

# Strathcona County

## 2023 Annual Management Report

Prepared by Financial and Strategic Services

**Prepared for**  
Priorities Committee  
April 16, 2024

## Introduction

The Strathcona County (the County) 2023 Annual Management Report is comprised of the operating results for the Municipal, Utility, and Library operating segments, the capital project results, and an overview of key financial indicators assessing the financial health of the organization. Pioneer Housing Foundation is not included in the financial information presented in this report.

Consistent with 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 item. Generally, a materiality of \$1.0 million and 5% is applied for the variance analysis in this report. However, other variances may be included if they are deemed significant.

## Annual Operating Results - 2023

### Municipal Operations

Municipal operations ended 2023 with a \$16.0 million surplus. The surplus resulted from favourable variances in both revenue and expenses. Excluding contributed assets, Municipal operations' revenue variance was \$19.8 million, 6% favourable. Budgeted total revenue was \$314.3 million and actual revenue was \$334.2 million. Municipal operations' expense variance was \$16.0 million, 5% favourable. Total budgeted expenses were \$308.9 million and actual expenses were \$292.9 million, excluding amortization and gains/losses on tangible capital assets.

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

<b>Municipal Operations</b>				
In Thousands				
	2023 Budget	2023 Actuals	\$ Favourable (Unfavourable)	% Favourable (Unfavourable)
<b>Revenue</b>				
Property Taxes	\$ 254,304	\$ 259,137	\$ 4,833	2%
Service Fees and Charges	34,051	38,054	4,003	12%
Penalties and Fines	4,429	7,235	2,806	63%
Permit and License Fee	3,312	3,865	553	17%
Investment Income	5,681	8,492	2,811	49%
Government Grants	7,982	10,150	2,168	27%
Other Revenue	4,572	7,235	2,663	58%
<b>Total Revenue</b>	<b>\$ 314,331</b>	<b>\$ 334,168</b>	<b>\$ 19,837</b>	<b>6%</b>
<b>Expenses</b>				
Salaries & Benefits, Employee Expenses	\$ 183,525	\$ 184,815	\$ (1,290)	(1)%
Business Expenses	31,648	26,890	4,758	15%
Purchased Services	58,891	53,160	5,731	10%
Supplies, Materials and Equipment	19,817	17,211	2,606	13%
Interest on Debentures	2,563	2,371	192	7%
Grants Disbursed	13,579	7,698	5,881	43%
Other Expenses	2,194	4,317	(2,123)	(97)%
Intercharges	(3,338)	(3,559)	221	(7)%
<b>Total Expenses</b>	<b>\$ 308,879</b>	<b>\$ 292,903</b>	<b>\$ 15,976</b>	<b>5%</b>
<b>Net Revenue/Expense</b>	<b>\$ 5,452</b>	<b>\$ 41,265</b>	<b>\$ 35,813</b>	<b>657%</b>
<b>Non-Operating Items and Close to Equity</b>	<b>\$ (5,452)</b>	<b>\$ (25,256)</b>	<b>\$ (19,804)</b>	<b>363%</b>
<b>Operating Surplus/Deficit For Tax Purposes</b>	<b>\$ -</b>	<b>\$ 16,009</b>	<b>\$ 16,009</b>	
<i>The financial information provided in the above table excludes non-cash items related to capital and the associated offsets in non-operating items.</i>				

The significant favourable and unfavourable variances are noted below.

**Municipal operations revenue:**

- Property taxes – \$4.8 million favourable variance due to higher than anticipated industrial supplementary taxes collected.
- Service fees and charges – \$4.0 million favourable variance primarily due to:
  - \$2.6 million higher than anticipated post pandemic recreation facility usage and membership sales. This variance has been addressed and adjusted through the 2024 budget process.
  - \$1.2 million due to an unanticipated increase in funds received through the Alberta Health Services contract for ambulance services.
  - \$0.4 million increase in transit revenue resulting from higher than expected transit passes sold to students.
- Penalties and fines – \$2.8 million favourable variance primarily due to increases in enforcement revenue associated with driver behaviour. This is partially offset by increased expenses in purchased services to facilitate this program. This variance has been addressed and adjusted through the 2024 budget process.
- Investment income – \$2.8 million favourable variance due to higher than anticipated returns on investments, resulting from favourable interest rates. This variance has been addressed and adjusted through the 2024 budget process.
- Government grants – \$2.2 million favourable variance primarily related to:
  - \$0.8 million unbudgeted increase for the Municipal Sustainability Initiative (MSI) operating grant.
  - \$0.7 million in provincial grants received to offset expenses related to the 2023 wildfires.
  - \$0.6 million related to the unanticipated receipt of the Low-Income Transit Pass (LITP) grant.
  - \$0.3 million increase due to the unbudgeted receipt of the Alberta Relief for Shortfalls for Transit Operators Grant (RESTOR).
- Other revenue – \$2.7 million favourable variance primarily due to:
  - \$1.9 million associated with funds transferred to the stabilization and contingency reserve for routine employee benefit management.
  - \$0.3 million related to funding provided by the Public Safety Canada agreement for Family and Community Services. This variance is fully offset by unfavourable variances in purchased services and business expenses.
  - \$0.3 million due to higher than anticipated levy revenue, coupled with increased airport fuel sales.

