

2016 SECOND QUARTER MANAGEMENT REPORT

Strathcona County Priorities Committee Presentation October 18, 2016

Overview

- 2016 Second Quarter Management Report includes:
 - The year-to-date consolidated operating results, and the forecasted Annual Operating Surplus for Tax Purposes;
 - The year-to-date capital activity update;
 - 2015-2018 Corporate Business Plan reporting update; and
 - Review of the key financial indicators of the County.

Consolidated Operating Variance (page 2)

For the Period Ended June 30, 2016

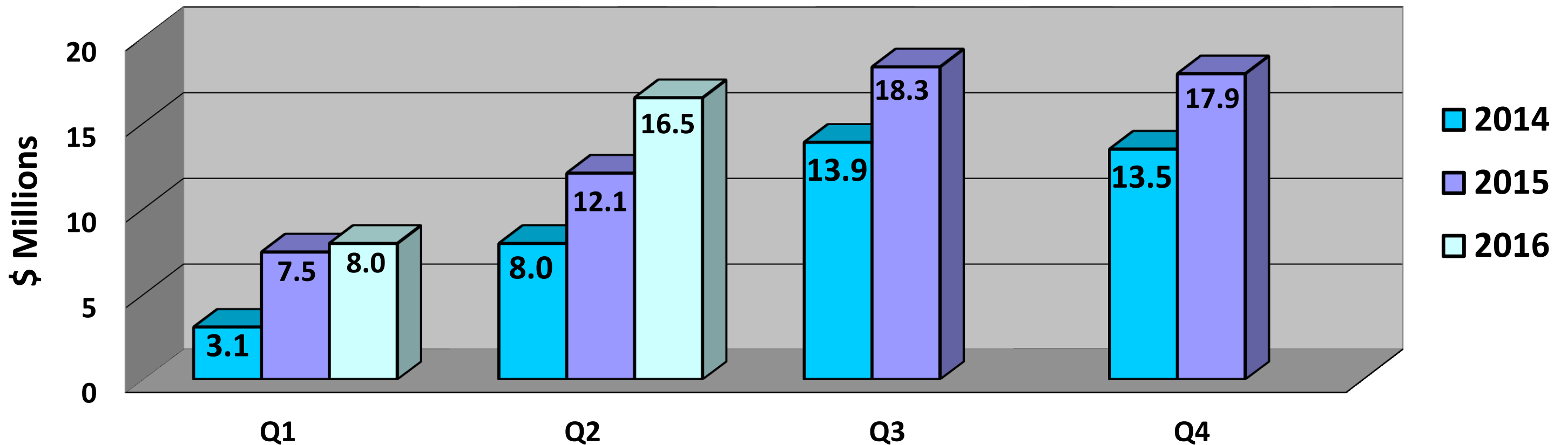
The year-to-date operating variance of **\$16.0 million** (Q2 2015 \$13.4 million) is comprised of both timing and permanent budget differences.

| County Operating Segments | YTD Timing Differences \$M | YTD Permanent Differences \$M | YTD Operating Variance \$M |
|----------------------------|-------------------------------|----------------------------------|-------------------------------|
| Municipal | 6.3 | 10.2 | 16.5 |
| Utility | (1.8) | 1.2 | (0.6) |
| Library | - | 0.1 | 0.1 |
| Pioneer Housing Foundation | - | - | - |
| Total | 4.5 | 11.5 | 16.0 |

Municipal Operating Variance

For the Period Ended June 30, 2016

Municipal (Tax Supported) Operating Variance Trend Analysis



2016 Year-end Forecast (page 5)

(Permanent Differences + Forecasted items)

For the Period Ended June 30, 2016

The County's 2016 year-end forecast annual operating surplus for tax purposes¹ is **\$14.8 million – 4.2%** of the 2016 Operating Budget (Q2 2015 \$5.2 million – 1.5%).

| County Operating Segments | Forecast \$M | Forecast % |
|----------------------------------|-----------------|---------------|
| Municipal | 13.7 | 4.9% |
| Utility | 1.0 | 1.8% |
| Library | 0.1 | 0.5% |
| Pioneer Housing Foundation | - | - |
| Year-End Forecast Surplus | 14.8 | 4.2% |

¹**Annual operating surplus for tax purposes** (cash based budgeting) includes debt repayment expenditures and reserve transactions, and excludes amortization expense, gains/losses on asset disposals and capital revenues, unlike the **PSAS surplus**.

