

**DRAFT 2020 Annual Operating Surplus/(Deficit)
for Tax Purposes,
Recommended Allocations and
Reserve Transactions**

**Strathcona County
Council Meeting
March 2, 2021**

Annual Operating Surplus/(Deficit) 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 or (deficit) 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 / (Unfunded) Annual Operating Surplus / (Deficit) For Tax Purposes

Consolidated County Operations

For the year ended December 31, 2020

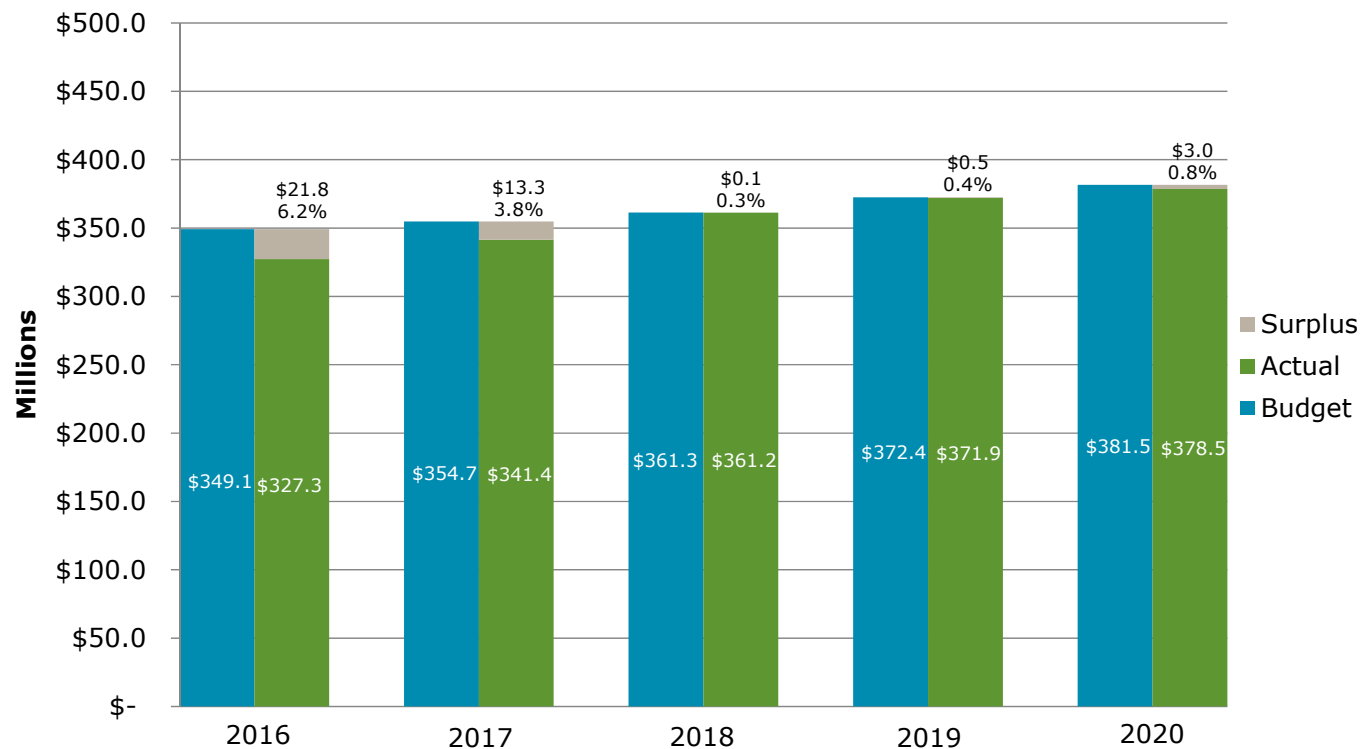
Operations	Draft Unallocated Annual Operating Surplus/(Deficit) for Tax Purposes	
	(In Millions)	% ¹ WEIGHTED PERCENTAGES
Municipal	(\$1.2M)	(0.4%)
Utility	\$3.8M	6.2%
Library	\$0.4 M	3.6%
TOTAL DOLLARS AND WEIGHTED PERCENTAGES	\$3.0 Million	0.8%

