

Strathcona County Second Quarter 2023 Management Report

Prepared by Financial and Strategic Services

Prepared for
Priorities Committee
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Introduction

The Strathcona County (the County) second quarter (Q2) management report is composed of the year end projections and 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 contributed asset revenue and amortization expense and gains or losses on disposals through adjustments to non-operating items and close to equity. 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 variance analysis for the year end projections, as well as the second quarter operating results, 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 the variance analysis in this report; however, other variances may be included if they are deemed significant.

Second Quarter Operating Results – 2023

Municipal Operations

Budgeted total revenue was \$283.7 million and actual revenue was \$284.7 million. Excluding contributed assets, Municipal operations' revenue is \$281.6 million, which is 1% unfavourable. Municipal operations' expense variance was 6% favourable. Total budgeted expenses were \$179.8 million and actual expenses were \$168.6 million, including amortization and gains/losses on tangible capital assets.

Non-operating and close to equity 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	Q2 2023 YTD Budget	Q2 2023 YTD Actuals	Favourable (Unfavourable) \$	Favourable (Unfavourable) %
Revenue				
Property Taxes	\$ 254,278,693	\$ 249,917,248	\$ (4,361,445)	(2)%
Service Fees and Charges	14,788,438	15,778,383	989,945	7%
Penalties and Fines	2,095,623	3,593,597	1,497,974	71%
Permit and License Fee	1,784,803	1,886,904	102,101	6%
Investment Income	2,390,515	2,390,515	-	-%
Government Grants	3,528,436	2,948,083	(580,353)	(16)%
Other Revenue	4,785,439	5,046,267	260,828	5%
Subtotal	\$ 283,651,947	\$ 281,560,997	\$ (2,090,950)	(1)%
Contributed Assets	-	3,158,107	3,158,107	-%
Total Revenue	\$ 283,651,947	\$ 284,719,104	\$ 1,067,157	0.4%
Expenses				
Salaries & Benefits, Employee Expenses	\$ 91,717,566	\$ 91,008,092	\$ 709,474	1%
Business Expenses	14,727,464	13,370,032	1,357,432	9%
Purchased Services	27,836,819	23,139,724	4,697,095	17%
Supplies, Materials and Equipment	9,218,402	7,549,315	1,669,087	18%
Interest on Debentures	1,310,420	1,238,968	71,452	5%
Grants Disbursed	5,986,016	5,244,027	741,989	12%
Amortization and Gain/Loss on Disposal	28,282,770	27,056,849	1,225,921	4%
Other Expenses	1,350,257	1,112,276	237,981	18%
Intercharges	(587,621)	(1,161,979)	574,358	(98)%
Total Expenses	\$ 179,842,093	\$ 168,557,304	\$ 11,284,789	6%
Net Revenue(Expense)	\$ 103,809,854	\$ 116,161,800	\$ 12,351,946	12%
Non-Operating Items and Close to Equity	\$ (2,447,019)	\$ (11,471,869)	\$ (9,024,850)	369%
Operating Surplus (Deficit) For Tax Purposes	\$ 101,362,835	\$ 104,689,931	\$ 3,327,096	

The significant favourable and unfavourable variances are noted below.

Municipal operations revenue:

- Property taxes – (\$4.4 million) unfavourable variance due to operational startup delays on industrial projects. This is anticipated to be resolved by year end, with a subsequent increase in supplementary taxes collected.
- Service fees and charges – \$1.0 million favourable variance primarily due to higher than anticipated post pandemic recreation facility usage and membership sales.
- Penalties and fines – \$1.5 million higher than anticipated revenue (which is offset by an associated expense) because of driver behaviour.
- Government grants – (\$0.6 million) unfavourable variance due to timing of the policing services grant. The County anticipates receiving the grant later in the year.

