

Strathcona County First Quarter 2023 Management Report

Prepared by Financial and Strategic Services

Prepared for
Priorities Committee
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Introduction

The Strathcona County (the County) first quarter (Q1) management report is composed of the individual results of the Municipal, Utility and Library operating segments. Pioneer Housing Foundation is not included in the financial information presented in this report.

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. These amounts are included and excluded (respectively) from the operating surplus calculated under Public Sector Accounting Standards (PSAS) used to prepare the financial statements.

The detailed variance analysis information for Municipal, Utility and Library operating segments is presented within this report. The significant favourable and unfavourable variances noted below are not intended to total to the surplus (deficit) amounts for each line of operations. **Generally, a materiality of \$0.5 million is applied for variance analysis in this report. Other variances may also be included if they are deemed to be of note.**

The first quarter always shows a deficit as property tax revenue is not collected until the second quarter of the year; however, we see alignment with budget. This result is normal.

Municipal Operations – First Quarter 2023

Municipal operations' overall revenue variance was 1% favourable. Budgeted total revenue was \$14.8 million and actual revenue was \$15.0 million, inclusive of contributed assets (there were no contributed assets for Q1 2023). Municipal operations' expense variance was 4% favourable. Total budgeted expenses were \$85.7 million and actual expenses were \$81.9 million, including amortization and gains/losses on tangible capital assets.

Non-operating and non-cash items include transfers to and from reserves, repayment of loans and debt, and equity transactions. These items generally align with the activity within revenue and expenses.

Municipal Operations	Q1 2023 YTD Budget	Q1 2023 YTD Actuals	Favourable (Unfavourable) \$	Favourable (Unfavourable) %
Revenue				
Property Taxes	\$ 0	\$ (22)	\$ (22)	-%
Service Fees and Charges	7,296,786	7,649,625	352,839	5%
Penalties and Fines	1,337,709	1,635,995	298,286	22%
Permit and License Fee	882,399	873,552	(8,847)	(1)%
Investment Income	1,326,966	1,230,999	(95,967)	(7)%
Government Grants	1,546,069	1,124,876	(421,193)	(27)%
Other Revenue	2,397,111	2,446,271	49,160	2%
Subtotal	\$ 14,787,040.00	\$ 14,961,296	\$ 174,256	1%
Contributed Assets	-	-	-	-%
Total Revenue	\$ 14,787,040	\$ 14,961,296	\$ 174,256	1%
Expenses				
Salaries & Benefits, Employee Expenses	\$ 44,907,288	\$ 44,709,095	\$ 198,193	0%
Business Expenses	7,568,129	7,031,478	536,651	7%
Purchased Services	12,974,601	11,558,721	1,415,880	11%
Supplies, Materials and Equipment	4,195,663	3,314,152	881,511	21%
Interest on Debentures	629,612	629,613	(1)	(0)%
Grants Disbursed	2,227,474	1,635,697	591,777	27%
Amortization and Gain/Loss on Disposal	14,141,385	13,335,322	806,063	6%
Other Expenses	419,241	538,577	(119,336)	(28)%
Intercharges	(1,323,725)	(835,680)	(488,045)	37%
Total Expenses	\$ 85,739,668	\$ 81,916,975	\$ 3,822,693	4%
Net Revenue(Expense)	\$ (70,952,628)	\$ (66,955,679)	\$ 3,996,949	(6)%
Non-Operating Items and Close to Equity	\$ 14,657,243	\$ 13,030,765	\$ (1,626,478)	(11)%
Operating Surplus (Deficit) For Tax Purposes	\$ (56,295,385)	\$ (53,924,914)	\$ 2,370,471	

The significant favourable and unfavourable variances are noted below.

