

Subject: **2024 Third Quarter Variance Report**
 Meeting Date: Tuesday, November 12, 2024
 Prepared By: Marika von Mirbach, Manager of Financial Planning
 Presented By: Marika von Mirbach, Manager of Financial Planning

STRATEGIC PLAN ALIGNMENT: (Check all that apply)

	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>
High Quality Infrastructure		Economic Resilience		Quality of Life		Effective Leadership		Level of Service	

RELEVANT LEGISLATION:

Provincial Financial affairs of the municipality are governed by the *Municipal Government Act*
Council Bylaw/Policy Internal policy states that Corporate Services will provide Council with a quarterly financial report and preliminary year-end report.

BACKGROUND/PROPOSAL:

Council receives quarterly financial reports during the year. These reports are intended to inform Council of financial transactions to date and how expenditures, revenues, and other financial indicators compare to the annual operating budget and plan that Council previously approved.

The purpose of this report is to:

- Report on the 2024 Operating Budget performance to date.
- Report on the Operating Budget Projects approved in the 2024 Operating Budget.
- Report on the status of all approved 2024 Capital Projects.
- Provide other supplementary information on key financial indicators for the municipality.

This report is for the period ending September 30, 2024 (Third Quarter).

DISCUSSION/OPTIONS/BENEFITS/DISADVANTAGES/OTHER CONSIDERATIONS:

The County is required under the *Municipal Government Act (MGA)* to approve both an Operating and Capital budget which are balanced and fully funded. To achieve this, the budget is prepared on a fiscal viability basis and is monitored and controlled to achieve the desired outcome of a balanced budget. As such, all budgeted revenues must equal budgeted expenditures.

The budgeting process allows municipalities to prioritize projects, programs, and service levels based on anticipated revenue and expenses. A municipality's annual budget routinely consists of two components:

- The **Operating Budget** plans for a municipality's day-to-day expenditures (e.g., salaries, wages, benefits, heat, electricity, and maintenance of buildings and infrastructure, etc.).
- The **Capital Budget** plans for the purchase and financing of assets or improvement of infrastructure (e.g., roads, water and wastewater facilities, county facilities, major projects, etc.)



This RFD includes the following Financial Reports:

- Operating Budget Summary by Function (Appendix A)
- Operating Budget Summary by Department (Appendix B)
- Operating Project Summary (Appendix C)
- Capital Project Summary (Appendix D)
- Cash and Investment Summary (Appendix E)
- Reserve Continuity Schedule (Appendix F)

Operating Budget Summary by Function (Appendix A)

Appendix A provides Council with a corporate summary of the Operating Budget performance for the nine months ending September 30, 2024, and explains unfavourable or favourable corporate results forecasted to year-end.

This section of the report will focus on *Appendix A*, which provides operating results by classifying the revenue source or nature of expenditure. *Appendix B*, presented by organizational unit, provides information on each department's performance; a high-level summary of the driving factors behind departmental results is also included within this report.

The total net forecasted revenue/expenditure year-end result anticipates a surplus of \$1,721,436. This surplus consists of:

- \$2,516,856 favourable related to the receipt of unbudgeted funds from investment revenues; this aligns with the preliminary reserve strategy presented to Council in October of 2023.
 - Related to this favourable revenue variance is an unfavourable expenditure variance which represents an additional contribution to reserves of \$1,695,637, representing the revenue earned in excess of budget from January 1 to June 30, 2024.
- \$572,998 favourable related to the receipt of unbudgeted funds for the sale of capital equipment.
 - Related to this favourable revenue variance is an unfavourable expenditure variance which represents an additional contribution to reserves of \$433,267, representing the revenue earned in excess of budget from January 1 to June 30, 2024.
- The remaining projected surplus on the core operating budget is \$760,486 favourable, representing a 2.5% overall variance from the budget.