Municipal operations contributed assets:

- Contributed assets – The year-to-date contributed assets amount to \$3.1 million and consist of the following
 - \$2.2 million in roadways
 - \$0.9 million in land improvements

This revenue is offset through adjustments to close to equity and does not increase the surplus for tax purposes.

Municipal operations expenses:

- Salaries, wages, benefits, and employee expenses – \$0.7 million favourable variance primarily due to savings resulting from vacancies across departments as well as the timing of firefighter recruits commencing with the County.
- Business expenses – \$1.4 million favourable variance primarily due to
 - \$0.9 million savings primarily due to less than anticipated equipment rentals, resulting from milder winter conditions in the first part of the year.
 - \$0.3 million timing variance due to the SmartFare project. This variance should be resolved by the end of the year. Once implemented, users will be able to pay transit fares using electronic payment methods.
- Purchased services – \$4.7 million favourable variance primarily due to
 - \$3.4 million timing variances attributable to information technology projects, human resources contracted services, fleet contracted services, and recreation facility repairs and maintenance services.
 - \$1.5 million due to adjustments related to the RCMP retroactive pay, an adjustment identified through the 2022 year end audit which affects both 2022 and 2023.
 - \$0.4 million primarily attributable to the reduced need for winter maintenance supplies resulting from milder winter conditions in the beginning of the year.
 - (\$0.6 million) unfavourable variance attributable to the increase in revenue associated with the aforementioned penalties and fines.

- Supplies, materials, and equipment – \$1.7 million favourable variance.
 - \$0.9 million primarily due to the timing of fuel purchases and lower than anticipated fuel prices.
 - \$0.4 million primarily due to timing of supplies purchased for new fire fighters as well as various equipment purchase delays.
 - \$0.3 million primarily due to savings in materials for road safety and clearing due to milder winter conditions in the beginning of the year.
- Grants disbursed – \$0.7 million favourable variance due to timing of grant payments to Volunteers of Strathcona, Social Framework grant recipients, and the Large-Scale Events grant which are expected to be paid by the end of the year.
- Intercharges – \$0.6 million favourable variance due to timing of expenses incurred for fleet vehicles. This variance is expected to resolve by the end of the year.

Municipal operations non-operating items and close to equity:

The following items represent accounting entries that offset transactions that may impact the operating surplus for tax purposes. The timing of processing these accounting entries may not align with when the originating event takes place. It is common to incur year-to-date variances for non-operating items, as a large portion of these transactions do not occur until the end of the fiscal year.

- Transfer from reserve – (\$4.7 million) unfavourable variance primarily due to the timing of reserve transfers.
- Close capital assets to equity – (\$4.4 million) unfavourable variance primarily resulting from increased contributed assets. This is offset by a favourable variance in contributed assets revenue.

Utility Operations

Budgeted total revenue was \$32.4 million and actual revenue was \$39.4 million. Excluding contributed assets, Utility operations' revenue is \$34.9 million, which is 8% favourable. Utility operations' expense variance was 1% unfavourable. Total budgeted expenses were \$30.9 million and actual expenses were \$31.4 million, including amortization and gains/losses on tangible capital assets.

Non-operating and close to equity 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.

