

DRAFT 2019 Annual Operating Surplus for Tax Purposes, Recommended Allocations and Reserve Transactions

**Strathcona County
Council Meeting
March 3, 2020**

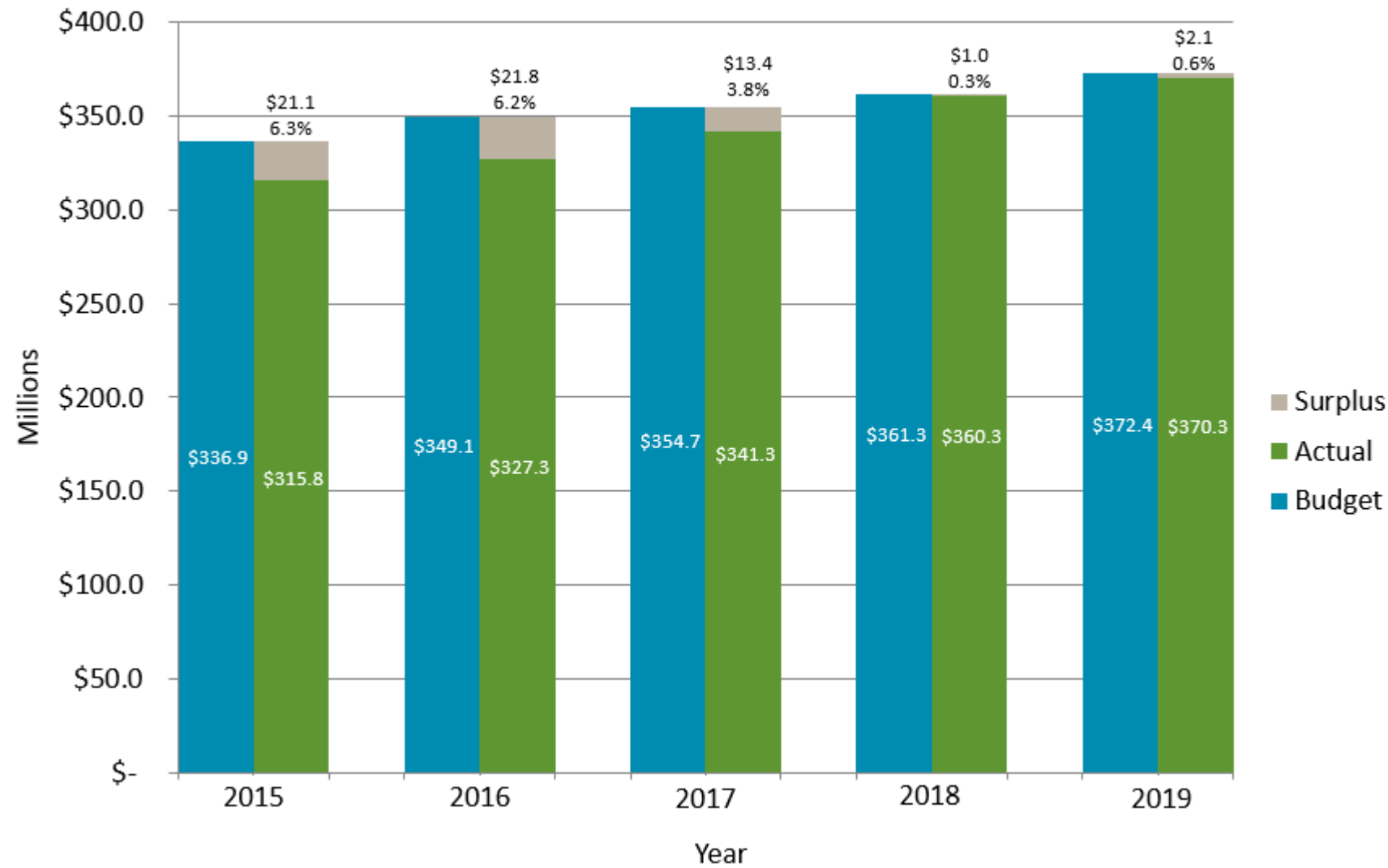
Annual Operating Surplus for Tax Purposes

- The fiscal year starts with a balanced operating budget.
- At the end of the year, an operating surplus is experienced if revenues are higher or expenses are lower than budgeted. A (deficit) is experienced if revenues are lower or expenses are higher than budgeted.
- A net surplus can result from a combination of unique, generally non-recurring, circumstances that arise during the year.
- The year-end annual operating surplus 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).