Revenue Summary - \$3,446,545 favourable forecasted to the end of the year

The driving factors of the favourable revenue variance are:

- Licenses and Permits* - \$11,925 favourable related to planning and development permits.
- Other Revenue* - \$98,690 favourable primarily consisting of oilfield water licensing revenues.
- Sale of Goods and Services* - \$114,397 favourable consisting of:
 - \$75,000 favourable from the dust control program.
 - \$13,000 favourable related to water distribution charges
 - \$12,000 favourable related to oilfield inspection fees
 - \$14,000 favourable related to other small variances across departments, including campgrounds, paid parking, cemeteries, scrap metal sales, tax notification fees, and map sales.
- Sales to Other Governments* - \$4,664 unfavourable consisting of:
 - \$18,000 favourable with respect to waste transfer site agreements.
 - \$22,000 unfavourable related to protective services contracts.
- Rental Income* - \$2,145 favourable related to updated rental agreements.
- Penalties and Fines* - \$4,548 unfavourable related to penalties on property taxes.



- vii. *Property Taxes* - \$36,061 **favourable** related to assessment adjustments.
- viii. *Special Taxes and Frontage* - \$50,659 **favourable** relating to riser fees received, which are not included in the approved budget due to their unpredictability and for which the revenues will be contributed to the water reserve during the fourth quarter report.
- ix. *Return on Investments* - \$2,516,856 **favourable**. This variance aligns with the preliminary reserve strategy presented to Council in October of 2023, whereby investment returns are intended to be utilized as a reserve growth mechanism rather than an operating budget funding source. During the second quarter report, \$1,695,637 was contributed to reserves to reflect income earned above budget from January 1 to June 30, 2024. A second contribution will be made during the fourth quarter report to reflect additional income earned from July 1 to December 31, 2024.
- x. *Transfer from Reserves* - \$52,000 **favourable** relates to an additional reserve draw approved through Council motion 387/23 to fund repairs to the Trochu fire truck for which there is an offsetting unfavourable expenditure variance under *Transfers to Individuals and Organizations*.
- xi. *Capital Equipment Plan Sales* - \$572,998 **favourable** relates to the sale of capital equipment. During the second quarter report, \$433,267 was contributed to reserves to reflect income earned above budget from January 1 to June 30, 2024. A second contribution will be made during the fourth quarter report to reflect additional income earned from July 1 to December 31, 2024.

All other revenue streams align with expectations; no significant year-end variances are anticipated.

Expense Summary \$1,725,110 **unfavourable** forecasted to the end of the year

The driving factors of the favourable expenditure variance are:

- i. *Contract Goods and Services* - \$225,603 **favourable**. This variance has several contributing factors, including:
 - \$74,000 **favourable** related to training, conferences, and memberships.
 - \$46,000 **favourable** related to advertising and PR.
 - \$42,000 **favourable** related to public land mowing.
 - \$21,000 **favourable** related to professional contracted services.
 - \$16,000 **favourable** for grounds maintenance.
 - \$15,000 **favourable** for land care programming.
 - \$13,000 **favourable** for IT contracts.
 - \$8,000 **favourable** for major maintenance.
 - \$7,000 **favourable** for insurance.
 - \$6,000 **favourable** related to contracted building maintenance.
 - \$5,000 **favourable** for equipment rentals.
 - \$12,000 **favourable** related to minor variances across multiple departments.
 - \$30,000 **unfavourable** in contracted equipment and maintenance repairs.
 - \$9,000 **unfavourable** for urban garbage site expenses.
- ii. *Materials, Goods, Supplies, and Utilities* - \$111,178 **favourable**. This variance has several contributing factors, including:
 - \$58,000 **favourable** in shop supplies.
 - \$48,000 **favourable** for general goods and supplies across various departments.
 - \$14,000 **favourable** for road maintenance supplies.
 - \$8,000 **favourable** in extension program expenses.
 - \$6,000 **favourable** for park supplies.
 - \$10,000 **unfavourable** for culverts.
 - \$9,000 **unfavourable** for dust control materials.
 - \$4,000 **unfavourable** for water for resale.



