

September 24, 2018

To: His Worship the Mayor
And Members of City Council

Re: Finance and Administration Committee: 2018 Mid-Year Financial Report

RECOMMENDATION

**RECOMMENDATION OF THE FINANCE AND ADMINISTRATION COMMITTEE
- SEPTEMBER 4, 2018**

That this report be received and filed.

FINANCE AND ADMINISTRATION COMMITTEE – SEPTEMBER 4, 2018

The Committee adopted a resolution to concur in the recommendation contained in the report.

Councillors: Bob Hawkins (Chairperson), Sharron Bryce (teleconference), Jason Mancinelli, and Barbara Young were present during consideration of this report by the Finance and Administration Committee.

The Finance and Administration Committee, at its meeting held on September 4, 2018, considered the following report from the Administration:

That the 2018 Mid-Year Financial Report be forwarded to the September 24, 2018 meeting of City Council for information.

CONCLUSION

The Mid-Year Financial Report provides a high-level summary on how the City is performing in relation to its 2018 Operating and Capital budgets. The report shows that the City is effectively managing its operations within the current economic climate and is forecast to be under budget for the 2018 fiscal year.

The 2018 budget approved by Council anticipated a level of funding required to provide the level of services established in the plan. The mid-year forecast reflects an estimated General Operating Fund surplus of \$2 million (0.5% from budget). The surplus is a result of a combination of factors including provision for taxation assessment appeals, less bond revenue, decreases in building permit revenue and parking revenue, offset by savings from staff vacancies.

The Utility Fund Operating surplus is forecast to be approximately \$4.5 million (3.4% from budget) and is mainly due to higher than anticipated revenue from the Coop Refinery and Hauled Wastewater Station (HWS), and lower than anticipated electrical and natural gas costs for the Waste Water Treatment Plant (WWTP).

BACKGROUND

The City of Regina is committed to providing transparent reporting on its operating and capital results. The 2018 Mid-Year Financial Report (Appendix A) shows that at June 30, the City is projected to be in a surplus position at yearend. While the 2018 results are currently projected to be in a surplus position, the City faces significant long term financial pressure due to external environmental factors as well as internal operating and capital factors identified in the 2019 Preliminary Budget Review and Economic Update (EX18-17) presented to Executive Committee on August 1, 2018.

There are several variables that can impact the yearend results that are not known at the end of June. It is midway through the construction period for the City so any changes in weather conditions may influence the amount of work that is, or is not, completed by yearend. In addition, items such as water main breaks, winter road maintenance costs, tax assessment appeals and interest from investments can change from the mid-year forecast numbers. It is important to leave some flexibility in the budget at mid-year to manage these risks.

Administration will continue to manage the needs in the current year and look for opportunities to meet the challenges over the long term.

DISCUSSION

The 2018 Mid-Year Report provides details on the current and projected operating and capital revenues and expenditures for both the General Fund and the Utility Fund. The City uses a conservative approach in forecasting revenues and expenditures.

Key highlights from the Report include:

- Current General Fund Operating surplus is projected to be \$2 million (0.5% from budget);
- Current Utility Fund Operating surplus is projected to be \$4.5 million (3.4% from budget);
- Projected General Fund Capital spend is \$189 million (70% of available funding); and
- Projected Utility Fund Capital spend is \$66 million (49% of available funding).

The General Fund Operating surplus is a result of lower than projected revenues offset by under expenditures in salary costs due to staff vacancies.

The Utility Fund Operating surplus is due to higher than anticipated revenue from the Coop Refinery and the Hauled Wastewater Station (HWS) and lower than anticipated electrical and natural gas costs for the Waste Water Treatment Plant (WWTP).

RECOMMENDATION IMPLICATIONS

Financial Implications

Administration closely monitors the progress of achieving the annual budget. As the corporation works toward delivering services to the community, a variance between the budgeted cost and the projected yearend cost is created. The variance, over or under the established budget, is the result of controllable and uncontrollable factors.

The forecast surplus is unaudited and is a projection of the expected results for the City of Regina. Yearend surpluses represent one-time funding and are transferred to the appropriate reserves at yearend. General Fund Operating surpluses are transferred to the General Fund Reserve and Utility Fund Operating surpluses to the Utility Reserve Fund.

The projected forecast at mid-year tends to vary from the final yearend results. This is largely due to external factors that influence revenues and expenses.

Environmental Implications

None related to this report.

Policy and/or Strategic Implications

The City of Regina's Mid-Year Report provides a point in time view of the City's financial performance and financial projection. By providing public reporting of financial results, the City will improve transparency and accountability.

Other Implications

None related to this report.

Accessibility Implications

None related to this report.

COMMUNICATIONS

None related to this report.

DELEGATED AUTHORITY

The recommendation to provide this information to City Council for informational purposes is within the Delegated Authority of the Finance and Administration Committee.

Respectfully submitted,

FINANCE AND ADMINISTRATION COMMITTEE



Ashley Thompson, Secretary