DRAFT Unallocated Annual Operating Surplus for Tax Purposes

Consolidated Operations
2015 - 2019



**Consolidated
County Operations:
\$2.1 Million or
0.6% of the Budget**

DRAFT Unallocated Annual Operating Surplus For Tax Purposes

Consolidated County Operations

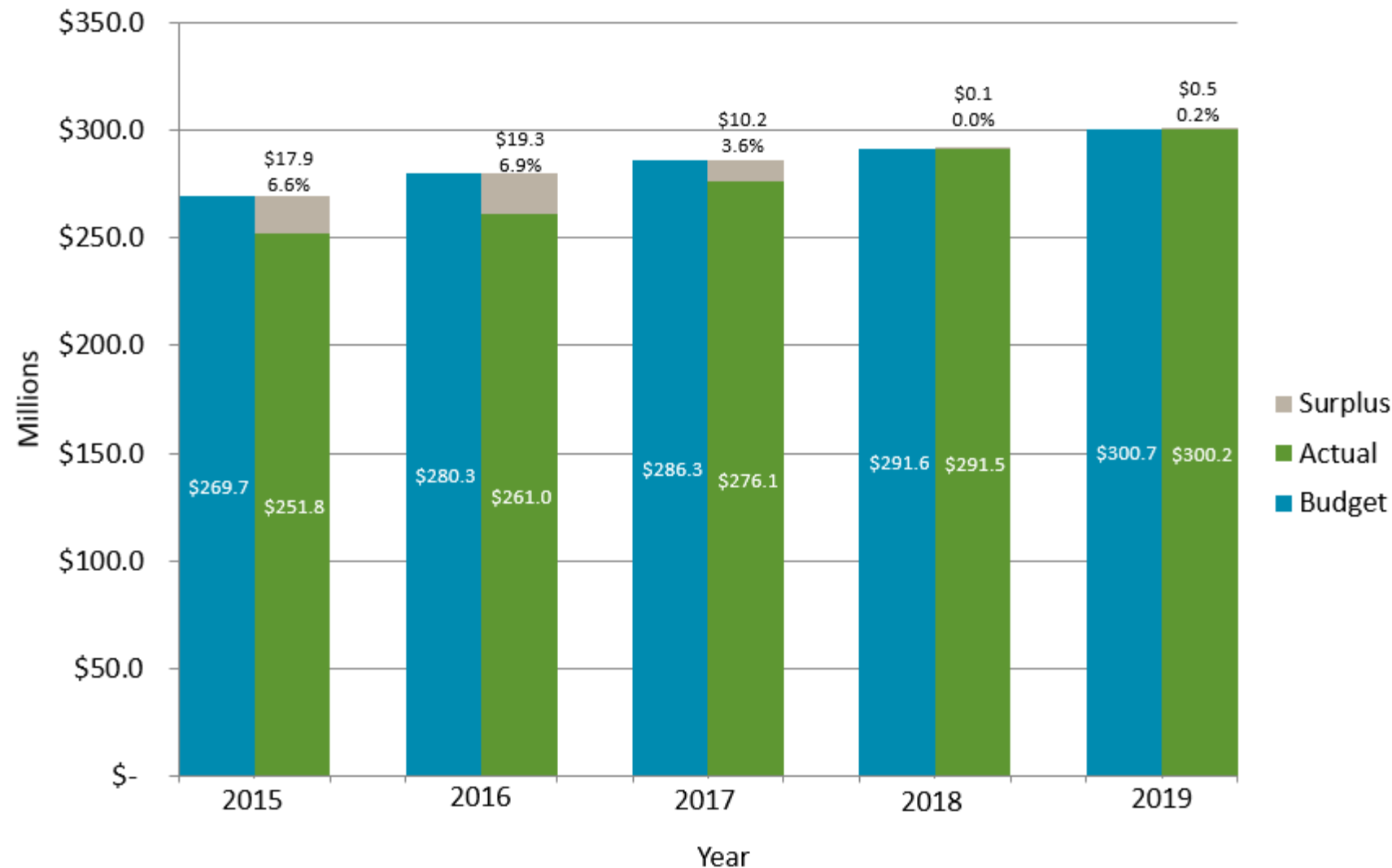
For the year ended December 31, 2019

Operations	Draft Unallocated Annual Operating Surplus for Tax Purposes	
	(In Millions)	% ¹ WEIGHTED PERCENTAGES
Municipal	\$0.5	0.2%
Utility	\$1.5	2.5%
Library	\$0.1	0.8%
TOTAL DOLLARS AND WEIGHTED PERCENTAGES	\$2.1 Million	0.6%