**Municipal operations expenses:**

- Salaries and benefits – (\$1.3 million) unfavourable variance predominantly attributable to:
  - (\$2.3 million) settlements resulting from recent union agreements have differed from projections.
  - \$1.0 million favourable due to staffing vacancies throughout the organization
- Business expenses – \$4.8 million favourable variance primarily resulting from:
  - \$2.6 million related to the timing of expenses for the expansion of Ecole Pere Kenneth Kearns Gym. This is fully offset by an unfavourable variance in non-operating items and has been addressed and adjusted through the 2024 budget process. This item, therefore, has no impact on the operating surplus for tax purposes.
  - \$1.0 million in savings related to the reduced need for equipment rentals and utilities resulting from milder winter conditions.
  - \$1.0 million related to savings in information technology software. This includes application lifecycle software and the NG911 project. Where applicable, amounts related to software projects will be carried forward in 2024.
- Purchased services – \$5.7 million favourable variance primarily due to:
  - \$5.5 million variance is a result of ongoing initiatives where the annual budget was not fully spent. This includes Oracle stabilization, transportation, and other critical projects. Furthermore, this variance can be attributed to the approved budget for the 2026 Alberta Summer Games and unspent funds from Fleet and Facility lifecycle operating projects. Going forward, the remaining budget for these items will be carried into 2024.
  - \$1.6 million in cost savings were achieved due to favourable road conditions. The milder early winter and spring weather kept roads in better shape, resulting in less services required.
  - \$1.5 million due to an adjustment related to the retroactive pay for RCMP, identified through the 2022 year end audit.
  - \$0.9 million due to lower than anticipated costs attributable to information technology projects.
  - (\$2.1 million) there has been an unfavourable variance related to potential legal actions against the County.
  - (\$1.7 million) unfavourable variance attributable to costs related to the increase in enforcement revenue. This variance has been addressed and adjusted through the 2024 budget process to align with the increase in enforcement revenue.
- Supplies, materials, and equipment – \$2.6 million favourable variance:
  - \$1.7 million is primarily due to general savings in fuel costs resulting from lower than forecasted prices. Additional savings were realized with reduced consumption from the implementation of the On-Demand Transit program.
  - \$1.1 million primarily due to savings in supplies and materials for road safety and clearing due to milder winter conditions.

- \$0.5 million primarily due to less road repairs required than anticipated.
- (\$0.6 million) unfavourable variance attributable to costs related to the increase in recreation facility usage, which is offset by higher revenues related to user fees.
- Grants disbursed – \$5.9 million favourable variance primarily due to the timing of contributions for the River Valley Alliance (RVA) footbridge. This variance is fully offset by an unfavourable variance in non-operating items and has been addressed and adjusted through the 2024 budget process. This item, therefore, has no impact to the surplus.
- Other expenses – (\$2.1 million) unfavourable variance primarily due to:
  - (\$1.2 million) book value change in the County's investment portfolio. The County rebalanced its investment portfolio in the current year. When transactions like these occur, an accounting entry is made to recognize the temporary change in book value. This will be offset as the County holds the bonds to maturity.
  - (\$0.8 million) due to the impact of prior year tax adjustments.

**Municipal operations non-operating items:**

The following items represent accounting entries that offset revenue and expense transactions and impact the operating surplus for tax purposes.

- Non-operating items and close to equity – (\$19.8 million) unfavourable variance primarily due to:
  - (\$6.3 million) unfavourable variance related to approved operating budget carryforward requests transferred to reserve.
  - (\$13.4 million) unfavourable variance due to reduced need for reserve transfers, including unused reserve transfers for the expansion of Ecole Pere Kenneth Kearns Gym and the River Valley Alliance Footbridge.

## Utility Operations

Utility operations ended 2023 with a \$5.5 million surplus. The surplus is primarily resulting from favourable variances in revenues. Excluding contributed assets, Utility operations' revenue variance was \$7.6 million, 12% favourable. Budgeted total revenue was \$61.6 million and actual revenue was \$69.2 million. Utility operations' expense variance was (\$0.2 million) unfavourable. Total budgeted expenses were \$56.5 million and actual expenses were \$56.7 million, excluding amortization and gains/losses on tangible capital assets.