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

DRAFT Unallocated Annual Operating Surplus for Tax Purposes

Consolidated County Operations: \$3.0 Million Surplus or 0.8% of the Budget

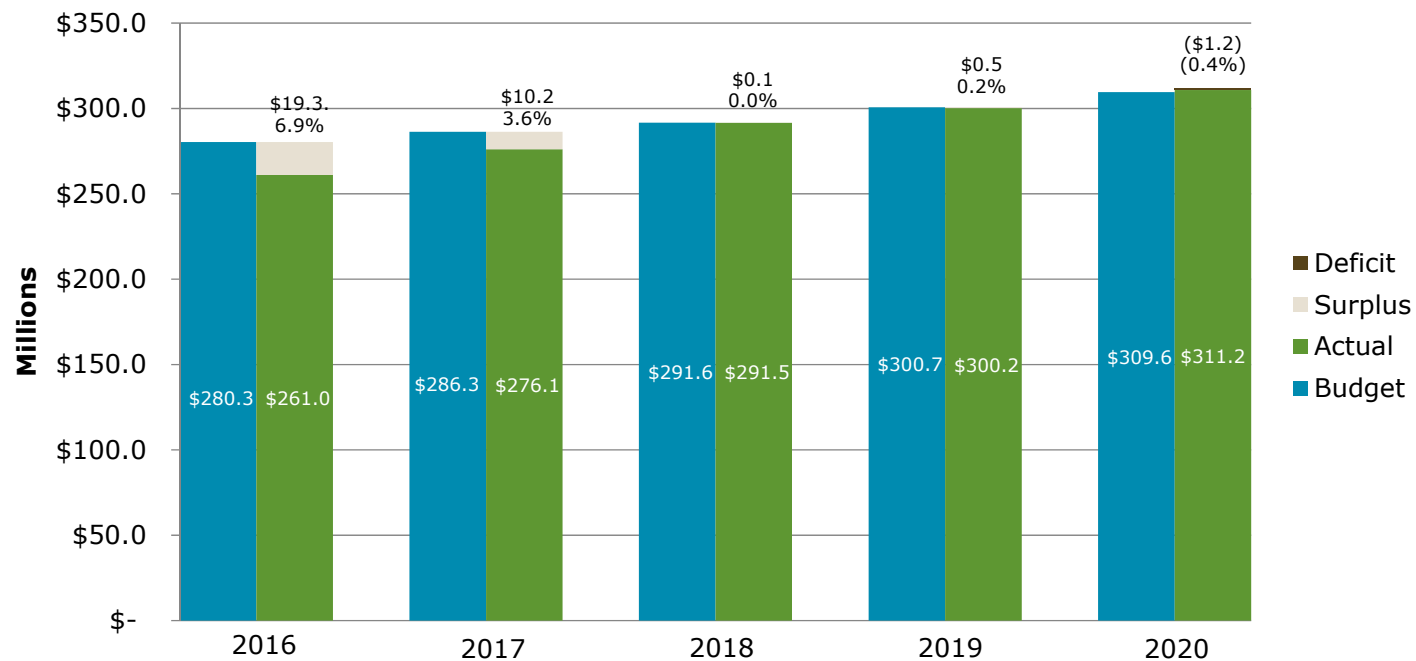
2016 - 2020



DRAFT Unallocated Annual Operating Surplus/(Deficit) for Tax Purposes

Municipal Operations: (\$1.2) Million deficit or (0.4%) of the 2020 Budget

2016 - 2020



DRAFT Unallocated Annual Operating (Deficit) for Tax Purposes

Municipal Operations: (\$1.2 Million)

Municipal Operations – 2020 Overview

- Trend was towards a year-end deficit of approximately (\$12.3 Million).
- Municipal Operating Support Transfer (MOST) grant funding served to recover lost revenues and reduce the deficit.
- Hardest hit areas during the year were Recreation, Parks and Culture and Strathcona County Transit:
 - Operational adjustments were taken to manage financial challenges.
 - Lower commodity costs resulted in additional savings.
 - Financial impacts in these areas were largely mitigated.
- Property taxes and Traffic Safety Act violation revenues were reduced due to policy and approach changes during the year.
- Economic factors including an increase in bad debt and diminished investment revenue also contributed to the deficit.