- iii. *Salaries and Wages* - \$89,408 **favourable**. The year-end forecast reflects the implementation of the 50% market adjustment. Based on current salary trends with position vacancies, the full impact of that implementation is anticipated to be funded through the operating budget; however, implementation may put some departments over budget due to position allocations. The forecast predicts that the reserve funds set aside from the 2023 surplus are likely not required to implement the market adjustment.
- iv. *Provision for Allowances* - \$27,410 **favourable** represents uncollectable taxes written off during the year. All write-offs have been presented to Council and are accommodated within the year-end forecasting.
- v. *Purchases from Other Governments* - \$38,686 **unfavourable** primarily relates to an unbudgeted Drumheller Waste Commission payment increase.
- vi. *Transfer to Other Governments* - \$50,000 **favourable** relates to contingency funding not anticipated to be utilized.
- vii. *Transfer to Individuals and Organizations* - \$60,973 **unfavourable** includes:
 - \$5,000 **favourable** related to grant programs.
 - \$52,000 **unfavourable** for repairs to a Trochu fire unit, for which reserve funds have been utilized per Council motion 387/23.
 - \$14,000 **unfavourable** for repairs to a Linden fire unit.
- viii. *Contributions to Reserves* - \$2,128,904 **unfavourable** represents reserve transfers motioned by Council which were not included in the budget:
 - \$1,695,637 **unfavourable** related to investment income earned in excess of budget as of June 30, 2024.
 - \$433,267 **unfavourable** related to capital equipment plan sales earned more than the budget as of June 30, 2024.

All other expenditure classes align with expectations; no significant year-end variances are anticipated.

Operating Budget Summary by Department (Appendix B)

Whereas *Appendix A* discussed the operational results by classification of revenue or nature of expenditure, *Appendix B* provides an overview of operational results by department. This section will highlight key trends affecting each department's year-end forecast.

Council

- *Revenues* – N/A
- *Expenses* – \$38,489 **favourable** relates to cost savings in salaries, contracted services and grant programming.

Corporate Items

- *Revenues* - \$3,161,501 **favourable** primarily relates to higher than budgeted investment returns and the sale of capital equipment.
- *Expenses* - \$2,042,759 **unfavourable** relates to reserve contributions as per Council motions in relation to the favourable revenues listed above.

Office of the CAO

- *Revenues* - N/A
- *Expenses* - \$13,148 **unfavourable** relates to market adjustment implementation for salaries and wages.



Corporate Services

- *Revenues* – N/A
- *Expenses* - \$18,405 **favourable** includes favourable variances in contracted services and material costs, partially offset by unfavourable variances in salaries; the unfavourable salaries component relates to market adjustment implementation.

Transportation

- *Revenues* - \$183,845 **favourable** relates to higher than budgeted dust control and water access agreement revenues.
- *Expenses* - \$167,997 **favourable** includes an unfavourable variance in contracted services offset by favourable variances in materials and supplies, and salaries.

Environmental Services

- *Revenues* - \$60,648 **favourable** relates to water connection fees and waste collection agreements.
- *Expenses* - \$6,988 **unfavourable** includes favourable variances in contracted services, materials, and supplies, offset by an unfavourable variance in the Drumheller Waste Commission payment.

Facilities

- *Revenues* – N/A
- *Expenses* - \$5,677 **unfavourable** relates to higher than budgeted building repair costs and salary expenditures in line with the implementation of the market adjustment.

Enforcement

- *Revenues* - \$24,500 **unfavourable** relating to fines and callout services.
- *Expenses* - \$129,525 **favourable** primarily relates to salaries and wages due to vacancies and favourable variances in contract services, materials, and supplies.

Fire

- *Revenues* - \$55,329 **favourable** primarily relates to the reserve draw approved by Council to fund repairs to a Trochu fire unit.
- *Expenses* - \$59,573 **unfavourable** primarily relates to repairs on the Trochu fire unit funded through a reserve draw.

Disaster

- *Revenues* - N/A
- *Expenses* - \$7,940 **favourable** relates to materials and supplies, as well as contracted services.

Planning

- *Revenues*- \$3,671 **favourable** relates to licenses and permits.
- *Expenses* - \$13,890 **favourable** includes favourable variances in contracted services and materials which is offset by an unfavourable salary variance relating to market adjustment implementation.

Agricultural Services (ASB)

- *Revenues* - \$4,350 **favourable** relates to weed inspections and custom spraying.
- *Expenses* - \$105,297 **favourable** includes favourable variances in contracted services, materials, and salaries.



