

Subject: **2024 Fourth Quarter Variance Report**

Meeting Date: Tuesday, March 25, 2025

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 December 31, 2024 (Fourth 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 Results – Recommended Reserve Contributions (Appendix G)

**Operating Budget Summary by Function (Appendix A)**

Appendix A provides Council with a corporate summary of the Operating Budget performance for the year ending December 31, 2024, and explains unfavourable or favourable corporate results.

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 \$2,795,769. This surplus consists of:

- \$2,947,956 **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.
- \$902,131 **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, and a contribution of \$111,000 representing insurance proceeds related to a plow truck that was replaced in 2024 due to an insurance claim.
- The remaining projected surplus on the core operating budget is \$1,185,586 **favourable**, representing a 3.9% overall variance from the budget.

**Revenue Summary - \$4,281,565 favourable forecasted to the end of the year**

The driving factors of the favourable revenue variance are:

- Licenses and Permits* - \$9,322 **favourable** related to planning and development permits.
- Operating Grants* - \$26 **favourable** relates to LGFF grant funding.
- Other Revenue* - \$94,425 **favourable** primarily consisting of oilfield water licensing revenues.
- Sale of Goods and Services* - \$113,378 **favourable** consisting of:
  - \$71,000 **favourable** from the dust control program.
  - \$24,000 **favourable** related to oilfield inspection fees.
  - \$18,000 **favourable** related to other small variances across departments, including water distribution, campgrounds, paid parking, cemeteries, scrap metal sales, tax notification fees, and map sales.
- Sales to Other Governments* - \$1,002 **favourable** consisting of:
  - \$18,000 **favourable** with respect to waste transfer site agreements.
  - \$17,000 **unfavourable** related to protective services and water management contracts.



- vi. *Rental Income* - \$173 **favourable** related to updated rental agreements.
- vii. *Penalties and Fines* - \$14,246 **favourable** primarily related to penalties on property taxes.
- viii. *Property Taxes* - \$3,171 **favourable** related to assessment adjustments.
- ix. *Special Taxes and Frontage* - \$43,510 **favourable** primarily relating to riser fees received, which are not included in the approved budget due to their unpredictability and for which the revenues are recommended to be contributed to the water reserve in *Motion #1* of this report.
- x. *Return on Investments* - \$2,947,956 **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. *Motion #1* includes recommendations to contribute the additional revenues generated from July 1 to December 31, 2024, to various reserves.
- xi. *Transfer from Reserves* - \$152,225 **favourable** relates to:
  - \$100,000 reserve draw approved through Council motion 325/23 and 238/24 related to a contribution to the Acme Alumni Association for which there is an offsetting unfavourable expenditure variance under *Transfers to Individuals and Organizations*.
  - \$52,225 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*.
- xii. *Capital Equipment Plan Sales* - \$902,131 **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. *Motion #1* includes the recommendation to contribute the additional revenues generated from July 1 to December 31, 2024, to the Capital Equipment Plan reserve.

Expense Summary \$1,485,796 **unfavourable** forecasted to the end of the year

The driving factors of the unfavourable expenditure variance are:

- i. *Contract Goods and Services* - \$395,784 **favourable**. This variance has several contributing factors, including:
  - \$85,000 **favourable** related to advertising and PR.
  - \$78,000 **favourable** related to training, conferences, and memberships.
  - \$50,000 **favourable** for major maintenance.
  - \$47,000 **favourable** related to professional contracted services.
  - \$42,000 **favourable** related to public land mowing.
  - \$38,000 **favourable** related to contracted building maintenance.
  - \$22,000 **favourable** for IT contracts.
  - \$15,000 **favourable** for land care programming.
  - \$15,000 **favourable** for fire department supplies.
  - \$12,000 **favourable** related to waste collection.
  - \$11,000 **favourable** for equipment rentals.
  - \$10,000 **favourable** for grounds maintenance.
  - \$10,000 **favourable** for insurance.
  - \$24,000 **favourable** related to small variances across all departments.
  - \$55,000 **unfavourable** in contracted equipment and maintenance repairs.
  - \$9,000 **unfavourable** related to urban garbage site expenses.