2016 Year-end Forecast (page 3)

(Permanent Differences + Forecasted items)

For the Period Ended June 30, 2016

Municipal Operations = \$13.7 million (In Order of Significance)

- Lower winter maintenance than anticipated
- Personnel cost savings
- Favourable contract circumstances beyond what was expected
- Municipal property tax revenues and supplemental taxes exceeding the budget
- Savings from lower fuel prices and volumes than anticipated

Overall favourable variance was offset by:

- Lower user fee revenues from Millennium passes and admissions

2016 Year-end Forecast

(Permanent Differences + Forecasted items)

For the Period Ended June 30, 2016

Mitigating Steps (2017 Budget):

- Commodity cost reductions (i.e. fuel, road oil, cold mix, asphalt, etc.)
- New financial strategies to reduce conservatism
- Reductions based on historical actuals
- Reallocations based on Priority Based Budgeting (PBB)

Overall, conservatism will be reduced in 2017 with conscious consideration of the risks

Capital Activity (Page 4)

As at June 30, 2016

2016 Capital Budget (Cash Flowed):

- The 2016 Capital Budget (cash flowed), as amended, totals **\$239.8 million**.
- The capital spending, as of June 30, 2016, totals \$35.9 million (Q2 2015 \$25.0 million), which represents 15% of the planned expenditures for the year.

Update on Completed Projects

- 12 projects were completed \$2.4 million under a total combined budget of \$16.6 million
- All funds released are allocated back to their original funding sources

2015-2018 Corporate Business Plan

Reporting Update (Appendix 1)

- Reporting on the Corporate Business Plan
 - Progress on goals and timely information on Key Performance Indicators and measures
 - Linkages back to the Strategic Plan prioritized goals / outcomes
- Evolving process occurring throughout the year
- Reporting to Council will be provided as part of the quarterly and annual management reports, with emphasis on the Q2 and annual (Q4) reports

Assessment of Financial Condition (page 6 - 9)

- Key Financial Indicators

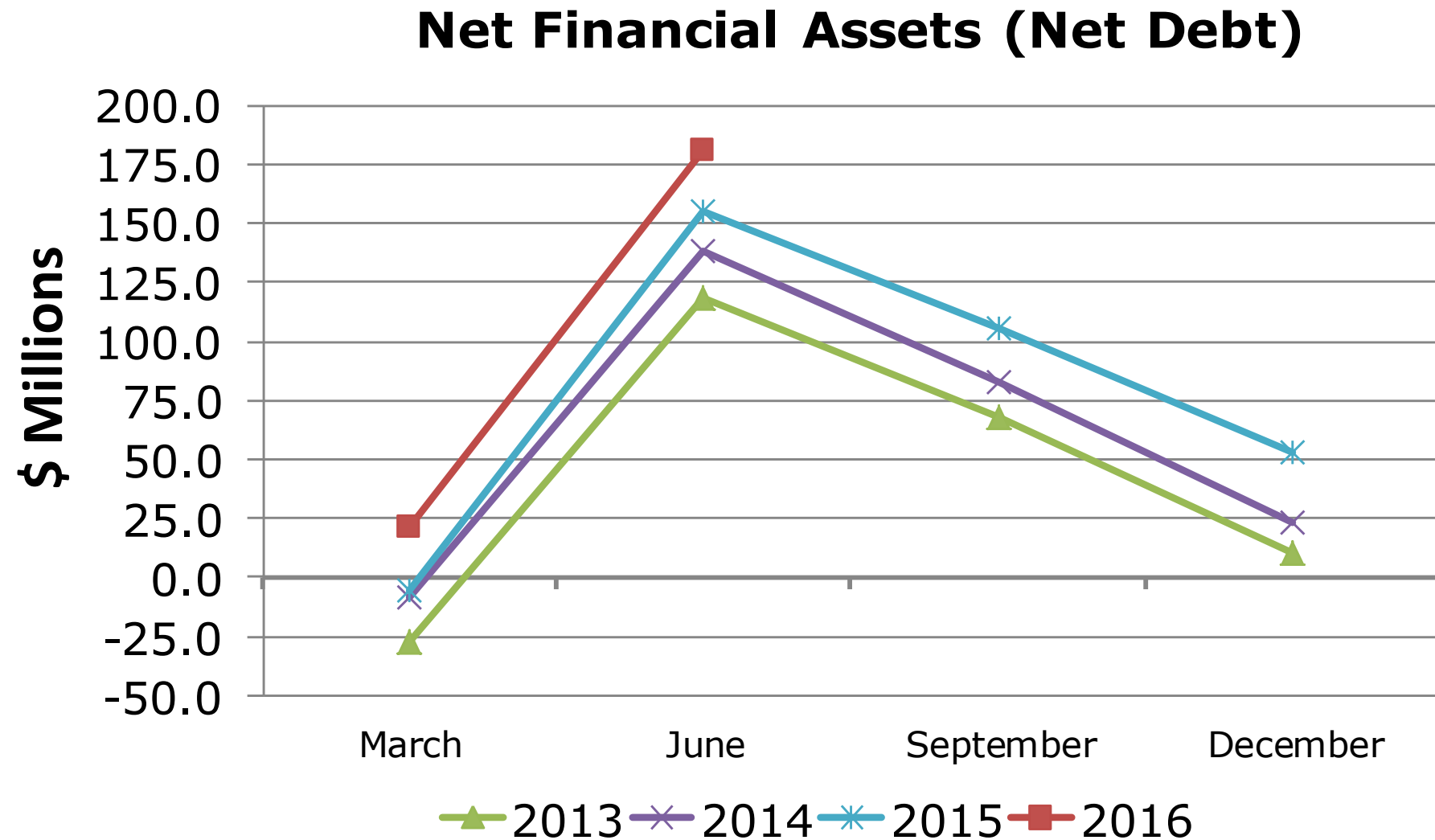
The Key Financial Indicators are based on the Unaudited Consolidated Financial Statements for the period ended June 30, 2016 (Appendix 1):

