

Strathcona County Third Quarter 2023 Management Report

Prepared by Financial and Strategic Services

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Introduction

The Strathcona County (the County) third quarter (Q3) management report is composed of the actual results, year end projections, and capital project 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, 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 third quarter results and the year end projections 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 and 10% is applied for the variance analysis in this report; however, other variances may be included if they are deemed significant.

Third Quarter Operating Results – 2023

Municipal Operations

Municipal operations ended the third quarter with a \$6.1 million surplus. Budgeted total revenue was \$299.7 million and actual revenue is \$303.3 million. Excluding contributed assets, Municipal operations' revenue is \$300.1 million. Total budgeted expenses were \$268.1 million and actual expenses were \$251.9 million, including amortization and gains/losses on tangible capital assets. Municipal operations' expense variance was 6% favourable.

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	Q3 2023 YTD Budget	Q3 2023 YTD Actuals	Favourable (Unfavourable) \$	Favourable (Unfavourable) %
Revenue				
Property Taxes	\$ 254,291,193	\$ 249,845,911	\$ (4,445,282)	(2)%
Service Fees and Charges	21,801,155	22,291,138	489,983	2%
Penalties and Fines	3,672,347	5,832,461	2,160,114	59%
Permit and License Fee	2,688,551	2,839,123	150,572	6%
Investment Income	4,302,224	6,307,721	2,005,497	47%
Government Grants	5,401,243	4,865,401	(535,842)	(10)%
Other Revenue	7,563,223	8,155,121	591,898	8%
Subtotal	\$ 299,719,936	\$ 300,136,875	\$ 416,939	-%
Contributed Assets	-	3,158,107	3,158,107	-%
Total Revenue	\$ 299,719,936	\$ 303,294,982	\$ 3,575,046	1.2%
Expenses				
Salaries & Benefits, Employee Expenses	\$ 137,930,206	\$ 136,791,837	\$ 1,138,369	1%
Business Expenses	21,297,392	20,158,318	1,139,074	5%
Purchased Services	42,379,930	34,652,619	7,727,311	18%
Supplies, Materials and Equipment	15,350,584	12,228,572	3,122,012	20%
Interest on Debentures	1,910,999	1,839,547	71,452	4%
Grants Disbursed	7,047,597	6,721,036	326,561	5%
Amortization and Gain/Loss on Disposal	42,424,155	39,900,033	2,524,122	6%
Other Expenses	1,821,705	1,686,502	135,203	7%
Intercharges	(2,014,161)	(2,124,039)	109,878	(5)%
Total Expenses	\$ 268,148,407	\$ 251,854,425	\$ 16,293,982	6%
Net Revenue/Expense	\$ 31,571,529	\$ 51,440,557	\$ 19,869,028	63%
Non-Operating Items and Close to Equity	\$ 13,895,623	\$ 120,949	\$ (13,774,674)	(99)%
Operating Surplus/Deficit For Tax Purposes	\$ 45,467,152	\$ 51,561,506	\$ 6,094,354	

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 one-time increase to supplementary taxes.
- Service fees and charges — \$0.5 million favourable variance primarily due to higher than anticipated post pandemic recreation facility usage and membership sales. The increase in recreation fees is partially offset by lower than anticipated collection of development fees due to the project delays on the Bremner subdivision.
- Penalties and fines — \$2.2 million favourable variance primarily due to higher than anticipated enforcement revenue associated with driver behaviour. This is partially offset by an associated unfavourable expense variance in purchased services.
- Investment income — \$2.0 million favourable variance primarily due to higher than anticipated returns on short-term investments, resulting from favourable interest rates.
- Government grants — (\$0.5 million) unfavourable variance partially due to timing of the Policing Support Grant of \$1.3 million. The County anticipates receiving the grant later in the year. This unfavourable variance is partially offset by an increase in unbudgeted grant revenue of \$0.6 million for the Low Income Transit Pass (LITP) and \$0.2 million for the Public Safety Answering Point (PSAP) grants.

Municipal operations contributed assets:

- Contributed assets — \$3.2 million favourable variance consists of the following:
 - \$2.3 million in roadways
 - \$0.9 million in land improvements

Contributed asset revenue results from developers donating assets to the County once construction on new developments is complete. The developers cover the cost of constructing the assets and then the County takes ownership and is responsible for ongoing maintenance of the assets. This revenue is offset through adjustments to close to equity and does not increase the operating surplus for tax purposes.

Municipal operations expenses:

- Salaries, wages, benefits and employee expenses — \$1.1 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 — \$1.1 million favourable variance primarily due to:
 - \$0.9 million savings resulting from less than anticipated equipment rentals, resulting from milder winter conditions in the first part of the year; and,
 - \$0.2 million timing variance due to delayed spending on the SmartFare project. This variance should be resolved by the end of the year.

