

Strathcona County

First Term 2022

Management Report

Prepared by Financial and Strategic Services

Prepared for
Priorities Committee Meeting
July 12, 2022

Year-to-Date Operating Variance

Year-to-Date Operating Surplus / (Deficit) for Tax Purposes

The Strathcona County (the County) 2022 T1 operating deficit for tax purposes of (\$66.3 million) is composed of the individual results of the Municipal, Utility and Library operating segments presented in the table below. To be consistent with the budget, the annual operating surplus for tax purposes includes reserve transactions and debt repayments; and excludes amortization expense and gains or losses on disposals or write downs of tangible capital assets, that are excluded and included (respectively) from Public Sector Accounting Standards (PSAS) that are used to prepare the financial statements.

Note: The County's financial results are in a deficit position as of April 30 as property taxes are requisitioned in May. To provide a more relevant update, the table below adjusts for the property tax revenue attributable to the first term.

Consolidated	T1 Budget	T1 Actual	Favourable / (Unfavourable) Variance
Total Revenue	\$41.0M	\$40.5M	(\$0.5M)
Total Expenses	(\$138.7M)	(\$123.1M)	\$15.6M
Total Non-Operating and Non-Cash Items	\$31.4M	\$16.3M	(\$15.1M)
Surplus / (Deficit)	(\$66.3M)	(\$66.3M)	-
Property Tax Revenue*	\$80.9M	\$80.1M	(\$0.8M)
Surplus / (Deficit) including Property Tax Revenue	\$14.6M	\$13.8M	(\$0.8M)

* Requisitioned May 2022

The Year-to-Date Operating Surplus for Tax Purposes evaluates the results using the same methodology used to prepare the Operating Budget. The Public Sector Accounting Standards (PSAS) used to prepare the financial statements applies a different method.

Analysis of the Year-to-Date Operating Surplus / (Deficit) for Tax Purposes

For detailed variance analysis information for the County, Municipal, Utility and Library operations, please see Appendix 1. The significant favourable and unfavourable variances noted below are not intended to total to the surplus amounts for each line of operations.

Municipal Operations – \$10.8 Million Surplus including Property Tax Revenue – Contributing Factors

Municipal Operations	T1 Budget	T1 Actual	Favourable / (Unfavourable) Variance
Total Revenue	\$21.5M	\$19.7M	(\$1.8M)
Total Expenses	(\$116.0M)	(\$101.5M)	\$14.5M
Total Non-Operating and Non-Cash Items	\$29.8M	\$15.9M	(\$13.9M)
Surplus / (Deficit)	(\$64.7M)	(\$65.9M)	(\$1.2M)
Property Tax Revenue*	\$77.5M	\$76.7M	(\$0.8M)
Surplus / (Deficit) including Property Tax Revenue	\$12.8M	\$10.8M	(\$2.0M)

* Requisitioned May 2022

Municipal operations' overall revenue variance was (9%) unfavourable. Budgeted total revenue was \$21.5 million and actual revenue was \$19.7 million, inclusive of contributed assets. Municipal operations' expense variance was 13% favourable. Total budgeted expenses were \$116.0 million and actual expenses were \$101.5 million, including amortization, gains and losses. This has resulted in a (\$65.9 million) deficit; however, after factoring in Property Tax revenue attributable to the first term the surplus is \$10.8 million.

The significant favourable and unfavourable variances are noted below:

Revenue

- User fees and charges — (\$2.1 million) unfavourable variance primarily due to the decrease the County has experienced in admissions, programs and memberships resulting from COVID-19 restrictions in place throughout the earlier part of the year, coupled with the community embracing a full re-opening of services. This decrease in demand is expected to continue throughout the year.
- Contributed assets — \$1.3 million favourable variance, the County does not budget for contributed assets, which is a common practice. Contributed assets to date include roadway system engineered structures and pathways and trails.

Expense

- Salaries, wages and employee benefits — \$5.6 million favourable variance primarily due to savings from vacancies, staffing turnover and timing differences that should resolve by year end. There has been some reduced staffing requirements due to the decreased demand for admissions, programs and memberships, noted above.

