

## 2019 City of Regina Annual Report and Public Accounts

<b>Date</b>	June 10, 2020
<b>To</b>	Finance and Administration Committee
<b>From</b>	Financial Strategy & Sustainability
<b>Service Area</b>	Financial Services
<b>Item No.</b>	FA20-8

### RECOMMENDATION

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The Finance and Administration Committee recommends that City Council:

Approve the draft 2019 City of Regina Annual Report as outlined in Appendix A and the draft 2019 Public Accounts as outlined in Appendix B at its June 24, 2020 meeting.

### ISSUE

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The draft 2019 Annual Report, included in Appendix A, describes the corporation's service efforts and accomplishments from a financial and non-financial perspective. As well we have attached a summary of the Annual Report in Appendix B. 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 C includes the draft 2019 Public Accounts which details major expenditures for the year of 2019 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 and expenses of \$50,000 or more.

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

## IMPACTS

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### **Financial Impact**

This report has no direct budget or financial implications. The annual financial statements provide the financial position and changes in the City's financial position compared to the previous year.

### **Policy/Strategic Impact**

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 OPTIONS

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This report provides financial and non-financial historical information for the year ended December 31, 2019.

## COMMUNICATIONS

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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.

## DISCUSSION

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### **2019 Annual Report**

The draft 2019 City of Regina Annual Report in Appendix A provides an overview of the financial and non-financial accomplishments of the corporation for the previous year. Appendix B provides a two-page highlight document of the Annual Report.

#### *Non-Financial Accomplishments*

This year's report continues the practice of reporting on actions and decisions taken in 2019 in accordance with the Official Community Plan (OCP), fulfilling Council's commitment in Section E of the OCP to report on progress related to the plan's implementation. The report also includes updates on the City's performance related to targets established within the OCP. These can also be found at [Regina.ca/ocp](http://Regina.ca/ocp).

The report also includes information on the City's progress in implementing its strategic plan. In 2019, the City launched its second strategic plan since the approval of the OCP. The City considers its strategic plans as a key mechanism to incrementally deliver on the OCP. The current strategic plan, *Making Choices Today to Secure Tomorrow*, is primarily focused on putting the foundations in place through organizational structure, operating policies and procedures so that the long-term vision of the OCP can be achieved.

The City of Regina has, for four years, participated in the Municipal Benchmarking Network Canada (MBN Canada). Full details of the City's performance are available at [mbncanada.ca](http://mbncanada.ca). Data highlighted in the report shows that Regina has among the lowest operating costs per capita among MBN Canada participating cities.

#### *Financial Accomplishments*

The Annual Report includes the consolidated financial statements, which include:

**TABLE 1: Consolidated Financial Statements**

<b>Name</b>	<b>Purpose</b>	<b>Comments</b>
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"> <li>Includes tangible capital assets</li> <li>Reserves and reserve funds are reported as part of "Accumulated Surplus"</li> </ul>
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"> <li>Includes amortization charge – capital spending is not shown as expenditures</li> <li>Only reflects interest payments on debt (debt principal repayments reflected in balances shown on Statement of Financial Position)</li> <li>Contributed assets reflected as revenue</li> </ul>
Consolidated Statement of Change in Net Financial Assets	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"> <li>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</li> </ul>
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 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 assets, which represents available financial assets to support future services. Net financial assets results from cumulative revenue exceeding cumulative expenses. The City of Regina's 2019 net financial asset position is \$34.9 million.

The Consolidated Statement of Changes in Net Financial Assets describes the factors making up the annual change in net financial assets 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 \$2.4 billion.

The City of Regina's accumulated surplus grew by \$102.1 million in 2019. This is attributable to an increased investment in tangible capital assets of approximately \$90.2 million as well as an increase in net financial assets of \$10.3 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, net financial assets are increasing which means that the City has been able to make these investments without drawing down financial assets.

Focusing on both net financial assets 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 \$102.1 million, \$35.4 million was contributed assets which are not cash, but rather tangible capital assets transferred from developers, and which the City now maintains from future revenues. Second, there is a cash outflow of \$157.5 million to invest in tangible capital assets, which is not included as an expense, however, amortization of \$101.1 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 purchase of short-term investments.

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 are also 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, 2019.

## **2019 Public Accounts**

In compliance with provincial legislation and regulations, Public Accounts discloses financial information for 2019. 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**

<b>Name</b>	<b>Purpose</b>	<b>Comments</b>
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"> <li>• Operating and Capital Grants</li> <li>• Tax Abatements and Exemptions</li> <li>• Subsidized Rent</li> <li>• Transit Subsidies</li> </ul>	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 of more than \$50,000 including any retroactive pay relating to prior years paid during 2019.	Regina's Warehouse Business Improvement District did not have any salaries in excess of the threshold amount for reporting.
Expenses	Summarizes expenses of more than \$50,000 with the information shown for each entity that incurred an expense in relation to a particular company, organization or individual.	

## DECISION HISTORY

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

Respectfully Submitted,

Respectfully Submitted,

  
June Schultz, Director

4/22/2020

  
Barry Lacey, Exec. Director, Financial Strategy & Sustainability

5/1/2020

Prepared by: Breanne Howden, Sr. Financial Reporting & Policy Advisor

## ATTACHMENTS

Appendix A 2019 Annual Report

Appendix B 2019 Highlights

Appendix C 2019 Public Accounts-c