- Purchased services — \$7.7 million favourable variance primarily due to:
 - \$5.5 million attributable to the timing of information technology projects, human resources contracted services primarily for occupational health and safety, transportation projects, fleet lifecycle operating projects, recreation repairs and maintenance services, and culture artwork delays;
 - \$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;
 - \$1.4 million due to summer roads requiring less repairs than anticipated as well as a reduced need for winter maintenance supplies resulting from milder winter conditions in the beginning of the year; and,
 - (\$1.0 million) unfavourable variance attributable to costs related to the increase in enforcement revenue.
- Supplies, materials, and equipment — \$3.1 million favourable variance attributable to:
 - \$1.3 million primarily due to lower than anticipated fuel prices as well as reduced fuel consumption due to the implementation of “On-Demand Transit”;
 - \$1.2 million primarily due to savings in supplies and materials for road safety and clearing due to milder winter conditions in the beginning of the year. This variance is also due to less than anticipated summer road repairs required; and,
 - \$0.6 million primarily due to delayed purchases of personal protective equipment for prospective hiring of firefighters.
- Amortization — \$2.5 million timing variance, which is expected to be resolved by year end. Amortization expense does not impact the overall operating surplus for tax purposes as it is offset by transactions in close to equity.

Municipal operations non-operating items and close to equity:

The following items represent offsetting transactions that 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 — (\$8.1 million) unfavourable variance due to the timing of reserve transfers.
- Close capital assets to equity — (\$5.8 million) unfavourable variance primarily resulting from transactions related to contributed assets. This is offset by a favourable variance in contributed assets revenue.

Utility Operations

Utility operations ended the third quarter with a \$1.9 million surplus. Budgeted total revenue was \$48.3 million and actual revenue was \$56.5 million. Excluding contributed assets, Utility operations' revenue is \$52.0 million, which is 8% favourable. Total budgeted expenses were \$48.5 million and actual expenses were \$47.9 million, including amortization and gains/losses on tangible capital assets. Utility operations' expense variance was 1% favourable.

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	Q3 2023 YTD Budget	Q3 2023 YTD Actuals	Favourable (Unfavourable) \$	Favourable (Unfavourable) %
Revenue				
Property Taxes	\$ 11,002	\$ 17,807	\$ 6,805	62%
Utility User Rates	46,206,024	49,165,235	2,959,211	6%
Service Fees and Charges	875,523	684,116	(191,407)	(22)%
Penalties and Fines	56,997	104,353	47,356	83%
Investment Income	999,938	1,838,740	838,802	84%
Government Grants	20,259	15,340	(4,919)	(24)%
Other Revenue	88,443	201,800	113,357	128%
Subtotal	\$ 48,258,186	\$ 52,027,391	\$ 3,769,205	8%
Contributed Assets	-	4,507,993	4,507,993	-%
Total Revenue	\$ 48,258,186	\$ 56,535,384	\$ 8,277,198	17%
Expenses				
Salaries & Benefits, Employee Expenses	\$ 9,048,215	\$ 9,112,435	\$ (64,220)	(1)%
Business Expenses	1,177,477	969,804	207,673	18%
Purchased Services	9,131,599	8,846,485	285,114	3%
Supplies, Materials and Equipment Purchases	18,074,643	19,885,272	(1,810,629)	(10)%
Interest on Debentures	1,705,055	1,405,927	299,128	18%
Grants Disbursed	-	9,041	(9,041)	-%
Amortization and Gain/Loss on Disposal	7,577,262	5,920,472	1,656,790	22%
Other Expenses	25,929	29,857	(3,928)	(15)%
Intercharges	1,745,144	1,718,001	27,143	2%
Total Expenses	\$ 48,485,324	\$ 47,897,295	\$ 588,029	1%
Net Revenue/Expense	\$ (227,138)	\$ 8,638,089	\$ 8,865,227	(3,903)%
Non-Operating Items and Close to Equity	\$ 3,155,785	\$ (3,863,583)	\$ (7,019,368)	(222)%
Operating Surplus/Deficit For Tax Purposes	\$ 2,928,647	\$ 4,774,506	\$ 1,845,859	

The significant favourable and unfavourable variances are noted below.

Utility operations revenue:

- Utility user rates — \$3.0 million favourable variance due to higher consumption of water and wastewater than anticipated, mainly resulting from the unpredictability of consumer consumption.
- Investment income — \$0.8 million favourable variance primarily due to higher than anticipated returns on short-term investments.

Utility operations contributed assets:

- Contributed assets — \$4.5 million favourable variance relates to the following engineered structures:
 - \$3.1 million in water and wastewater systems
 - \$1.4 million in storm systems

The contributed assets are a result of the Summerwood North project, Ardrossan Stage 9 project, as well as the Sherwood Golf and Country Club Estates project.

Contributed asset revenue results from developers donating assets to the County once construction on new developments is complete. The developers cover the cost of constructing the assets and then the County takes ownership and is responsible for ongoing maintenance of the assets. This revenue is offset through adjustments to close to equity and does not increase the operating surplus for tax purposes.

Utility operations expense:

- Supplies, materials and equipment — (\$1.8 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.
- Amortization — \$1.7 million timing variance, which is expected to be resolved by year end. Amortization expense does not impact the overall operating surplus for tax purposes as it is offset by transactions in close to equity.

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.

- Transfer from reserve — (\$1.0 million) unfavourable variance primarily due to delayed levy funded debt resulting in lower than budgeted repayments from reserve.
- Close capital assets to equity — (\$6.2 million) unfavourable variance primarily resulting from transactions related to contributed assets. This is offset by a favourable variance in contributed assets revenue.

