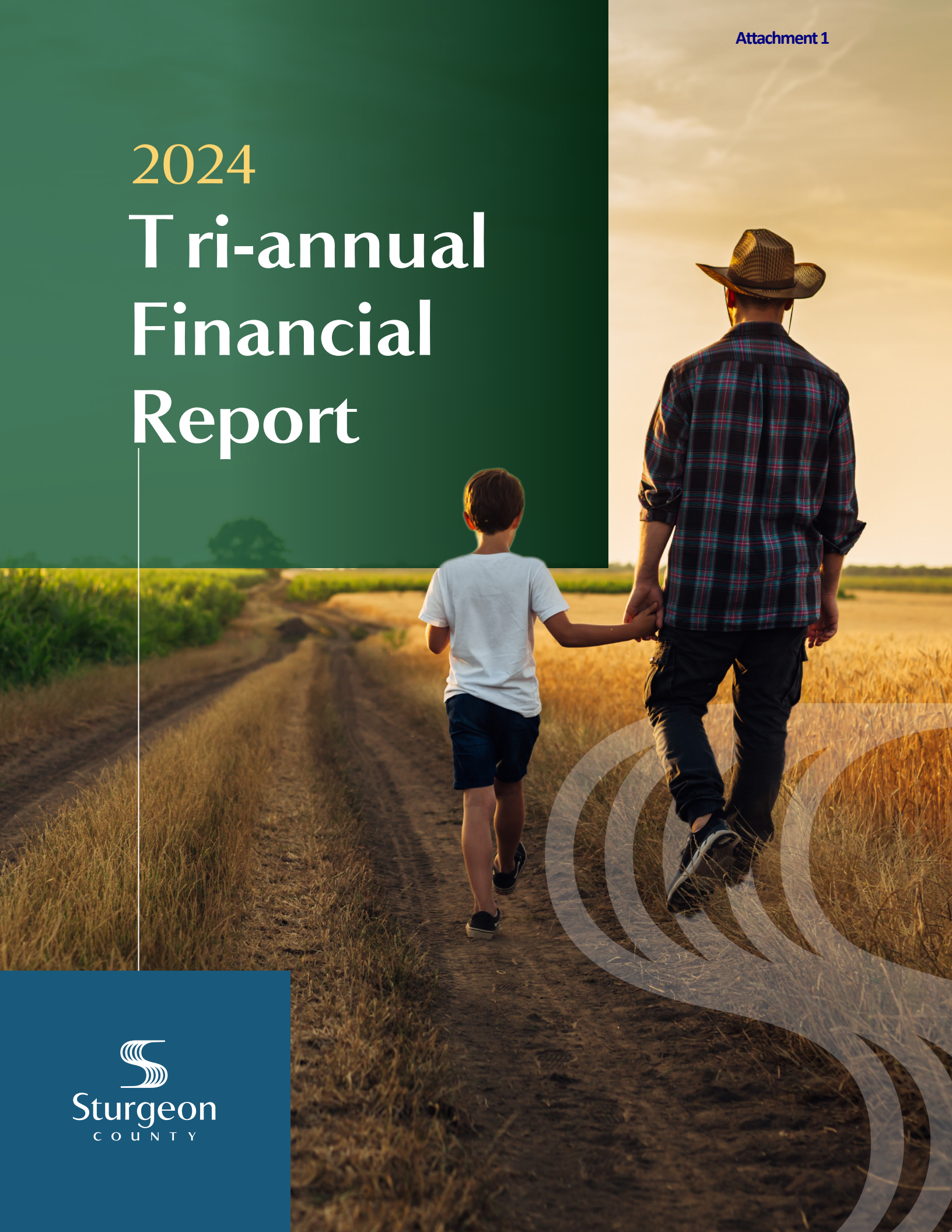


2024 Tri-annual Financial Report





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FINANCIAL OVERVIEW

Council passed the 2024 Operating and 2024-2025 Capital Budget on December 12, 2023, which reflected a financially sustainable, future-ready financial plan while maintaining competitive tax rates.

The approved 2024 budget of \$135.7 million consisted of \$83.1 million in planned operating expenditures, \$3.6 million of repayment of debt principal, and \$49.0 million in planned capital expenditures. Additionally, Council approved the 2025 capital budget in the amount of \$40.1 million.