Municipal Operations Revenue

Although all revenue variances fall below the materiality for investigation in this report, Administration felt this favourable trend was worth identifying:

- Service fees and charges – \$350K favourable variance primarily due to increased facility usage and membership purchases

Municipal Operations Expenses

- Business expenses – \$530K favorable variance primarily due to
 - \$300K – savings in caused by less equipment rentals than anticipated
 - \$140K – savings in facilities electricity consumption due to warmer conditions leading to less consumption required
 - And other miscellaneous costs such as insurance expenses and miscellaneous timing differences
- Purchased services – \$1.4 million favourable variance. The variance is primarily timing in nature and is anticipated to resolve by year end. The anticipated permanent variances are very small. The remainder of the timing includes:
 - \$370K – delayed actual costs for Oracle ERP contractor and reporting, costs anticipated for Q2.
 - \$100K – timing for services repairs and maintenance
 - \$780K – other contracted services timing including monthly drainage costs, traffic signal and railway crossing, GIS Orthophoto's, functional planning studies due to timing.
- Supplies, Materials & Equipment – \$880K favourable variance.
 - \$515K – savings in materials for road safety and clearing due to less snow in the first quarter of the year than anticipated. This could be permanent or timing depending on the weather in the later portion of the year.
 - \$365K – due to timing of purchases which is expected to be timing
- Grants disbursed – \$590K favourable variance due to timing of grant payments to Edmonton Metropolitan Region Board (EMRB), Volunteers of Strathcona and WE Seniors Grant which are expected to be paid at a later date.

Utility Operations – First Quarter 2023

Utility operations' overall revenue variance was 10% favourable which includes contributed assets. Budgeted total revenue was \$15.6 million and actual revenue was \$17.1 million. Utility operations' expense variance was 3% favourable. Total budgeted expenses were \$15.2 million and actual expenses were \$14.7 million, including amortization, gains and losses.

Utility Operations	Q1 2023 YTD Budget	Q1 2023 YTD Actuals	Favourable (Unfavourable) \$	Favourable (Unfavourable) %
Revenue				
Property Taxes	\$ 2,598	\$ 6,487	\$ 3,889	150%
Utility User Rates	14,950,413	16,175,483	1,225,070	8%
Service Fees and Charges	19,785	14,598	(5,187)	(26)%
Penalties and Fines	18,999	30,912	11,913	63%
Investment Income	308,289	528,946	220,657	72%
Government Grants	6,753	(1)	(6,754)	(100)%
Other Revenue	301,537	354,607	53,070	18%
Subtotal	\$ 15,608,374	\$ 17,111,032	\$ 1,502,658	10%
Contributed Assets	-	0	0	-%
Total Revenue	\$ 15,608,374	\$ 17,111,032	\$ 1,502,658	10%
Expenses				
Salaries & Benefits, Employee Expenses	\$ 2,844,574	\$ 2,882,389	\$ (37,815)	(1)%
Business Expenses	422,678	438,888	(16,210)	(4)%
Purchased Services	2,469,283	2,352,560	116,723	5%
Supplies, Materials and Equipment Purchases	5,620,256	5,695,125	(74,869)	(1)%
Interest on Debentures	476,168	476,104	64	0%
Grants Disbursed	-	4,953	(4,953)	-%
Amortization and Gain/Loss on Disposal	2,525,754	2,059,954	465,800	18%
Other Expenses	8,643	5,749	2,894	33%
Intercharges	791,110	815,633	(24,523)	(3)%
Total Expenses	\$ 15,158,466	\$ 14,731,355	\$ 427,111	3%
Net Revenue(Expense)	\$ 449,908	\$ 2,379,677	\$ 1,929,769	429%
Non-Operating Items and Close to Equity	\$ 1,637,697	\$ 976,904	\$ (660,793)	(40)%
Operating Surplus (Deficit) For Tax Purposes	\$ 2,087,605	\$ 3,356,581	\$ 1,268,976	

Utility Operations Revenue

- Utility user rates – \$1.2 million favourable variance due to higher consumption than anticipated partially due to continued increased work from home and the unpredictability of consumer consumption.

Utility Operations Expenses

- Generally, when there is a favourable variance in utility user rate revenue, there is a corresponding unfavourable variance in supplies and materials due to increased water being purchased and treated. Utilities will continue to monitor expenses to confirm if expense assumptions need to be modified in the future.

Library Operations – First Quarter 2023

Library operations' overall revenue variance was 17% favourable. Budgeted total revenue was \$75K and actual revenue was \$88K. Library operations' expense variance was (4%) unfavourable. Total budgeted expenses were \$2.5 million and actual expenses were \$2.6 million, including amortization expense.