DRAFT Unallocated Annual Operating (Deficit) for Tax Purposes

Municipal Operations: (\$1.2 Million)

Municipal Operations resulted in a deficit (\$1.2 million) or (0.4%) of budget

Key Contributing Factors to the Municipal Operating Deficit:

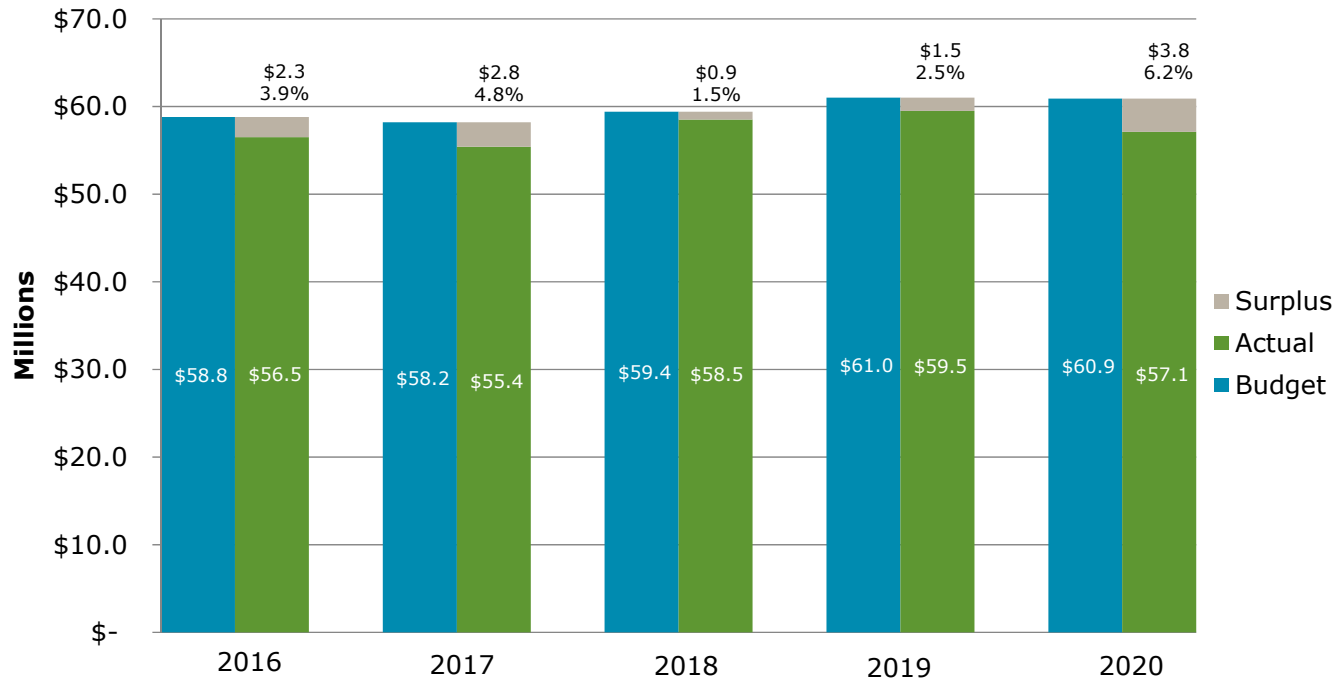
- (\$4.2 million) deficit in Recreation Parks and Culture
- (\$3.3 million) unfavourable variance in Property Tax Revenue
- (\$1.6 million) lower Traffic Safety Act violations
- (\$1.6 million) lower investment income
- (\$1.0 million) allowance for bad debt expense
- \$11.1 million of unbudgeted MOST grant funding

Please note: Both the P4 budgeted reserve transfer of \$1.6 million and the budgeted tax rate smoothing reserve transfer of \$4.7 million have been processed as planned.

DRAFT Unallocated Annual Operating Surplus for Tax Purposes

Utility Operations: \$3.8 Million Surplus or 6.2% of 2020 Budget

2016 - 2020



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.

However, as there is an unfunded year-end deficit, a transfer from reserve is required.

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 2020 Year-End Operating Surplus/(Deficit) **Proposed Allocations**

Recommended Surplus Allocations:

- Municipal operating deficit of (\$1,190,980)
 - \$121,924 to R15 Broadmoor Public Golf Course Reserve
 - (\$1,312,904) from R2 Stabilization and Contingency Reserve
- Utility operating surplus of \$3,811,494:
 - \$3,721,031 to the RU4 Utilities and Infrastructure Lifecycle
 - \$90,463 to the RU1 Utilities Rate Stabilization and Contingency Reserve
- Library operating surplus allocation was approved by the Strathcona County Library Board January 25, 2021

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.

