2018 Annual Management Report

Strathcona County
Priorities Committee
April 16, 2019
Overview

2018 Annual (Q4) Management Report includes:

1. Review of the consolidated operating results (Annual Operating Surplus for Tax Purposes);
2. Review of capital activity;
3. Review of the key financial indicators of the County; and
Key term explained

Annual Operating Surplus (Deficit) for Tax Purposes:

• Results from the variances between the approved operating budget and the actual revenue and expenditures that occur during the year

• Is determined on the same basis used in the budget process, which includes certain expenditures for debt repayments, reserve transactions, and excludes capital activity
  - This budgeting method is required by the Municipal Government Act (MGA).

• Is allocated in accordance with Policy FIN-001-008: Allocation of Year-End Operating Surplus for Tax Purposes
  - Should there be a (deficit) at year-end, a transfer from reserve would be required.

Please note: the Annual Operating Surplus for Tax Purposes is not equivalent to the surplus for Public Sector Accounting Standards (PSAS).
## Annual Operating Surplus for Tax Purposes

**For the year ended December 31, 2018**

<table>
<thead>
<tr>
<th>Strathcona County operating segments</th>
<th>2018 Annual Operating Surplus for Tax Purposes&lt;sup&gt;1&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Municipal</td>
<td>$0.0M</td>
</tr>
<tr>
<td>Utility</td>
<td>$0.9M</td>
</tr>
<tr>
<td>Library</td>
<td>$0.0M</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$0.9M</strong></td>
</tr>
</tbody>
</table>

<sup>1</sup>The Annual Operating Surplus for Tax Purposes (cash based budgeting) includes debt repayment expenditures and reserve transactions, and excludes amortization expense, gains/loses on asset disposals and capital revenues, unlike the PSAS surplus used to prepare the financial statements.
2018 Planned capital spending:
• The 2018 planned capital spending, as amended, totals $115.1 million.

2018 Variance to planned capital spending:
• The variance between the planned and actual spending for the 2018 year totals $29.3 million.
Capital variance (page 4)
As at December 31, 2018

2018 Capital variance = $29.3 million

Please note the years presented are based on the adoption of a consistent methodology that commenced in 2015.
Capital activity (page 4)
As at December 31, 2018

Status of 113 Active capital projects:

- Stage 1 - Initiated
- Stage 2 - In Progress
- Stage 3 - Substantially Complete

<table>
<thead>
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<tr>
<td>14</td>
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<td>3</td>
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<td>4</td>
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<td>19</td>
</tr>
</tbody>
</table>

2018 Projects
2017 Projects
2016 Projects and Prior Years
Update on completed projects

- 45 projects were completed:
  - $3.3 million under total combined budgets of $83.2 million

- The compositions of the total $3.3 million of funding/financing released is:
  - $2.8 million reserves
  - $0.3 million external grants and other sources
  - $0.2 million of planned debt financing not required
Assessment of financial condition – key financial indicators (page 6)

The key financial indicators are based on the unaudited consolidated financial statements for the year ended December 31, 2018 (Appendix 2):

• Statement of financial position
  – Investments
  – Long-term debt

• Net financial asset (net debt) position
  – Net financial assets trend analysis

• Accumulated surplus

*The unaudited consolidated financial statements are prepared in accordance with Public Sector Accounting Standards (PSAS).*
Key indicator: Investments (page 6)
December 31, 2018 investments total $342.8 million

Investment portfolios (weighted average return 2.68%)

- Operating Portfolio: $71.6 million
- Med-term Portfolio: $212.6 million
- Long-term Portfolio: $58.6 million
Key indicator: Long-term debt (page 7)

December 31, 2018 debt capacity totals $229.9 million
(Based on County’s policy debt limit)
Key indicator: Net financial assets (Net Debt) (page 8)

December 31, 2018 net financial assets total $67.9 million

- Net Financial Assets (or Net Debt) is the difference between financial assets and liabilities.
- It is a key indicator of the County’s ability to maintain services and meet financial commitments.

![Net Financial Assets (Net Debt) Trend Analysis](image-url)

Net Financial Assets (Net Debt) Trend Analysis

- 2015
- 2016
- 2017
- 2018
Key indicator: accumulated surplus (page 8)
December 31, 2018 accumulated surplus is $2.0 billion

The amount invested in tangible capital assets of $1,764.0 million is composed of:
- Municipal $1,464.6 million
- Utilities $294.0 million
- Library $5.4 million
2015 – 2018 Corporate Business Plan final progress report (Appendix 1)

Reporting on the 2015 – 2018 Corporate Business Plan:
• Progress on goals
• Reporting to Council as part of the quarterly and annual management reports, with emphasis on the results of the 2015 – 2018 Corporate Business Plan

Note:
• This is the last report wrapping up the previous 2015 – 2018 Corporate Business Plan
• The second quarter (Q2) 2019 management report will include the initial progress report for the 2019 – 2022 Corporate Business Plan
Questions?