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

<b>Utility Operations</b>				
In Thousands				
	2023 Budget	2023 Actuals	\$ Favourable (Unfavourable)	% Favourable (Unfavourable)
<b>Revenue</b>				
Property Taxes	\$ 17	\$ 23	\$ 6	35%
Utility User Rates	58,895	62,985	4,090	7%
Service Fees and Charges	1,167	2,902	1,735	149%
Penalties and Fines	76	121	45	59%
Investment Income	1,320	2,824	1,504	114%
Government Grants	27	-	(27)	(100)%
Other Revenue	118	388	270	229%
<b>Total Revenue</b>	<b>\$ 61,620</b>	<b>\$ 69,243</b>	<b>\$ 7,623</b>	<b>12%</b>
<b>Expenses</b>				
Salaries & Benefits, Employee Expenses	\$ 11,925	\$ 11,937	\$ (12)	-%
Business Expenses	1,620	1,424	196	12%
Purchased Services	13,023	13,219	(196)	(2)%
Supplies, Materials and Equipment	24,877	25,795	(918)	(4)%
Interest on Debentures	2,453	1,836	617	25%
Grants Disbursed	-	16	(16)	-%
Other Expenses	35	(12)	47	134%
Intercharges	2,536	2,483	53	2%
<b>Total Expenses</b>	<b>\$ 56,469</b>	<b>\$ 56,698</b>	<b>\$ (229)</b>	<b>-%</b>
<b>Net Revenue/Expense</b>	<b>\$ 5,151</b>	<b>\$ 12,545</b>	<b>\$ 7,394</b>	<b>144%</b>
<b>Non-Operating Items and Close to Equity</b>	<b>\$ (5,151)</b>	<b>\$ (7,064)</b>	<b>\$ (1,913)</b>	<b>37%</b>
<b>Operating Surplus/Deficit For Tax Purposes</b>	<b>\$ -</b>	<b>\$ 5,481</b>	<b>\$ 5,481</b>	
<i>The financial information provided in the above table excludes non-cash items related to capital and the associated offsets in non-operating items.</i>				

The significant favourable and unfavourable variances are noted below.

**Utility operations revenue:**

- Utility user rates – \$4.1 million favourable variance due to higher consumption of water and wastewater than anticipated, mainly resulting from the unpredictability of consumer consumption. This variance is partially offset by an unfavourable variance in supplies, materials and equipment related to the purchase of water and treatment of wastewater.
- Service fees and charges – \$1.7 million favourable variance primarily due to the reimbursement of expenditures for services performed under contract for third parties; this is partially offset by an unfavourable variance in purchased services for work performed on behalf of these parties.
- Investment income – \$1.5 million favourable variance due to higher than anticipated returns on investments, resulting from favourable interest rates. This variance has been addressed and adjusted through the 2024 budget process.

**Utility operations expense:**

- Purchased services – (\$0.2 million) unfavourable variance primarily due to:
  - \$1.3 million in savings due to less than anticipated operational repairs required as well as delays in commencing the stormwater model and the asset management project.
  - (\$1.5 million) resulting from repairs and maintenance services performed on behalf of third parties. This unfavourable variance is partially offset by a favourable variance in service fees and charges revenue.
- Supplies, materials, and equipment – (\$0.9 million) unfavourable variance due to increased water purchases and wastewater treatment. This is consistent with the higher consumer consumption mentioned above. As customer consumption increases, more water is purchased, and more wastewater is treated.

**Utility operations non-operating items:**

The following items represent accounting entries that offset revenue and expense transactions and may impact the operating surplus for tax purposes.

- Non-operating items and close to equity – (\$1.9 million) unfavourable variance primarily due to:
  - (\$1.1 million) unfavourable variance relates primarily to the timing of drawing levy funded debt, which resulted in lower than budgeted repayments from reserve.
  - (\$0.4 million) unfavourable variance is attributable to higher than anticipated interest income transferred to reserve.
  - (\$0.3 million) unfavourable variance related to approved operating budget carryforward requests transferred to reserve.



## Library Operations

Library operations ended 2023 with a \$0.4 million surplus. The surplus resulted primarily from favourable variances in revenues. Excluding contributed assets, Library operations' revenue variance was \$0.7 million, 6% favourable. Budgeted total revenue was \$11.6 million and actual revenue was \$12.2 million. Library operations' expense variance was (\$0.1 million), (1%) unfavourable. Total budgeted expenses were \$9.8 million and actual expenses were \$9.9 million, excluding amortization and gains/losses on tangible capital assets.

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

<b>Library Operations</b>				
In Thousands				
	2023 Budget	2023 Actuals	\$ Favourable (Unfavourable)	% Favourable (Unfavourable)
<b>Revenue</b>				
Property Taxes	\$ 10,671	\$ 11,050	\$ 379	4%
Service Fees and Charges	2	9	7	350%
Penalties and Fines	13	15	2	15%
Investment Income	149	392	243	163%
Government Grants	551	563	12	2%
Other Revenue	173	184	11	6%
<b>Total Revenue</b>	<b>\$ 11,559</b>	<b>\$ 12,213</b>	<b>\$ 654</b>	<b>6%</b>
<b>Expenses</b>				
Salaries & Benefits, Employee Expenses	\$ 7,189	\$ 7,038	\$ 151	2%
Business Expenses	244	194	50	20%
Purchased Services	178	151	27	15%
Supplies, Materials and Equipment	627	617	10	2%
Interest on Debentures	689	689	-	-%
Other Expenses	2	37	(35)	(1,750)%
Intercharges	821	1,163	(342)	(42)%
<b>Total Expenses</b>	<b>\$ 9,750</b>	<b>\$ 9,889</b>	<b>\$ (139)</b>	<b>(1)%</b>
<b>Net Revenue/Expense</b>	<b>\$ 1,809</b>	<b>\$ 2,324</b>	<b>\$ 515</b>	<b>28%</b>
<b>Non-Operating Items and Close to Equity</b>	<b>\$ (1,809)</b>	<b>\$ (1,877)</b>	<b>\$ (68)</b>	<b>(4)%</b>
<b>Operating Surplus/Deficit For Tax Purposes</b>	<b>\$ -</b>	<b>\$ 447</b>	<b>\$ 447</b>	
<i>The financial information provided in the above table excludes non-cash items related to capital and the associated offsets in non-operating items.</i>				