¹The percentages represent the proportion of surplus (deficit) compared to the respective annual operating budgets

DRAFT Unallocated Annual Operating Surplus for Tax Purposes

Municipal Operations
2015 - 2019



**Municipal Operations:
\$0.5 Million or 0.2%
of the 2019 Budget**

DRAFT Unallocated Annual Operating Surplus for Tax Purposes

Municipal Operations: \$0.5 Million

Municipal Operations were essentially on budget

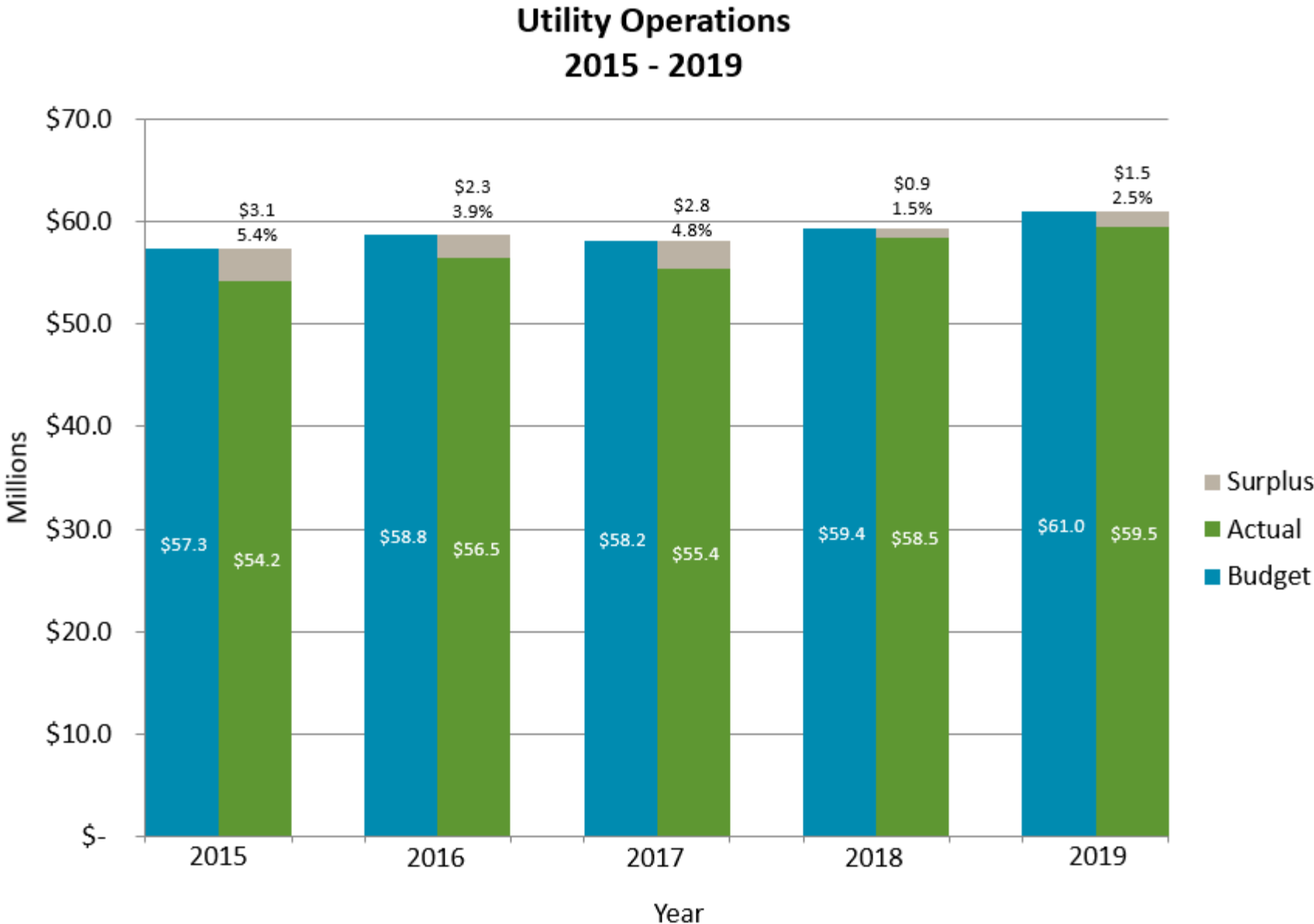
- Corporate estimates were very accurate (e.g. staffing vacancies, revenues)

