

May 10, 2016

To: Members,
Finance and Administration Committee

Re: City of Regina Unconsolidated Unaudited Year-End 2015 Financial Report

RECOMMENDATION

That this report be forwarded to the May 30, 2016 meeting of City Council for informational purposes.

CONCLUSION

The City of Regina's 2015 unconsolidated unaudited General Operations surplus is an estimated \$5.1 million. While the surplus is the result of many factors experienced over the course of the year, it is mainly due to increased interest revenue, gain on the sale of bonds and lower taxation assessment appeals risk being realized.

The City of Regina's 2015 unconsolidated unaudited Utility Operations surplus is an estimated \$7.1 million. The surplus is mainly due to an unanticipated increase in water sales through the fall. It is important to note that the Utility surplus, or deficit, in any one year is factored into the 25 year utility financial model.

Year-end surpluses represents one-time funding and is transferred to the appropriate reserves.

BACKGROUND

The 2015 annual business plan and budget approved by Council anticipated a level of funding required to provide the level of services established in the plan. As the corporation worked toward delivering services to the community, a variance between the budgeted cost and the actual year-end costs emerged. The variance (over or under the established budget), is the result of controllable or uncontrollable factors. These factors include, but are not limited to:

- new funding or revenues received during the year that were not anticipated at the time of developing the budget;
- changes to the level of services provided;
- staff vacancies;
- price differences in supplies;
- timing of new initiatives implementation or in capital construction.

The year-end surplus represents one-time funding and is transferred to the appropriate reserves. The transfer to reserves is the strategy employed by the city to finance reserves and support unexpected/emergency spending requirements and to minimize the use of debt to finance capital projects or acquisitions.

The purpose of the report is provide Council information on the 2015 unaudited year-end results for the City. At the time of preparing this report the audit process was still in progress. Final amounts will be reported in the audited consolidated financial statements.

DISCUSSION

Operations

General Operations:

The 2015 approved civic budget included a property tax increase of 2.9% plus an additional 1% dedicated to renewing residential roadways. The unaudited information for unconsolidated General Operations results in a surplus of \$5.2 million, including reserve transfers.

General Operations Reported in \$000's

	Annual Budget	Actuals	Annual Variance
Total Operating Revenue	359,070	380,633	21,563
Total Operating Expenditures	359,070	375,452	-16,382
Net Operating Surplus(Deficit)	0	5,181	5,181

Both revenues and expenses are monitored closely throughout the year. The revenue surplus of \$21.6 million is mainly due to gains received on the sale of bonds and interest earned on bonds held by the City of Regina. The higher than anticipated revenues were offset by increased expenses through one-time funding of projects and transfers to the General Fund Reserve to support future capital expenditures.

Utility Operations:

The unaudited unconsolidated general utility surplus is \$7.1 million and will be transferred to General Utility Reserve. The approved 2015 Utility budget included an 8% rate increase for the Water and Sewer Utility.

Utility Operations Reported in \$000's

	Annual Budget	Actuals	Annual Variance
Total Operating Revenue	116,452	120,763	4,311
Total Operating Expenditures	64,806	61,982	2,824
Net Operating Surplus(Deficit)	51,646	58,781	7,135

While the Utility budget revenues and expenses are based on a five year average to smooth the effect of seasonal temperature and rainfall, the surplus is due to a number of factors. The principle cause of the excess revenues is Sewer Service Charges that were expected to be eliminated in 2015 and therefore the budget was reduced. Expenses are slightly under budget due to vacancies and related minor cost reductions. The lower than anticipated expenses did not impact the provision of services or service levels.

Capital

General Capital:

The City of Regina's 2015-2019 approved five year general capital plan provided \$439.3 million of available capital funding in 2015, including carry forward funding from previous years. Subsequent approvals by City Council during the fiscal year increased the total funding available to \$459.9 million. As of December 31, 2015 capital expenditures for the fiscal year were \$225.3

million. The variance between the approved funding and expenditures represents the amount of capital funding that will be carried forward and spent in future periods. The majority of this carry forward relates to the stadium project.

General Capital Reported in \$000's			
	Approved 2015 Capital	2015 Expenditures	Variance
Program	83,270	57,473	25,797
Project	376,604	167,829	208,775
Total	459,874	225,302	234,572

Significant projects underway in 2015 include the following eight projects which account for 79% of actual expenditures:

	<u>Millions (\$)</u>
RRI - Stadium	118.9
Street Infrastructure Renewal	26.3
Civic Fleet Replacement	9.8
Victoria Avenue East Pilot Butte Creek Bridge	6.3
Landfill Expansion	4.8
Transit Fleet Replacement	4.2
Residential Renewal	4.1
Douglas Park/Leibel Field Support Facility	3.5
Total	<u>\$177.9</u>

Utility Capital:

Total funding available in 2015 for Utility capital was \$129.7 million, including planned carry forward of \$58.2 million. Year-end capital expenditures are \$42.1 million. The unspent capital funding will be carried forward to 2016 to continue the planned capital expenditures.

Utility Capital Reported in \$000's			
	Approved 2015 Capital	2015 Expenditures	Variance
Program	28,539	17,884	10,655
Project	101,140	24,256	76,884
Total	129,679	42,140	87,539

Significant projects in 2015 include the following seven projects that account for 66% of forecasted expenditures:

	<u>Millions (\$)</u>
WWTP-Hauler Dump Station Development	5.7
Drainage System Upgrading - South Regina	5.2
Buffalo Pound Water Treatment Plant Upgrade	4.3
Water Infrastructure Renewal	4.1
Wastewater Collection Renewal - Integrated Works	3.9
Storm Sewer Renewal - Catch up Program	2.7
Water Services Connection Replacement	<u>1.9</u>
Total	<u><u>\$27.8</u></u>

RECOMMENDATION IMPLICATIONS

Financial Implications

The unaudited surplus from the unconsolidated general and utility operations represents one-time funding and is transferred to the appropriate reserve to support unexpected/emergency future spending requirements. The surplus amounts presented in this report will be included in the 2015 Annual Report and consolidated financial statements. The consolidated report combines the financial status of the city divisions with the financial results of the agencies that are accountable to and controlled or owned by the city. These include:

- Regina Downtown Business Improvement District
- Regina Warehouse District
- Economic Development Regina (formerly Reginal Regional Opportunities Commission)
- Regina Public Library
- Buffalo Pound Water Administration Board
- Regina Exhibition Association Limited

Environmental Implications

None related to this report.

Policy and/or Strategic Implications

This report supports the City of Regina's commitment to accountability and transparency to the citizens of Regina.

Other Implications

None related to this report.

Accessibility Implications

None related to this report.

COMMUNICATIONS

None related to this report.

DELEGATED AUTHORITY

There is no delegated authority associated with this report as it is for informational purposes only.

Respectfully submitted,



June Schultz, Director
Finance

Respectfully submitted,



Ed Archer
Chief Financial Officer

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