Library Operations

Library operations ended the third quarter with a \$0.1 million surplus. Budgeted total revenue was \$11.5 million and actual revenue was \$11.6 million. Total budgeted expenses were \$8.1 million and actual expenses were \$8.0 million, including amortization and gains/losses on tangible capital assets. Library operations' expense variance was 2% favourable.

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	Q3 2023 YTD Budget	Q3 2023 YTD Actuals	Favourable (Unfavourable) \$	Favourable (Unfavourable) %
Revenue				
Property Taxes	\$ 10,671,342	\$ 10,671,342	\$ -	-%
Utility User Rates	-	-	-	-%
Service Fees and Charges	1,503	6,792	5,289	352%
Penalties and Fines	9,756	11,535	1,779	18%
Permit and License Fee	-	-	-	-%
Investment Income	112,538	223,124	110,586	-%
Government Grants	550,563	562,559	11,996	2%
Other Revenue	134,667	141,020	6,353	5%
Subtotal	\$ 11,480,369	\$ 11,616,372	\$ 136,003	-%
Contributed Assets	-	-	-	-%
Total Revenue	\$ 11,480,369	\$ 11,616,372	\$ 136,003	-%
Expenses				
Salaries & Benefits, Employee Expenses	\$ 5,219,530	\$ 5,324,807	\$ (105,277)	(2)%
Business Expenses	255,514	162,247	93,267	37%
Purchased Services	131,084	95,148	35,936	27%
Supplies, Materials and Equipment	441,292	328,062	113,230	26%
Interest on Debentures	542,790	542,789	1	-%
Grants Disbursed	-	-	-	-%
Amortization and Gain/Loss on Disposal	902,135	902,087	48	-%
Other Expenses	1,800	5,636	(3,836)	(213)%
Intercharges	613,417	610,233	3,184	1%
Total Expenses	\$ 8,107,562	\$ 7,971,010	\$ 136,552	2%
Net Revenue/Expense	\$ 3,372,807	\$ 3,645,362	\$ 272,555	8%
Non-Operating Items and Close to Equity	\$ (477,047)	\$ (620,185)	\$ (143,138)	(30)%
Operating Surplus/Deficit For Tax Purposes	\$ 2,895,760	\$ 3,025,176	\$ 129,416	

The significant favourable and unfavourable variances are noted below.

Library operations revenue:

- Investment income — \$0.1 million favourable variance primarily due to higher than anticipated returns on short-term investments This is offset by a transfer to reserve.

Library operations expense:

- Salaries, wages, benefits, and employee expenses — (\$0.1 million) unfavourable timing variance, which is expected to be resolved by year end.
- Business expenses — \$0.1 million favourable variance due to delays on various technology projects.
- Supplies, materials, and equipment — \$0.1 million favourable variance due to timing of purchases of computer peripherals and program supplies.

Library operations non-operating items and close to equity:

- Transfer to reserve — (\$0.1 million) unfavourable variance due to higher than anticipated reserve transfers from an increase in investment income.

Consolidated (Municipal, Utility and Library Operations)

At the end of the third quarter, the consolidated surplus was \$8.1 million. Budgeted total revenue was \$359.5 million and actual revenue was \$371.4 million. Excluding contributed assets, the consolidated revenue is \$363.8 million, which is 1% favourable. Total budgeted expenses were \$324.7 million and actual expenses were \$307.7 million, including amortization and gains/losses on tangible capital assets. The consolidated expense variance was 5% favourable.

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)	Q3 2023 YTD Budget	Q3 2023 YTD Actuals	Favourable (Unfavourable) \$	Favourable (Unfavourable) %
Revenue				
Property Taxes	\$ 264,973,537	\$ 260,535,060	\$ (4,438,477)	(2)%
Utility User Rates	46,206,024	49,165,235	2,959,211	6%
Service Fees and Charges	22,678,181	22,982,046	303,865	1%
Penalties and Fines	3,739,100	5,948,349	2,209,249	59%
Permit and License Fee	2,688,551	2,839,123	150,572	6%
Investment Income	5,414,700	8,369,584	2,954,884	55%
Government Grants	5,972,065	5,443,300	(528,765)	(9)%
Other Revenue	7,786,333	8,497,940	711,607	9%
Subtotal	\$ 359,458,491	\$ 363,780,638	\$ 4,322,147	1%
Contributed Assets	-	7,666,100	7,666,100	-%
Total Revenue	\$ 359,458,491	\$ 371,446,738	\$ 11,988,247	3%
Expenses				
Salaries, Wages, Benefits and Employee Expenses	\$ 152,197,951	\$ 151,229,079	\$ 968,872	1%
Business Expenses	22,730,383	21,290,369	1,440,014	6%
Purchased Services	51,642,613	43,594,252	8,048,361	16%
Supplies, Materials and Equipment Purchases	33,866,519	32,441,906	1,424,613	4%
Interest on Debentures	4,158,844	3,788,263	370,581	9%
Grants Disbursed	7,047,597	6,730,077	317,520	5%
Amortization and Gain/Loss on Disposal	50,903,552	46,722,593	4,180,959	8%
Other Expenses	1,849,434	1,721,995	127,439	7%
Intercharges	344,400	204,195	140,205	41%
Total Expenses	\$ 324,741,293	\$ 307,722,730	\$ 17,018,563	5%
Net Revenue/Expense	\$ 34,717,198	\$ 63,724,008	\$ 29,006,810	84%
Non-Operating Items and Close to Equity	\$ 16,574,361	\$ (4,362,821)	\$ (20,937,182)	(126)%
Operating Surplus/Deficit For Tax Purposes	\$ 51,291,559	\$ 59,361,187	\$ 8,069,628	