The 2023 year-end results and resumption of Sturgeon County's Capital Committee resulted in some budget changes after the initial budget approval in December, which are as follows:

	2023 Authorized Carryforwards	2024 Approved Budget	In-Year Changes*	2024 Authorized Budget
Operating	4.0	83.1	0.2	87.2
Capital	28.0	49.0	(7.0)	70.0

**In year changes will not be reflected in the budget in the audited financial statements*

Periodic financial reporting provides accountability, transparency, and aids in long-term and strategic planning by understanding the current financial environment, opportunities, or challenges that will better inform and support decision making. The tri-annual financial report is for the period of January 1, 2024, to April 30, 2024 and is intended to provide a summary of financial activity for the County at a point in time and to highlight any items of significance.

OPERATIONAL FINANCIAL SUMMARY

Overall, the County is projecting a year-end result within budget. Municipal spending for the first third of the fiscal year is slightly above target at 30% of the annual budget, compared to a 2-year historical trend of 28%, typically resulting in an average surplus of 6% of the operating budget. Administration will continue to monitor results as we progress through the year and inform Council of our current and projected financial position.

Within this report significant anticipated variances from the budget are explained, and are risks assessed, as needed.

	2024 Authorized Budget	2024 Actuals	Budget Remaining	% of Budget Utilized as of April 30		
				2024	2023	2022
Revenue						
Net municipal taxes	99,524,515	-	99,524,515	0%	0%	0%
Sales and user charges	11,838,856	3,940,327	7,898,529	33%	30%	31%
Investment income	1,508,000	388,816	1,119,184	26%	43%	103%
Special levies and other tax agreements	1,638,714	159,303	1,479,411	10%	0%	1%
Government transfers for operating	1,512,785	219,772	1,293,013	15%	11%	20%
Other revenue	356,014	101,682	254,332	29%	48%	51%
Penalties on taxes and service charges	824,619	486,739	337,880	59%	69%	73%
Inter-municipal agreements	249,816	132,028	117,788	53%	69%	20%
Total Revenues	117,453,319	5,428,668	112,024,651	5%	5%	6%
Expenses						
Salaries, wages and benefits	38,587,201	12,871,895	25,352,990	33%	33%	30%
Contracted and general services	24,358,454	5,525,255	15,651,245	23%	18%	17%
Materials, goods and utilities	18,016,488	3,780,026	13,871,190	21%	17%	22%
Grants	4,278,056	3,819,091	225,031	89%	78%	81%
Interest on long term debt	1,574,047	211,884	1,362,163	13%	2%	5%
Loss (gain) on disposal of tangible capital assets	-	-	-	-	-	-
Provision for allowances	415,500	-	415,500	0%	0%	0%
Total Expenses	87,229,746	26,208,151	56,878,119	30%	28%	28%

MUNICIPAL REVENUE

The April financial results indicate that revenues are on target for this time of year and align with our two-year historical trend. Property taxes have not been levied during this reporting period; further details in will be provided in upcoming financial reports.

Property Tax Revenue

Based on preliminary analysis, property tax revenue is trending towards a deficit for several reasons. Firstly, there's been a \$2.9 million reduction in tax revenue due to a prior year assessment complaint. To manage this shortfall proactively, \$4.0 million of funds were allocated to a reserve in 2023, ensuring the deficit is covered by a reserve transfer. Secondly, pending final confirmation of the Heartland Incentive Bylaw credit will further reduce revenues. Lastly, assessment complaints filed by July 23, 2024, are expected to impact property tax revenues, with adjustments finalized before the next reporting period. The implications of the property tax results will be closely monitored and managed within the overall budget throughout out the year.

Supplementary Assessment Bylaw 1586/22 may result in favourable supplementary tax revenue. Supplementary assessments provide equity among property owners by capturing the increased value of properties that were only partially completed on December 31, 2023, and have since become completed or occupied. The value gained is applied on a prorated basis and is limited to when new construction is completed, occupied, or when a project begins its operational function during the current tax year. When new construction is completed or becomes occupied, the owners receive municipal services, and the supplementary assessment contributes towards equitable distribution of the costs to provide those services. By December, all supplementary assessment will be finalized.

