
2023 Operating and Capital Carryforwards and Surplus Allocations**Report Purpose**

To approve the 2023 Operating and Capital Carryforwards and to allocate and/or release the associated operating/capital surplus/funding.

Recommendation

1. THAT the proposed operating carryforwards of \$6,619,774, as set out in enclosure 1 of the April 9, 2024 Financial and Strategic Services report and as added to the 2024 Operating Budget through the components below, be approved:
 - A \$6,369,774 increase to the 2024 Municipal Operating Budget funded by a corresponding reserve transfer to Municipal Reserves; and
 - A \$250,000 increase to the 2024 Utility Operating Budget, funded by a corresponding reserve transfer to Utility Reserves;
2. THAT the allocation of the 2023 Municipal Operating Surplus of \$16,008,704 to Municipal Reserves, with \$121,168 allocated to the Broadmoor Reserve, \$390,650 allocated to the Cultural Development fund, \$9,496,886 allocated to Infrastructure Lifecycle, and \$6,000,000 and any remainder to Stabilization and Contingency, be approved;
3. THAT the allocation of the 2023 Utility Operating Surplus of \$5,481,808 to Utility Reserves, with \$2,000,000 to the Utility Water Reserve, \$2,300,000 to the Utility Wastewater Reserve, \$600,000 to the Utility Stormwater Reserve, and \$581,808 to the Utility Rate Stabilization and Contingency Reserve, be approved;
4. THAT an amendment to the 2024 Capital Budget to increase the total planned capital spend in the amount of \$152,503,955 (from \$112,909,344 to \$265,413,299), as set out enclosure 2 of the April 9, 2024 Financial and Strategic Services report, to be funded from existing Council authorities, be approved;
5. THAT an amendment to the 2023 Capital Budget to release funds and/or commitments from projects in the amount of \$1,658,944, as set out in enclosure 3 of the April 9, 2024 Financial and Strategic Services report, be approved; and
6. THAT an amendment to the 2023 Capital Budget to close projects and release funds in the amount of \$1,889,102, as set out in enclosure 4 of the April 9, 2024 Financial and Strategic Services report, be approved.

Our Strategic Goals

Governance Requirement

Goal 4 - Municipal Excellence

Goal 4 Priority - Optimal use of resources that meets the community's needs

Report

For 2021 year end, Administration introduced a new process for operating carryforwards. That process aligned more closely with the *Municipal Government Act* (MGA) legislation where Council is required to approve all operating carryforwards and budgetary adjustments and it further aligns with the practice adopted by other municipalities. For 2022 year end, Administration added capital carryforwards to this process, providing further transparency and alignment with the *Municipal Government Act* (MGA) legislation.

This year, Administration continues to mature this process by bringing both operating and capital carryforwards and the respective reserve allocations/approvals to Council at the same time, providing maximum transparency.

Purpose of Carryforwards

Operating carryforwards are operational items that are largely either planned multi-year projects or items that have a legal/financial commitment associated with them due to timing of the accounting fiscal year. The purpose of identifying and approving carryforwards is to:

- 1) transfer appropriate budgetary expenditure authority into the correct year, and
- 2) carry the funding associated with the planned expenditures into the correct year.

Once approved, the carryforwards are added to the following year's operating budget. A large portion of the carryforward requests have legal and/or financial commitments; failure to carry forward these committed amounts will affect operational plans and may cause issues with projects currently underway.

Capital carryforwards are capital projects that are either ongoing multi-year projects planned to be completed in subsequent years or projects that were expected to be completed by year-end. The purpose of identifying and approving carryforwards is to:

- 1) transfer appropriate budgetary expenditure authority into the correct year,
- 2) carry the funding associated with the planned expenditures into the correct year,
- 3) close projects and/or release any funding that is no longer required.

Once approved, the carryforwards are added to the following year's budget. A large portion of the carryforward requests have legal and/or financial commitments and failure to carry forward these committed amounts will affect capital plans and may cause issues with projects currently underway.

Capital projects, by nature, almost always take longer than a single year to complete, and for many projects, it is not uncommon for a project to take three, four, or even five years. If a project happens to encounter any unusual challenges, such as supply-chain shortages, a wet construction season, or even receiving granting approvals, completion times can be even longer. The County does project anticipated timelines at the point of approval, however, accurately predicting unforeseen challenges in the future is near impossible.

Proposed Operating Carryforwards

It is proposed that \$6,619,774 be carried forward into the 2024 consolidated operating budget from 2023, comprising 46 requests. The most significant carryforwards are related to Transit Workforce software, amounting to \$896,000, and ongoing ERP stabilization and enhancements, which total \$1.3 million across various areas.

The remaining \$4.4 million is largely attributed to many smaller scale items that are contractual commitments. Annually, contractual commitments that straddle calendar year ends are common.

The full listing of proposed operating carryforward amounts can be found in enclosure 1.

Proposed Capital Carryforwards

There are 150 projects being carried forward into 2024 (as per enclosure 2), with 2023 budget of \$460 million, and remaining budget of approximately \$106 million. Of the \$106 million outstanding, three projects account for the majority of it (\$82 million).

- The Pointe – \$45.6 million
- Bremner Stage 1 Water Reservoir, Pumphouse and Supply - \$26.0 million
- North of Yellowhead Stage 1 Transportation Improvements – \$10.0 million

The remaining 147 projects account for \$24 million.

Recommended Surplus Allocations

Municipal - After carryforwards, the total Municipal operating surplus is \$16,008,704, and recommended to be allocated to the following Municipal reserves:

- Broadmoor Golf Course - \$121,168 – allocation includes a reconciling item from 2022,
- Cultural Development Fund - \$390,650– allocation is reconciling item from prior years,
- Municipal Infrastructure Lifecycle - \$9,496,886– allocation recommended to address significant funding gap pressures (to offset \$28 million reduction that occurred in the fall to planned annual programs over next five years by Administration),
- Stabilization and Contingency - \$6,000,000 – allocation recommended to replenish reserve after significant use during and emerging from the pandemic.

Utilities - As Utilities is a self-sustaining operation, any surpluses/(deficits) impact only Utility reserves. The surplus allocation of \$5,481,808 is recommended to be transferred to the following Utility reserves:

- Utility Water Reserve - \$2,000,000
- Utility Wastewater Reserve - \$2,300,000
- Utility Stormwater Reserve - \$600,000
- Utility Rate Stabilization and Contingency Reserve - \$581,808

Council and Committee History

November 15, 2023 THAT the 2024-2027 Consolidated Operating Budget, including a 5.87% municipal tax revenue increase and a total budget amount of \$441 million for 2024, be adopted.

THAT the 2024-2026 Consolidated Capital Budget in the amount of \$111.7 million for 2024, \$183.8 million for 2025 and \$56.9 million for 2026, be adopted.

Other Impacts

Policy: FIN-001-024: Financial Reserves; FIN-001-027: Expenditure and Budget Management Policy; GOV-001-024: Authorization and Verification of Unbudgeted Expenditures Policy; FIN-001-010 Financial Reporting Policy

Legislative/Legal: N/A

Financial/Budget: Allocating surplus and releasing unrequired capital funds will help improve the County's overall financial position and have a positive impact on the County's reserve health. This one-time allocation and releases do not eliminate or reduce the need for the long-term reserve strategy and recreation given the volume and magnitude of upcoming capital needs.

Interdepartmental: N/A

Master Plan/Framework: N/A

Enclosures

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| 1 | 2023 Operating Carryforwards |
| 2 | 2023 Capital Carryforwards |
| 3 | 2023 Capital Funding Releases |
| 4 | 2023 Capital Closures |