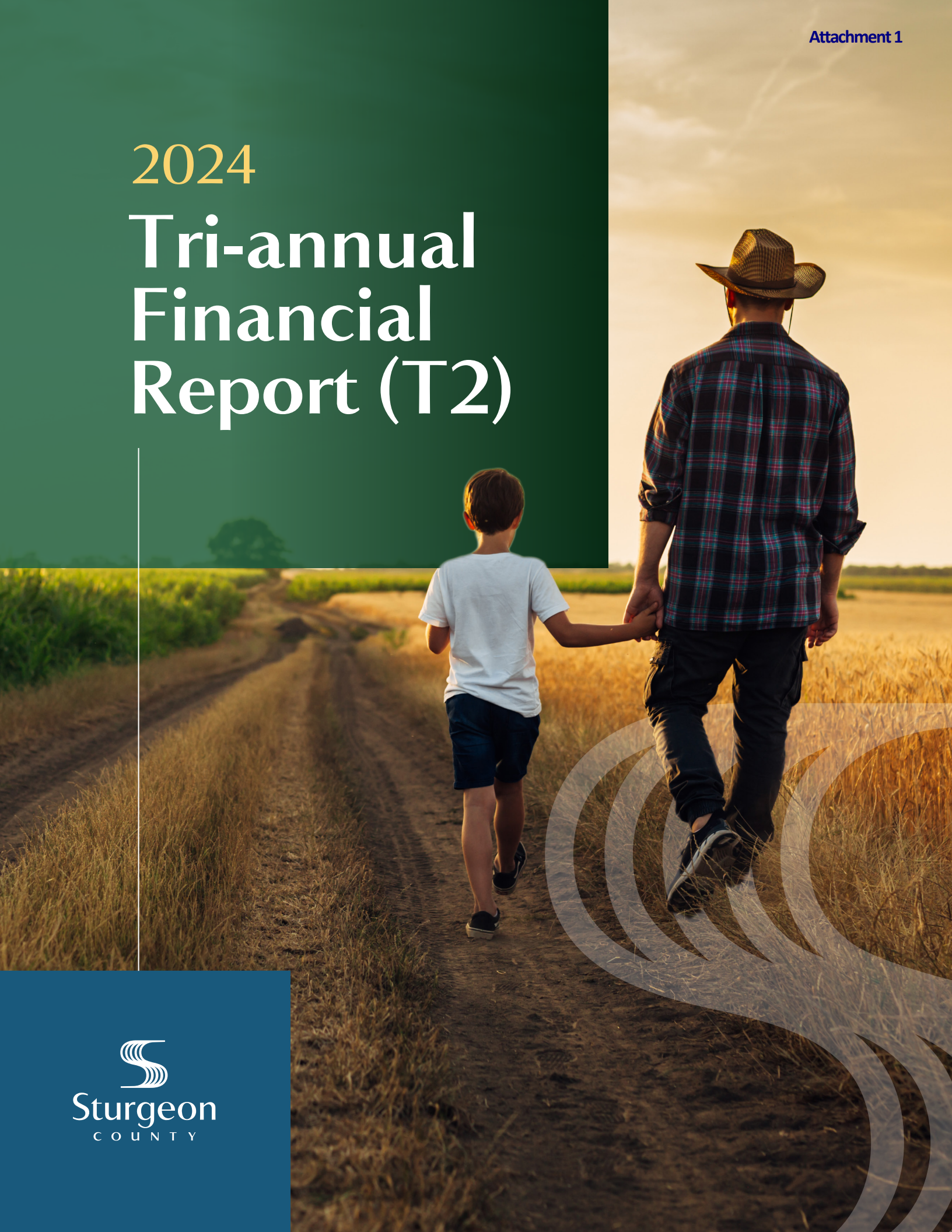


2024

Tri-annual Financial Report (T2)





Report Contents

Financial Overview	3
Operational Summary	4
Revenue Summary	6
Expenses Summary	8
Capital Summary	9
Procurement Summary	10
Treasury Report: Reserves, Investment, Debt	11

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	87.3
Capital	28.0	49.0	(4.6)	72.4

**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 August 31, 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 \$8.5M operating surplus net of carryforwards. This represents 10% of the operating budget which is slightly higher than the historical average of 6%. Administration will continue to monitor results as we progress through the year.