The significant favourable and unfavourable variances are noted below.

**Library operations revenue:**

- Property taxes – \$0.4 million favourable primarily related to the use of prior year over-levies utilized to fund the library’s portion of Enterprise Resource Planning (ERP) system expenses. This is fully offset by an unfavourable variance in intercharges expense.
- Investment income – \$0.2 million favourable variance due to higher than anticipated returns on investments, resulting from favourable interest rates. This variance has been addressed and adjusted through the 2024 budget process.

**Library operations expense:**

- 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:**

These items represent accounting entries that offset revenue and expense transactions and may impact the operating surplus for tax purposes. The library had no significant items to note related to non-operating items.

## Consolidated (Municipal, Utility and Library Operations) – 2023

At the end of 2023, the consolidated surplus for tax purposes was \$21.9 million. The surplus primarily resulted from favourable variances in revenue given that many favourable expense variances were offset in non-operating items. Budgeted total revenue was \$387.5 million and actual revenue was \$415.6 million, which is 7% favourable. Total budgeted expenses were \$375.1 million and actual expenses were \$359.5 million, excluding amortization and gains/losses on tangible capital assets. The consolidated expense variance was 4% 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.

<b>Consolidated Operations</b>				
In Thousands				
	2023 Budget	2023 Actuals	\$ Favourable (Unfavourable)	% Favourable (Unfavourable)
<b>Revenue</b>				
Property Taxes	\$ 264,992	\$ 270,209	\$ 5,217	2%
Utility User Rates	58,895	62,985	4,090	7%
Service Fees and Charges	35,221	40,966	5,745	16%
Penalties and Fines	4,518	7,371	2,853	63%
Permit and License Fee	3,312	3,865	553	17%
Investment Income	7,150	11,708	4,558	64%
Government Grants	8,560	10,713	2,153	25%
Other Revenue	4,863	7,808	2,945	61%
<b>Total Revenue</b>	<b>\$ 387,511</b>	<b>\$ 415,625</b>	<b>\$ 28,114</b>	<b>7%</b>
<b>Expenses</b>				
Salaries, Wages, Benefits and Employee Expenses	\$ 202,639	\$ 203,790	\$ (1,151)	(1)%
Business Expenses	33,512	28,507	5,005	15%
Purchased Services	72,092	66,530	5,562	8%
Supplies, Materials and Equipment Purchases	45,320	43,623	1,697	4%
Interest on Debentures	5,705	4,896	809	14%
Grants Disbursed	13,579	7,714	5,865	43%
Other Expenses	2,231	4,342	(2,111)	(95)%
Intercharges	20	86	(66)	(330)%
<b>Total Expenses</b>	<b>\$ 375,098</b>	<b>\$ 359,488</b>	<b>\$ 15,610</b>	<b>4%</b>
<b>Net Revenue/Expense</b>	<b>\$ 12,413</b>	<b>\$ 56,137</b>	<b>\$ 43,724</b>	<b>352%</b>
<b>Non-Operating Items and Close to Equity</b>	<b>\$ (12,413)</b>	<b>\$ (34,198)</b>	<b>\$ (21,785)</b>	<b>176%</b>
<b>Operating Surplus/Deficit For Tax Purposes</b>	<b>\$ -</b>	<b>\$ 21,939</b>	<b>\$ 21,939</b>	
<i>The financial information provided in the above table excludes non-cash items related to capital and the associated offsets in non-operating items.</i>				

## Summary of 2023 Annual Results

The overall 2023 annual consolidated surplus for tax purposes was \$21.9 million:

- Municipal operations' annual surplus for tax purposes was \$16.0 million primarily due to:
  - Higher than anticipated industrial supplementary taxes collected.
  - Higher than anticipated service fees and charges revenue due to increased post pandemic recreation facility usage and membership sales.
  - Higher than anticipated enforcement revenue due to driver behaviour.
  - Increased investment income due to higher than anticipated returns on investments.
  - The unbudgeted receipt of the LITP grant, coupled with an unanticipated increase in MSI and other grants.
  - Revenue associated with funds transferred to the stabilization and contingency reserve for routine benefit management.
  - Savings associated with reduced equipment rentals, supplies and materials, and purchased services resulting from milder winter conditions.
  - The RCMP retroactive pay adjustment from prior year
- Utilities operations' annual surplus for tax purposes was \$5.5 million primarily due to:
  - Higher than anticipated consumption of water and wastewater.
  - Increased investment income due to higher than anticipated returns on investments.
- Library operations' annual surplus for tax purposes was \$0.4 million primarily due to:
  - Staff vacancies, retirement, and leaves.
  - Increased investment income due to higher than anticipated returns on investments.