- Net Financial Asset (Net Debt) Position
- Investments
- Reserves
- Accumulated Surplus

*The unaudited consolidated financial statements are prepared in accordance with **Public Sector Accounting Standards (PSAS)**.*

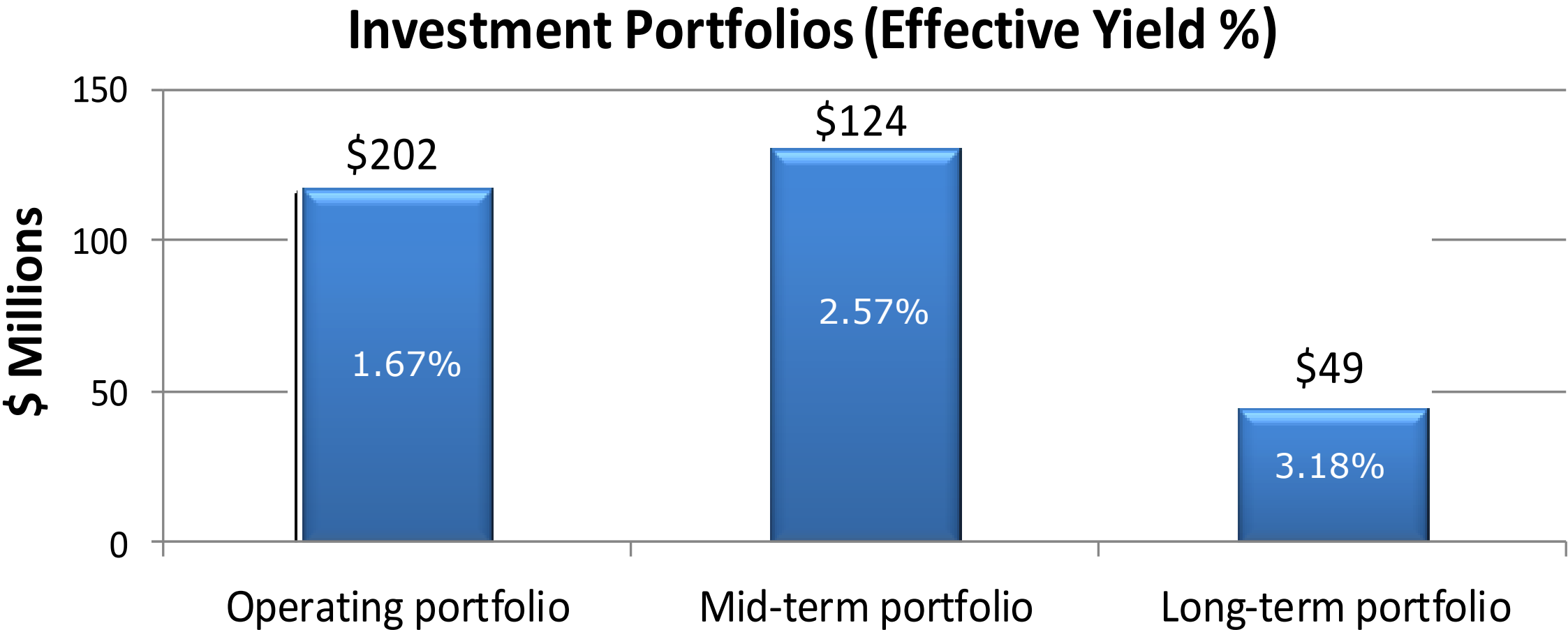
Key Indicator: Net Financial Assets (Net Debt)