Utility Operations	Q2 2023 YTD Budget	Q2 2023 YTD Actuals	Favourable (Unfavourable) \$	Favourable (Unfavourable) %
Revenue				
Property Taxes	\$ 8,338	\$ 11,387	\$ 3,049	37%
Utility User Rates	31,116,123	33,561,747	2,445,624	8%
Service Fees and Charges	583,682	535,441	(48,241)	(8)%
Penalties and Fines	37,998	61,315	23,317	61%
Investment Income	555,027	555,027	-	-%
Government Grants	13,506	10,600	(2,906)	(22)%
Other Revenue	58,962	130,503	71,541	121%
Subtotal	\$ 32,373,636	\$ 34,866,020	\$ 2,492,384	8%
Contributed Assets	-	4,507,993	4,507,993	-%
Total Revenue	\$ 32,373,636	\$ 39,374,013	\$ 7,000,377	22%
Expenses				
Salaries & Benefits, Employee Expenses	\$ 6,052,411	\$ 5,935,082	\$ 117,329	2%
Business Expenses	788,631	657,338	131,293	17%
Purchased Services	5,399,783	5,267,704	132,079	2%
Supplies, Materials and Equipment Purchases	11,394,576	13,424,116	(2,029,540)	(18)%
Interest on Debentures	1,247,799	948,735	299,064	24%
Grants Disbursed	-	7,191	(7,191)	-%
Amortization and Gain/Loss on Disposal	5,051,508	4,151,637	899,871	18%
Other Expenses	17,286	18,126	(840)	(5)%
Intercharges	954,017	959,249	(5,232)	(1)%
Total Expenses	\$ 30,906,011	\$ 31,369,178	\$ (463,167)	(1)%
Net Revenue(Expense)	\$ 1,467,625	\$ 8,004,835	\$ 6,537,210	445%
Non-Operating Items and Close to Equity	\$ 2,480,967	\$ (3,278,545)	\$ (5,759,512)	(232)%
Operating Surplus (Deficit) For Tax Purposes	\$ 3,948,592	\$ 4,726,290	\$ 777,698	

The significant favourable and unfavourable variances are noted below.

Utility operations revenue:

- Utility user rates – \$2.4 million favourable variance due to higher consumption of water and wastewater than anticipated, mainly resulting from the unpredictability of consumer consumption.

Utility operations contributed assets:

- Contributed assets – \$4.5 million favourable variance relates to engineered structures and consists of the following
 - \$3.1 million in water and wastewater system structures
 - \$1.4 million in storm system structures

The contributed assets are primarily attributable to the Summerwood North project, Ardrossan Stage 9 project, as well as the Sherwood Golf and Country Club Estates project.

This revenue is offset through adjustments to close to equity and does not increase the surplus for tax purposes.

Utility operations expense:

- Supplies, materials and equipment – (\$2.0 million) unfavourable variance due to more water and wastewater purchases, which is consistent with the higher utility user rates mentioned above. As customer consumption increases, more water is purchased, and more wastewater is treated.

Utility operations non-operating items and close to equity:

The following items represent accounting entries that offset transactions that may impact the operating surplus for tax purposes. The timing of processing these accounting entries may not align with when the originating event takes place. It is common to incur year-to-date variances for non-operating items, as a large portion of these transactions do not occur until the end of the fiscal year.

- Close capital assets to equity – (\$5.4 million) unfavourable variance primarily resulting from increased contributed assets. This is offset by a favourable variance in contributed assets revenue.

Library Operations

Library operations' budgeted total revenue was \$11.4 million and actual revenue was \$11.4 million. Library operations had no contributed assets in the first half of the year. Library operations' expense variance was 4% favourable. Total budgeted expenses were \$5.5 million and actual expenses were \$5.3 million, including amortization and gains/losses on tangible capital assets.

Non-operating and close to equity 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.

