

Draft 2020 Annual Operating Surplus for Tax Purposes, Recommended Allocations and Reserve Transactions**Report Purpose**

To present the draft 2020 annual operating surplus/(deficit) for tax purposes and to seek approval of the recommended allocations and reserve activity.

Recommendations

1. THAT the recommended allocation of (\$1,190,980) for the 2020 municipal operating deficit, as set out in Enclosure 1, including a transfer of \$121,924 to R15 Broadmoor Public Golf Course Reserve and (\$1,312,904) from the R2 Stabilization and Contingency Reserve, be approved.
2. THAT the recommended allocations of \$3,811,494 for the 2020 utility operating surplus, as set out in Enclosure 1, including a transfer of \$3,721,031 to the RU4 Utilities Infrastructure Lifecycle, Maintenance and Replacement Reserve and \$90,463 from the RU1 Utilities Rate Stabilization and Contingency Reserve, be approved.
3. THAT the reserve activity in the 2020 Reserve Continuity (unaudited) and Optimal Balance Report, as set out in Enclosure 2, be ratified.

Our Prioritized Strategic Goals

Governance Requirement

Goal 1 - Build strong communities to support the diverse needs of residents

Goal 2 - Manage, invest and plan for sustainable municipal infrastructure

Goal 6 - Provide facilities and services that are available and accessible to residents

Report

Policy FIN-001-008: Allocation of Year-End Operating Surplus for Tax Purposes 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 Strathcona County operating surplus for tax purposes totals \$3,006,621 (Enclosure 1). A surplus allocation of \$3,811,494 is attributed to Utilities and a surplus allocation of \$386,107 is attributed to the Library, which are self-sustaining operations; therefore, (\$1,190,980) of municipal deficit remains. It is recommended that \$121,924 be allocated to the R15 Broadmoor Golf Course reserve and an allocation be made from the R2 Stabilization and Contingency Reserve for (\$1,312,904) to fund the municipal deficit. Municipal and Utilities results are mainly due to the impacts of COVID and the current economic environment. Additional information regarding the key contributing factors are described in the presentation (Enclosure 4).

A complete analysis of operating results will be provided in the 2020 annual management report, which is planned to be provided in April of 2021. The audit of the 2020 financial statements is underway, and should additional financial adjustments be required, the draft consolidated Strathcona County operating surplus for tax purposes could be impacted. The consolidated Strathcona County operating surplus will be draft until the 2020 audited financial statements are approved by Council.

As per Policy FIN-001-024: Financial Reserves, optimal balances are to be calculated through the year-end process. The optimal reserve balances as at December 31, 2020 and the corresponding variances are included with the Reserve Continuity (unaudited) and

Optimal Balances Report (Enclosure 2). These calculations represent a point in time and should be considered in relation to the historical trends and projected balances.

Using the multi-year information from the 2021 Approved Budget and the 2022 - 2024 Approved in Principle budgets, multi-year projections of reserve balances are shown in (Enclosure 3). The special purpose General Land reserve balance continues to be in excess of the optimal balance formula and reassessment is currently underway to align with the completion of the Municipal Land Strategy. The Utilities Infrastructure Lifecycle, Maintenance and Replacement reserve balance continues to be significantly below the optimal balance and options will be brought forward for Council consideration at a future meeting.

All reserve transactions (unaudited) consolidated into the 2020 Reserve Continuity and Optimal Balance Report (Enclosure 2) require ratification as per FIN-001-024: Financial Reserves policy. This reserve activity includes all reserve transactions previously approved as per policy and the recommended allocations of the 2020 annual operating surplus / (deficit) for tax purposes (Enclosure 1).

The Councillor Information Request from November 30, 2020 regarding Utilities Reserves has been addressed through this report. This information is summarized in Enclosure 6.

Council and Committee History

November 30, 2020	Council moved THAT Administration provide a report by the end of the first quarter of 2021 on the current utility reserves, including any information on the establishment of an optimal reserve level and how the reserve funds are allocated.
March 3, 2020	Council approved the recommended allocation of \$530,627 for the 2019 municipal operating surplus including a transfer of \$111,773 to R15 Broadmoor Public Golf Course Reserve and \$418,853 to R4 Municipal Projects Reserve; the recommended allocations of \$1,511,401 for the 2019 utility operating surplus, including a transfer of \$2,941,137 to the RU4 Utilities Infrastructure Lifecycle, Maintenance and Replacement Reserve and \$1,429,736 from the RU1 Utilities Rate Stabilization and Contingency Reserve; and the reserve activity in the 2019 Reserve Continuity Report.
December 5, 2019	Council approved the 2020 operating and capital budget and the 2021-2023 budgets in principle.

Other Impacts

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

Legislative/Legal: Part 8, Financial Administration, in the *Municipal Government Act*, RSA 200, cM-26 sets out the financial requirements for municipalities.

Interdepartmental: All departments

Master Plan/Framework: n/a

Enclosures

- 1 Unallocated 2020 Annual Operating Surplus/(Deficit) for Tax Purposes (Draft, Unaudited)
- 2 2020 Reserve Continuity (Unaudited) and Optimal Balances
- 3 Projected Designated Reserve Balances
- 4 Draft 2020 Annual Operating Surplus/(Deficit) for Tax Purposes, Recommended Allocations and Reserve Transactions Presentation
- 5 FIN-001-024: Financial Reserves Policy
- 6 Council Information Request