Summary of Third Quarter Results

The third quarter consolidated surplus for tax purposes is \$8.1 million:

- Municipal operations' year to date surplus for tax purposes is \$6.1 million primarily due to:
 - Higher than anticipated enforcement revenue due to driver behaviour
 - Higher than anticipated investment income due to higher than anticipated returns on short-term investments
 - Favourable variance in salaries, wages, benefits and employee expenses due to vacancies and timing of firefighter recruits
 - The adjustment related to the RCMP retroactive pay
 - Savings from lower fuel prices and less fuel consumption than anticipated
 - Savings from summer roads requiring less repairs than anticipated as well as a reduced need for winter maintenance supplies and equipment rentals
- Utilities operations' year to date surplus for tax purposes is \$1.9 million primarily due to higher than anticipated consumption of water and wastewater.
- Library operations' year to date surplus for tax purposes is \$0.1 million primarily due to the timing of purchases of computer peripherals and program supplies as well as delays on technology projects.

Year End Projections

Municipal Operations: \$9.6 Million Projected Year End Surplus for Tax Purposes

Municipal operations is projecting a year end surplus of \$9.6 million. Annual budgeted revenue is \$314.3 million and projected revenue is \$326.1 million. Excluding contributed assets, Municipal operations' revenue is projected to be \$323.0 million, which is 3% favourable. Total annual budgeted expenses are \$365.6 million and projected expenses are \$353.0 million, including amortization and gains/losses on tangible capital assets. Municipal operations' expense variance is 3% favourable.

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	2023 Annual Budget	2023 Year End Projections	Favourable (Unfavourable) \$	Favourable (Unfavourable) %
Revenue				
Property Taxes	\$ 254,303,693	\$ 254,303,693	\$ -	-%
Service Fees and Charges	28,735,404	29,723,883	988,479	3%
Penalties and Fines	4,429,401	7,034,066	2,604,665	59%
Permit and License Fee	3,312,315	3,324,678	12,363	-%
Investment Income	5,681,031	8,737,208	3,056,177	54%
Government Grants	7,982,075	9,598,414	1,616,339	20%
Other Revenue	9,887,554	10,242,569	355,015	4%
Subtotal	\$ 314,331,473	\$ 322,964,511	\$ 8,633,038	3%
Contributed Assets	-	3,158,107	3,158,107	-%
Total Revenue	\$ 314,331,473	\$ 326,122,618	\$ 11,791,145	4%
Expenses				
Salaries & Benefits, Employee Expenses	\$ 183,525,505	\$ 182,750,527	\$ 774,978	-%
Business Expenses	31,647,702	28,132,769	3,514,933	11%
Purchased Services	58,891,116	56,512,770	2,378,346	4%
Supplies, Materials and Equipment	19,851,536	18,916,147	935,389	5%
Interest on Debentures	2,563,181	2,467,344	95,837	4%
Grants Disbursed	13,579,018	7,864,183	5,714,835	42%
Amortization and Gain/Loss on Disposal	56,565,541	56,565,541	-	-%
Other Expenses	2,299,950	2,989,568	(689,618)	(30)%
Intercharges	(3,337,573)	(3,153,711)	(183,862)	6%
Total Expenses	\$ 365,585,976	\$ 353,045,139	\$ 12,540,837	3%
Net Revenue/Expense	\$ (51,254,503)	\$ (26,922,521)	\$ 24,331,982	(47)%
Non-Operating Items and Close to Equity	\$ 51,254,503	\$ 36,479,397	\$ (14,775,106)	(29)%
Operating Surplus/Deficit For Tax Purposes	\$ -	\$ 9,556,876	\$ 9,556,876	

The significant favourable and unfavourable variances are noted below.

Municipal operations revenue projections:

- Service fees and charges — \$1.0 million favourable variance primarily due to higher than anticipated post pandemic recreation facility usage and membership sales. This increase in recreation fees is partially offset by a decrease in development and franchise fees collected due to the delay of the Bremner subdivision.
- Penalties and fines — \$2.6 million favourable variance primarily due to higher than anticipated enforcement revenue associated with driver behaviour. This is partially offset by an associated unfavourable expense variance in purchased services.
- Investment income — \$3.1 million favourable variance primarily due to higher than anticipated returns on short-term investments
- Government grants — \$1.6 million favourable variance primarily due to an unbudgeted receipt of \$0.6 million for the Low Income Transit Pass (LITP) grant, an unbudgeted increase of \$0.8 million for the Municipal Sustainability Initiative (MSI) grant, as well as an unbudgeted increase of \$0.2 million in the Public Safety Answering Points (PSAP) grant. This favourable variance is partially offset by \$0.3 million due to the delay of the Clean Energy Improvement Program (CEIP).

Municipal operations contributed assets:

- Contributed assets — \$3.2 million favourable variance consists of the following:
 - \$2.3 million in roadways
 - \$0.9 million in land improvements

Contributed asset revenue results from developers donating assets to the County once construction on new developments is complete. The developers cover the cost of constructing the assets and then the County takes ownership and is responsible for ongoing maintenance of the assets. This revenue is offset through adjustments to close to equity and does not increase the operating surplus for tax purposes.