- ii. *Materials, Goods, Supplies, and Utilities* - \$469,753 **favourable**. This variance has several contributing factors, including:
- \$210,000 **favourable** in steel supplies; this variance primarily relates to supplies purchased during the year, which were held in inventory at year-end, which reduced the expenditure recorded in 2024.
  - \$88,000 **favourable** in shop supplies.
  - \$86,000 **favourable** for fuel.
  - \$52,000 **favourable** for weed control chemicals.
  - \$48,000 **favourable** for road maintenance supplies.
  - \$30,000 **favourable** for utilities.
  - \$20,000 **favourable** for dust control materials.
  - \$33,000 **favourable** related to small variances across all departments.
  - \$63,000 **unfavourable** for water for resale.
  - \$35,000 **unfavourable** related to utility department supplies.
- iii. *Salaries and Wages* - \$105,845 **unfavourable** which reflects the implementation of the 50<sup>th</sup> percentile market adjustment as well as expenditures related to employee turnover.
- iv. *Provision for Allowances* - \$27,413 **favourable** represents uncollectable taxes written off during the year.
- v. *Purchases from Other Governments* - \$878 **favourable** includes:
- \$39,000 **favourable** variance related to the policing payment paid to the province.
  - \$38,000 **unfavourable** related to the Drumheller Waste Commission payment.
- vi. *Transfer to Other Governments* - \$34,400 **favourable** relates to contingency funding not utilized.
- vii. *Transfer to Individuals and Organizations* - \$94,345 **unfavourable** includes:
- \$71,000 **unfavourable** related to fire department transfers, of which \$52,225 relates to repairs to a Trochu fire unit, which have been funded through reserves as per Council motion 387/23.
  - \$23,000 **unfavourable** related to grant programs; included in this amount is the \$100,000 payment to the Acme Alumni Association, leaving core grant programs with a \$77,000 favourable variance.
- viii. *Transfer to Local Boards and Agencies* - \$2,058 **unfavourable** relates to payments to FCSS and the Marigold Library system.
- ix. *Contributions to Reserves* - \$2,246,116 **unfavourable** represents reserve contributions 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.
  - \$111,000 **unfavourable** for insurance proceeds on the plow truck which was replaced in 2024.
  - \$6,000 **unfavourable** related to transfers to the Municipal reserve related to the planning department.
- x. *Gravel (Inventory) Projects* - \$34,340 **favourable** relates to gravel crushing costs.

#### **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* – \$100,000 **favourable** relates to the draw from reserves to fund the payment to the Acme Alumni Association.
- *Expenses* – \$41,130 **unfavourable** relates to the payment to the Acme Alumni Association, unfavourable variance in Council salaries, and which are partially offset by cost savings in contracted services and grant programming.

Corporate Items

- *Revenues* - \$3,902,680 **favourable** primarily relates to higher than budgeted investment returns and the sale of capital equipment.
- *Expenses* - \$2,159,093 **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* - \$20,049 **favourable** relates to savings in contracted services and general supplies.

Corporate Services

- *Revenues* – N/A
- *Expenses* - \$60,955 **unfavourable** includes favourable variances in contracted services and material costs and an unfavourable variance in salaries; the unfavourable salaries component relates to market adjustment implementation.

Transportation

- *Revenues* - \$186,419 **favourable** relates to higher than budgeted dust control, and water access agreement revenues.
- *Expenses* - \$519,386 **favourable** includes an unfavourable variance in contracted services offset by favourable variances in materials and supplies, and salaries.

Environmental Services

- *Revenues* - \$48,317 **favourable** relates to water connection fees and waste collection agreements.
- *Expenses* - \$133,493 **unfavourable** includes favourable variances in contracted services, offset by unfavourable variances for salaries, supplies, and water for resale.

Facilities

- *Revenues* – N/A
- *Expenses* - \$33,719 **favourable** relates to contracted services.

Enforcement

- *Revenues* - \$23,957 **unfavourable** relating to fines and callout services.
- *Expenses* - \$154,625 **favourable** primarily relates to salaries and wages due to vacancies and favourable variances in contract services, materials, and supplies.

Fire

- *Revenues* - \$49,709 **favourable** primarily relates to the reserve draw approved by Council to fund repairs to a Trochu fire unit.
- *Expenses* - \$44,951 **unfavourable** primarily relates to repairs on the Trochu fire unit funded through a reserve draw.



Disaster

- *Revenues* - N/A
- *Expenses* - \$10,294 **favourable** relates to materials and supplies, as well as contracted services.

Planning

- *Revenues* - \$18,125 **favourable** relates to licenses and permits.
- *Expenses* - \$25,998 **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* - \$5,820 **unfavourable** relates to extension program revenues.
- *Expenses* - \$157,672 **favourable** includes favourable variances in contracted services, materials, and salaries.

Parks

- *Revenues* - \$3,592 **favourable** relating to campground and park fees.
- *Expenses* - \$37,088 **favourable** relates to contracted services, materials, and salaries.

Cemetery

- *Revenues* - \$2,500 **favourable** relates to plot sales.
- *Expenses* - \$15,574 **favourable** includes seasonal wages and contracted services.

Economic Development

- *Revenues* – N/A
- *Expenses* - \$20,579 **unfavourable** primarily relates to salaries and wages due to the addition of an unbudgeted position by Council motion, favourable variances in advertising and professional fees partially offset the unfavourable variance in salaries.

**Operating Project Summary (Appendix C)**

The County undertook 17 operating projects in 2024. Appendix C details each project's specific details, including budget, funding source, expenditures, year-end variance, year-end status, carry-forward amount, start date, end date, and project status comments.