Contributing Factors to the Municipal Operating Surplus:

- Fuel costs – \$1.2 million favourable variance, primarily due to lower rates
- Investment Income – \$0.9 million favourable variance due to higher than anticipated rates and volumes
- Utilities Expenses – \$0.9 million favourable variance due to unbudgeted rebates, and lower than anticipated rates and volumes

The P4 budgeted reserve transfer for \$1.5 million was not processed in 2019, resulting in an unfavorable variance

DRAFT Unallocated Annual Operating Surplus for Tax Purposes



**Utility Operations:
\$1.5 Million or 2.5%
of 2019 Budget**

DRAFT Unallocated Annual Operating Surplus for Tax Purposes

Utility Operations: \$1.5 Million

Favourable Contributing Factors to the Utility Operating Surplus:

- \$1.7 million favorable variance in Wastewater attributed to savings in salaries and benefits, supplies and materials and contracted services due to lower consumption of water volumes
- \$0.7 million favorable variance in Storm Sewer Services due to less need for repairs and maintenance, and less salaries and benefits for staff to perform those repairs
- \$0.7 million favorable variance in Solid Waste mostly attributed to savings in contracted services

DRAFT Unallocated Annual Operating Surplus for Tax Purposes

Utility Operations: \$1.5 Million

Unfavourable Contributing Factors to the Utility Operating Surplus:

- (\$1.4 million) unfavorable variance in the Water program due to lower water consumption, a reduction in the North East Water Commission revenue and an increase in repairs required due to water main breaks

Please note that staff in Utilities work in infrastructure repair and services for all three of the Water, Wastewater and Storm Sewer Services programs. The staff work where the need is. This is consistent with the variances offsetting between the utility programs.

Policy FIN-001-008: Allocation Of Year-End Operating Surplus for Tax Purposes

The policy recommends that surplus be allocated to:

- Designated reserves to be expended in future years;
- To fund one-time (non-recurring) expenditures of the following year's operating or capital budgets; and/or
- An allocation to the Stabilization and Contingency Reserve.

Annual operating surplus of self-sustaining operations will only be allocated within those operations and respective reserves.

Library annual operating surplus will be allocated pursuant to the Strathcona County Library Board.

DRAFT 2019 Year-End Operating Surplus Proposed Allocations

Recommended Surplus Allocations:

- Municipal operating surplus of \$530,627
 - \$111,774 to R15 Broadmoor Public Golf Course Reserve
 - \$418,853 to R4 Municipal Projects Reserve
- Utility operating surplus of \$1,511,401:
 - \$2,941,137 to the RU4 Utilities and Infrastructure Lifecycle
 - (\$1,429,736) from the RU1 Utilities Rate Stabilization and Contingency Reserve
- Library operating surplus allocation was approved by the Strathcona County Library Board January 28, 2020

Reserve Balances

Designated

- Funding designated to reserves for a specific purpose, which has not yet been approved by Council to be applied towards specific expenditures.