Library Operations	Q2 2023 YTD Budget	Q2 2023 YTD Actuals	Favourable (Unfavourable) \$	Favourable (Unfavourable) %
Revenue				
Property Taxes	\$ 10,671,342	\$ 10,671,342	\$ -	-%
Utility User Rates	-	-	-	-%
Service Fees and Charges	1,002	4,317	3,315	-%
Penalties and Fines	6,504	7,403	899	14%
Permit and License Fee	-	-	-	-%
Investment Income	55,405	55,405	-	-%
Government Grants	530,563	559,934	29,371	-%
Other Revenue	92,450	81,531	(10,919)	(12)%
Subtotal	\$ 11,357,266	\$ 11,379,932	\$ 22,666	-%
Contributed Assets	-	-	-	-%
Total Revenue	\$ 11,357,266	\$ 11,379,932	\$ 22,666	-%
Expenses				
Salaries & Benefits, Employee Expenses	\$ 3,477,515	\$ 3,525,018	\$ (47,503)	(1)%
Business Expenses	266,780	134,233	132,547	50%
Purchased Services	105,831	63,842	41,989	40%
Supplies, Materials and Equipment	294,904	216,630	78,274	27%
Interest on Debentures	353,753	353,753	-	-%
Grants Disbursed	-	-	-	-%
Amortization and Gain/Loss on Disposal	601,422	601,345	77	-%
Other Expenses	1,200	9,094	(7,894)	(658)%
Intercharges	410,659	407,596	3,063	1%
Total Expenses	\$ 5,512,064	\$ 5,311,511	\$ 200,553	4%
Net Revenue(Expense)	\$ 5,845,202	\$ 6,068,421	\$ 223,219	4%
Non-Operating Items and Close to Equity	\$ (102,272)	\$ (103,941)	\$ (1,669)	(2)%
Operating Surplus (Deficit) For Tax Purposes	\$ 5,742,930	\$ 5,964,480	\$ 221,550	

The significant favourable and unfavourable variances are noted below.

Library operations expense:

- Business expenses – \$0.1 million favourable variance due to timing of software license renewals.
- Supplies, materials, and equipment – \$0.1 million favourable variance due to timing of purchases on computer peripherals and program supplies

Consolidated (Municipal, Utility and Library Operations) – Second Quarter Results 2023

Budgeted total revenue was \$327.4 million and actual revenue was \$335.5 million. Excluding contributed assets, the consolidated revenue is \$327.8M. The consolidated expense variance was 5% favourable. Total budgeted expenses were \$216.3 million and actual expenses were \$205.2 million, including amortization and gains/losses on tangible capital assets.

Non-operating and close to equity 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.

Consolidated Operations (Municipal, Utility & Library)	Q2 2023 YTD Budget	Q2 2023 YTD Actuals	Favourable (Unfavourable) \$	Favourable (Unfavourable) %
Revenue				
Property Taxes	\$ 264,958,373	\$ 260,599,977	\$ (4,358,396)	(2)%
Utility User Rates	31,116,123	33,561,747	2,445,624	8%
Service Fees and Charges	15,373,122	16,318,141	945,019	6%
Penalties and Fines	2,140,125	3,662,315	1,522,190	71%
Permit and License Fee	1,784,803	1,886,904	102,101	6%
Investment Income	3,000,947	3,000,947	-	-%
Government Grants	4,072,505	3,518,617	(553,888)	(14)%
Other Revenue	4,936,851	5,258,301	321,450	7%
Subtotal	\$ 327,382,849	\$ 327,806,949	\$ 424,100	-%
Contributed Assets	-	7,666,100	7,666,100	-%
Total Revenue	\$ 327,382,849	\$ 335,473,049	\$ 8,090,200	2%
Expenses				
Salaries, Wages, Benefits and Employee Expenses	\$ 101,247,492	\$ 100,468,192	\$ 779,300	1%
Business Expenses	15,782,875	14,161,603	1,621,272	10%
Purchased Services	33,342,433	28,471,270	4,871,163	15%
Supplies, Materials and Equipment Purchases	20,907,882	21,190,061	(282,179)	(1)%
Interest on Debentures	2,911,972	2,541,456	370,516	13%
Grants Disbursed	5,986,016	5,244,027	741,989	12%
Amortization and Gain/Loss on Disposal	33,935,700	31,809,831	2,125,869	6%
Other Expenses	1,368,743	1,139,496	229,247	17%
Intercharges	777,055	204,866	572,189	74%
Total Expenses	\$ 216,260,168	\$ 205,230,803	\$ 11,029,365	5%
Net Revenue(Expense)	\$ 111,122,681	\$ 130,242,247	\$ 19,119,566	17%
Non-Operating Items and Close to Equity	\$ (68,324)	\$ (14,854,356)	\$ (14,786,032)	21,641%
Operating Surplus (Deficit) For Tax Purposes	\$ 111,054,357	\$ 115,387,891	\$ 4,333,534	