## Capital Results

As of December 31, 2023, the County had a total approved capital project budget of \$531.5 million for 212 projects. Of this budget, \$374.8 million has been spent to date, leaving remaining funds of \$156.7 million to be carried forward or released.

In Thousands									
	Number of Projects	Total Approved Capital Budget	Prior Years Spend	Current Year Spend	\$ Variance	% Variance	Capital Carryforwards	Release of Funds	
Road & Transportation	74	\$ 241,767	\$ 144,218	\$ 58,701	\$ 38,848	16%	\$ 38,381	\$ 467	
Fleet	16	19,470	4,539	4,576	10,355	53%	10,351	4	
Utilities	32	72,696	29,448	7,825	35,423	49%	34,519	904	
Community	36	28,195	13,916	6,665	7,614	27%	6,587	1,027	
Facility	29	155,256	63,504	30,680	61,072	39%	61,040	32	
Transit	13	9,653	5,816	1,016	2,821	29%	1,476	1,345	
Corporate	12	4,451	2,553	1,362	536	12%	150	386	
<b>Total</b>	<b>212</b>	<b>\$ 531,488</b>	<b>\$ 263,994</b>	<b>\$ 110,825</b>	<b>\$ 156,669</b>	<b>29%</b>	<b>\$ 152,504</b>	<b>\$ 4,165</b>	

There are many factors that contribute to the variance between the total approved capital budget and the spend to date. The significant variances are related to the following projects:

**Road and transportation** – \$38.8 million remaining funds for multi-year projects, primarily related to:

- North of Yellowhead Construction and Transportation Improvement – \$19.9 million remaining on an approved capital budget of \$67.0 million.
  - Of the 2023 planned spend of \$27.2 million, \$8.3 million was unspent due to delays in land acquisitions.
  - The majority of phase 1 construction for transportation improvements is anticipated to be completed by 2025.
- Wye Road Construction – \$5.7 million remaining on an approved capital budget of \$23 million.
  - Of the 2023 planned spend of \$3.1 million, \$2.9 million was unspent due to redesign work completed from changes within area resulting in delays in land acquisition.
  - The majority of construction is anticipated to be substantially completed by 2026.
- Annual Bridge Replacement – \$2.4 million remaining on an approved capital budget of \$9.8 million.
  - Of the 2023 planned spend of \$4.1 million, \$2.3 million was unspent due to delays in land acquisitions.
  - The majority of construction is anticipated to be substantially completed by 2025.
- All other road and transportation – \$10.8 million in remaining funds, attributable to 53 projects.

**Utilities** – \$35.4 million remaining funds for multi-year projects, largely attributable to the following:

- Bremner Stage 1 – \$26.0 million remaining funds on an approved capital budget of \$26.0 million. Construction of a water reservoir, pumphouse and supply was approved in 2023.
  - The 2023 planned spend was \$1.0 million and the development agreement was finalized resulting in the remaining funds have been carried forward.
  - Construction will be completed over the next three years.
- North of Yellowhead – \$1.4 million remaining funds on an approved capital budget of \$24.7 million.
  - Of the 2023 planned spend of \$2.3 million, \$1.4 million unspent related to savings achieved in the project.
  - The development of water and wastewater infrastructure has been completed. These funds will be retained in the project until the final acceptance certificate is issued.
- All other utilities – \$8.0 million remaining funds are attributable to 28 projects.

**Facility** – \$61.1 million remaining funds for multi-year projects are mainly due to:

- The Pointe Aux Pins Acres (Multi-Purpose Agricultural Facility) – \$46.1 million favourable variance on an approved capital budget of \$71.2 million.
  - Of the 2023 planned spend of \$9.3 million, \$15.0 million was spent due to accelerated progress within the project.
  - The site work is anticipated to be awarded immediately. Construction will continue in 2024 with capital funds estimated to be fully spent by 2026.
- Sherwood Park Services Yard (SPSY) – \$4.1 million remaining funds on an approved capital budget of \$33.5 million.
  - Of the 2023 planned spend of \$10.2 million, \$9.5 million was spent as the project progresses to completion.
  - The project is on schedule with staff relocation beginning in March and expected full by April 2024.
- All other facilities – \$10.9 million remaining funds are attributable to 24 projects.

**Other projects (Fleet, Community, Transit and Corporate)**

- The remaining \$21.4 million remaining funds are attributable to 77 other projects.

Of the \$156.7 million remaining funds, \$152.5 million will be carried forward and \$4.2 million has been identified to be released. Released funds relate to savings achieved within the project. These funds are released back to the associated funding source where the project was originally budgeted and will be available for other emergent or future capital priorities.