Parks

- Revenues - \$499 unfavourable relating to campground and park fees.
- Expenses - \$34,534 favourable relates to contracted services, materials, and salaries.

Cemetery

- Revenues - \$2,200 favourable relates to plot sales.
- Expenses - \$6,132 favourable includes seasonal wages and contracted services.

Economic Development

- Revenues – N/A
- Expenses - \$120,173 unfavourable primarily relates to salaries and wages due to the addition of an unbudgeted position by Council motion.

Operating Project Summary (Appendix C)

The County is undertaking 17 operating projects in 2024. The specific details of each project, including budget, expenditures to date, funding source, projected final cost, projected variance, start date, projected end date, and comments on project status, are detailed in *Appendix C*.

Overall, Operating Projects have a projected favourable variance of \$141,822 (~ 10% of the total Operating Project budget); the contributing factors are:

- Eleven (11) have no projected variance based on the project progress as of September 30, 2024.
- Four (4) are projected to be completed under budget.
- Two (2) are projected to be over budget by \$204 and \$1,438.

Any operating projects completed under budget will reduce the funds drawn from the associated reserve. Projects completed over budget will be funded with unallocated funds from completed projects during the fourth quarter report.

Capital Project Summary (Appendix D)

The County is undertaking 27 capital projects in 2024. The specific details of each project, including budget, expenditures to date, funding source, projected final cost, projected variance, start date, projected end date, and comments on project status, are detailed in *Appendix D*.

Capital projects overall have a projected favourable variance of \$2,092,273 (~17% of the total Capital Projects budget); the contributing factors are:

- Seventeen (17) are projected to be completed under budget.
- Six (6) have no projected variance based on the project progress as of September 30, 2024.
- Four (4) are projected to be over budget.

Any capital projects completed under budget will reduce the funding drawn from the allocated reserve or the amount of grant funding utilized for the project. Any projects completed over budget will be funded during the fourth quarter report.

Cash and Investment Summary (Appendix E)

The County continues to generate strong rates of return on its investments; however, decreases in the prime interest rate are resulting in lower returns on investment than achieved during 2023 and early 2024. As detailed in *Appendix E*, the rate of return on cash investments ranges from 4.4% to 6.05% as of September 30, 2024.



Reserve Continuity (Appendix F)

This schedule tracks the movements, based on Council approvals, of each of the County's reserves. The financial information reported in this schedule will only change if:

- Council approves new expenditures or amends project budgets.
- Projects are completed under budget.
- Unanticipated external funding, mainly grants, are approved post-budget.

These changes will be reflected and reported on in the schedule as "Post Budget Approvals".

Administration has included a column to display funds anticipated to be returned to reserves based on estimated project surpluses/deficits. These transfers will not occur until projects are finalized, or Council approves motions to amend project funding, but have been included to better align the various appendices of this report.

Based on budget approvals, motions recommended within this report, and investments in the County's infrastructure, the utilization of reserves is anticipated to be approximately \$9.4 million, with offsetting contributions to reserves of \$10.5 million.

FINANCIAL & STAFFING IMPLICATIONS:

The overall financial position of the County continues to be positive with Administration and Council exercising prudent financial management.

The recommendations in this report will ensure a continuation of forward financial planning and value for the dollar for ratepayers.

RECOMMENDED ENGAGEMENT:

Directive Decision (Information Sharing, One-Way Communication)			
Tools:	Individual Notification	Other:	

ATTACHMENTS:

- Operating Budget Summary by Function (Appendix A)
- Operating Budget Summary by Department (Appendix B)
- Operating Project Summary (Appendix C)
- Capital Project Summary (Appendix D)
- Investment Report (Appendix E)
- Reserve Continuity Schedule (Appendix F)

COUNCIL OPTIONS:

1. Adopt the report as presented and approve the recommended motions.
2. Receive report for information.
3. Provide directions to amend the recommended motions.

RECOMMENDED MOTION:

1. That Council accepts the 2024 Third Quarter Variance Report for information.



FOLLOW-UP ACTIONS:

Internal action is required by Administration to make any approved financial transaction entries.

APPROVAL(S):

Mike Haugen, Chief Administrative Officer

Approved-