June 30, 2016 Net Financial Assets Total \$181.2 Million



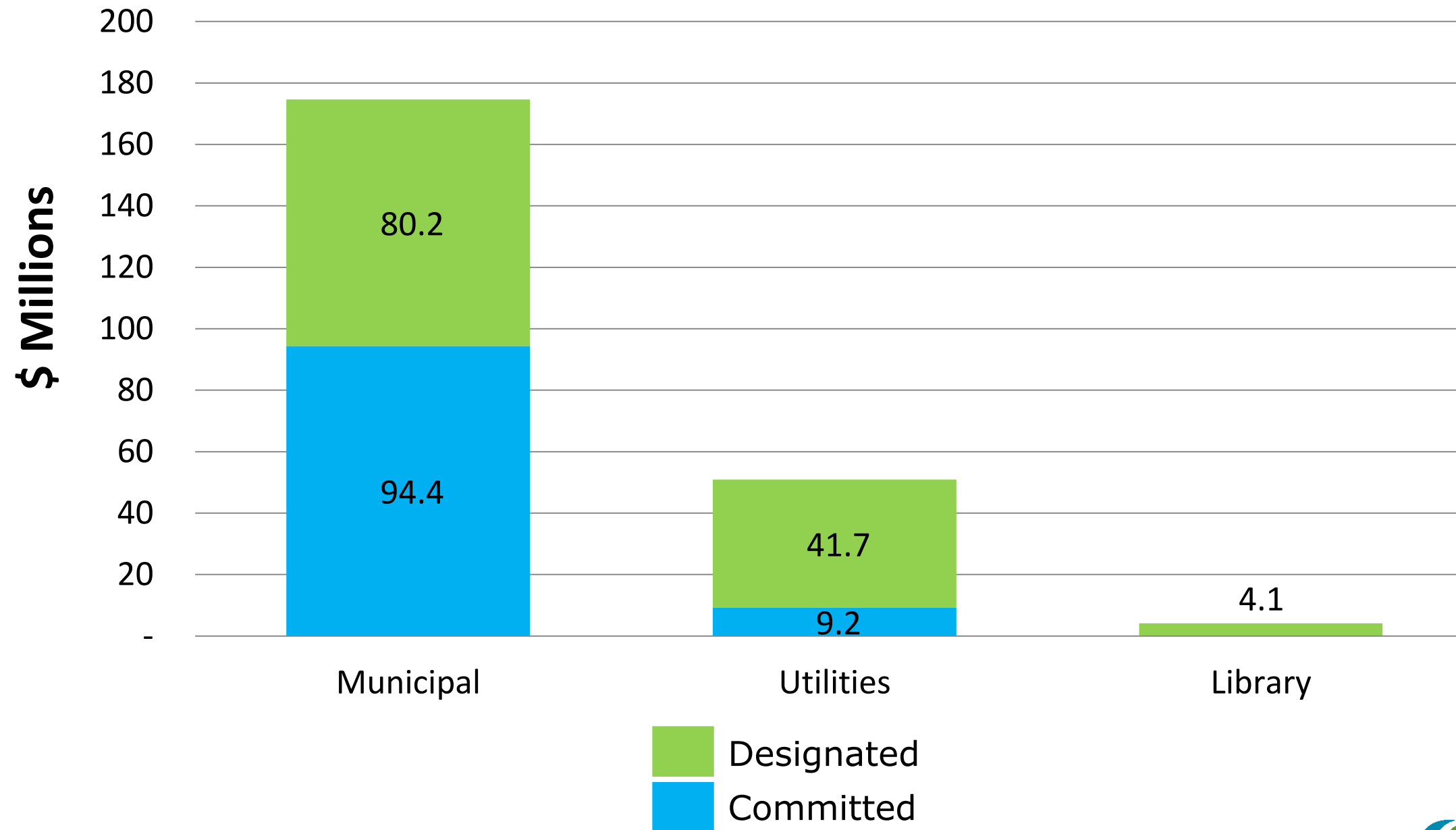
Key Indicator: Investments (Page 5)

