

# CITY OF FORT SASKATCHEWAN

## 2014 Year End Surplus

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### **Motion:**

That Council allocate operating surplus contributions equally to the Self Financing Infrastructure Reserve, the Financial Stabilization Reserve, and the Land Purchases Reserve.

### **Purpose:**

The purpose of this report is to present Council with information on the 2014 surplus.

### **Background:**

Annual operating budgets represent the City's mechanism to provide services to the community. At the end of the year, an operating surplus is experienced if revenues are higher or expenses are lower than budget. A net surplus results from a combination of unique, generally non-recurring, circumstances that arise during the year.

The 2014 net operating results for the City of Fort Saskatchewan has resulted in a positive financial position with a net surplus of \$1,659,126.79 (2.7% of the 2014 Budget).

In accordance with Council resolution R105-00, the 2013 year end surplus was allocated equally to the Self Financing Infrastructure Reserve and the Financial Stabilization Reserve. At the end of 2014 there was \$5,441,734 in the Financial Stabilization Reserve and \$8,362,355 in the Self Financing Infrastructure Reserve. During the 2015 budget process a net \$1,391,317 was allocated from the Financial Stabilization Reserve and a net \$341,110 allocated into the Self Financing Infrastructure Reserve.

As Council will be considering a Land Strategy in 2016, establishing a process now to increase the land purchase reserve beyond just the sale of surplus land, is recommended.

The Land Purchases Reserve increases only from land sales. Currently, there is \$912,172 in this reserve. These land sales are not significant to contribute to the reserve to support any major land purchases. It is financially prudent to contribute additional funds into the reserves to, not only build up funds for future commitments, but also to assist in funding expenditures to reduce future tax impacts to the community.

### **Discussion:**

### **Operating Results**

#### **Revenues**

This year's surplus is a reflection of the continued growth of our community, and effective resource management. The major revenue variances for 2014 are:

- Although the 2014 budget incorporated an increase in anticipated revenues, the volume of permits and subdivision applications the Planning and Development Department processed was more than expected. This contributes to approximately \$472,000 to the surplus.
- Financial Services effective cash management has increased interest earnings on our investments by \$300,000.
- Recreation services experienced an increase in admission revenue of \$94,000.

- With the increased growth and industrial project development, the Traffic Control and Lighting section had increases in permit revenue of \$165,000.

### **Expenditures**

A number of areas experienced expenditures less than anticipated as follows:

- Salaries, Wages, and Benefits resulted in a savings of \$590,000, mainly due to staffing vacancies and timing of hiring these resources.
- The Protective Services Department's 2014 RCMP contract resulted in a \$432,000 savings due to actual RCMP officer complement was lower than budget. However, revenue was lower than budget because of the timing of the new Intersection Safety Device (ISD) implementation.
- Roadway Maintenance found efficiencies using recycled asphalt and concrete which resulted in a \$61,000 savings in Supplies and Materials.

Previously it was identified that a portion of the Public Works yards had some soil contamination. This does not pose an immediate safety issue however does need to be eventually cleaned up. In the past, a cost to remediate the site was not included as a liability however, the external auditor has identified the need to do so. As such, a contingency liability has been established in the amount of \$700,000 to recognize the contaminated site expense. During future budgets, recommendations will come forth to Council as to when the remediation should occur.

### **Capital Budget**

The Capital Budget Variance Report is attached and provides a summary of the 2014 capital projects. As noted in the report, a surplus of approximately \$2,900,000 in City projects is shown, primarily due to the budget allocation for the Interpretive Centre not being used.

### **Alternatives:**

1. That Council allocate operating surplus contributions equally to the Self Financing Infrastructure Reserve, the Financial Stabilization Reserve, and the Land Purchases Reserve.
2. That Council not allocate operating surplus contributions equally to the Self Financing Infrastructure Reserve, the Financial Stabilization Reserve, and the Land Purchases Reserve, and advise how they wish to proceed.

### **Recommendation:**

That Council allocate operating surplus contributions equally to the Self Financing Infrastructure Reserve, the Financial Stabilization Reserve, and the Land Purchases Reserve.

**Attachment:**

Capital Variance Report to December 31, 2014.

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Prepared by:	Len Mueller, CMA Senior Accountant, Budget and Long Term Planning	Date: April 15, 2015
Reviewed by:	Kelly Kloss City Manager	Date: April 22, 2015
Submitted to:	City Council	Date: April 28, 2015