Municipal Division Summary *In Thousands	Forecast Position at YE Surplus/(Deficit)	Forecast Carry Forwards	Forecast Position at YE Surplus/(Deficit)
<i>General Administration</i>	5,339	126	5,213
<i>Council</i>	52		52
<i>Development Services</i>	1,353	946	407
<i>Communications & Strategic Services</i>	228	45	183
<i>Corporate Services</i>	867	440	427
<i>Financial Services</i>	634	813	(179)
<i>Infrastructure Services</i>	1,275	153	1,122
<i>Community Services</i>	711	200	511
Total Municipal Surplus	10,459	2,722	7,737
<i>Utility Infrastructure Services</i>	967	199	768
Total Municipal & Utilities Surplus	11,426	2,921	8,505

Forecasted revenue is 105% of budget and on target based on historical revenue. Forecasted spend is on target compared to prior years at 98% of the annual budget. Within this report significant anticipated variances from the budget are explained, and are risks assessed, as needed.

	2024	2024 Actuals Forecasted	2025	Budget Remaining	% of Budget Utilized as of December 31		
	Authorized Budget		Carryforward Estimate		2024	2023	2022
Revenue							
Net municipal taxes	99,524,515	96,936,482	-	2,588,033	97%	108%	98%
Sales and user charges	11,848,856	13,065,982	- -	1,217,126	110%	106%	112%
Investment income	1,508,000	4,221,269	- -	2,713,269	280%	446%	331%
Special levies and other tax agreements	1,638,714	1,748,369	- -	109,655	107%	122%	141%
Government transfers for operating	1,512,785	5,603,457	- -	4,090,672	370%	104%	129%
Other revenue	346,014	894,530	- -	548,516	259%	443%	255%
Penalties on taxes and service charges	824,619	1,044,176	- -	219,557	127%	133%	204%
Inter-municipal agreements	249,816	335,359	- -	85,543	134%	117%	94%
Total Revenue	117,453,319	123,849,624	- -	6,396,305	105%	112%	104%
Expenses							
Salaries, wages and benefits	38,587,201	39,371,826	364,331 -	1,148,956	102%	104%	97%
Contracted and general services	24,358,454	22,916,648	2,128,358 -	686,551	94%	87%	83%
Materials, goods and utilities	17,998,788	16,667,304	378,158	953,326	93%	91%	95%
Grants	4,104,503	4,082,994	50,000 -	28,492	99%	151%	100%
Interest on long term debt	1,574,047	1,450,998	-	123,049	92%	68%	111%
Loss (gain) on disposal of tangible capital assets	-	-	-	-	-	0%	0%
Internal Allocations	- -	132,416	-	132,416	-	0%	0%
Provision for allowances	415,500	1,160,000	- -	744,500	279%	107%	84%
Total Expenses	87,038,493	85,517,354	2,920,847 -	1,399,708	98%	98%	94%

MUNICIPAL REVENUE

The forecasted financial results indicate that revenues are trending slightly above budget and align with our two-year historical trend.

Property Tax Revenue

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 and does not impact the overall financial results. Secondly, the Heartland Incentive Bylaw credit will further reduce revenues by \$0.5 million which is offset by estimated supplementary tax revenue.

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. The implications of the property tax results will be closely monitored and managed within the overall budget throughout the year.

Sales & User fees

Sales & user fees is forecasted to be favorable by \$1.2M due to increased usage and in alignment with historical revenues. The County will see increased costs to offset some of these additional revenues. Some favorable user fees are water & wastewater sales, dust control, permits, and agricultural sales such as rain barrels and trees.