June 30, 2016 Investments Total \$375.0 Million



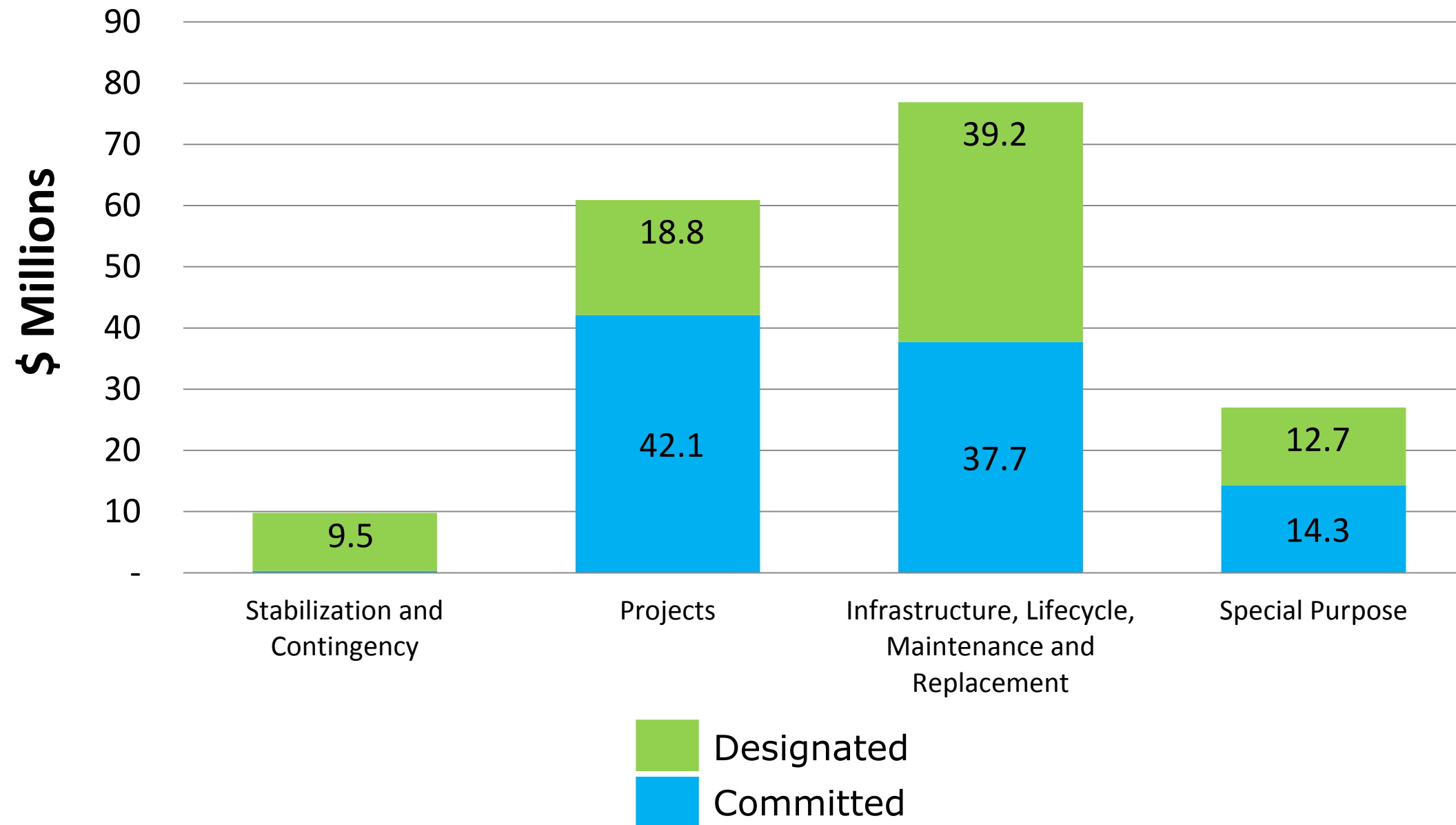
2016 Reserve Balances (page 6)