Investment Income

Investment income is currently on target at this time; however, favorable variances may still occur upon review of collection rates in June, and short-term investment strategies are implemented to maximize returns. Administration manages investments in alignment with the County's investment policy to ensure maximum returns with minimal risk exposure.

Penalty Revenue

Penalty revenue is trending toward a budget surplus, as it is budgeted conservatively each year it is not relied on to support operations. The year-to-date penalty revenue of \$0.5 million consists primarily of \$0.4 million from

the 12% penalty applied to property taxes in arrears and smaller amounts for law enforcement ticket fines and development permit and safety code violation fines.

Inter-municipal Agreement

Intermunicipal agreements appear to be trending toward a budget surplus with receipts being 59% of budget; however, this is expected due to timing of revenue received from other municipalities. Intermunicipal Agreement are expected to be on target.

MUNICIPAL EXPENSES

Sturgeon County's municipal spending is comparable to this point in time prior comparable years.

Salaries, Wages, and Benefits

Salaries, Wages, and Benefits are currently on track, with 33% of the budget spent, comparable to 2023. During budget development, wage inflation estimates were initially set at 1.5% but were adjusted to 2.4% to align with the September Average Weekly Earnings. For 2023, the County underwent an actuary valuation of retirement benefit liabilities and for 2024 the actuary estimated an increase to the liability in the amount of \$1.0 million. This liability estimate has not been reflected in the T1 results, but it will represent a variance in the 2024 financial results as it was received post budget approval.

Contracted and General Services

Contracted and General Services has 23% of the budget spent. This is trending favorably however spending is slightly higher in comparison to 2023 and 2022 where budget spending as of April 30th was 18% and 17%, respectively. As the year progresses, increased spending is anticipated to occur as seasonal program activity is at its highest points in summer and fall each year.

Materials, Goods, and Utilities

Materials, Goods, and Utilities has 21% of the budget spent. This is trending favorably and comparable to 2022 where budget spending as of April 30th was 22% and slightly higher than 2023 at 17%. Departments have procured goods and services proactively for their programs to their best ability; results in administration anticipating a favorable variance.

Grants

Grants appear to be trending towards an unfavourable variance with the spending being 89% of budget, however this is expected due to timing of grants paid. Grants are expected to be on target.

CAPITAL FINANCIAL SUMMARY

The 2024-2025 Capital budget, as amended, consists of 146 projects and 6 programs totalling \$70.0 million in capital expenditures and reserve transfers.

Since the capital budget was approved, Council has also approved the 2023 Audited Financial Statements which included \$28.0 million in capital carry forwards and several in year capital budget amendments in the reducing the capital plan by \$4.0 million.

	2024	2025	Multi Year
Approved Capital Budget	49.0	40.1	89.1
PY Carryforwards	28.0	-	28.0
Capital Amendments	(7.0)	11.0	4.0
Authorized Capital Budget	70.0	51.1	121.1

The 2024 Authorized Capital Budget was \$70 million and spending to date is \$3.2 million. Management reviewed a variety of factors for this reporting period to provide an update on capital project status, expected completion, and financial results.

	Authorized Budget	Spending to Date	Budget Remaining
Complete/Warranty	4.1	1.1	3.0
In Design/Progress	59.2	2.1	57.1
Not Started/On Hold	6.7	0.0	6.7
Cancelled	0.0	-	0.0
Totals	70.0	3.2	66.8
<p><i>*Several projects are currently representing budget overages, these amounts will be reviewed and reconciled within the total budget authority through future financial reporting outcomes.</i></p>			

Further capital progress and financial details can be found in the **Attachment 2: 2024 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 April 30, 2024, the County has contracted obligations of \$22 million related to ongoing capital projects executed through the support of Procurement Services and the following contractual status is provided below.

2024 Capital Program	Q1 Contracts Issued	2024 Anticipated Total
Community Services	4	13
Corporate Services	2	5
Financial Services	7	14
Infrastructure Services	26	50
Grand Total	39	82

Thirty nine of the eighty-two identified capital projects through the approved budget have been completed in Q1 of 2024. Note that some under threshold procurements were supported by the Procurement Services team in Q1. The below breakdown of the procurement status and contract amount is provided below.

