

2023 Tri-Annual Financial Report

FOR THE PERIOD ENDED DECEMBER 31, 2023





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FINANCIAL OVERVIEW

During the 2023-year, County administration was carefully monitoring the financial trends and results to ensure that any significant variations were provided to Council in a timely manner.

Financial results represent a favourable operating variance of \$5.8 million or 6.5% of the budgeted operating expenses with an additional \$4.0 million of budgeted funding is being carried forward to 2024 to fund open commitments and ongoing projects.

Long-term revenues are projected to decline due to depreciation of regulated assessment which lowers property tax revenues. The County is exploring a range of strategies to mitigate the risk of revenue decline including limiting debt and debt replacement; strategic reserve allocations; revenue generation through investment attraction and incentives; and cost savings initiatives.

The 2023 operating surplus, represented by Division, is as follows:

Divisional Summary	Operating Surplus	Operating Surplus
	31-Dec-23	31-Dec-22
Council	91,164	25,408
Chief Administration Officer	446,310	21,852
Development & Strategic Services	285,550	328,890
Corporate Services	(14,401)	342,511
Financial Services	1,526,165	2,095,999
Infrastructure Services	2,247,698	1,520,323
Community Services	(187,701)	448,799
Utility Services	1,438,760	219,811
	5,833,545	5,003,593

OPERATING SUMMARY

The statement below represents 2023 municipal financial activity for the County. Overall, operational revenues are favorable, and expenses are less than anticipated. The preliminary operating surplus of \$5.8 million, is net of operational budget carry forwards. Reflected within these results is the Council approved \$4 million applied to debt replacement within the 2024 budget.

	2023 Budget	2023 Actuals	Variance \$
REVENUE			
Net municipal taxes (Note 18)	\$ 88,349,581	\$ 95,518,179	\$ 7,168,598
Sales and user charges	12,394,419	13,166,790	772,371
Investment income	888,000	3,911,661	3,023,661
Special levies and other tax agreements	1,524,714	1,748,422	223,708
Government transfers for operating (Note 19)	1,470,554	2,278,635	808,081
Other revenue	639,080	922,046	282,966
Penalties on taxes and service charges	644,619	1,003,555	358,936
Inter-municipal agreements	247,596	289,167	41,571
Subtotal	\$ 106,158,563	\$ 118,838,455	\$ 12,679,892
Other Capital Income and Contributed Assets	13,210,740	12,785,324	- 425,416
Total Revenues	\$ 119,369,303	\$ 131,623,779	\$ 12,254,476
EXPENSES			
Salaries, wages and benefits	33,717,968	35,344,506	1,626,538
Contracted and general services	20,270,454	20,279,060	8,606
Materials, goods and utilities	16,319,156	14,686,703	- 1,632,453
Amortization	12,207,145	14,092,282	1,885,137
Accretion	-	2,602	2,602
Grants	3,727,452	5,844,646	2,117,194
Purchases from other governments	-	1,053,307	1,053,307
Interest on long term debt	1,243,617	839,789	- 403,828
Loss (gain) on disposal of tangible capital assets	-	136,413	- 136,413
Provision for allowances	743,030	668,341	- 74,689
Internal Allocations	-	-	-
Total Expenses	\$ 88,228,822	\$ 92,674,824	\$ 4,446,002
Net Revenue (Expense)	\$	\$ 38,948,955	\$ 7,808,474
Non-Operating Item Close to Equity		33,115,404	1,974,923
Estimated Operating Surplus (Deficit)	\$	\$ 5,833,551	\$ 5,833,551

REVENUE SUMMARY

Municipal revenues as of December 31, 2023, exceed the 2023 Approved Budget.

Property Tax Revenue

The County's municipal assessment was declared in February and presented to Council in March 2023. The overall assessment from budget to declaration, inclusive of all assessment classes, equated to \$765 million assessment greater than anticipated. Contributing factors to the assessment change from budget to declaration were mainly due to greater than anticipated designated industrial assessment which resulted from inflation factors and the removal of depreciation adjustments.

The assessment variance provided taxation revenue greater than projected in the amount of \$7.2 million, which includes the annual tax levy and supplemental tax levies for 2023. The following table represents Council approvals related to the 2023 taxation revenue variance (represented in millions).