- Professional services — \$1.6 million favourable variance mainly due to timing differences and delayed work.
- Contracted services — \$3.1 million favourable variance:
 - A significant portion of this is attributable to timing differences that should resolve by year end. Some of the variance is due to reduced contracting costs in recreation and culture programming, consistent with the decreased demand, noted above.
 - These favourable variances were offset by an unfavourable variance of \$2.7 million due to additional snow clearing costs due to adverse weather conditions earlier in the year.
- Supplies and materials — (\$0.5 million) unfavourable variance is primarily attributable to the rise in fuel prices. The County has experienced a 40% increase in gas costs and a 27% increase in diesel costs from budget.
- Grants and requisitions — \$1.7 million favourable variance due to timing differences as grant payments are going out later than budgeted. We anticipate being on budget for year end.

Utility Operations – \$2.7 Million Surplus – Contributing Factors

Utility Operations	T1 Budget	T1 Actual	Favourable / (Unfavourable) Variance
Total Revenue	\$19.4M	\$20.7M	\$1.3M
Total Expenses	(\$19.5M)	(\$18.4M)	\$1.1M
Total Non-Operating and Non-Cash Items	\$1.7M	\$0.4M	(\$1.3M)
Surplus / (Deficit)	\$1.6M	\$2.7M	\$1.1M

Utility operations' overall revenue variance was 7% favourable. Budgeted total revenue was \$19.4 million and actual revenue was \$20.7 million, inclusive of contributed assets. Utility operations' expense variance was 6% favourable. Total budgeted expenses were \$19.5 million and actual expenses were \$18.4 million, including amortization, gains and losses. This has resulted in a \$2.7 million surplus.

Note: Utilities operations are self-sustaining.

The significant favourable and unfavourable variances are noted below.

Revenue

- Utility user rates — \$0.9 million favourable variance largely due to higher consumption than anticipated for winter months. Work from home mandates increase volumes for residential customers.
- Contributed assets — \$0.5 million favourable variance, the County does not budget for contributed assets. Contributed assets to date include wastewater connections.

Expense

- Salaries, wages and employee benefits — \$0.7 million favourable variance primarily due to savings from vacancies.
- Supplies and materials — (\$0.6 million) unfavourable variance primarily due to higher water and wastewater purchases, which is consistent with the higher utility user rates noted above. As more water is used by customers, more water must be purchased and treated.

Additional Information – Service Lateral Rehabilitation

As of April 30, 2022, there were 5 Service Lateral Rehabilitations completed, for a total cost of \$146K. An additional 21 rehabilitations have been committed in 2022. On June 14, an additional \$600K was added to the budget funded from reserves to address additional requests for 2022.

Library Operations – \$0.3 Million Surplus including Property Tax Revenue – Contributing Factors

Library Operations	T1 Budget	T1 Actual	Favourable / (Unfavourable) Variance
Total Revenue	\$0.1M	\$0.1M	-
Total Expenses	(\$3.2M)	(\$3.2M)	-
Total Non-Operating and Non-Cash Items	(\$0.1M)	-	\$0.1M
Surplus / (Deficit)	(\$3.2M)	(\$3.1M)	\$0.1M
Property Tax Revenue*	\$3.4M	\$3.4M	-
Surplus / (Deficit) including Property Tax Revenue	\$0.2M	\$0.3M	\$0.1M

* Requisitioned May 2022

Library operations' overall revenue variance was 0%. Budgeted total revenue was \$0.1 million and actual revenue was \$0.1 million. Library operations' expense variance was 0%. Total budgeted expenses were \$3.2 million and actual expenses were \$3.2 million, including amortization expense. This has resulted in a (\$3.1 million) deficit; however, after factoring in Property Tax revenue attributable to the first term the surplus is \$0.3 million.

There are no significant items to note for Library Operations in the first term of the year.