Row Labels	Project Count	Contracted
ENG SVS Complete	16	\$ 1.9
Complete	15	\$ 18.3
Multiple Projects	8	\$ 1.8
Q2	13	-
On Hold / Cancelled	15	-
Under Threshold	13	-
Future Year	2	-
Grand Total	82	\$22.0

Q2 preparation is already underway with an additional 13 projects moving through the procurement phase in Q1 to contract phase by early Q2.

Further capital procurement details can be found in the **Attachment 2: 2024 Capital Project Report**.

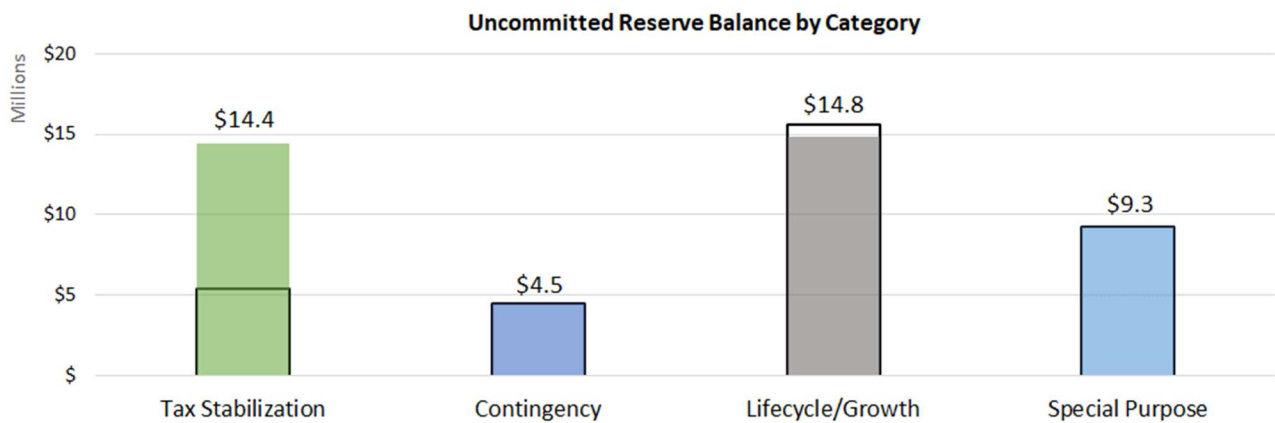
TREASURY REPORT

Reserve Summary

As of April 30, 2024, the total balance of reserves is \$116 million, of which \$43 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 reserve categories have been determined by administration and are denoted by the black outlines. The total uncommitted reserve funding exceeds the target levels by \$8.3 million.



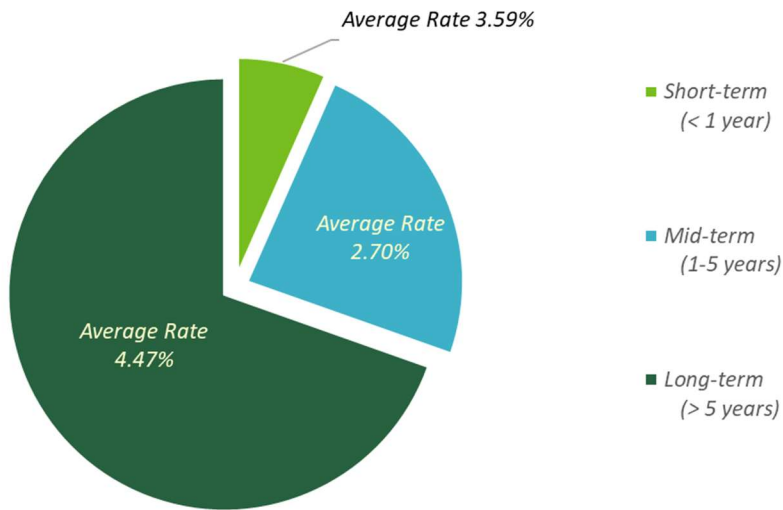
*Council's Future Strategic Priorities reserve allocation of \$1.5 million, as approved in budget 2024, currently resides in the tax stabilization category.