Opening: Taxation Revenue Variance	\$	7.2
2023 Tax Stabilization Reserve	-	1.2
Transfer of Taxation Revenue Under Complaint	-	4.0
Closing: Taxation Revenue Variance	\$	2.0

Sales & User Charges

Sales and User Charges (budget to actuals) represent a \$0.8 million favorable variance mainly resulting from wastewater sales. Recent increases to wastewater processing charges were not realized in 2023 but are expected to reduce favourable results going forward into 2024.

Investment Income

Investment income (budget to actuals) represent a favorable variance of \$3.0 million which is mainly due to favorable market interest rates for short- and long-term investments combined with proactive cash management and investment strategies. Additionally, the timing of capital spending has increased the volume of investments, adding to the favourable investments returns.

Special levies and other tax agreements

Special levies and other tax agreements (budget to actuals) represent a \$0.2 million favorable variance mainly due to additional Community Aggregate Payments received.

Government transfers for operating

Government transfers (operating budget to actuals) represent a favorable variance of \$0.8 million which resulted from greater than anticipated operating funds from the province:

- Municipal Sustainability Initiative (MSI) grant, and
- Disaster Recovery Program (DRP) funding.

Other Revenue

Other Revenue (budget to actuals) represent a small favorable variance, under \$0.2 million, resulting from many small factors across various departments.

Penalties on taxes and services charges

Penalties on taxes and services charges for operating budget to actuals represents a favorable variance of \$0.3 million mainly due to property tax penalties on current and arrear tax balances.

Other Capital Income and Contributed Assets

Other Capital Income and Contributed Assets include government transfers for capital, contributed tangible capital assets, and developer offsite levies. Overall, a small unfavorable budget to actuals variance exists in the amount of \$0.4 million.

EXPENSE SUMMARY

Municipal expenses as of December 31, 2023, exclude amortization. Please note that the variances described below also exclude subsequent motions with financial commitments. In addition, some of the favourable variances operating carry forwards amounts, to be recognized in a future period. This will be further explained in the “Operating Carry Forward” section of this report.

Salaries, Wages, and Benefits

Salaries, wages, and benefits (budget to actuals) represent an unfavorable variance of \$1.6 million, which is explained below.

- In compliance with 2022 Audit recommendations from MNP, the County underwent an actuarial valuation of post retirement benefit plans. The opening balance of the liability was \$3.5 million, and the actuarial valuation identified the liability balance at \$4.2 million requiring a \$0.7 million adjustment for the 2023 financial year end.
- In compliance with employment standards, the County was required to transition *volunteer* firefighters to employment status resulting from an internal review in conjunction with legal advice. A transition project was approved in budget 2022 and the implementation was completed in 2023 resulting in an unfavorable variance from budget of \$0.3 million. The 2024 budget was developed, communicated, and approved with the necessary funding for this to mitigate future variances.
- Council approved several in year motions resulting in temporary employment contracts in 2023, since these expenses and funding were authorized after the budget, any recognized expenses will be represented in the overall variance.

Contracted and General Services (Purchases from other governments)

Contracted and General Services, inclusive of other government purchases, (budget to actuals) represents a \$0.6 million unfavorable variance which is 3% of the allocated budget of this expense. Several factors contribute to this variance (net) amount, with nothing of notable significance.

Materials, Goods, and Utilities

Materials, Goods, and Utilities represent a \$1.2 million favorable variance which is 7% of the allocated budget of this expense. Overall, the most significant factors identified were due to a dry season, gravel surplus, culverts, blades, and lower diesel rates than anticipated.

Purchase from Other Governments

Purchase from Other Governments are not budgeted for directly but require separate disclosure. These are allocations from the Contracted and General Service and Material, Goods, and Utility actuals. Financial results for this are disclosed in the specific expense categories for the year.

Grants

Grants represents a \$2.1 million unfavorable variance which is 57% of the allocated budget of this expense. Factors identified that contribute to this variance include a new intermunicipal agreement along with inflation for existing agreements, Rivière Qui Barre Ag Society Funding Support as approved by Council in January 2023, increased community aggregate grant payments, and reclassifications from capital to operating expenses for assets owned by other organizations (Alberta Transportation/Hwy 643 project, Underslung bridge contribution, etc.).

