current year capital budget.
- **Carry Forward (CFWD):** project budget that will not be spent in current year but will be used to offset future project cost. This may be planned or unplanned.
- **MEEP:** Municipal Economic Enhancement Program.

## General Capital

The total available capital funding for the General Fund is \$308.4 million, including MEEP funding. The expected expenditure for the year is \$185.8 million, resulting in an expected \$122.6 million carry forward to 2022.

Table 8 below illustrates the top projects within 2021 with the largest funding.

**Table 8: 2021 Top General Capital Fund Expenditures (000's)**

Capital Project	Opening CFWD	2021 Budget	Total Funding Available	Forecast Expenditures	Carry Forward	Actual Expenditures (Q2)
Winnipeg Street Bridge	11,922	15,043	26,965	2,750	24,215	376
Residential Road Renewal Program	7,367	17,669	25,036	24,600	436	190
South East Land Development	17,510	7,000	24,510	15,590	8,920	2,750
RPS Facilities Renewal Project	18,139	3,500	21,639	8,000	13,639	1,526
Civic Fleet Replacement	8,721	8,948	17,669	13,617	4,052	3,894
Railyard Renewal Project (RRI)	11,741	4,400	16,141	343	15,798	19
Maple Leaf & Wascana Pool Redevelopment	8,940	3,909	12,849	9,400	3,449	580
Dewdney Ave. Twinning	6,197	-	6,197	1,000	5,197	322
<b>Totals</b>	<b>90,537</b>	<b>60,469</b>	<b>151,006</b>	<b>75,300</b>	<b>75,706</b>	<b>9,657</b>

## Municipal Economic Enhancement Program (MEEP)

The City received \$30.9 million of funding under the Municipal Economic Enhancement Program (MEEP) in July 2020, as outlined in CR20-57. Approximately \$478,000 of that funding was spent in 2020, leaving \$30.4 million for the opening balance at the beginning of the 2021 year. Funding received under MEEP is required to be spent by March 31, 2022. Table 9 below illustrates the MEEP funding allocations to each capital project, actual expenditures, and forecasted expenditures to March 31, 2022. Two projects are not projected to be fully expended by March 31, 2022: Wascana Pool Renewal and Municipal Justice Building (MJB) Redevelopment. Both projects are expected to have the majority of the funds spent by the March 31, 2022 date, however; a delay in the required approvals for the Wascana Pool and the complexities of the MJB renovations on the 1930 building as well as associated heritage implications and integration of the new addition have extended the timelines to complete the required work. Conversations with the provincial government about extension for these projects are ongoing.

**Table 9: 2021 MEEP Expenditure Report (000's)**

Capital Project	Opening CFWD	Actual Expenditures (Q2)	Forecasted Expenditures (Mar 31, 2022)
<i>Wascana Pool Renewal</i>	12,000	580	10,000
<i>Municipal Justice Building Redevelopment</i>	7,500	272	6,350
<i>Residential Road Renewal Program</i>	6,400	190	6,210
<i>Roof Replacement</i>	1,500	391	1,109
<i>Expand Bike Lanes and Pathways (Albert Street)</i>	900	7	893
<i>Energy Monitoring and Optimization Infrastructure</i>	717	-	717
<i>Outdoor Rink</i>	700	-	700
<i>Permanent Pavement Markings</i>	246	117	129
<i>Pedestrian Connectivity (Pasqua Street)</i>	476	20	456
<b>Grand Total</b>	<b>30,439</b>	<b>1,577</b>	<b>26,564</b>

## Utility Capital

The total available capital funding for the Utility Fund is \$174.7 million and the expected expenditure for the year is \$57.4 million, this results in an expected \$117.3 million carry forward to 2022. Due to the significant impact of the pandemic on the ability to complete Utility capital projects, the 2021 forecast represents a 52 percent increase in expenditures from the previous year actual expenditures of \$37.6 million.

Table 10 below illustrates the top utility projects within 2021 with the largest funding and carry forward balances. These projects account for 83 percent of the utility budget.

**Table 10: 2021 Top Utility Project Expenditures (000's)**

Utility Project	Opening CFWD	2021 Budget	Total Funding Available	Forecast Expenditures	Carry Forward	Actual Expenditures (Q2)
<i>Water Infrastructure Renewal</i>	16,326	10,985	27,311	20,352	6,959	3,291
<i>Wastewater Collection Renewal</i>	10,671	10,950	21,621	15,140	6,481	3,894
<i>AMR System Equipment</i>	6,869	10,100	16,969	500	16,469	198
<i>Highland Park / City View (Area 13A)</i>	14,840	-	14,840	1,500	13,340	174
<i>Area 1 &amp; 17 Upgrades</i>	12,570	-	12,570	5,500	7,070	1,024
<i>Water Pumping Station</i>	9,748	885	10,633	816	9,817	616
<b>Totals</b>	<b>71,024</b>	<b>32,920</b>	<b>103,944</b>	<b>43,808</b>	<b>60,136</b>	<b>9,197</b>

## CONCLUSION

The City of Regina is committed to accountability, transparency and following best practice in its financial reporting. The Mid-Year Financial Report provides a high-level summary on how the City is performing financially in relation to its 2021 Operating and Capital budgets. Financial projection presented in the 2021 Mid-Year Financial Report shows that the City is effectively managing its operations within the current challenging economic climate.

The mid-year forecast is an unaudited point in time projection of the year end results. There are a number of variables, such as continued pandemic impacts or unfavorable weather conditions, that are unknown at the time of the establishment of the mid-year forecast that could influence the year end results. Administration has used the best information available to predict the outcomes to the end of the year. Administration will continue to monitor the financial situation and balance fiscal stewardship with providing the services that the citizens of Regina need.