

2024 Annual Management Report - Key Financial Indicators

Priorities Committee Meeting
April 22, 2025



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Introduction

The Strathcona County (the County) 2024 Annual Management Report – Key Financial Indicators encompasses an overview of key financial indicators assessing the organization’s financial health. The key financial indicators include the additional entities of the Strathcona County Library, the Strathcona County 2026 Summer Games Society and the Pioneer Housing Foundation.

This report will focus on the four key financial indicators: Tangible Capital Assets, Investments, Long-term Debt and Reserves, based on the unaudited financial statements. These areas are examined to assess the County's financial stability and sustainability, ensuring that resources are managed effectively to support ongoing operations and future growth.

Assessment of the County's Key Financial Indicators

Key Financial Indicators

The following section is prepared based on the unaudited Strathcona County Consolidated Financial Statements for the year ended December 31, 2024, which will be presented to Council for approval on April 29, 2025. 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, 2024, the County owned \$2.2 billion in Tangible Capital Assets, an increase of \$73.7 million from 2023. The increase is primarily due to asset acquisitions and contributed assets, and consistent with prior years as the County continues to provide quality public infrastructure to residents.

There are two important indicators used for capital assets. They are as follows:

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. This ratio signals asset consumption, essentially what has been used up to date.

At the end of 2024, the County's infrastructure accounting age is 70% (2023 – 71%). Compared to equivalent municipalities, whose results range from a low of 61% to 71%, the County's results are favourable. This suggests, from a financial perspective, the County's infrastructure is relatively young compared to similar municipalities. However, this does not accurately represent the actual condition of the infrastructure, underscoring the importance of effective asset management. Prudent planning is essential to ensure the County has sustainable funding strategies in place for the ongoing management and upkeep of County assets.

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 which is intended to be indicative of use and regular wear and tear. In 2024, the County's ratio was 2.05 (2023 – 1.95), with a five-year average of 1.72. The upward trend in this ratio reflects the County's commitment to prioritizing the modernization and renewal of its capital infrastructure. An analysis for comparable municipalities provided a five-year average ratio of 2.19. The County's ratio is lower, compared to similar municipalities, largely due to the County's policy approach to useful life. While this ratio is a useful indicator of the County's reinvestment levels relative to asset consumption, it should be considered alongside other asset management metrics—such as condition assessments and replacement value analysis—to ensure long-term infrastructure sustainability.

Investments

The County held \$298.2 million in investments at December 31, 2024 (2023 – \$296.3 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, FIN-001-007: 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, 2024	2024 Weighted Average Return	Balance at December 31, 2023	2023 Weighted Average Return
Operating portfolio – terms up to two years	\$90.4M	5.14%	\$127.1M	5.51%
Mid to long-term portfolio – terms from two to fifteen years	207.8M	4.50%	169.2M	2.86%
Total Investments	\$298.2M	4.72%	\$296.3M	3.91%

Since the update to the County’s investment policy in 2023, the change has allowed for increased robustness and diversification of the investment portfolio. This has contributed to the County achieving a higher weighted average return. In 2024, the County’s investment portfolio earned investment income of \$14.2 million (2023 – \$11.7 million).

As outlined in the policy, the County is committed to maintaining a prudent investment strategy that prioritizes capital preservation, liquidity, and competitive returns. As of December 31, 2024, the County’s rate of return was 4.77% (2023 – 3.95%). When compared to equivalent municipalities, whose 2023 investment returns vary from 1.47% to 4.11%, the County’s results are favourable. This indicates that the County maintains a responsible and strategic approach to managing its investments. As the County continues to invest, considerations regarding capital preservation, maintenance of liquidity, rate of return and risk mitigation are considered.

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, 2024 totals \$112.8 million (December 31, 2023 – \$123.0 million), representing a decrease of (\$10.2 million) in the current year. This decrease is the result of debt repayments. There were no debt draws in 2024. In 2024, the County chose not to borrow due to high interest rates, ensuring responsible management of ratepayer dollars.