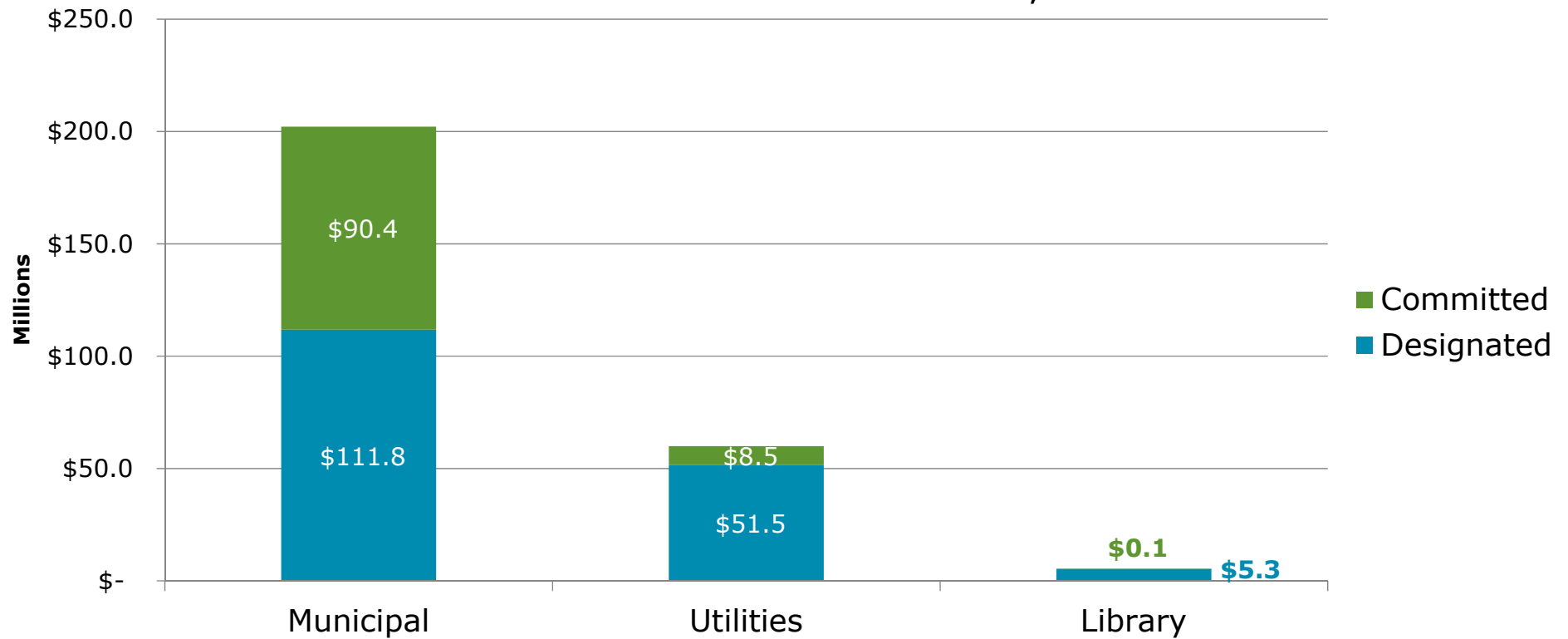
Optimal Balance

- 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.