Summary of Second Quarter Results

The second quarter consolidated surplus for tax purposes is \$4.3 million:

- Municipal operations' year to date surplus for tax purposes is \$3.3 million primarily due to:
 - \$1.0 million – Increased usage of recreation facilities and membership sales
 - \$1.5 million – Higher than anticipated fines revenue due to driver behaviour.
 - \$1.5 million – The adjustments related to the RCMP retroactive pay, identified through the 2022 year end audit which affects both 2022 and 2023.
- Utilities operations' year to date surplus for tax purposes is \$0.8 million primarily due to higher than anticipated residential water consumption.
- Library operations' year to date surplus for tax purposes is \$0.2 million primarily due to staff vacancies, retirement, and leaves.

Year End Projections

Municipal Operations - \$5.8 Million Projected Year End Surplus for Tax Purposes

Municipal Operations	2023 Annual Budget	2023 Year End Projections	Favourable (Unfavourable) \$	Favourable (Unfavourable) %
Revenue				
Property Taxes	\$ 254,303,693	\$ 254,417,248	\$ 113,555	-%
Service Fees and Charges	28,735,404	30,469,469	1,734,065	6%
Penalties and Fines	4,429,401	6,395,222	1,965,821	44%
Permit and License Fee	3,312,315	3,222,405	(89,910)	(3)%
Investment Income	5,681,031	5,681,031	-	-%
Government Grants	7,982,075	9,207,946	1,225,871	15%
Other Revenue	9,887,554	9,641,350	(246,204)	(2)%
Subtotal	\$ 314,331,473	\$ 319,034,671	\$ 4,703,198	1%
Contributed Assets	-	3,158,107	3,158,107	-%
Total Revenue	\$ 314,331,473	\$ 322,192,778	\$ 7,861,305	3%
Expenses				
Salaries & Benefits, Employee Expenses	\$ 183,525,505	\$ 181,901,977	\$ 1,623,528	-%
Business Expenses	31,377,702	28,663,315	2,714,387	9%
Purchased Services	56,991,116	57,437,518	(446,402)	(1)%
Supplies, Materials and Equipment	19,876,536	20,303,393	(426,857)	(2)%
Interest on Debentures	2,563,181	2,421,093	142,088	6%
Grants Disbursed	13,579,018	7,879,717	5,699,301	42%
Amortization and Gain/Loss on Disposal	56,565,541	56,565,541	-	-%
Other Expenses	2,299,950	2,526,744	(226,794)	(10)%
Intercharges	(3,337,573)	(3,663,852)	326,279	10%
Total Expenses	\$ 363,440,976	\$ 354,035,444	\$ 9,405,532	3%
Net Revenue(Expense)	\$ (49,109,503)	\$ (31,842,666)	\$ 17,266,837	(35)%
Non-Operating Items and Close to Equity	\$ 49,109,503	\$ 37,595,618	\$ (11,513,885)	(23)%
Operating Surplus (Deficit) For Tax Purposes	\$ -	\$ 5,752,951	\$ 5,752,951	

The significant favourable and unfavourable variances are noted below.

Municipal operations revenue projections:

- Service fees and charges – \$1.7 million favourable variance due to higher than anticipated post pandemic recreation facility usage and membership sales.
- Penalties and fines – \$2.0 million higher than anticipated revenue (which is offset by an associated expense) because of driver behaviour.
- \$1.2 million favourable variance due to an unbudgeted grant (Low Income Transit Pass grant – \$0.6 million) as well as an unbudgeted increase in the amount of the

Municipal Sustainability Initiative grant (\$0.8 million higher than anticipated).