## Projects Completed in 2023

In 2023, the County completed 61 projects. The capital budget for these projects totalled \$70.2 million, with actual spending of \$67.7 million.

Highlights of completed projects include:

- 19 Community Services projects
- 11 Utilities projects
- 10 Road and transportation projects throughout the County
- 10 Corporate Services projects
- 6 Transit projects
- 3 Facility projects
- 2 Fleet projects

The completion of these projects resulted in the release of \$2.5 million in savings (included in the \$4.2 million to be released identified above):

- \$0.6 million of funds from external sources (e.g. grants, developer levies and third party); and,
- \$1.9 million of funds from internal sources (e.g. reserves and debt).

A comprehensive listing of the projects completed in 2023 is outlined in Appendix 1.

## Assessment of the County's Financial Condition – Key Financial Indicators

The following section is prepared based on the draft Strathcona County Consolidated Financial Statements (unaudited) for the year ended December 31, 2023, which will be presented to Council for approval on April 23, 2024. The Consolidated Financial Statements are prepared in accordance with Public Sector Accounting Standards (PSAS).

### Tangible Capital Assets

Tangible capital assets are the most significant element of the County's financial position. As of December 31, 2023, the County owned \$2,120.3 million in Tangible Capital Assets, an increase of \$68.7 million from 2022. This increase primarily due to asset acquisitions, contributed assets, and increased asset values related to asset retirement obligations. This increase is expected and consistent with prior years as the County continues to provide quality public infrastructure to residents.

The majority of the County's asset portfolio consists of engineered structures, followed by buildings, land, vehicles, and other assets. To ensure these assets are effectively maintained, administration has prepared a "State of the Infrastructure" Report, which provides additional analysis on asset conditions and replacement values. This report is intended to inform Council of necessary actions required to ensure asset sustainability and was delivered to Council on April 9, 2024.

An important indicator of asset health is a municipality's age of infrastructure. This metric is derived by calculating the current value of an asset as a percentage of its original cost. This current value accounts for the original cost reduced by accumulated amortization, write downs, and disposals during the year. At the end of 2023, the County's infrastructure age is 71% (2022 – 72%). Compared to equivalent municipalities, whose results range from a low of 62% to 70%, the County's results are favourable. This indicates that the County has relatively young infrastructure when compared to similar municipalities. Prudent planning is essential to ensure the County has appropriate funding strategies in place for the ongoing management and upkeep of County assets.

Another key indicator of asset health is a municipality's infrastructure investment relative to annual amortization costs. This ratio determines the extent to which a municipality allocates resources toward capital assets in comparison to the expenses related to asset amortization. In 2023, the County's ratio was 1.95 (2022 – 2.17). An analysis for comparable municipalities provided a five-year average ratio of 2.05. Compared to similar municipalities, this ratio suggests that the County is amortizing existing capital assets faster than it is acquiring capital assets.



## Investments

The County held \$296.3 million in investments at December 31, 2023 (2022 – \$313.5 million). The County's investment portfolio consists of term deposits and notes, government guaranteed bonds, principal protected notes, and corporate bonds with a superior credit quality, either AAA, AA, A or R-1. As per the County's investment policy, corporate bonds can only make up a maximum of 75% of the mid-term and long-term portfolios.

Investment Portfolio				
	Balance at December 31, 2023	2023 Weighted Average Return	Balance at December 31, 2022	2022 Weighted Average Return
Operating portfolio – terms up to two years	\$127.1M	5.51%	\$101.0M	2.96%
Mid to long-term portfolio – terms from two to fifteen years	\$169.2M	2.86%	\$212.5M	2.92%
<b>Total Investments</b>	<b>\$296.3M</b>	<b>3.91%</b>	<b>\$313.5M</b>	<b>2.93%</b>

An update to the County's investment policy was approved by Council on November 28, 2023. This update included changes to allow increased robustness and diversification of investments while reducing potential interest rate risk.

To align with the strategic goals of the County's investment policy, the County's investment portfolio was transferred to an external financial investment firm. With this change, the operating portfolio saw an increase in balance, as the County has invested in a larger number of short-term investments earning interest at higher rates. The rate for the operating portfolio increased as financial institutions adjusted rates upwards on short-term deposits. As mid/long-term investments matured, these funds were used towards capital expenditures during the year. In 2023, the County's investment portfolio earned investment income of \$11.7 million (2022 – \$9.1 million).

## Long-Term Debt

All long-term debt (with the exception of CEIP, discussed below) is used to finance capital expenditures. The long-term debt outstanding at December 31, 2023 totals \$123.0 million (December 31, 2022 – \$133.1 million), representing a decrease of (\$11.1 million) in the current year. This decrease is reflective of debt repayments, coupled with minimal debt draws within the year.

In 2023, the County issued new debt of \$1.0 million in relation to the Clean Energy Improvement Program (CEIP); however, this does not affect the County's debt limit as outlined in the *Municipal Government Act* (MGA) legislated debt limit.