2020 Reserve Balances

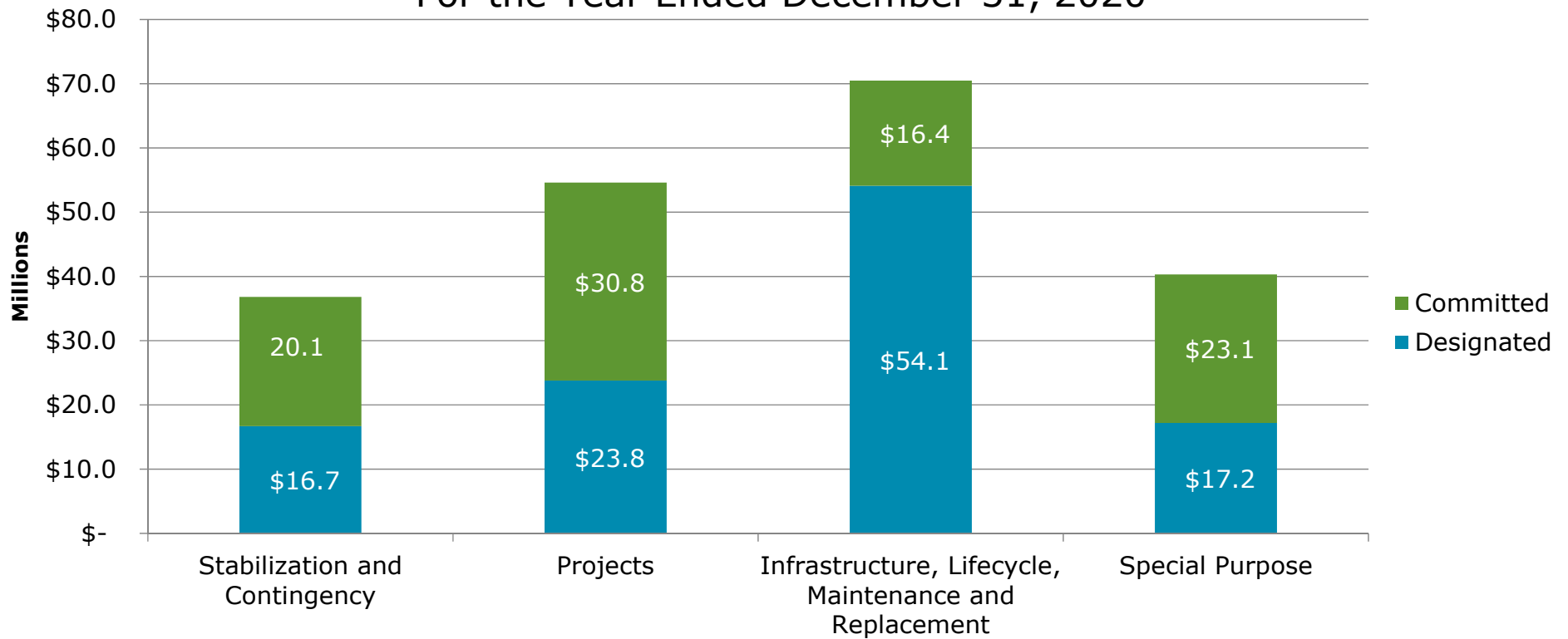
\$ Million

For the Year Ended December 31, 2020

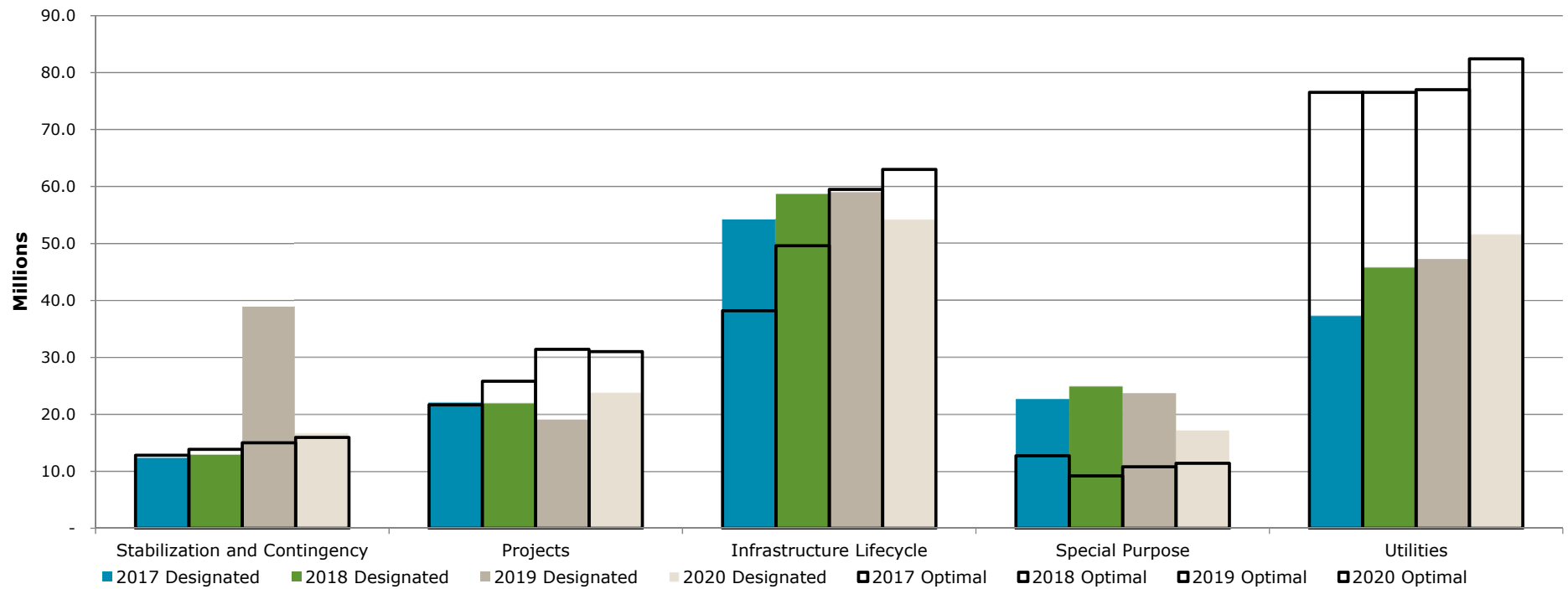


2020 Municipal Reserve Balances \$ Million

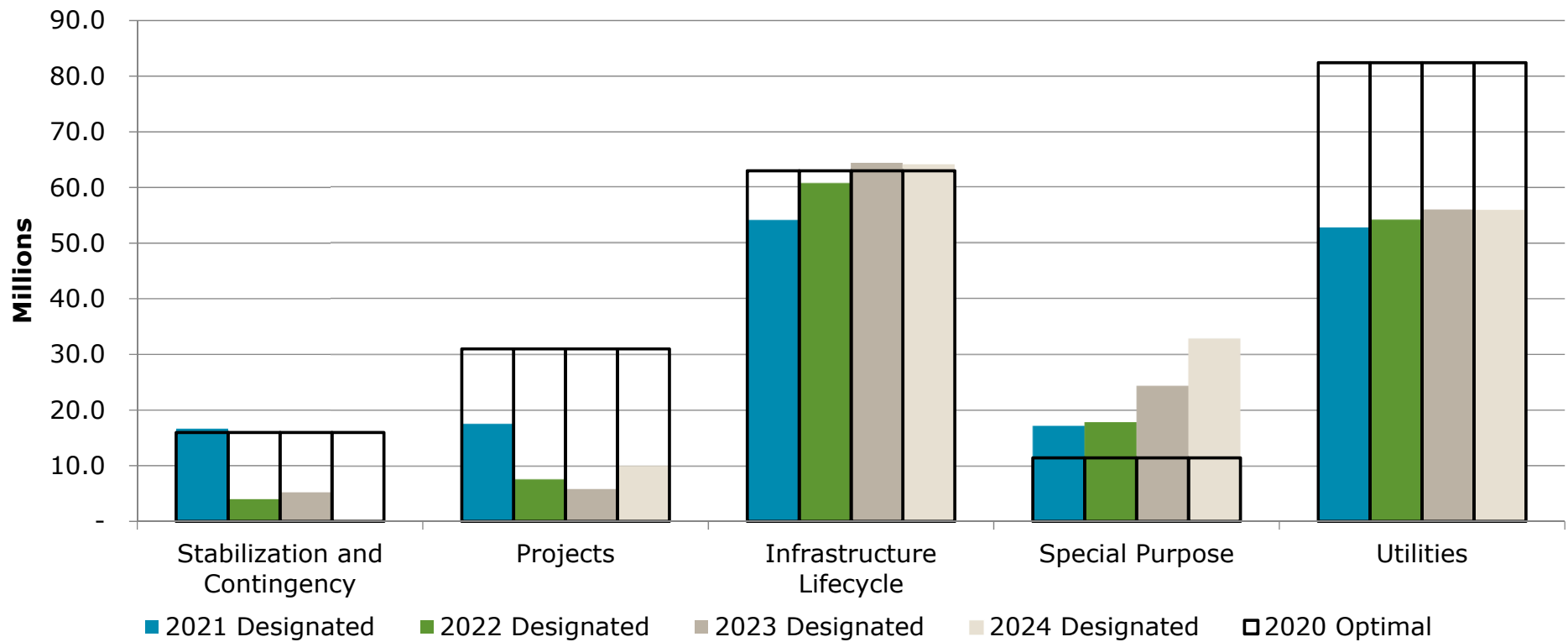
For the Year Ended December 31, 2020



Designated Reserve Balances to Optimal Balances 2017-2020



Multi-Year Reserve Projections



Optimal Balance Summary

- No further recommendations for reallocations or adjustments based on optimal balance formulas are recommended at this time
- A review of the General Land reserve optimal balance formula is underway now that the Municipal Land Management Strategy has been completed. An amendment to the Reserve Policy Optimal Balance formula will come forward for Councils approval in Q4 of 2021.
- Utilities infrastructure reserve optimal balance options will be brought forward to a future Council meeting for consideration