Municipal operations contributed assets:

- Contributed assets – The projected contributed assets amount to \$3.1 million and consist of the following
 - \$2.2 million in roadways
 - \$0.9 million in land improvements

This revenue is offset through adjustments to close to equity and does not increase the surplus for tax purposes.

Municipal operations expense projections:

- Salaries, wages, benefits, and employee expenses – \$1.6 million favourable variances primarily due to savings resulting from vacancies across departments as well as the timing of firefighter recruits commencing with the County.
- Business expenses – \$2.7 million favourable variance primarily due to the expansion of Ecole Pere Kenneth Kearns Gym (\$2.6 million). This will be offset by an unfavourable variance in transfer from reserve. The budget for 2024 will be aligned with the payment schedule to prevent future unfavourable variances.
- Grants disbursed – \$5.7 million favourable variance primarily due to the timing of payments for the River Valley Alliance (RVA) footbridge contributions (\$5.6 million). This will be offset by an unfavourable variance in transfer from reserve. The budget for 2024 will be aligned with the payment schedule to prevent future unfavourable variances.

Municipal operations non-operating items and close to equity projections:

The following items represent accounting entries that offset transactions that may impact the operating surplus for tax purposes. The timing of processing these accounting entries may not align with when the originating event takes place. It is common to incur year-to-date variances for non-operating items, as a large portion of these transactions do not occur until the end of the fiscal year.

- Transfer from reserve – (\$8.5 million) unfavourable variance to offset the 2024 and 2025 RVA footbridge contributions coupled with the unused reserve transfers for the expansion payments of Ecole Pere Kenneth Kearns Gym.
- Close capital assets to equity – (\$3.2 million) unfavourable variance primarily resulting from increased contributed assets. This is offset by a favourable variance in contributed assets revenue.

Utility Operations - \$1.5 Million Projected Year End Surplus for Tax Purposes

Utility Operations	2023 Annual Budget	2023 Year End Projections	Favourable (Unfavourable) \$	Favourable (Unfavourable) %
Revenue				
Property Taxes	\$ 16,852	\$ 22,950	\$ 6,098	36%
Utility User Rates	58,894,512	61,574,932	2,680,420	5%
Service Fees and Charges	1,167,374	1,167,374	-	-%
Penalties and Fines	76,000	76,000	-	-%
Investment Income	1,320,354	1,320,354	-	-%
Government Grants	27,000	27,000	-	-%
Other Revenue	117,922	117,922	-	-%
Subtotal	\$ 61,620,014	\$ 64,306,532	\$ 2,686,518	4%
Contributed Assets	-	5,557,993	5,557,993	-%
Total Revenue	\$ 61,620,014	\$ 69,864,525	\$ 8,244,511	13%
Expenses				
Salaries & Benefits, Employee Expenses	\$ 11,924,706	\$ 11,748,713	\$ 175,993	1%
Business Expenses	1,620,308	1,620,308	-	-%
Purchased Services	13,023,301	13,023,301	-	-%
Supplies, Materials and Equipment Purchases	24,877,225	26,258,802	(1,381,577)	(6)%
Interest on Debentures	2,452,702	1,861,277	591,425	24%
Grants Disbursed	-	7,191	(7,191)	-%
Amortization and Gain/Loss on Disposal	10,103,035	9,653,164	449,871	4%
Other Expenses	34,573	34,573	-	-%
Intercharges	2,536,257	2,536,256	-	-%
Total Expenses	\$ 66,572,107	\$ 66,743,585	\$ (171,479)	-%
Net Revenue(Expense)	\$ (4,952,093)	\$ 3,120,940	\$ 8,073,033	(163)%
Non-Operating Items and Close to Equity	\$ 4,952,093	\$ (1,598,304)	\$ (6,550,397)	(132)%
Operating Surplus (Deficit) For Tax Purposes	\$ -	\$ 1,522,636	\$ 1,522,636	

The significant favourable and unfavourable variances are noted below.