Committed

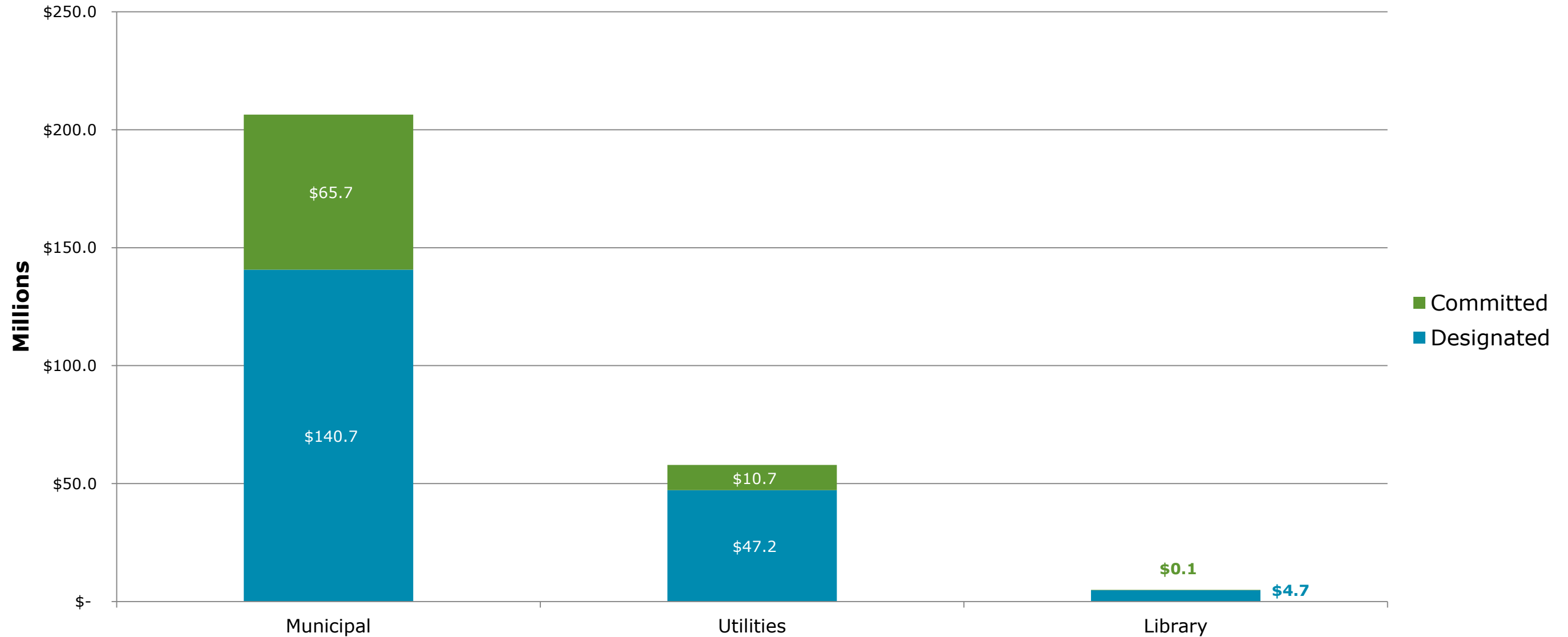
- Funding approved as per FIN-001-024: Financial Reserves policy to be applied towards specific expenditures.

Optimal Balance

- Where applicable, reserves will require a minimum or maximum recommended balance for the reserve. These recommendations will be a formula based on adequate levels to maintain services as determined by departments, endorsed by Executive Team, and approved by Council.