Investment Income

Investment income is forecasted to be favorable by \$2.7M due to higher-than-average interest rates and quantity of investments. The investment budget has increased for 2025, but we remain conservative as we are expecting further rate reductions as we have seen two so far this year. The County's 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.

Government Transfer for Operating

Government transfer for operating is forecast to be a surplus of \$4.1 million and significantly higher than historical revenue trend of 370% of budget, compared to 104% in 2023 and 123% in 2022. This is a result of finalization of the 2020 Northern Alberta Flood Disaster Recovery Program which we have received \$3.7 million to offset previous costs incurred.

Other Revenue

Other revenue's forecast appears over budget by \$0.5 million, however, \$0.4 million is related to an administrative reserve adjustment for the T2 reporting period. Otherwise, other revenue is expected to be on target to budget.

Penalty Revenue

Penalty revenue is forecast to be a surplus of \$0.2 million, as it is budgeted conservatively each year it is not relied on to support operations.

MUNICIPAL EXPENSES

Sturgeon County's municipal forecast spending is forecasted to be on budget and comparable to comparable years.

Salaries, Wages, and Benefits

Salaries, wages, and benefits are forecasted to be unfavorable, 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 index for Alberta. 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. Due to timing, this increase was not included in the 2024 budget.

Contracted and General Services

Contracted and general services forecasts utilizing 94% of the budget spent before carryforwards. This trend in spending is higher in comparison to prior years, with December 31st expenditures at 87% in 2023 and 83% in 2022. There are no significant individual items to highlight at this time.

Materials, Goods, and Utilities

Materials, goods, and utilities forecasts 93% of the budget to be spent before carryforwards. This is trending comparably to prior years. Departments have procured goods and services proactively for programs to the best of their ability. There are no significant individual items to highlight at this time.

Provision for Allowances

Provisions for allowances are forecasted to be unfavourable by \$0.7 million, this is related to one oil and gas company going in receivership. There is a potential to recover some property taxes outstanding however collection is currently unknown. Administration will continue to monitor the situation.

CAPITAL FINANCIAL SUMMARY

The 2024-2025 Capital Budget, as amended, consists of 150 projects and 6 programs totalling \$72.4 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 reducing the capital plan by \$4.5 million.

	2024	2025	Multi Year
Approved Capital Budget	49.0	40.1	89.2
PY Carryforwards	28.0	-	28.0
Capital Amendments	(4.5)	11.0	6.5
Authorized Capital Budget	72.4	51.1	123.6

The 2024 authorized capital budget is \$72.4 million and spending to date of \$12.5 million (of which \$0.3 million included in operations) with a forecasted spend of \$37.9 million resulting in a net surplus of \$0.9 million as of December 31. There are some projects that are forecasted to be in a deficit which is 2.9% of the overall capital budget, this will be offset against surplus and program spending. Final details will be brought forward as part of the year end process with the 2024 capital amendment. Management reviewed a variety of factors for this reporting period to provide an update on capital project status, expected completion, and financial results as summarized below.

	Authorized Budget	Spending to Date	Forecasted Spend to Dec 31	Forecasted Release Capital Authority to Funding Source	Forecasted 2024 Capital Carryforward Authority
Complete/Warranty	7.6	4.3	3.6	(0.8)	0.5
In Design/Progress	58.9	8.2	34.3	1.4	15.0
Not Started/On Hold	5.8	-	0.0	0.2	5.7
Cancelled	0.2	-	-	0.2	-
Totals	72.4	12.5	37.9	0.9	21.1
<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>					

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 August 31, 2024, the contract status for activity undertaken during 2024 is provided below.

Contractual Status	Project Count	Contracted
ENG SVS Complete	13	\$ 1.2
Complete	33	\$ 36.3
Multiple Projects	8	\$ 3.1
On Hold / Cancelled	12	-
Under Threshold	12	-
N/A	4	
Grand Total	82	\$40.6

As of August 31, 2024, the County has contracted obligations of \$40.6 million related to ongoing capital projects executed through the support of Procurement Services. Please note, On Hold / Cancelled represents an estimated \$2.5 million. Under Threshold represents and estimated \$6.9 million. N/A represents an estimated \$1.2 million.