Utility operations revenue projections:

- Utility user rates – \$2.7 million favourable variance due to higher consumption of water and wastewater than anticipated, mainly resulting from the unpredictability of consumer consumption. This revenue is partially offset by increased expenses in Supplies, materials and equipment.

Utility operations contributed asset projections:

- Contributed assets – \$5.6 million projected in contributed assets primarily related to the Summerwood North project, Ardrossan Stage 9 project, as well as the Sherwood Golf and Country Club Estates project.
- This revenue is offset through adjustments to close to equity and does not increase the surplus for tax purposes.

Utility operations expense projections:

- Supplies, materials and equipment – (\$1.4 million) unfavourable variance due to more water and wastewater purchases; as customer consumption increases, more water is purchased, and more wastewater is treated. This unfavourable variance is offset by increased revenue in Utility user rates.
- Interest on debentures – \$0.6 million favourable variance primarily due to less debt taken out than anticipated.

Utility operations non-operating and close to equity projections:

The following items represent accounting entries that offset transactions that may impact the operating surplus for tax purposes. The timing of processing these accounting entries may not align with when the originating event takes place. It is common to incur year-to-date variances for non-operating items, as a large portion of these transactions do not occur until the end of the fiscal year.

- Close capital assets to equity – (\$6.5 million) unfavourable variance primarily resulting from increased contributed assets. This is offset by a favourable variance in contributed assets revenue.

Library Operations - \$0.1 Million Projected Year End Surplus for Tax Purposes

Library Operations	2023 Annual Budget	2023 Year End Projections	Favourable (Unfavourable) \$	Favourable (Unfavourable) %
Revenue				
Property Taxes	\$ 10,671,342	\$ 10,671,342	\$ -	-%
Utility User Rates	-	-	-	-%
Service Fees and Charges	2,000	8,417	6,417	-%
Penalties and Fines	13,000	14,803	1,803	14%
Permit and License Fee	-	-	-	-%
Investment Income	148,736	148,736	-	-%
Government Grants	550,563	562,734	12,171	-%
Other Revenue	173,391	143,645	(29,746)	(17)%
Subtotal	\$ 11,559,032	\$ 11,549,677	\$ (9,355)	-%
Contributed Assets	-	-	-	-%
Total Revenue	\$ 11,559,032	\$ 11,549,677	\$ (9,355)	-%
Expenses				
Salaries & Benefits, Employee Expenses	\$ 7,188,909	\$ 7,043,254	\$ 145,655	2%
Business Expenses	243,827	239,895	3,932	2%
Purchased Services	177,903	170,435	7,468	4%
Supplies, Materials and Equipment	626,520	628,567	(2,047)	-%
Interest on Debentures	688,739	688,739	-	-%
Grants Disbursed	-	-	-	-%
Amortization and Gain/Loss on Disposal	1,214,634	1,214,634	-	-%
Other Expenses	2,400	2,023	377	16%
Intercharges	821,316	822,371	(1,055)	-%
Total Expenses	\$ 10,964,248	\$ 10,809,918	\$ 154,331	1%
Net Revenue(Expense)	\$ 594,784	\$ 739,759	\$ 144,975	24%
Non-Operating Items and Close to Equity	\$ (594,784)	\$ (596,734)	\$ (1,950)	-%
Operating Surplus (Deficit) For Tax Purposes	\$ -	\$ 143,025	\$ 143,025	

The significant favourable and unfavourable variances are noted below.

Library operations expense projections:

- Salaries, wages, benefits, and employee expenses – \$0.1 million favourable variance primarily due to anticipated staff vacancies, retirement, and leaves.