TREASURY REPORT:

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.

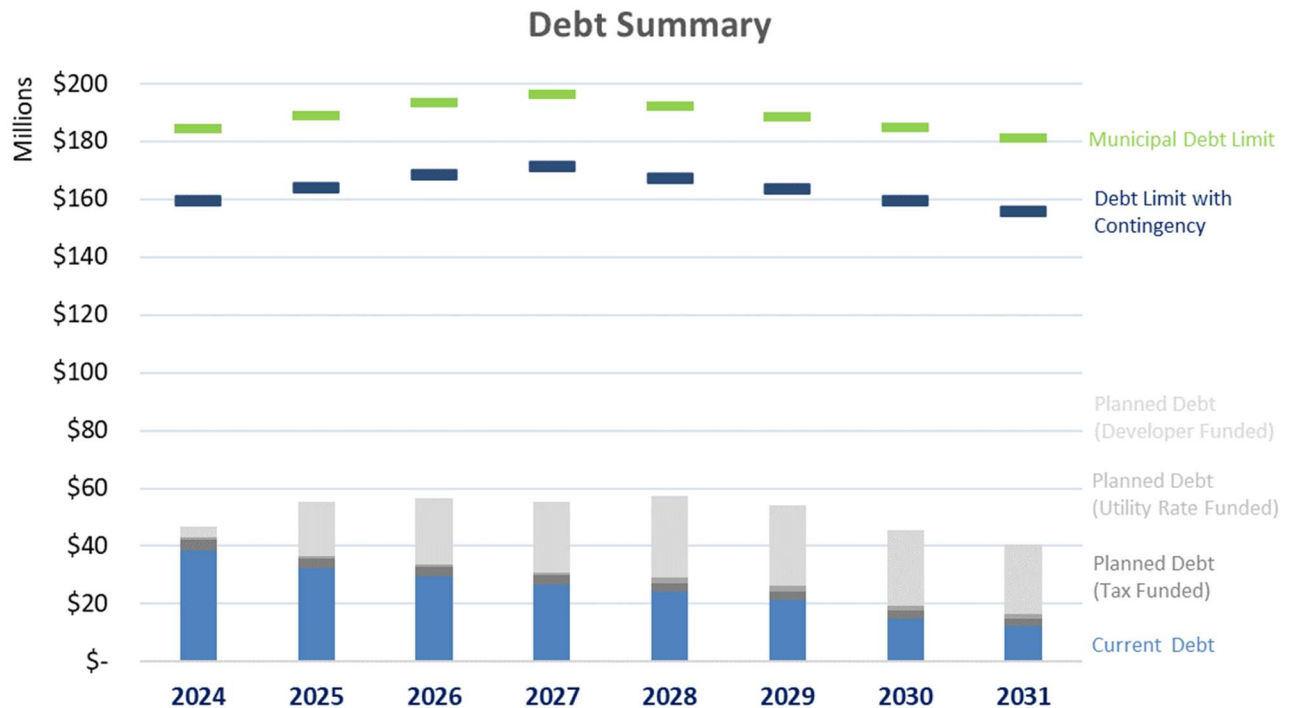
As of April 30, 2024, the principal balance of Sturgeon County investments is \$83.8 million.



TREASURY REPORT:

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 \$38.4 million in debt outstanding and, based on the 2023 Audited Financial Statements, a debt limit of \$184 million. After the removal of the \$25 million debt contingency amount, the projected debt capacity ranges from approximately \$108 to \$116 million for the years presented. As part of the 2024-2025 capital plan, Council approved the following projects be funded from debt:

- Sturgeon Road & RR 250 Roundabout - Debenture funding of \$1.3 million
- Sturgeon Road and Rivers Gate Intersection Upgrade - Debenture funding of \$0.6 million
- River's Gate Lift Station (Phase 2) - Debenture funding of \$4.7 million
- Sewer Trunks to River's Gate Lift Station (Stage 1) - Debenture funding of \$1.6 million
- 350/450 mm Watermain Extension (Range Road 250) - Debenture funding of \$5.6 million
- 500 mm Watermain Extension (Range Road 250) - Debenture funding of \$3.3 million