

Subject: Third Quarter 2017 Financial Performance Update**APPROVALS:****Annette Antoniak**_____
Director_____
Interim Chief Administrative Officer**Recommended Motion:**

THAT the Third Quarter 2017 Financial Performance Update be accepted as information.

Summary:

The full-year projection for the third quarter financial results is a surplus of \$31.3M. The year-to-date results as of September 30, 2017 are reporting a favorable variance of \$58.0M, which is reflective of the accounting treatment of the property tax revenues which have been allocated monthly over the year versus the expenses which are recorded when incurred.

At the end of the third quarter, there is a projected \$6.0M increase in revenues and an operating expense decrease of \$25.3M which equates to a \$31.3M projected surplus for the end of 2017.

With the introduction of zero-based budgeting in 2017, we have more visibility of cost drivers and are using this budgeting tool to aggressively monitor any areas that will result in cost savings.

Background:

The Quarterly Financial Report provides a more comprehensive quarterly financial update that includes municipal operating revenues and expenses with comparatives to budget and projections; capital project spending, information regarding investment and debt; as well as information regarding grants that the Municipality has applied for and/or received during the quarter.

The third quarter Operating revenues are \$606.8M and the full year revenue projection is \$809.0M which reflects an increase of \$6.0M. Operating expenses to September 30, 2017 are \$548.8M and the full-year expense projection is \$801.1M which reflects a decrease of \$25.3M. Overall a \$31.3M surplus is projected for the 2017 year end.

Operating revenues are projected to increase \$6M compared to budget. The areas that are reflecting changes are sales and user charges projected to be \$4.0M higher than budget mainly due to the increase in commercial and industrial utility services which are

a factor of the rebuild activity and general infrastructure construction activity within the Municipality. Interest and investment income increased by \$3.1M due to favourable rates in the market. The Municipality received higher operating grant amounts than were budgeted. These projected revenue increases are partially offset by lower property tax revenues of \$2.0M attributed to rebates for the 2017 municipal portion of the taxes for homes destroyed by the wildfire. Licenses and permits revenue has also decreased as there are fewer permits being issued this year than budgeted.

The Operating Expenses are projected to decrease \$25.3M compared to budget. The areas that are reflecting the changes are salaries, wages and benefits where a \$6.5M decrease is attributable to a reduction in overtime spending and a reduction in positions through attrition and vacant positions being budgeted but not filled. Contracted and general services projected to be \$10.1M less than budget which is the result of \$2.7M of security costs that are now being reimbursed thru the Disaster Recovery Program (DRP), medivac costs decreased \$1.0M as a new contract has been signed, legal fees reduced by \$1.0M due to less property assessment appeal cases going to court, and \$0.9M reduction in transit repair costs attributable to route changes and schedules which reduces mileage. As part of the ongoing internal review for saving opportunities an additional \$3.4M budget reduction has been realized in contracted and general services. Purchases from other government agencies projected \$2.9M decrease due to RCMP having approximately 50 member vacancies.

The debt expense budget included additional debt to be drawn in 2017 at this time no new debt is anticipated therefore the interest and repayment projection has been lowered by \$7M.

The Municipality has spent \$171.9M in recoverable 2016 wildfire response costs since May, 2016; to date \$148.7M has been advanced by the Province for reimbursable expenses. Our insurance provider has advanced \$20.1M and work is continuing on assessment of destroyed assets. The Red Cross has entered an agreement with the Municipality to reimburse for specific fire-related expenses and have advanced \$5M towards this initiative.

Council approved the 2017 capital budget of \$391.2M plus an additional budget of \$370.2M carried forward into 2017 from 2016. At the end of September 2017 amendment reductions of \$73.1M and project closure reductions of \$6.1M have occurred resulting in a budget balance for all active capital projects of \$682.2M. Up to September, 2017, \$123.3M has been spent on the delivery of capital projects and added to assets under construction.

As of September 30, 2017, the Municipality has \$325.5M in investment holdings. Investment income in the first nine months of 2017 is \$10.0M of which \$5.2M is earned from the investment holdings and \$4.8M is from interest earned on cash outside the investment holdings.

The Municipality has a total debt commitment of \$594.4M of this \$290.2M has been drawn and the remaining \$304.2M is undrawn debt.

The Municipality received \$39.5M in capital grants and \$26.1M in operating grants in 2017. Continuous research into grant opportunities is ongoing.

Strategic Plan Linkages:

Pillar 1 - Building Responsible Government

Attachments:

ATT-1-Quarter 3 Report