Appendices

1. Detailed Budget to Actual Information for the County, Municipal Operations, Utility Operations and Library Operations
2. Glossary of Terms

2022 Budget to Actuals Comparison

Consolidated

	T1 2022 Budget	T1 2022 Actuals	Favourable (Unfavourable) \$	Favourable (Unfavourable) %
Consolidated				
Revenue				
Property Taxes	(2,336)	(5,692)	(3,356)	144%
Government Grants	2,318,672	1,590,868	(727,804)	-31%
Utility User Rates	18,634,796	19,503,302	868,506	5%
User Fees & Charges	13,184,862	10,986,008	(2,198,854)	-17%
Penalties and Fines	2,217,911	1,946,242	(271,669)	-12%
Investment Income	2,017,985	2,121,767	103,782	5%
Other Revenues	2,624,569	2,520,456	(104,113)	-4%
Contributed Assets	-	1,812,258	1,812,258	-
Total Revenue	40,996,459	40,475,209	(521,250)	-1%
Expense				
Salaries & Wages	51,420,553	46,421,491	4,999,062	10%
Employee Benefits	11,103,028	9,864,238	1,238,790	11%
Training & Development	860,708	618,910	241,798	28%
Business Expenses	411,847	160,045	251,802	61%
Advertising & Printing	808,027	513,077	294,950	37%
Professional Services	2,380,209	621,527	1,758,682	74%
Insurance	796,596	799,800	(3,204)	0%
Rentals & Leases	1,163,666	869,713	293,953	25%
Contracted Services	21,193,520	17,599,188	3,594,332	17%
Supplies & Materials	13,189,409	14,280,470	(1,091,061)	-8%
Repairs & Maintenance	1,874,873	1,981,354	(106,481)	-6%
Equipment Purchases	737,559	343,439	394,120	53%
Utilities	3,857,757	3,689,070	168,687	4%
Utilities - Recovery Internal	(467,282)	(443,619)	(23,663)	5%
Telecommunications	432,539	331,898	100,641	23%
Interest on Debt	1,422,232	1,422,232	-	0%
Grants & Requisitions	4,182,898	2,531,141	1,651,757	39%
Other Expenses	1,502,817	918,109	584,708	39%
Interprogram	59,575	15,626	43,949	74%
Gain/Loss on Asset Disposal	-	(49,459)	49,459	-
Amortization Expense	21,766,164	20,645,890	1,120,274	5%
Total Expense	138,696,695	123,134,140	15,562,555	11%
Net Revenues/(Expenses)	(97,700,236)	(82,658,931)	15,041,305	15%
Non-Operating Items				
From Reserve	10,925,747	1,941,002	(8,984,745)	-82%
To Capital	(219,268)	(173,383)	45,885	-21%
To Reserve	1,577,164	(1,517,184)	(3,094,348)	-196%
Loan Funds Repaid	449,682	449,683	1	0%
Long Term Debt Repaid	(3,180,787)	(3,180,790)	(3)	0%
Total Non-Operating Items	9,552,538	(2,480,672)	(12,033,210)	-126%
Non-Cash Adjustment	21,810,481	18,828,985	(2,981,496)	-14%
Net Impact For Budget Purposes	\$ (66,337,217)	\$ (66,310,618)	\$ 26,599	0%