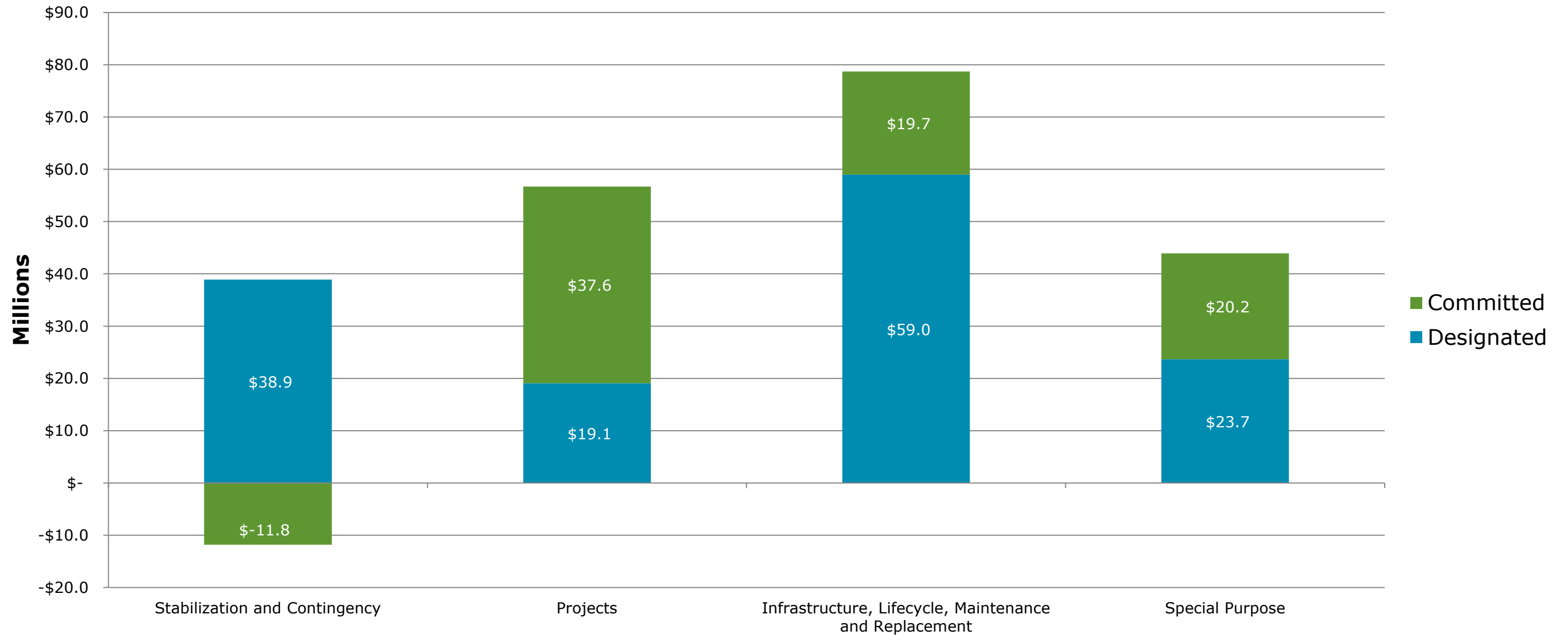
2019 Reserve Balances - \$269.2M

For the Year Ended December 31, 2019

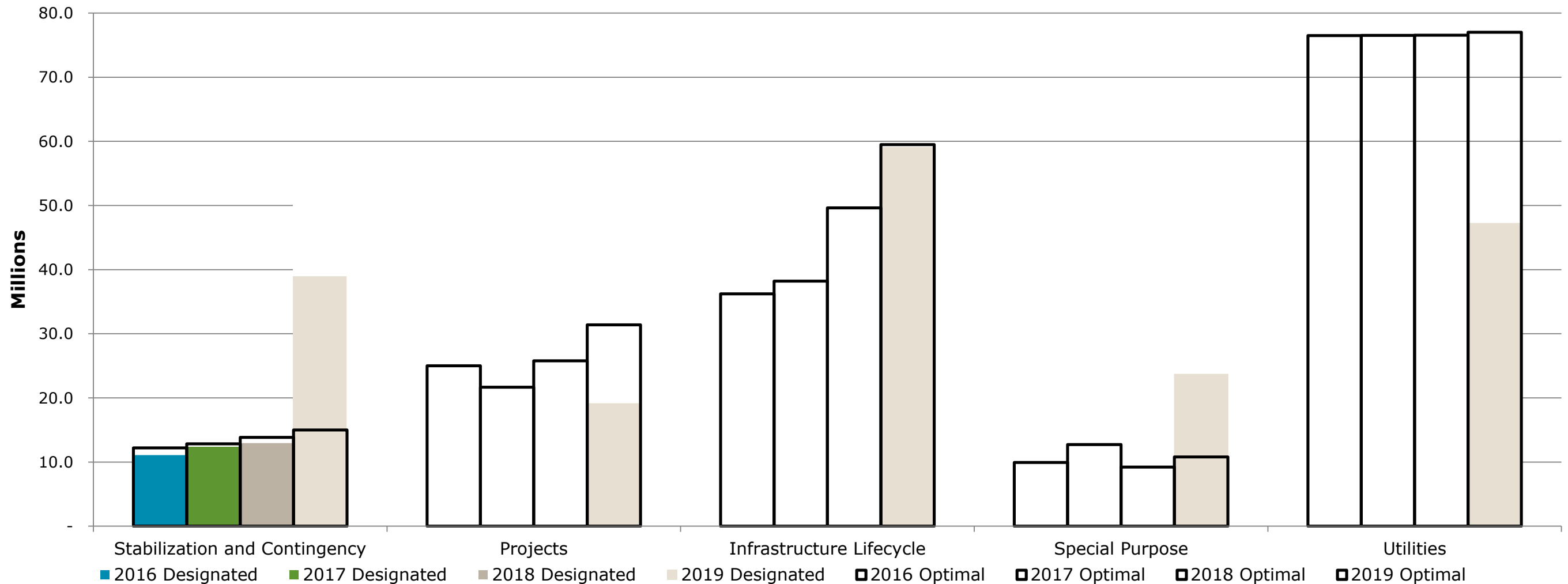


2019 Municipal Reserve Balances - \$206.4M

For the Year Ended December 31, 2019

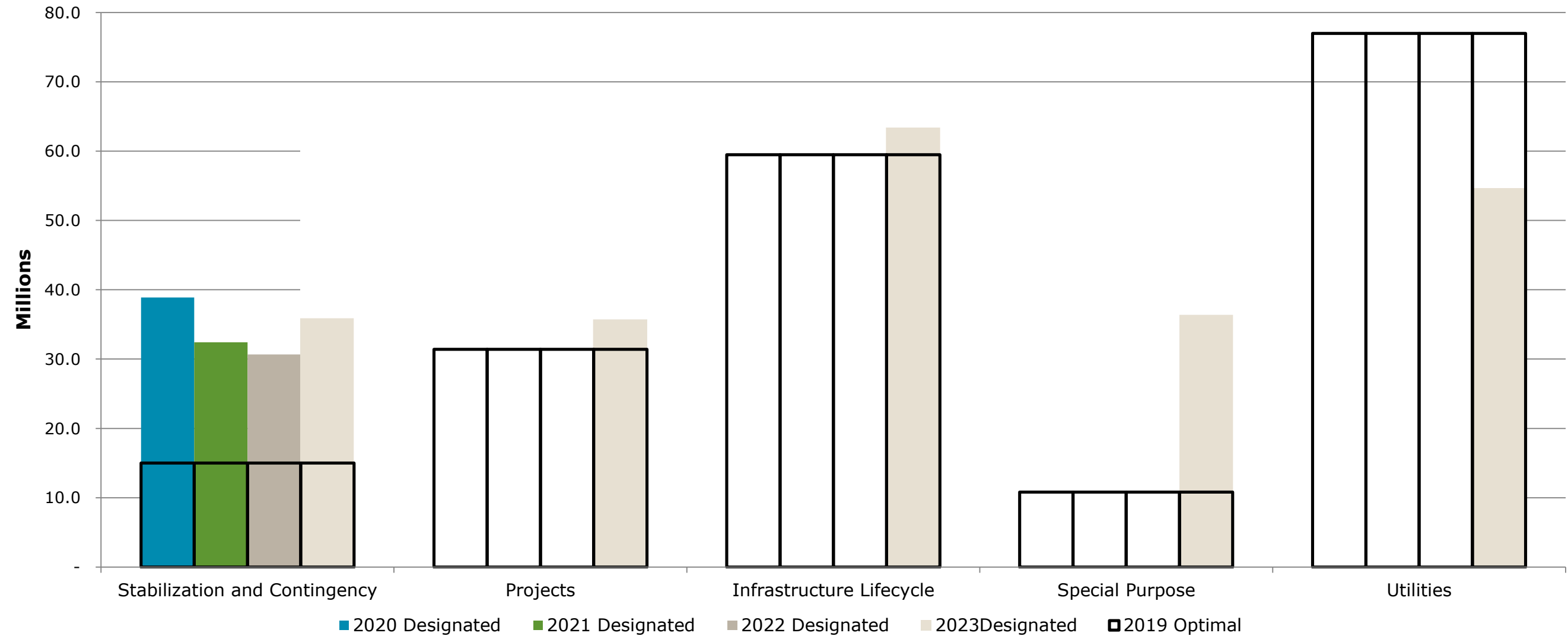


Designated Reserve Balances to Optimal Balances



Multi-Year Reserve Projections

Projected Designated Reserve Balances to 2019 Optimal Balance



Optimal Balance Summary

- No further recommendations for reallocations or adjustments based on optimal balance formulas are recommended at this time
- General Land reserve optimal balance formula review is underway now that the Municipal Land Management Strategy has been completed
- Utilities infrastructure reserve optimal balance options will be brought forward to a future Council meeting for consideration