Consolidated (Municipal, Utility and Library Operations) – \$7.4 Million Projected Year End Surplus for Tax Purposes

The annual consolidated year end surplus is projected to be \$7.4 million. Total budgeted revenue is \$387.5 million and projected actual revenue is \$403.6 million. Excluding contributed assets, the consolidated revenue is projected to be \$394.9 million, which is 2% favourable. The consolidated expense variance is projected to be 2% favourable. Total budgeted expenses are \$441.0 million and projected actual expenses are \$431.6 million, including amortization and gains/losses on tangible capital assets.

Non-operating and close to equity 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.

Consolidated Operations (Municipal, Utility & Library)	2023 Annual Budget	2023 Year End Projections	Favourable (Unfavourable) \$	Favourable (Unfavourable) %
Revenue				
Property Taxes	\$ 264,991,887	\$ 265,111,540	\$ 119,653	-%
Utility User Rates	58,894,512	61,574,932	2,680,420	5%
Service Fees and Charges	29,904,778	31,645,260	1,740,482	6%
Penalties and Fines	4,518,401	6,486,025	1,967,624	44%
Permit and License Fee	3,312,315	3,222,405	(89,910)	(3)%
Investment Income	7,150,121	7,150,121	-	-%
Government Grants	8,559,638	9,797,680	1,238,042	14%
Other Revenue	10,178,867	9,902,917	(275,950)	(3)%
Subtotal	\$ 387,510,519	\$ 394,890,880	\$ 7,380,361	2%
Contributed Assets	-	8,716,100	8,716,100	-%
Total Revenue	\$ 387,510,519	\$ 403,606,980	\$ 16,096,461	4%
Expenses				
Salaries, Wages, Benefits and Employee Expenses	\$ 202,639,120	\$ 200,693,944	\$ 1,945,176	-%
Business Expenses	33,241,837	30,523,517	2,718,320	8%
Purchased Services	70,192,320	70,631,254	(438,934)	(1)%
Supplies, Materials and Equipment Purchases	45,380,281	47,190,763	(1,810,482)	(4)%
Interest on Debentures	5,704,622	4,971,109	733,513	13%
Grants Disbursed	13,579,018	7,886,907	5,692,111	42%
Amortization and Gain/Loss on Disposal	67,883,210	67,433,339	449,871	1%
Other Expenses	2,336,923	2,563,340	(226,417)	(10)%
Intercharges	20,000	(305,225)	325,225	1,626%
Total Expenses	\$ 440,977,331	\$ 431,588,947	\$ 9,388,384	2%
Net Revenue(Expense)	\$ (53,466,812)	\$ (27,981,967)	\$ 25,484,845	(48)%
Non-Operating Items and Close to Equity	\$ 53,466,812	\$ 35,400,578	\$ (18,066,234)	(34)%
Operating Surplus (Deficit) For Tax Purposes	\$ -	\$ 7,418,611	\$ 7,418,611	

Summary of Year End Projections

Overall, the County is projecting a surplus position, for tax purposes, at the end of 2023. The major contributing factors are outlined below.

The annual consolidated surplus for tax purposes is projected to be \$7.4 million.

- Municipal operations' projected year end surplus for tax purposes of \$5.8 million is 1.6% of the municipal annual expense budget. Government Finance Officers Association (GFOA) International states that a 3% surplus is a best practice for a municipality. The projection is primarily due to:
 - \$1.7 million – Increased usage of recreation facilities and membership sales
 - \$2.0 million – Higher than anticipated fines revenue due to driver behaviour.
 - \$1.2 million – Higher than anticipated grant revenue expected to be received.
 - \$1.5 million – The adjustments related to the RCMP retroactive pay, identified through the 2022-year end audit which affects both 2022 and 2023.
- Utilities operations' year end surplus for tax purposes is projected to be \$1.5 million, primarily due to higher than anticipated residential water consumption.
- Library operations' year end surplus for tax purposes is projected to be \$0.1 million, primarily due to staff vacancies, retirement, and leaves.

The variance analysis and year end projection are based on the information available as of June 30, 2023, and is subject to the uncertainty of unknown events or circumstances which may take place during the remainder of the year.