



Subject: First Quarter 2017 Financial Performance Update

APPROVALS:

Linda Ollivier, Director
Annette Antoniak, Interim Chief Administrative Officer

Administrative Recommendation:

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

Summary:

The first quarter financial results are aligned with the annual budget presently resulting in no projected annual surplus or deficit. The year to date results as of March 31, 2017 are reporting a favorable variance of \$26.7M, 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.

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 to offset the 2016 deficit of \$7.2M.

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.

Operating revenues for 2017 are on target at \$204.3M and projections remain unchanged. Operating expenses to March 31, 2017 are \$177.6M. The annual expense is on target with the annual budget.

Salaries, Wages and Benefits have a year-to-date favorable variance of \$2.6M, attributed to timing of the layoffs and vacancies versus the budget. At this time, it is not anticipated that a variance will prevail at year-end but each month a review is conducted.

Contracted and General Services have a year-to-date favorable variance of \$1.9M, primarily due to a milder winter season requiring less winter road maintenance and a shorter ice road season.

The Municipality spent \$8.3M in recoverable 2016 wildfire response costs and has received additional advances of \$20.2M for reimbursable expenses from the Province in the first quarter of 2017. A further advance of \$40.1M was requested from the Province following the guidelines of the Disaster Recovery Program. The advance was received during the second quarter of 2017.

The total Capital Budget is \$761.4M. The budget includes the approved 2017 Capital Budget of \$391.2M and the \$370.2M 2016 carry-forward budget. During the first quarter, \$25.6M was spent on capital project delivery.

As of March 31, 2017, the Municipality has \$322.4M in investment holdings. First quarter investment income is \$3.0M of which \$2.0M is from investment holdings and 1.0M is from interest earned on cash held outside of the investment holdings.

The Municipality has a total debt commitment of \$602.50M of this \$298.3M has been drawn and the remaining \$304.2M is undrawn debt. The total debt commitment has been reduced by \$350.0M, as recommended by Council on March 10, 2017.

The Municipality received \$38.2M in capital grants and \$4.6M in operating grants in 2017. Continuous research into grant opportunities is ongoing.

Rationale for Recommendation:

The 2017 expenses compared to budget will be monitored to ensure funds are available to cover the 2016 year-end deficit of \$7.2M. The second quarter financial projection update will be key to determine the viability of covering this deficit.

Strategic Plan Linkage:

Pillar 1 – Building Responsible Government

Attachment:

1. Regional Municipality of Wood Buffalo Quarterly Financial Report for the quarter ended March 31, 2017.