Municipal operations expense projections:

- Salaries, wages, benefits and employee expenses — \$0.7 million favourable variance primarily due to savings resulting from vacancies across departments.
- Business expenses — \$3.5 million favourable variance primarily resulting from timing of expenses related to the expansion of Ecole Pere Kenneth Kearns Gym. This will be offset by an unfavourable variance in transfer from reserve and will be resolved in 2024.
- Purchased services — \$2.4 million favourable variance primarily due to:
 - \$1.5 million in adjustments related to the RCMP retroactive pay, an adjustment identified through the 2022 year end audit which affects both 2022 and 2023; and,

- \$1.0 million due to the delay of the Clean Energy Improvement Program (CEIP). This is offset by an unfavourable variance of (\$0.7 million) in transfers from reserve and (\$0.3 million) in government grant revenue.
- Grants disbursed — \$5.7 million favourable variance primarily due to the timing of payments for the River Valley Alliance (RVA) footbridge contributions. This will be offset by an unfavourable variance in transfer from reserve and will be resolved in 2024.

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.

- Transfer from reserve — (\$11.2 million) unfavourable variance primarily due to timing related to the River Valley Alliance (RVA) footbridge contributions and the expansion of Ecole Pere Kenneth Kearns Gym, as well as the delay of the Clean Energy Improvement Program (CEIP).
- Close capital assets to equity — (\$3.3 million) unfavourable variance primarily resulting from transactions related to contributed assets. This is offset by a favourable variance in contributed assets revenue.

Utility Operations: \$1.9 Million Projected Year End Surplus for Tax Purposes

Utility operations is projecting a year end operating surplus of \$1.9 million. Annual budgeted revenue is \$61.6 million and projected revenue is \$71.8 million. Excluding contributed assets, Utility operations' revenue is projected to be \$66.2 million, which is 7% favourable. Utility operations' annual expenses are budgeted at \$66.6 million and projected expenses are at \$66.8 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	2023 Annual Budget	2023 Year End Projections	Favourable (Unfavourable) \$	Favourable (Unfavourable) %
Revenue				
Property Taxes	\$ 16,852	\$ 17,807	\$ 955	6%
Utility User Rates	58,894,512	62,265,235	3,370,723	6%
Service Fees and Charges	1,167,374	1,003,902	(163,472)	(14)%
Penalties and Fines	76,000	134,353	58,353	77%
Investment Income	1,320,354	2,588,740	1,268,386	96%
Government Grants	27,000	15,340	(11,660)	(43)%
Other Revenue	117,922	195,279	77,357	66%
Subtotal	\$ 61,620,014	\$ 66,220,656	\$ 4,600,642	7%
Contributed Assets	-	5,557,993	5,557,993	-%
Total Revenue	\$ 61,620,014	\$ 71,778,649	\$ 10,158,635	16%
Expenses				
Salaries & Benefits, Employee Expenses	\$ 11,924,706	\$ 12,088,435	\$ (163,729)	(1)%
Business Expenses	1,620,308	1,412,635	207,673	13%
Purchased Services	13,023,301	11,796,485	1,226,816	9%
Supplies, Materials and Equipment Purchases	24,877,225	26,959,272	(2,082,047)	(8)%
Interest on Debentures	2,452,702	1,905,927	546,775	22%
Grants Disbursed	-	9,041	(9,041)	-%
Amortization and Gain/Loss on Disposal	10,103,035	10,103,035	-	-%
Other Expenses	34,573	29,857	4,716	14%
Intercharges	2,536,257	2,509,114	27,143	1%
Total Expenses	\$ 66,572,107	\$ 66,813,802	\$ (241,694)	-%
Net Revenue/Expense	\$ (4,952,093)	\$ 4,964,847	\$ 9,916,940	(200)%
Non-Operating Items and Close to Equity	\$ 4,952,093	\$ (3,039,953)	\$ (7,992,046)	(161)%
Operating Surplus/Deficit For Tax Purposes	\$ -	\$ 1,924,894	\$ 1,924,894	

The significant favourable and unfavourable variances are noted below.

Utility operations revenue projections:

- Utility user rates — \$3.4 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.
- Investment income — \$1.3 million favourable variance due to higher than anticipated returns on short term investments resulting from favourable interest rates.

Utility operations contributed asset projections:

- Contributed assets — \$5.6 million favourable variance projected for contributed assets primarily as a result of the Summerwood North project, Ardrossan Stage 9 project, as well as the Sherwood Golf and Country Club Estates project.

Contributed asset revenue results from developers donating assets to the County once construction on new developments is complete. The developers cover the cost of constructing the assets and then the County takes ownership and is responsible for ongoing maintenance of the assets. This revenue is offset through adjustments to close to equity and does not increase the operating surplus for tax purposes.

Utility operations expense projections:

- Purchased services — \$1.2 million favourable variance resulting from less than anticipated operational repairs required as well as delays in starting the stormwater model and asset management projects.
- Supplies, materials and equipment — (\$2.1 million) unfavourable variance due to more water and wastewater purchases than anticipated. 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.