2022 Budget to Actuals Comparison

Municipal Operations

	T1 2022 Budget	T1 2022 Actuals	Favourable (Unfavourable) \$	Favourable (Unfavourable) %
Municipal				
Revenue				
Property Taxes	(2,336)	(5,488)	(3,152)	135%
Government Grants	2,316,336	1,581,355	(734,981)	-32%
User Fees & Charges	12,809,377	10,664,318	(2,145,059)	-17%
Penalties and Fines	2,214,243	1,941,800	(272,443)	-12%
Investment Income	1,551,367	1,648,281	96,914	6%
Other Revenues	2,584,153	2,479,272	(104,881)	-4%
Contributed Assets	-	1,337,258	1,337,258	-
Total Revenue	21,473,140	19,646,796	(1,826,344)	-9%
Expense				
Salaries & Wages	46,746,040	42,337,541	4,408,499	9%
Employee Benefits	10,068,511	8,923,129	1,145,382	11%
Training & Development	774,171	557,806	216,365	28%
Business Expenses	393,412	157,337	236,075	60%
Advertising & Printing	623,525	366,709	256,816	41%
Professional Services	2,197,709	577,331	1,620,378	74%
Insurance	796,596	799,800	(3,204)	0%
Rentals & Leases	1,032,147	803,300	228,847	22%
Contracted Services	18,360,466	15,234,081	3,126,385	17%
Supplies & Materials	6,229,504	6,753,756	(524,252)	-8%
Repairs & Maintenance	1,477,898	1,374,435	103,463	7%
Equipment Purchases	667,723	319,538	348,185	52%
Utilities	3,358,491	3,077,715	280,776	8%
Telecommunications	375,531	267,766	107,765	29%
Interest on Debt	705,547	705,547	-	0%
Grants & Requisitions	4,182,898	2,474,506	1,708,392	41%
Other Expenses	1,467,945	904,054	563,891	38%
Interprogram	(1,600,745)	(1,633,354)	32,609	-2%
Gain/Loss on Asset Disposal	-	(49,459)	49,459	-
Amortization Expense	18,129,980	17,519,004	610,976	3%
Total Expense	115,987,349	101,470,542	14,516,807	13%
Net Revenues/(Expenses)	(94,514,209)	(81,823,746)	12,690,463	13%
Non-Operating Items				
From Reserve	10,308,174	1,412,429	(8,895,745)	-86%
To Capital	(37,680)	(33,300)	4,380	-12%
To Reserve	2,884,435	(37,077)	(2,921,512)	-101%
Loan Funds Repaid	449,682	449,683	1	0%
Long Term Debt Repaid	(1,960,506)	(1,960,507)	(1)	0%
Total Non-Operating Items	11,644,105	(168,772)	(11,812,877)	-101%
Non-Cash Adjustment	18,129,980	16,132,782	(1,997,198)	-11%
Net Impact For Budget Purposes	\$ (64,740,124)	\$ (65,859,736)	\$ (1,119,612)	2%

2022 Budget to Actuals Comparison

Utility Operations

	T1 2022 Budget	T1 2022 Actuals	Favourable (Unfavourable) \$	Favourable (Unfavourable) %
Utilities				
Revenue				
Property Taxes	-	-	-	-
Government Grants	2,336	9,513	7,177	307%
Utility User Rates	18,634,796	19,503,302	868,506	5%
User Fees & Charges	367,381	314,508	(52,873)	-14%
Investment Income	435,753	427,171	(8,582)	-2%
Other Revenues	2,000	3,350	1,350	68%
Contributed Assets	-	475,000	475,000	-
Total Revenue	19,442,266	20,732,844	1,290,578	7%
Expense				
Salaries & Wages	3,114,119	2,519,011	595,108	19%
Employee Benefits	649,590	545,154	104,436	16%
Training & Development	72,230	47,168	25,062	35%
Business Expenses	12,589	1,712	10,877	86%
Advertising & Printing	172,262	142,888	29,374	17%
Professional Services	176,220	38,532	137,688	78%
Rentals & Leases	128,887	63,780	65,107	51%
Contracted Services	2,808,030	2,353,739	454,291	16%
Supplies & Materials	6,665,694	7,265,414	(599,720)	-9%
Repairs & Maintenance	359,790	581,316	(221,526)	-62%
Equipment Purchases	60,360	19,246	41,114	68%
Utilities	499,266	611,355	(112,089)	-22%
Utilities - Recovery Internal	(467,282)	(443,619)	(23,663)	5%
Telecommunications	51,192	57,630	(6,438)	-13%
Interest on Debt	510,217	510,217	-	0%
Other Expenses	33,072	12,198	20,874	63%
Interprogram	1,394,884	1,379,303	15,581	1%
Gain/Loss on Asset Disposal	-	-	-	-
Amortization Expense	3,241,280	2,727,240	514,040	16%
Total Expense	19,482,400	18,432,284	1,050,116	5%
Net Revenues/(Expenses)	(40,134)	2,300,560	2,340,694	5832%
Non-Operating Items				
From Reserve	617,573	471,938	(145,635)	-24%
To Capital	-	-	-	-
To Reserve	(1,283,937)	(1,441,147)	(157,210)	12%
Long Term Debt Repaid	(966,324)	(966,324)	-	0%
Total Non-Operating Items	(1,632,688)	(1,935,533)	(302,845)	19%
Non-Cash Adjustment	3,285,597	2,296,557	(989,040)	-30%
Net Impact For Budget Purposes	\$ 1,612,775	\$ 2,661,584	\$ 1,048,809	65%

