

Draft 2017 Annual Operating Surplus for Tax Purposes and Recommended Allocations**Report Purpose**

To inform Council of the draft 2017 annual operating surplus for tax purposes and to seek approval of the recommended surplus allocations.

Recommendations

1. THAT the recommended allocations of \$7,651,950 for the 2017 municipal operating surplus, as set out in Enclosure 3, including a transfer of \$6,322,317 to the R4 Municipal Projects Reserve and \$1,329,633 to the R2 Contingency Reserve, be approved.
2. THAT the recommended allocations of \$2,832,141 for the 2017 utility operating surplus, as set out in Enclosure 4, including a transfer of \$2,179,088 to the RU4 Utilities Infrastructure Lifecycle, Maintenance and Replacement Reserve and \$653,053 to the RU1 Utilities Rate Stabilization and Contingency Reserve, be approved.

Council History

December 4, 2017 – Council approved the 2018 operating and capital budgets.

November 28, 2016 – Council approved the 2017 operating and capital budgets.

Strategic Plan Priority Areas

Economy: Strategic allocation of the annual operating surplus for tax purposes supports investment in infrastructure and the provision of quality programs and services.

Governance: Informing Council of the annual operating surplus for tax purposes supports governance through strong fiscal management, stewardship, and accountability.

Social: n/a

Culture: n/a

Environment: n/a

Other Impacts

Policy: FIN-001-008: Allocation of Year-End Operating Surplus for Tax Purposes; FIN-001-024: Financial Reserves

Legislative/Legal: n/a

Interdepartmental: All departments

Summary

Policy FIN-001-008: Allocation of Year-End Operating Surplus for Tax Purposes (Enclosure 1) contains principles and guidelines for the allocation of year-end operating surplus for tax purposes to contribute to the economic sustainability of Strathcona County.

The draft consolidated County operating surplus for tax purposes totals \$13.3 million (Enclosure 2). Surplus allocations of \$2.5 million have been previously approved by Council and \$3.1 million is attributed to self-sustaining operations (Utilities, Library); therefore, \$7.7 million of municipal surplus remains unallocated. The consolidated County operating surplus will be draft until the 2017 Audited Financial Statements are approved by Council. A complete analysis of the operating results will be provided in the 2017 Annual Management Report.

The recommended allocations of the 2017 annual operating surplus, provided in Enclosure 3 and 4, include balancing the self-sustaining entities (Utilities and Library) and allocations to designated reserves to be expended in future years as follows:

Amount	Description	Reserve Title
\$4,552,573	Centre in the Park (CITP) Underground Parkade - Debt Replacement	Municipal Projects Reserve
\$1,769,744	Emergent and General Project Allocations	Municipal Projects Reserve
\$1,329,633	Contingency Reserve Allocation	Contingency Reserve
<u>\$7,651,950</u>		

As per Policy FIN-001-024: Financial Reserves, optimal balances are to be calculated through the year-end process (Enclosure 5). These balances and the corresponding variances in relation to the designated balances are at a point in time. It is important to analyze and consider result trends (Enclosure 6) and circumstances rather than making immediate adjustments.

The Municipal Infrastructure Lifecycle, Maintenance, and Replacement Reserve is \$16 million over the optimal balance at December 31, 2017. These results align with a reoccurring trend therefore, in preparation for the next business planning and budget cycle this reserve will be further analyzed and subsequent recommendations will be brought forward for Council consideration.

The General Land Reserve optimal balance formula will be reassessed and confirmed upon completion of a Municipal Land Strategy. At December 31, 2017 this reserve is \$10 million over the current optimal balance. It is recommended that no adjustments are made until the strategy is complete and the formula is confirmed.

An introduction to surplus and an overview of financial reserves has been included in the presentation to assist understanding of these financial matters.

Enclosures

- 1 Policy FIN-001-008: Allocation of Year-End Operating Surplus for Tax Purposes (Document: 11279940)
- 2 Unallocated 2017 Annual Operating Surplus for Tax Purposes (Draft, Unaudited) (Document: 11283555)
- 3 Recommended Municipal Allocations of the Draft 2017 Year-End Operating Surplus for Tax Purposes (Document: 11284445)
- 4 Recommended Self-sustaining Operations Allocations of the Draft 2017 Year-end Annual Operating Surplus for Tax Purposes (Document: 11282851)
- 5 Reserve Continuity (Document: 11283645)
- 6 Designated Reserve Balances to Optimal Balances (Document: 11285155)
- 7 Presentation - Draft 2017 Annual Operating Surplus for Tax Purposes and Recommended Allocations (Document: 11282450)