Of the 17 operating projects included within the 2024 budget:

- Eight (8) were completed during the year, two of which were completed slightly over budget. *Motion #2* requests additional funding to be drawn from the Contingency reserve to fund the difference.
- One (1) was cancelled as the project was completed with internal staffing resources.
- Six (6) are being requested to be carried forward with the existing budget remaining.
- Two (2) are being requested to be carried forward with additional funding allocated to support ongoing initiatives in line with their original intent.

*Motion #3* references the request to carry forward the 8 identified operating projects into 2025 for completion and provide additional funding for the 2 operating projects identified.





### **Capital Project Summary (Appendix D)**

The County undertook 27 capital projects in 2024. Appendix D details each project's specific details, including budget, funding source, expenditures, year-end variance, year-end status, carry-forward amount, start date, end date, and project status comments.

Of the 27 capital projects included within the 2024 budget:

- Thirteen (13) were completed during the year, three of which were over budget. *Motion #3* requests additional funding to be drawn from the appropriate reserves to fund the difference.
- One (1) was cancelled pending further information from a study being completed in 2025.
- Thirteen (13) are being requested to be carried forward with the existing available budget or a reduced budget.

*Motion #4* references the request to carry forward the 13 identified capital projects for completion in 2025.

### **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 December 31, 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.

The unaudited reserve balance as of December 31, 2023, is \$70,612,073. This balance does not account for the recommended allocations to reserves as per *Appendix G*, draws related to carryforward projects, nor contributions and draws related to the 2025 Budget.

The unaudited 2025 opening reserve balance, when considering recommendations included in *Appendix G* and carry-forward projects, is \$69,921,622.

The unaudited 2025 available reserve balance, when considering recommendations included in *Appendix G*, carry-forward projects, and all 2025 Budget contributions and draws, is \$67,337,840.

### **Operating Budget Results – Recommended Reserve Contributions (Appendix G)**

The operating budget summary as detailed in *Appendix A* reflects an unadjusted surplus of \$2,795,769. The purpose of this section, and *Appendix G* of this report, is to provide Council with a summary of recommendations to manage surplus funds.

The recommendations proposed for Council consideration are structured to support the organization's long-term sustainability, support the Reserve Strategy initiated in 2023, and set the framework for adequate funding to support the Council's strategic priorities.

The recommended **Reserve Contributions** referenced in *Appendix G* include the following:



## Related to Specific Unbudgeted Variances

- *Return on Investments* to recommend the remaining surplus of \$1,252,319 generated by high prime interest rates be contributed to:
  - \$500,000 to the Infrastructure reserve.
  - \$500,000 to the Capital Equipment Plan reserve.
  - \$252,319 to the Building Capital replacement reserve.
- *Capital Equipment Plan Sales* to recommend the surplus of \$357,864 generated by the sale of capital equipment to be contributed back into the Capital Equipment Plan reserve to fund future capital purchases.
- *Special Taxes and Frontage* which recommends the \$37,892 generated by water connections be contributed to the Water reserve to fund future water infrastructure requirements.

## To Fund Increases in Carry-Forward Project Budgets

- *Strategic Initiatives* this operating project is intended to provide funding to implement the goals outlined in Council's Strategic Plan. The top-up funding of \$69,873 will provide continued opportunities to forward Council's goals for 2025.
- *Corporate Initiatives* this operating project is intended to provide funding to implement programming and process changes from an administrative perspective that also align with Council's Strategic Plan and opportunities to create efficiencies and capacity. The top-up funding of \$12,706 will provide for opportunities to progress various initiatives.

## Related to the Remaining Surplus

- *To fund 2025 budget balancing draw* during the 2025 Budget deliberations Council opted to draw \$277,650 from the Revenue Stabilization reserve to balance the budget. This contribution is intended to fund that draw from the 2024 surplus.
- To contribute the following amounts to various reserves:
  - \$250,000 to the Parks reserve.
  - \$250,000 to the Water reserve.
  - \$250,000 to the Bridges reserve.

After considering the recommended reserve contributions, the adjusted surplus is \$37,465.

## **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:	
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## **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)
- Surplus Recommendations (Appendix G)

### 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 approves reserve contributions of \$2,758,304 as detailed in Appendix G.
2. That Council approves a draw of \$2,057 from the Contingency Reserve to fund over-budget Operating Projects as detailed in Appendix C.
3. That Council approves \$708,514 of Operating Project carryforwards, including funding sources, as detailed in Appendix C.
4. That Council approves a draw of \$16,432 from the Building Capital Replacement Reserve and \$14,676 from the Roads Reserve to fund over-budget Capital Projects as detailed in Appendix D.
5. That Council approves \$4,358,753 of Capital Project carryforwards, including funding sources, as detailed in Appendix D.

### FOLLOW-UP ACTIONS:

Administration will Input reserve transfers into the accounting software and update necessary audit working papers resulting from motions made.

### APPROVAL(S):

Mike Haugen, Chief Administrative Officer

Approved- ☒