- Transfer to reserve — (\$1.2 million) unfavourable variance primarily due to higher than anticipated returns on short-term investments, resulting in increased interest reserve transfers.
- Transfer from reserve — (\$1.5 million) unfavourable variance primarily due to delayed levy funded debt resulting in lower than budgeted repayments from reserve as well as project delays resulting in reserve transfers not being required.

- Close capital assets to equity — (\$5.6 million) unfavourable variance primarily resulting from transactions related to contributed assets. This is offset by a favourable variance in contributed assets revenue.

Library Operations: \$0.2 Million Projected Year End Surplus for Tax Purposes

Library operations is projecting a year end operating surplus of \$0.2 million. Annual budgeted revenue is \$11.6 million and projected revenue is \$12.1 million, which is 5% favourable. Library operations' annual budgeted expenses are \$11.0 million and projected expenses are \$11.1 million, including amortization and gains/losses on tangible capital assets. Library operations' expense variance is projected to be (1%) unfavourable.

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	2023 Annual Budget	2023 Year End Projections	Favourable (Unfavourable) \$	Favourable (Unfavourable) %
Revenue				
Property Taxes	\$ 10,671,342	\$ 11,049,527	\$ 378,185	4%
Utility User Rates	-	-	-	-%
Service Fees and Charges	2,000	9,336	7,336	367%
Penalties and Fines	13,000	15,025	2,025	16%
Permit and License Fee	-	-	-	-%
Investment Income	148,736	298,124	149,388	100%
Government Grants	550,563	562,559	11,996	2%
Other Revenue	173,391	149,414	(23,977)	(14)%
Subtotal	\$ 11,559,032	\$ 12,083,985	\$ 524,953	5%
Contributed Assets	-	-	-	-%
Total Revenue	\$ 11,559,032	\$ 12,083,985	\$ 524,953	5%
Expenses				
Salaries & Benefits, Employee Expenses	\$ 7,188,909	\$ 7,026,024	\$ 162,885	2%
Business Expenses	243,827	199,656	44,171	18%
Purchased Services	177,903	179,241	(1,338)	(1)%
Supplies, Materials and Equipment	626,520	604,310	22,210	4%
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	3,670	(1,270)	(53)%
Intercharges	821,316	1,196,314	(374,998)	(46)%
Total Expenses	\$ 10,964,248	\$ 11,112,589	\$ (148,340)	(1)%
Net Revenue/Expense	\$ 594,784	\$ 971,396	\$ 376,612	63%
Non-Operating Items and Close to Equity	\$ (594,784)	\$ (742,751)	\$ (147,967)	(25)%
Operating Surplus/Deficit For Tax Purposes	\$ -	\$ 228,645	\$ 228,645	

The significant favourable and unfavourable variances are noted below.

Library operations revenue projections:

- Property taxes — \$0.4 million favourable variance primarily due to an unbudgeted increase in tax revenue due to an overlevy.
- Investment Income — \$0.1 million favourable variance primarily due to higher than anticipated returns on short-term investments. This is offset by an unfavourable variance in transfer to reserve.

Library operations expense projections:

- Salaries, wages, benefits, and employee expenses — \$0.2 million favourable variance primarily due to staff vacancies, retirements, and leaves.
- Intercharges — (\$0.3 million) unfavourable variance related to the Library's portion of ERP system expenses.

Library operations non-operating items and close to equity:

- Transfer from reserve — (\$0.1 million) unfavourable variance primarily due to higher than anticipated returns on short-term investments, resulting in increased reserve transfers.

Consolidated (Municipal, Utility and Library Operations): \$11.7 Million Projected Year End Surplus for Tax Purposes

The annual consolidated year end operating surplus is projected to be \$11.7 million. Total budgeted revenue is \$387.5 million and projected actual revenue is \$410.0 million. Excluding contributed assets, the consolidated revenue is projected to be \$401.3 million, which is 4% favourable. Total budgeted expenses are \$443.1 million and projected expenses are \$431.0 million, including amortization and gains/losses on tangible capital assets. The consolidated expense variance is projected to be 3% favourable.

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	\$ 265,371,027	\$ 379,140	-%
Utility User Rates	58,894,512	62,265,235	3,370,723	6%
Service Fees and Charges	29,904,778	30,737,121	832,343	3%
Penalties and Fines	4,518,401	7,183,444	2,665,043	59%
Permit and License Fee	3,312,315	3,324,678	12,363	-%
Investment Income	7,150,121	11,624,072	4,473,951	63%
Government Grants	8,559,638	10,176,313	1,616,675	19%
Other Revenue	10,178,867	10,587,262	408,395	4%
Subtotal	\$ 387,510,519	\$ 401,269,152	\$ 13,758,633	4%
Contributed Assets	-	8,716,100	8,716,100	-%
Total Revenue	\$ 387,510,519	\$ 409,985,252	\$ 22,474,733	6%
Expenses				
Salaries, Wages, Benefits and Employee Expenses	\$ 202,639,120	\$ 201,864,986	\$ 774,134	-%
Business Expenses	33,511,837	29,745,060	3,766,777	11%
Purchased Services	72,092,320	68,488,496	3,603,824	5%
Supplies, Materials and Equipment Purchases	45,355,281	46,479,730	(1,124,449)	(2)%
Interest on Debentures	5,704,622	5,062,010	642,612	11%
Grants Disbursed	13,579,018	7,873,224	5,705,794	42%
Amortization and Gain/Loss on Disposal	67,883,210	67,883,211	(1)	-%
Other Expenses	2,336,923	3,023,096	(686,173)	(29)%
Intercharges	20,000	551,718	(531,718)	(2,659)%
Total Expenses	\$ 443,122,331	\$ 430,971,530	\$ 12,150,801	3%
Net Revenue/Expense	\$ (55,611,812)	\$ (20,986,278)	\$ 34,625,534	(62)%
Non-Operating Items and Close to Equity	\$ 55,611,812	\$ 32,696,692	\$ (22,915,120)	(41)%
Operating Surplus/Deficit For Tax Purposes	\$ -	\$ 11,710,414	\$ 11,710,414	