Long-Term Debt	
Long-Term Debt Balance, Opening Balance	\$133.1M
New Debt Issued	\$1.0M
Debt Repayments	(\$11.1M)
<b>Long-Term Debt Balance as at December 31, 2023</b>	<b>\$123.0M</b>

Debt servicing is the ability of an organization to make the required payments on outstanding debt. It is calculated as the amount of debt paid in the year over adjusted revenue (as outlined by the MGA). The debt servicing percentage as of December 31, 2023, is 3.7% (2022 – 4.4%).

As outlined in FIN-001-025: Debt Management Policy, the County shall not exceed 80% of the total MGA legislated debt limit. As of December 31, 2023, the County has utilized 23% (2022 – 28%) of the County's policy debt limit and 19% (2022 – 23%) of the MGA legislated debt limit. When comparing to equivalent municipalities, whose debt limit utilization ranges from a low of 25% to 56% in 2022, the County's results are favourable. This indicates that the County has a manageable amount of debt. As the County takes on additional debt, the impacts to debt limits are taken into consideration.

## Reserves

FIN-001-024: Municipal Reserves Policy separates reserve balances into two categories: committed and designated. Committed reserve balances consist of funding to be applied towards specific expenditures, which have been approved by Council. Designated reserve balances consist of funding designated for a specific purpose, which has not yet been approved by Council.

The following table provides a summary of the County's reserve balances as at December 31, 2023. The table includes carryforwards, released funds and additional allocations of the 2023 annual operating surplus for tax purposes.

Reserves	Committed	Designated	Total
<b>Municipal</b>			
Stabilization and Contingency	-	\$4.4M	<b>\$4.4M</b>
Projects	\$34.9M	\$21.3M	<b>\$56.2M</b>
Infrastructure, Lifecycle, Maintenance and Replacement	\$24.9M	\$63.7M	<b>\$88.6M</b>
Special Purpose	\$6.0M	\$20.5M	<b>\$26.5M</b>
<b>Total Municipal</b>	<b>\$65.8M</b>	<b>\$109.9M</b>	<b>\$175.7M</b>
<i>Percent of Municipal</i>	<i>37%</i>	<i>63%</i>	<i>100%</i>

Municipal reserves are tax supported reserves.

Reserves	Committed	Designated	Total
<b>Utilities</b>			
Stabilization and Contingency	-	\$4.5M	<b>\$4.5M</b>
Projects	\$0.3M	-	<b>\$0.3M</b>
Infrastructure, Lifecycle, Maintenance and Replacement	\$5.9M	\$63.3M	<b>\$69.2M</b>
<b>Total Utilities</b>	<b>\$6.2M</b>	<b>\$67.8M</b>	<b>\$74.0M</b>
<i>Percent of Utilities</i>	<i>8%</i>	<i>92%</i>	<i>100%</i>

Utilities reserves are utility rate model supported reserves.

<b>Reserves</b>	<b>Committed</b>	<b>Designated</b>	<b>Total</b>
Library	-	\$6.7M	<b>\$6.7M</b>
<b>Total Library</b>	-	<b>\$6.7M</b>	<b>\$6.7M</b>
<i>Percent of Library</i>	-%	100%	100%

The Library's reserves are managed and maintained by the Library Board.

## Summary of 2023 Financial Indicators

The financial indicators outlined above serve as critical measures of the County's financial health. At the end of 2023, Administration is confident that the County is in a strong financial position.

While the County has a solid financial foundation, there is much consideration required to ensure the County can continue to operate at an optimal level and be financially sustainable. The County is not immune to the external economic forces that continue to inflate the price of goods and services. These inflationary pressures have increased the costs of both day-to-day operations and capital projects. As the County continues to maintain existing service levels, manage aging infrastructure, and meet financial obligations, due diligence is required to ensure that reserve balances can sustain future funding requirements.

Furthermore, Administration continues to exercise prudence and transparency while managing public funds and is committed to keeping Council informed of any changes in the financial position of the County.