Interest on Long Term Debt

Interest on long term debt represents a favorable \$0.4 million variance which is due to the timing of debt draws required. Debt draws are planned using cash flow requirements in mind, along with projecting when project costs will be incurred. It is important to note that when 2023 debt was budgeted, interest rates were more favorable as well.

CAPITAL SUMMARY

The 2023-2025 Capital Budget (Multi Year Capital Budget) was approved on December 12, 2022, amounting to \$97 million in approved capital project/programs and \$19.5 million in capital reserve allocations over a 3-year period.

Since the Multi Year Capital Budget was approved, Council has also approved the 2022 Audited Financial Statements which included \$33.9 million in capital carry forwards and several in year capital budget amendments in the amount of \$6.5 million. Of the \$6.5 million in 2023 capital budget amendments \$1.0 million in funding was removed due to a cancelled project, \$3.0 million of funding was added to for capital budget amendments or new projects, and \$4.5 million of funding was reallocated from 2024 to 2023 to fast track several projects.

Description	2023	2024	2025	Multi Year
Capital Budget	\$ 26.9	\$ 39.6	\$ 30.5	\$ 97.0
PY Carryforwards	33.9			33.9
Capital Amendments	6.5	- 5.5		1.0
Authorized Capital Budget	\$ 67.3	\$ 34.1	\$ 30.5	\$ 131.9

*Capital Reserve Allocations as approved in budget are not included in the table above (\$19.5 million).

The 2023 Authorized Capital Budget was \$67.3 million as of December 31, 2023. Management reviewed a variety of factors for this reporting period to provide an update on capital project status, expected completion, financial results, forecasted spending to year end, and forecasted spending to projection completion.

As of December 31, 2023, spending to date was \$37.7 million and \$28.0 million capital funding being carried forward to 2024.

Capital Project Status	2023 Authorized Budget	Spending to Date	Funding Release	Housekeeping Amendment	2023 Capital Carryforward
Complete/Warranty	\$ 25.8	23.4	2.4	2.1	\$ 2.1
In Design/Progress	36.5	14.3	0.9	0.4	21.7
Not Started/On Hold	4.5	0.1	0.2	-	4.2
Cancelled	0.6	-	0.6	-	-
Total	\$ 67.3	37.7	4.0	2.5	\$ 28.0

*Spending to date includes \$1.9 million in re-classifications from capital to operating expenses.

A Capital funding summary and reallocations request for decision will be brought forward to Council in conjunction with the 2023 Audited Financial Statements to address the funding release and housekeeping amendment requirements.

Further capital progress and financial details can be found in the **Attachment 2: 2023 Capital Project Report**.

CAPITAL PROCUREMENT SUMMARY

Goods or Services opportunities and awards over \$75 thousand and Construction opportunities and awards over \$200 thousand are posted on the Alberta Purchasing Connection website as required by public sector entities. These “Over Threshold” procurements are managed in an open and transparent process in alignment with various regulations and trade agreement requirements.

As of December 31, 2023, the County has contracted obligations of \$68 million related to ongoing capital projects in the Over Threshold program area. This amount includes multiyear projects that are in various stages of completion. As of December 31, 2023, the following contractual status is provided below.

Status	Project Count	Contracted
Complete	44	\$ 57.0
ENG SVS Complete	15	\$ 1.9
Multi Year	2	\$ 7.6
Multiple Projects	6	\$ 0.9
On Hold / Cancelled	11	\$ 0.6
Q4	4	-
Under Threshold	77	-
Future Year	38	-
Total	197	\$ 68.0

Complete

- Of the \$57 million completed contract files, \$20.7 million were active agreements from previous years still under contract management. The remaining balance in this category are contractual obligations recorded up to December 31, 2023.

Engineering Services Completion

- Substantial road work projects often begin with engineering services. Fifteen projects have been completed in this category with a contractual obligation of \$1.9 million.

Multi Year and Multi Projects

- Multi Year projects, and multi project programs represent \$8.5 million in the 2023 budget. This area includes projects such as Broadband, and program areas like Open Spaces. (NOTE: Broadband contractual obligations of \$7.9 million had \$3.7 million expensed prior to 2023. \$2.4 million was allocated for 2023.)