Summary of Year End Projections

Overall, the County is projecting a year end operating surplus for tax purposes of \$11.7 million at the end of 2023. The major contributing factors are outlined below.

- Municipal operations' projected year end surplus for tax purposes is \$9.6 million, which is 2.6% of the municipal annual expense budget. Government Finance Officers Association (GFOA) International states that a 3% surplus of a municipality's annual expense budget is a best practice for a municipality. The municipal surplus is primarily due to the following:
 - Higher than anticipated enforcement revenue due to driver behaviour
 - Increased investment income primarily due to higher than anticipated returns on short-term investments
 - Favourable variance primarily due to the unbudgeted receipt of the LITP grant, coupled with the unanticipated increases in MSI and PSAP grants
 - The adjustment related to the RCMP retroactive pay
- Utilities operations' year end surplus for tax purposes is projected to be \$1.9 million, primarily due to higher than anticipated consumption of water and wastewater.
- Library operations' year end surplus for tax purposes is projected to be \$0.2 million, primarily due to staff vacancies, retirement, and leaves.

The variance analysis and year end projection are based on the information available as of September 30, 2023, and is subject to the uncertainty of unknown events or circumstances which may take place during the remainder of the year. As part of the 2024 budget process, we have accounted \$5 million of the municipal projected surplus into the forecasted reserve balances to support future annual programs spend.

Capital Spend

Overall, the County has made significant progress on its capital projects. The total planned spend for 2023 is \$150.1 million. The year-to-date actual spend for 2023 is \$63.3 million, which is 42% of the planned spend. Capital spend in the County is tightly correlated with construction activity, which generally has a seasonal peak during the summer months. The three-year average spend at the end of the third quarter is 34%.

The County is expecting to spend an additional \$37.9 million in the last quarter of 2023, bringing the total forecasted spend to \$101.2 million. This results in a projected favourable variance of \$48.9 million, the majority of which will be carried forward into 2024. This variance is a result of several factors, including the timing of negotiation for land acquisitions, delays in contracting and longer lead times for fire and heavy equipment acquisitions.

The table below identifies variances between the planned spend and the projected spend for 2023. The 2023 planned spend is comprised of 2022 carry forwards, the 2023 Council approved budget, and all capital amendments made during the year. The projected spend is comprised of the year-to-date actuals and forecasted spend for the remainder of 2023.

Capital Spend						
(In thousands)	2023 Planned Spend	Q3 Actual Spend	Q4 Projected Spend	2023 Total Projection	Variance	% of 2023 Total Projection of Planned Spend
Road & transportation	\$ 79,061	\$ 37,487	\$ 15,392	\$ 52,879	\$ 26,182	67%
Fleet	12,437	3,342	1,488	4,829	7,608	39%
Utilities	12,383	3,274	2,720	5,994	6,389	48%
Community	10,006	4,621	2,020	6,641	3,365	66%
Facility	31,214	12,905	15,276	28,181	3,033	90%
Transit	3,480	468	835	1,303	2,177	37%
Corporate	1,509	1,163	161	1,324	185	88%
Total	\$ 150,090	\$ 63,259	\$ 37,892	\$ 101,151	\$ 48,939	67%

The significant variances are noted below.

Roads & transportation

- North of Yellowhead — \$11.9 million favourable variance. The majority of the construction is anticipated to be completed in the fall of 2024.
- Class II Improvements (RR 210, TWP 550 to Hwy 15) — \$2.3 million favourable variance due to the timing of Third Party contractor completing their moving pole prior to commencing road construction. This work is anticipated to begin in the coming winter months.
- The remainder of the favourable variance in roads & transportation services is due to various project delays across multiple departments. The delays are resulting from extended negotiation with land acquisition and contractors.

Fleet

- Annual Fleet Replacement and Refurbishment — \$6.3 million favourable variance is due to supply chain issues, which lead to a delay in acquiring fire and heavy-duty equipment.

Utilities

- North of Yellowhead (Utilities) — \$1.4 million favourable variance resulting from funds kept in the project to ensure sufficient coverage if any infrastructure issues arise prior to the Final Acceptance Certificate date.
- Water meter / Radio frequency — \$1.4 million favourable variance due to challenges with acquiring equipment resulting in initial project delays. Over the next five to seven years, the County is undergoing a large-scale meter replacement project to replace all residential water meters with smart meters.
- South Cooking Lake Residential Water Fill Station - \$0.8 million favourable variance resulting from project costs that are underbudget and will be closed at year-end.
- The remainder of the favourable variance in Utilities projects are due to various project delays, such as unexpected capacity constraints and other challenges.