The projected contractual status by division is provided below.

2024 Capital Program	2024 Anticipated Total
Community Services	7
Corporate Services	3
Corporate Communication & Strategy	2
Financial Services	14
Infrastructure Services	50
Total	76
Previous Year Project Carry Forward	6
Anticipated Capital Project Total	82

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

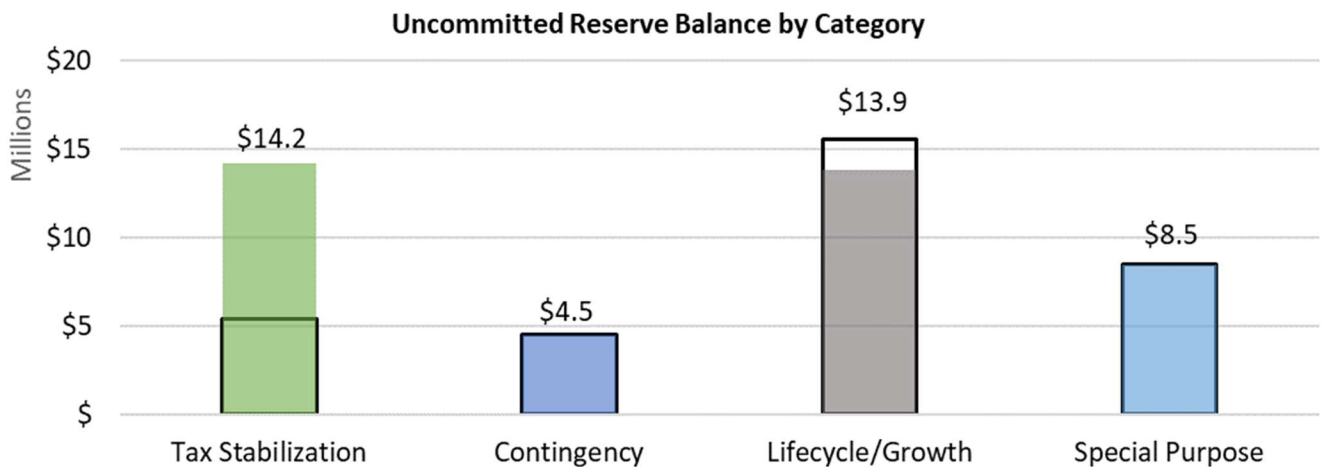
TREASURY REPORT

Reserve Summary

As of August 31, 2024, the total balance of reserves is \$109.6 million, of which \$41 million (net of \$17.2 million financed front-ended offsite levy infrastructure) remains uncommitted.

Committed reserves are funds set aside for specific purposes such as replacement or 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.

Administration is currently undergoing a review of reserves and their target levels. The current target balances for the tax stabilization, contingency and lifecycle reserve categories have been determined by administration and are denoted by the black outlines. The total uncommitted reserve funding exceeds the target levels by \$8.6 million.



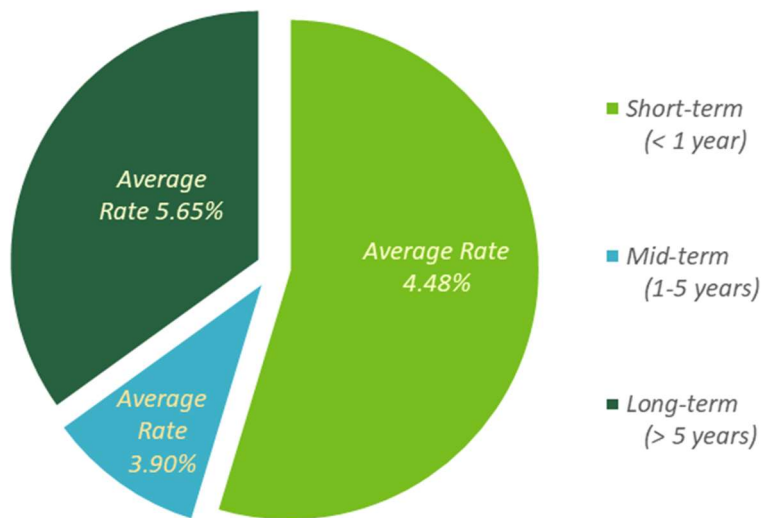
*Council's Future Strategic Priorities reserve allocation of \$1.5 million, as approved in budget 2024, currently resides in the tax stabilization category.