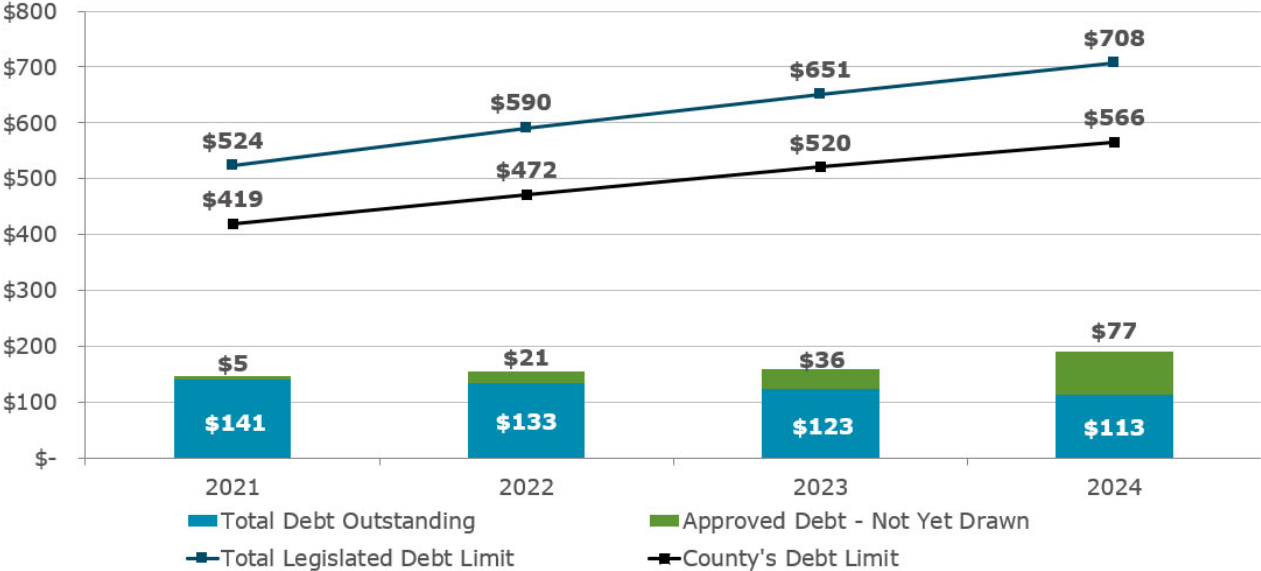
Debt related to the Clean Energy Improvement Program (CEIP) of \$0.9M does not affect the County's legislated debt limit, as outlined in the *Municipal Government Act* (MGA).

Long-Term Debt	
Long-Term Debt Balance, Opening Balance	\$123.0M
New Debt Drawn	0.0M
Debt Repayments	(10.2M)
Long-Term Debt Balance as at December 31, 2024	\$112.8M

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, 2024, was 3.1% (2023 – 3.7%).

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, 2024, the County has utilized 19.8% (2023 – 23.4%) of the County’s policy debt limit and 15.8% (2023 – 18.8%) of the MGA legislated debt limit. When comparing to equivalent municipalities, whose debt limit utilization ranges from 24.3% to 50.6% in 2023, 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.

Total Debt Outstanding Versus Debt Limits
(in millions)



Reserves

FIN-001-024: Financial Reserves Policy separates reserves into committed (Council-approved expenditures) and uncommitted (designated but not yet approved) balances.

Reserves Redesignation

An update to the County’s reserves policy was approved by Council on May 28, 2024. The renewed policy allows Administration to redesignate up to 10% of the total reserve portfolio to accommodate Council-approved commitments, within authorized ranges. As December 31, 2024, the reserve portfolio totals \$303.7M, which permits Administration to redesignate a of maximum \$30.4M.

Following a review of reserves, \$16.0M was redesignated from the Municipal Infrastructure Lifecycle Reserve to the Municipal Operations, Stabilization, and Contingency (OSC) Reserve. The Municipal OSC reserve has yet to be fully replenished following significant use during and emerging from the pandemic. This reserve plays a critical role in maintaining financial stability and flexibility. As it is often the first reserve utilized in emergent situations, it ensures prompt and effective responses to unforeseen events. It ensures the County can effectively respond to unexpected challenges by sustaining operations, supporting residents, and avoiding immediate reliance on external funding sources.

The redesignation ensured all reserves remained above their authorized range floor.

Reserves Balance

The table below summarizes the County’s reserve balances as of December 31, 2024, including carryforwards, released funds, and allocations from the 2024 annual operating surplus for tax purposes.