## Appendix 1 - 2023 Completed Projects

Project Name		Capital Budget	Actual Spend	Released Funds
<b>Facility</b>				
1	SPSY Facility Master Plan - Design	\$ 649,584	\$ 649,584	\$ -
2	Building Security Improvements	83,797	83,796	1
3	Paging System	150,000	118,088	31,912
<b>Total Facility</b>		<b>883,381</b>	<b>851,468</b>	<b>31,913</b>
<b>Community</b>				
4	OSRFS Ardrossan Park	2,268,000	2,226,351	41,649
5	Northern Strathcona County Regional Park Master Plan	340,000	321,758	18,242
6	2020 Parks Infrastructure	1,044,448	1,044,448	-
7	Josephburg Pickleball Courts Contruction	245,000	244,987	13
8	RPC Trails	1,430,000	1,230,790	199,210
9	Annual Recreation Equipment Replacement	571,600	571,597	3
10	Open Space 2021	1,000,000	986,637	13,363
11	Annual Parks Lifecycle 2021	905,000	904,120	880
12	Annual SCES Equipment Replacement Program 2021	420,000	402,214	17,786
13	Library Annual IT Infrastructure Replacement Program 2022	75,750	69,185	6,565
14	Replace RFID Equipment 2022	232,590	228,757	3,833
15	Annual Library Collection Replacement 2022	544,759	535,702	9,057
16	Annual Parks Lifecycle 2022	903,208	903,208	-
17	Purchase Study Pod	15,000	12,939	2,061
18	Replace RFID Equipment	50,000	28,438	21,562
19	Library Collection Replacement 2023	545,569	545,569	-
20	Herbicide Sprayer Replacement	20,000	-	20,000
21	Josephburg Airport Fuel Payments	35,000	30,561	4,439
22	Wetland Replacement Program	153,707	153,370	337
<b>Total Community</b>		<b>10,799,631</b>	<b>10,440,631</b>	<b>359,000</b>
<b>Corporate</b>				
23	New Skills Maintenance Outdoor Training Ph 1	247,394	247,394	-
24	Annual SCES Equipment Replacement Program 2018	84,000	64,800	19,200
25	Automated Ticketing System	359,168	359,168	-
26	IT Infrastructure Replacement Program 2021	1,565,092	1,564,322	770
27	UT IT Infrastructure Replacement Program 2021	45,000	43,790	1,210
28	Evidence Drying Cabinet	19,170	19,170	-
29	Utilities IT Infrastructure Replacement Program 2021	40,000	38,396	1,604
30	Library IT Infrastructure Replacement 2023	71,609	63,105	8,504
31	Wetlands Replacement Programs 2023	350,000	-	350,000
32	Annual Program - IT Infrastructure Replacement - Utilities	40,000	36,344	3,656
<b>Total Corporate</b>		<b>2,821,433</b>	<b>2,436,489</b>	<b>384,944</b>
<b>Fleet</b>				
33	Recreation Parks and Culture - Fleet Additions (Park Branch Mower)	54,000	49,743	4,257
34	ROWMgmt Fleet Acquisition 2021	57,750	57,538	212
<b>Total Fleet</b>		<b>111,750</b>	<b>107,281</b>	<b>4,469</b>

## Appendix 1 - 2023 Completed Projects

Project Name		Capital Budget	Actual Spend	Released Funds
<b>Roads</b>				
35	Strategic Land Purchase	20,219,271	20,219,271	-
36	Broadway and Broadview Drive	107,000	94,374	12,626
37	Wye Rd, Ash Street, Rge Rd 233 to Orze	70,120	70,120	-
38	Twp Rd 550, Rgd Rd 211 to Hwy	625,000	544,407	80,593
39	2020 Annual Urban Road Rehab	8,500,000	8,490,115	9,885
40	Annual Rural Road Rehab Program 2022	10,010,365	10,010,365	-
41	Range Rd 233, Fountain Creek to Balmoral Way	1,796,300	1,782,415	13,885
42	Annual Asphalt Trail Rehab 2021	175,000	175,000	-
43	Annual Parking Lot Rehab Program 2022	510,000	509,999	1
44	Annual Asphalt Trail Rehab Program 2022	175,000	175,000	0
<b>Total Roads</b>		<b>42,188,056</b>	<b>42,071,066</b>	<b>116,990</b>
<b>Transit</b>				
45	Transit Fleet Enhanced Air Purification	367,761	367,761	-
46	SC Transit Bus Shields	875,791	865,138	10,653
47	Transit Capital Refurb Program 2021	205,865	205,865	-
48	Mobility Bus Vehicle Expansion 2021	494,579	494,579	-
49	Transit Fleet Replacements 2021	2,328,776	2,328,776	-
50	Annual Program - Transit Capital Refurb 2023	691,500	-	691,500
<b>Total Transit</b>		<b>4,964,272</b>	<b>4,262,119</b>	<b>702,153</b>
<b>Utilities</b>				
51	Ardrossan Water Supply New Main - DL	151,618	151,618	-
52	Annual Hydrant / Valve Replacement 2020	494,790	494,790	-
53	Infrastructure Renewal Lifecycle Management 2020	585,706	585,706	-
54	South Cooking Lake Residential Water Fill Station	2,000,000	1,249,090	750,910
55	Winfield Heights Rural Water	892,375	785,579	106,796
56	Annual Rollout Carts 2021	160,700	160,700	-
57	Annual Water Meter / Radio Frequency 2021	492,415	492,415	-
58	Annual Rollout Carts 2022	188,500	181,379	7,121
59	Pinnacle Building Connection 2022	291,020	248,638	42,382
60	Watermain - 18 KM from Range Rd 221 to North Cooking Lake	2,050,000	2,050,000	-
61	CRNWSC Southside Supply Line	1,125,081	1,125,081	-
<b>Total Utilities</b>		<b>8,432,205</b>	<b>7,524,996</b>	<b>907,209</b>
<b>TOTAL</b>		<b>\$ 70,200,728</b>	<b>\$ 67,694,050</b>	<b>\$ 2,506,678</b>