On Hold / Cancelled, Q4, Under Threshold, and Future Year projects

- Eleven projects were placed on hold due to department capacity, or budget constraints identified post procurement process.
- Four of the fourteen projects identified for Q4 2023 were deferred to 2024. These four engineering services bridge files represent a total potential budget value of \$0.3 million.
- Seventy-seven projects were identified as Under Threshold and were run within each department.
- An additional thirty -eight projects have been identified for Future Years with pre-planning budget potential of approximately \$1.5 million

NOTE: Projects identified in these four categories may be removed, combined with other projects, or carried forward into 2024.

Further procurement contract status details can be found in the **Attachment 2: 2023 Capital Project Report..**

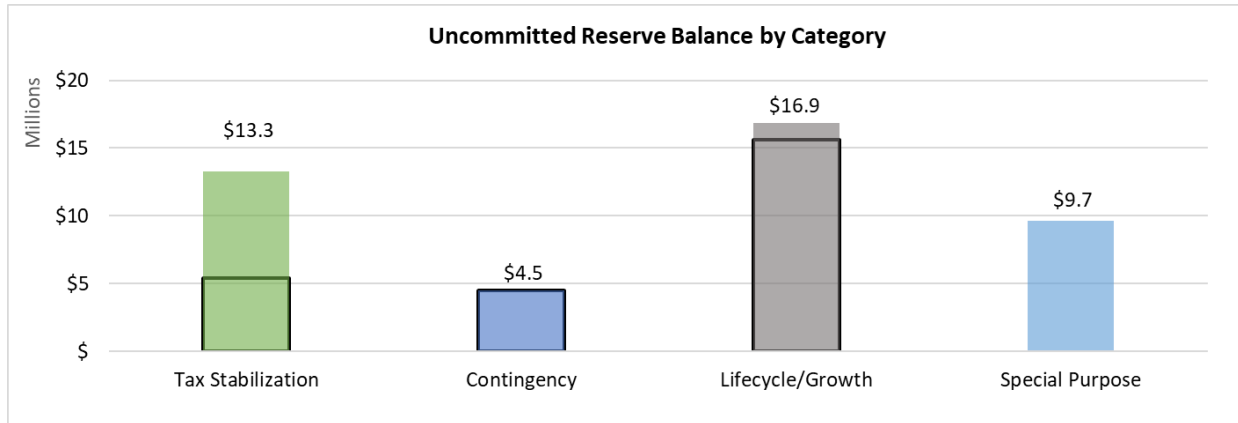
TREASURY REPORT

Reserve Summary

As of December 31, 2023, the total balance of reserves is \$86.3 million, of which \$43.7 million (net of \$17.0 million financed front-ended offsite levy infrastructure) remains uncommitted.

Committed reserves are funds set aside for specific strategic purposes such as infrastructure replacement, purchasing new equipment and facilities, to stabilize taxes, for special purposes, and possible contingencies. Uncommitted reserves are funds that can be applied to planned or emergent priorities.

The target balances for the tax stabilization, contingency and lifecycle reserve categories have been determined by administration and are denoted by the black outlines. The special purpose reserve does not have a target level. Excluding the special purpose reserve, the total uncommitted reserve funding exceeds the target levels by \$9.1 million.

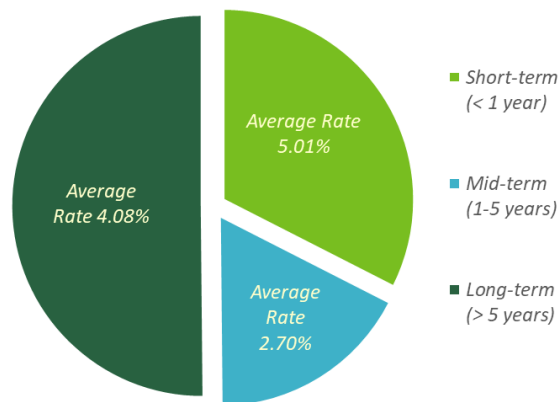


*Balances above do not include the 2023 operating surplus.