2022 Budget to Actuals Comparison

Library Operations

	T1 2022 Budget	T1 2022 Actuals	Favourable (Unfavourable) \$	Favourable (Unfavourable) %
Library				
Revenue				
Property Taxes	-	(204)	(204)	-
Government Grants	-	-	-	-
Utility User Rates	-	-	-	-
User Fees & Charges	8,104	7,182	(922)	-11%
Penalties and Fines	3,668	4,442	774	21%
Investment Income	30,865	46,315	15,450	50%
Other Revenues	38,416	37,834	(582)	-2%
Total Revenue	81,053	95,569	14,516	18%
Expense				
Salaries & Wages	1,560,394	1,564,939	(4,545)	0%
Employee Benefits	384,927	395,956	(11,029)	-3%
Training & Development	14,307	13,937	370	3%
Business Expenses	5,846	997	4,849	83%
Advertising & Printing	12,240	3,480	8,760	72%
Professional Services	6,280	5,664	616	10%
Rentals & Leases	2,632	2,633	(1)	0%
Contracted Services	25,024	11,368	13,656	55%
Supplies & Materials	294,211	261,300	32,911	11%
Repairs & Maintenance	37,185	25,603	11,582	31%
Equipment Purchases	9,476	4,655	4,821	51%
Telecommunications	5,816	6,503	(687)	-12%
Interest on Debt	206,468	206,468	-	0%
Grants & Requisitions	-	56,635	(56,635)	-
Other Expenses	1,800	1,857	(57)	-3%
Interprogram	265,436	269,677	(4,241)	-2%
Amortization Expense	394,904	399,646	(4,742)	-1%
Total Expense	3,226,946	3,231,318	(4,372)	0%
Net Revenues/(Expenses)	(3,145,893)	(3,135,749)	10,144	0%
Non-Operating Items				
From Reserve	-	56,635	56,635	-
To Capital	(181,588)	(140,084)	41,504	-23%
To Reserve	(23,334)	(38,960)	(15,626)	67%
Long Term Debt Repaid	(253,957)	(253,959)	(2)	0%
Total Non-Operating Items	(458,879)	(376,368)	82,511	-18%
Non-Cash Adjustment	394,904	399,646	4,742	1%
Net Impact For Budget Purposes	\$ (3,209,868)	\$ (3,112,471)	\$ 97,397	-3%

GLOSSARY OF TERMS

- **Annual Operating Surplus / (Deficit) for Tax Purposes** – The annual surplus / (deficit) is the difference between the approved operating budget and the actual revenue and expenditures that occur during the year. The surplus / (deficit) is based on the modified cash flow basis, which includes debt repayment expenditures and reserve transactions, and excludes amortization expense, gains / (losses) on asset disposals and capital revenues, unlike the Public Sector Accounting Standards (PSAS) surplus / (deficit).
- **Committed** – Funding approved per FIN-001-024: Municipal Reserves Policy to be applied towards specific expenditures.
- **Designated** – Funding designated to reserves for a specific purpose, which has not yet been approved by Council to be applied towards specific expenditures.
- **Forecasted Variances** – Future variances to budget that have yet to occur but are expected to be realized before the end of the year based on current information and are projected to affect the year end surplus (deficit).
- **Permanent Differences** – Variances to budget that have occurred and will affect the year-end surplus (deficit).
- **Public Sector Accounting Standards (PSAS) Surplus / (Deficit)** – The surplus / (deficit) resulting from financial statements prepared in accordance with PSAS, which is done on an accrual basis, including both operating and capital transactions.
- **Timing Differences** – Variances to budget that are expected to reverse during the remainder of the year and will not affect the year end surplus / (deficit).
- **Year End Forecast** – Variances to budget that are expected at year end due to permanent differences and forecasted variances. These variances will affect the year end forecasted surplus / (deficit).
- **Year-To-Date Operating Variance** – The favourable or (unfavourable) difference between budget and actuals at a point in time including any timing differences.