June 30, 2016 Reserve Balance is \$229.6 Million



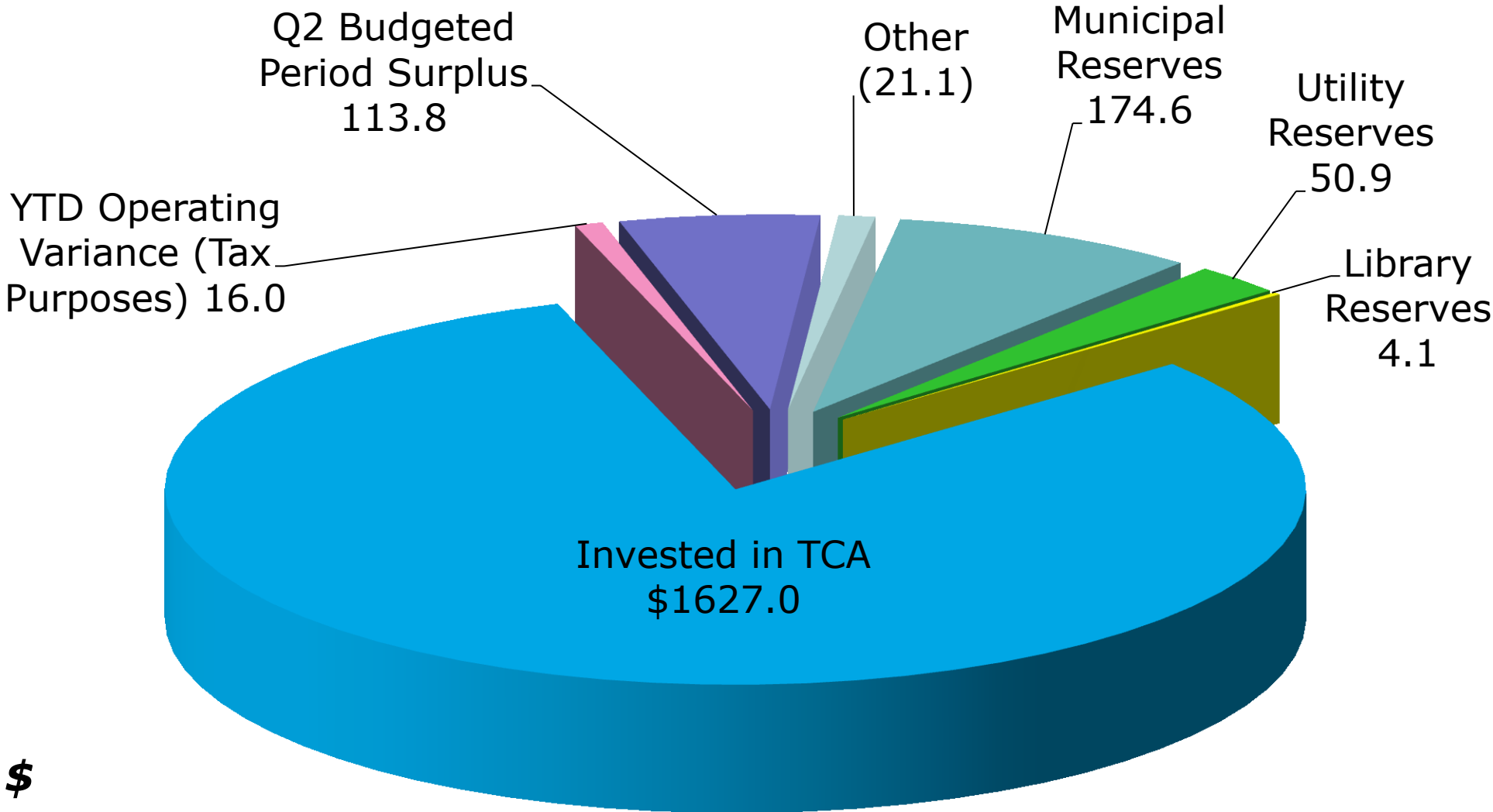
2016 Municipal Reserve Balances (page 6)

June 30, 2016 Municipal Reserve Balance is \$174.6 Million



Key Indicator: Accumulated Surplus (Page 7)

June 30, 2016 Accumulated Surplus is \$1,965 Million



Questions?