Investment Summary

The County’s investment portfolio is managed to achieve an optimal rate of return is realized while adhering to the Municipal Government Act and internal investment policies.

As of December 31, 2023, the principal balance of Sturgeon County investments is \$114.8 million.

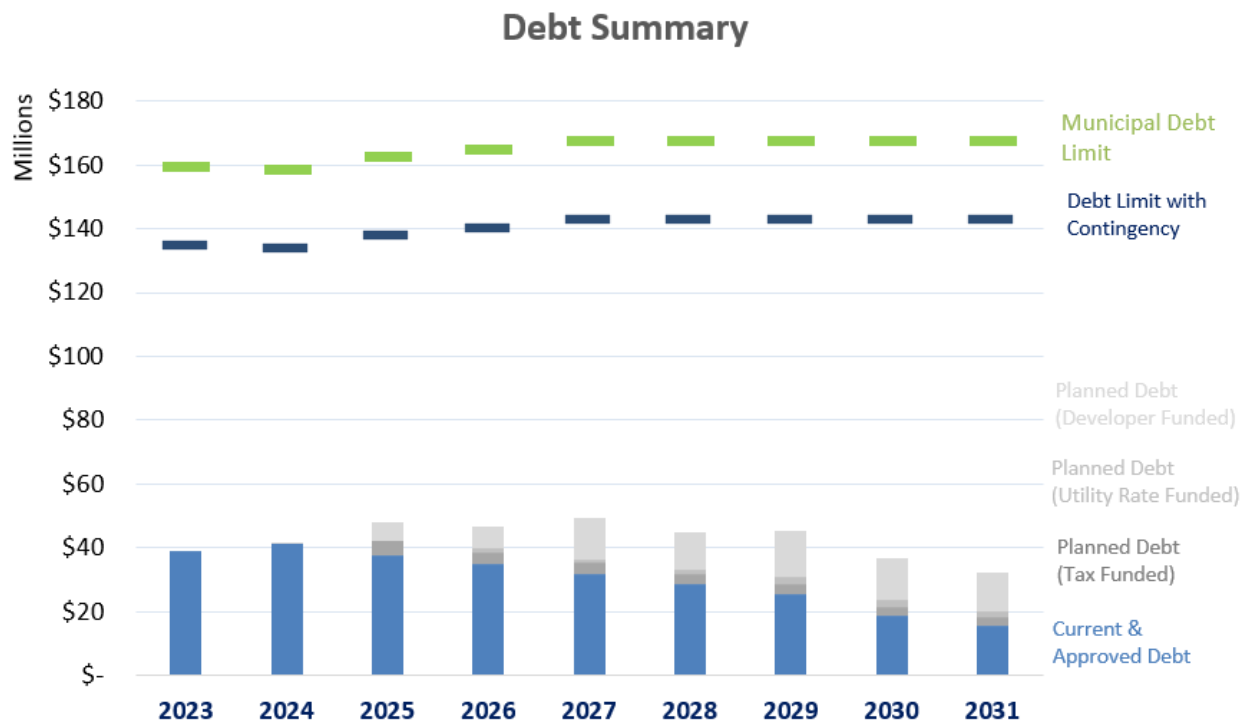


In an attempt to slow rising inflation, the Bank of Canada increased the policy interest rate, starting in March 2022, from 2.45% to 7.2% as of December 2023. While the rate increases have resulted in favourable investment rates and returns, they also bring forth unfavourable borrowing rates.

TREASURY REPORT CONTINUED

Debt Summary

Sturgeon County considers debt to be an integral component of long-term financial planning as it provides flexibility during challenging economic conditions while supporting the achievement of service level delivery and growth objectives.



Sturgeon County currently has \$39 million in debt outstanding and, based on the 2022 Audited Financial Statements, a debt limit of \$160 million. After the removal of the \$25 million debt contingency amount, the projected debt capacity ranges from approximately \$90 to \$110 million for the years presented. As part of the 2023 budget, Council approved the following projects be funded from debt:

- Estates Way from Park Rd to Range Road 225 – Borrowing Bylaw 1629/23 (\$0.9 million)
- Upgrade Tuscany Hills Lift Station – Debenture funding of \$0.5 million
- Landing Trail Waterline Connection – Debenture funding of \$0.8 million