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 August 31, 2024, the principal balance of Sturgeon County investments is \$159 million.

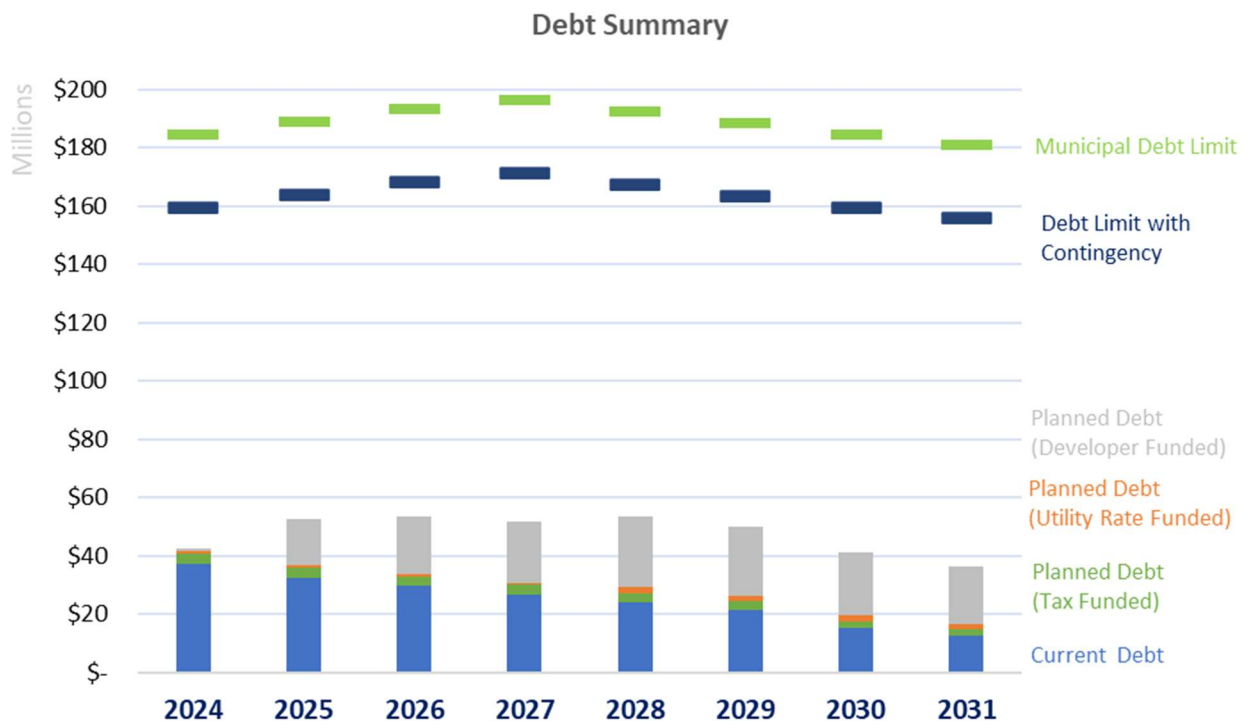


Easing inflationary pressures since July of 2023 have resulted in two policy rate reductions, though prime rates still remain above historical averages. Higher rates have resulted in favourable investment rates and returns, but also bring forth unfavourable borrowing rates.

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 \$37 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 \$111 to \$120 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 (Bylaw 1654/24)

Debentures currently on hold:

- 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