Overview of Open Capital Projects

The total approved open capital budget is \$491.4 million. Of the \$491.4 million approved budget, \$314.7 million has been spent to date, and \$72.6 million has been committed to be spent. The remaining budget as of September 30, 2023, is \$104.1 million.

(in thousands)								
Capital Budget of Open Projects								
	Number of Active Projects	Total Active Capital Budget	Capital Costs Incurred to Date	Projection	Total Costs and Projection	Remaining Budget Available	% of Budget Spent after Projection	
Road & transportation	74	\$ 233,421	\$ 173,215	\$ 29,185	\$ 202,399	\$ 31,022	87%	
Fleet	16	19,470	7,880	2,674	10,554	8,916	54%	
Utilities	26	43,437	30,989	3,736	34,725	8,712	80%	
Community	33	27,192	17,261	1,994	19,255	7,937	71%	
Facility	29	155,251	76,409	33,517	109,926	45,324	71%	
Transit	12	9,274	5,916	1,364	7,280	1,994	79%	
Corporate	7	3,391	3,045	115	3,160	231	93%	
Total	197	\$ 491,435	\$ 314,715	\$ 72,584	\$ 387,300	\$ 104,136	79%	

The significant capital projects, most of which are anticipated to be completed over the next two years, contributing to the remaining budget are as follows:

Roads & transportation

- North of Yellowhead – Design and Construction — \$11.9 million
- Annual Road Program — \$14.8 million

Fleet

- Annual Fleet Replacement and Refurbishment — \$6.7 million

Utilities

- Annual Programs for Utilities Infrastructure — \$2.7 million
- Centre in the Park Wastewater Design — \$1.3 million
- North Cooking Lake Watermain — \$1.3 million

Community

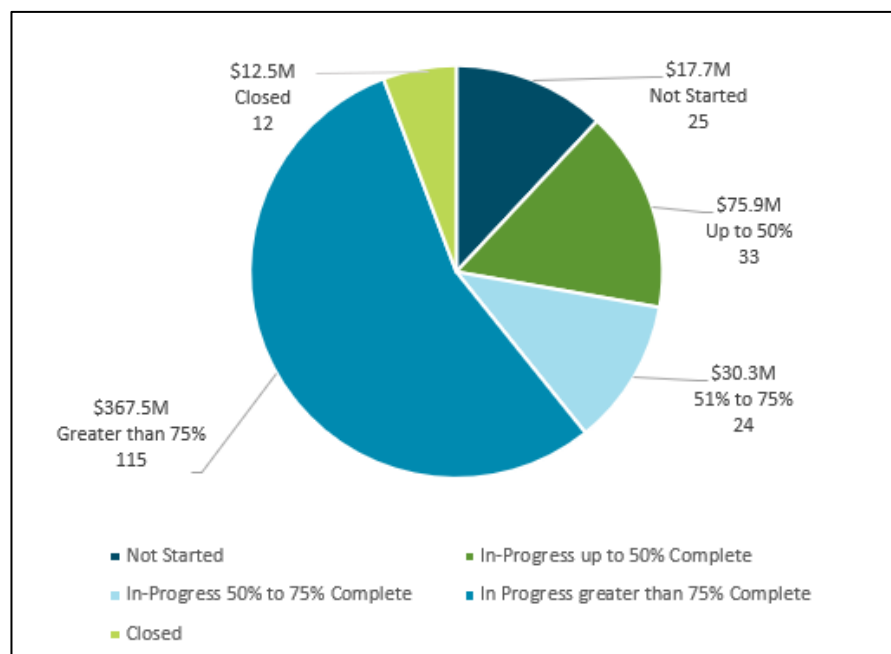
- Ardrossan Curling Rink Replacement — \$2.9 million
- RVA Pedestrian Footbridge Amenities — \$2.5 million
- Annual Open Space Planning — \$1.6 million

Facility

- Multi-Purpose Agriculture Facility (the Pointe-Aux-Pin) — \$27.7 million
- SPSY Expansion and Modernization — \$6.4 million

Capital Project Status

Currently, there are 209 capital projects, including 197 open projects and 12 closed projects. The chart below summarizes the status of 2023 capital projects and includes the total capital budget:



Of the 197 open projects there are:

- 115 projects over 75% complete,
- 24 projects between 51% to 75% complete,
- 33 projects up to 50% complete and
- 25 projects not started to date.

As of September, the County has completed and closed 12 projects in 2023 totalling \$12.5 million after the release of \$0.5 million of unused funding:

- \$0.4 million was from external sources (grants, developer levies and other); and,
- \$0.1 million was from internal sources (reserves, operations and other)

All funds released are allocated back to their original funding sources and are available for other emergent or future capital priorities.

Summary of Q3 Capital Spend

In 2023, there has been considerable progress on the following capital projects:

- The SPSY building is nearing completion with anticipated occupancy by the spring of 2024.
- The North of Yellowhead project had the grand opening in October 2023, and construction is anticipated to be completed in the fall of 2024.
- The Multi-purpose Agriculture Facility is in the early stages of construction with anticipated completion by the summer of 2025.

The capital and projects projections are based on the information available as of September 30, 2023, and is subject to the uncertainty of unknown events or circumstances which may take place during the remainder of the year.