Library Operations	Q1 2023 YTD Budget	Q1 2023 YTD Actuals	Favourable (Unfavourable) \$	Favourable (Unfavourable) %
Revenue				
Property Taxes	\$ -	\$ -	\$ -	-%
Utility User Rates	-	-	-	-%
Service Fees and Charges	-	1,946	1,946	-%
Penalties and Fines	3,252	4,137	885	27%
Permit and License Fee	-	-	-	-%
Investment Income	25,646	47,771	22,125	86%
Government Grants	-	-	-	-%
Other Revenue	46,500	34,241	(12,259)	(26)%
Subtotal	\$ 75,398	\$ 88,095	\$ 12,697	17%
Contributed Assets	-	-	-	-%
Total Revenue	\$ 75,398	\$ 88,095	\$ 12,697	17%
Expenses				
Salaries & Benefits, Employee Expenses	\$ 1,515,943	\$ 1,743,926	\$ (227,983)	(15)%
Business Expenses	144,269	70,115	74,154	51%
Purchased Services	56,328	35,074	21,254	38%
Supplies, Materials and Equipment	157,881	116,158	41,723	26%
Interest on Debentures	194,976	194,976	-	-%
Grants Disbursed	-	-	-	-%
Amortization and Gain/Loss on Disposal	300,711	300,597	114	-%
Other Expenses	600	834	(234)	(39)%
Intercharges	202,758	205,310	(2,552)	(1)%
Total Expenses	\$ 2,573,466	\$ 2,666,990	\$ (93,524)	(4)%
Net Revenue(Expense)	\$ (2,498,068)	\$ (2,578,895)	\$ (80,827)	3%
Non-Operating Items and Close to Equity	\$ 10,390	\$ (13,395)	\$ (23,785)	229%
Operating Surplus (Deficit) For Tax Purposes	\$ (2,487,678)	\$ (2,592,290)	\$ (104,612)	

There are no significant items to note for Library Operations at the end of the first quarter.

Consolidated (Municipal, Utility and Library Operations) – 2023

The consolidated revenue variance was 6% favourable. Budgeted total revenue was \$30.5 million and actual revenue was \$32.2 million. There were no contributed assets in the first quarter of 2023. The consolidated expense variance was 4% favourable. Total budgeted expenses were \$103.5 million and actual expenses were \$99.3 million, including amortization expense.

Consolidated Operations (Municipal, Utility & Library)	Q1 2023 YTD Budget	Q1 2023 YTD Actuals	Favourable (Unfavourable) \$	Favourable (Unfavourable) %
Revenue				
Property Taxes	\$ 2,598	\$ 6,465	\$ 3,867	149%
Utility User Rates	14,950,413	16,175,483	1,225,070	8%
Service Fees and Charges	7,316,571	7,666,169	349,598	5%
Penalties and Fines	1,359,960	1,671,044	311,084	23%
Permit and License Fee	882,399	873,552	(8,847)	(1)%
Investment Income	1,660,901	1,807,716	146,815	9%
Government Grants	1,552,822	1,124,875	(427,947)	(28)%
Other Revenue	2,745,148	2,835,119	89,971	3%
Subtotal	\$ 30,470,812	\$ 32,160,423	\$ 1,689,611	6%
Contributed Assets	-	-	-	-%
Total Revenue	\$ 30,470,812	\$ 32,160,423	\$ 1,689,611	6%
Expenses				
Salaries, Wages, Benefits and Employee Expenses	\$ 49,267,805	\$ 49,335,410	\$ (67,605)	(0)%
Business Expenses	8,135,076	7,540,481	594,595	7%
Purchased Services	15,500,212	13,946,355	1,553,857	10%
Supplies, Materials and Equipment Purchases	9,973,800	9,125,435	848,365	9%
Interest on Debentures	1,300,756	1,300,693	63	0%
Grants Disbursed	2,227,474	1,640,650	586,824	26%
Amortization and Gain/Loss on Disposal	16,967,850	15,695,873	1,271,977	7%
Other Expenses	428,484	545,160	(116,676)	(27)%
Intercharges	(329,857)	185,263	(515,120)	156%
Total Expenses	\$ 103,471,600	\$ 99,315,320	\$ 4,156,280	4%
Net Revenue(Expense)	\$ (73,000,788)	\$ (67,154,897)	\$ 5,845,891	(8)%
Non-Operating Items and Close to Equity	\$ 16,305,330	\$ 13,994,273	\$ (2,311,057)	(14)%
Operating Surplus (Deficit) For Tax Purposes	\$ (56,695,458)	\$ (53,160,624)	\$ 3,534,834	