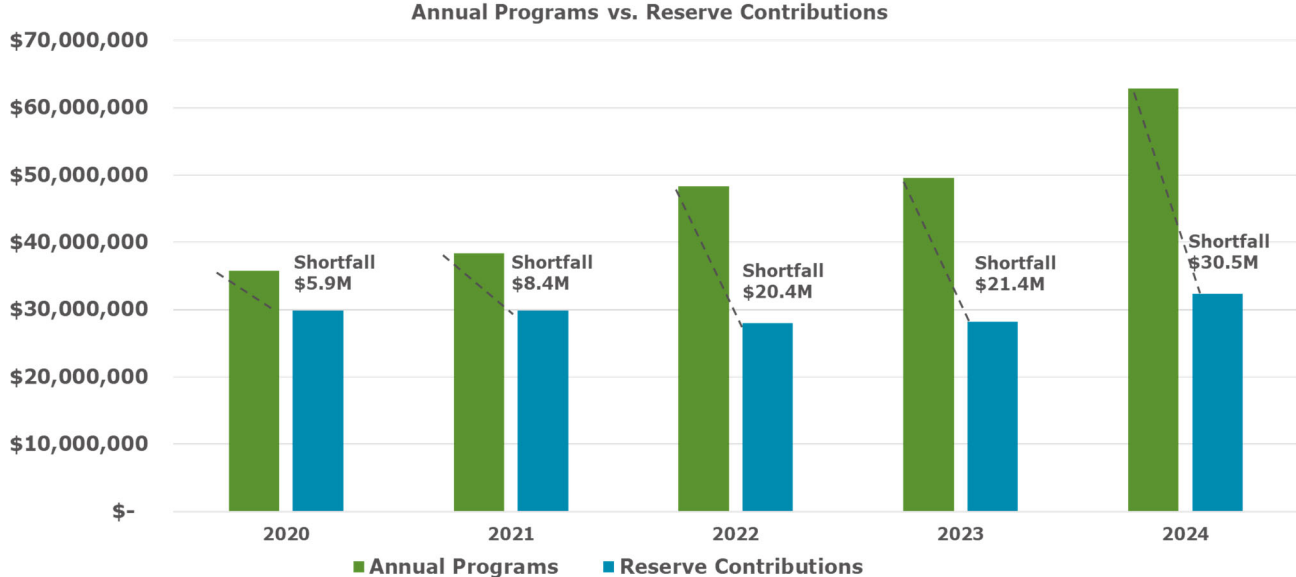
Municipal Reserves	Committed	Uncommitted	Total
Operations, Stabilization and Contingency	\$5.3M	\$28.7M	\$34.0M
Capital	33.5M	24.0M	57.5M
Infrastructure Lifecycle	40.4M	37.7M	78.1M
Special Purpose	8.4M	34.2M	42.6M
Total Municipal	\$87.6M	\$124.6M	\$212.2M
<i>Percent of Municipal</i>	<i>41.2%</i>	<i>58.8%</i>	

Municipal reserves are tax supported reserves.

Utilities Reserves	Committed	Uncommitted	Total
Operations, Rate Stabilization and Contingency	\$0.1M	\$6.7M	\$6.8M
Capital	-	-	-
Infrastructure Lifecycle	27.0M	50.2M	77.2M
Total Utilities	\$27.1M	\$56.9M	\$84.0M
<i>Percent of Utilities</i>	32.2%	67.8%	

Utilities reserves are utility rate model supported reserves.

Strathcona County holds reserves on behalf of the Strathcona County Library. The reserve totals \$7.5M and is owned and managed by the Library Board.



The reserve replenishment strategy remains a key aspect of the County’s financial sustainability. Ensuring the long-term viability of our reserves is critical for maintaining aging infrastructure and servicing a growing asset portfolio. Annual programs are projected to increase, and the gap between contributions to reserves will continue to pressure funding sources. Economic uncertainty is rising due to inflation, looming tariffs, and decreasing grants. To address these challenges, the County actively monitors reserves, maintains balances within acceptable ranges, and optimizes budget allocations. Replenishing our reserves is essential to position the County to meet current and future demands, providing continued support for residents and local businesses. Looking ahead, the County is committed to sustainable growth and development, fostering a resilient and thriving community.

Summary of 2024 Financial Indicators

The financial indicators outlined above serve as critical measures of the County's financial health. At the end of 2024, Administration is confident that the County is in a healthy 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 pressures.

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.