

## ADMINISTRATIVE REPORT

<b>TO:</b> Shane Bourke, City Manager	<b>DATE:</b> November 12, 2024
<b>FROM:</b> Danielle Whiteway, Chief Financial Officer	<b>MEETING:</b> Financial & Administrative Services Committee
<b>REPORT WRITER:</b> Shauna Hanson, Manager Accounting	
<b>SUBJECT:</b> 2024 Q3 Financial Report	

### RECOMMENDATIONS

The Financial & Administrative Services Committee recommends Council receives the unaudited financial statements and supporting information for the period ending September 30, 2024 for information.

### PREVIOUS COUNCIL / COMMITTEE DIRECTIONS

There are no previous Council or Committee directions.

### BACKGROUND

The purpose of this report is to present the unaudited financial statements and supporting information for the period ending September 30, 2024.

### ANALYSIS

The following describes significant line items, as outlined in Appendix 1.

Statement of Financial Position (Appendix 1 – Page 3)

The statement of financial position presents the City’s financial and non-financial assets, as well as financial liabilities as of September 30, 2024.

*Financial Assets*

Total financial assets of the City as of September 30, 2024 are \$361M. Total financial assets as of the same time in the prior year were \$355M. The slight increase from prior year relates to an increase in the Investment in Aquatera, offset by a decrease in cash, accounts receivable and taxes receivable.

The decrease in cash on hand is largely the result of utilizing reserves as a funding source for operational expenditures. The decrease in taxes receivable compared to prior year is largely due to more residents enrolling in TIPPS in the first half of the year compared to starting TIPPS after the September tax deadline.

### *Financial Liabilities*

Total financial liabilities of the City as of September 30, 2024 were \$227M, a decrease of \$10M from the same period in the prior year. The decrease in financial liabilities is the result of lower deferred revenue and regular repayment on long-term debt.

The decline in deferred revenue at September 30, 2024 compared to prior year is due to a decrease in capital grant funding that is carrying forward each year. The smaller grant allocations from the Provincial and Federal government are being utilized fully in the first year and prior year allocations are being fully utilized in any new grant applications.

### *Net-Financial Assets*

As of September 30, 2024, the City is in a net financial asset position of \$134M, indicating that the City has sufficient financial assets to settle existing liabilities and support future operations.

### *Non-Financial Assets*

As of September 30, 2024, non-financial assets, which consist of assets not easily transferable to cash, are \$713M. The most significant item included in non-financial assets is tangible capital assets with a value of \$712M. Non-financial assets represent the value the City has invested in physical assets such as infrastructure, equipment, and vehicles, as well as prepaid expenses and inventory, that will be utilized in providing services to residents.

Overall, the City has a total accumulated surplus of \$847M that will be utilized to support current year and future services. An accumulated surplus position indicates that the City has net resources available to provide future services, consisting of both cash and non-cash components. The distribution of funds within the accumulated surplus is included on Page 10 of the Appendix, which provides the allocation of funds between restricted reserves and equity in both investments and tangible capital assets.

### Statement of Operations (Appendix 1 – Pages 4-5)

The statement of operations reports on the revenues, expenses, and results as of September 30, 2024. It details the transactions impacting the City's accumulated surplus from the beginning of the year to the end of the reporting period. It differs from the City's annual operating budget as it includes non-cash items such as amortization and contributed tangible capital assets.

The City's total revenue collected as of September 30, 2024 are \$171M, this is a increased of \$4M from the same period in the prior year. The increase in net municipal taxes of \$6M is reflective of the 3.97% property tax increase approved by Council. Interest and investment income has increased by approximately \$2M when compared to prior year, the timing of increases in investment income is based on the timing of transactions within our portfolio and may not follow an equal distribution each month. The increases in net municipal taxes and interest and investment income are offsetting reductions in court fines, user fees and sales of goods, and fines, rentals, licenses and permits.

The City's total expenditures to September 30, 2024 are \$152M, a increase of \$4M from September 30 of the prior year. Increases in expenditures are due to increases in salary, wages and benefits due to contractual cost of living adjustments and the onboarding of GPPS employees.

As of September 30, 2024, the City is experiencing in a surplus of \$19M. The inclusion of the 2024 property tax revenue results in a significant portion of the City's annual revenue being recognized at June 30, 2024. Where as, expenditures are recorded on a more consistent basis throughout the fiscal year and are included in the unaudited financial statements as they are incurred. The current surplus will continue to decrease as the year progresses.

### Operating Variances (Appendix 1 – Pages 6-7)

A budget is a financial plan designed to articulate Council's strategic priorities and contains a significant number of assumptions. Once approved, the budget remains a relatively static document that becomes a guide for Management and provides a tool for financial analysis.

Operating variances result from differences between the approved budget and actual financial results. Internal and external factors influence operating variances and include, but are not limited to, population growth, operating efficiencies, economic conditions, availability of resources, weather conditions, and unforeseen conditions.

Management is responsible to actively monitor and manage the overall operating results to ensure that service delivery is maintained at acceptable levels and that operational costs are contained within available resources.

For the reporting period ending September 30, 2024, the City is projecting a surplus from budget of \$3.4M. This equates to 1.6% of the total City operating budget (\$207.6M).

Department surpluses are being forecasted due to new funding opportunities, lower operational costs due to milder winter weather in 2024, increased membership sales and anticipated savings in IT related software and hardware costs.

These surpluses are offsetting a shortfall in court fine revenues due to provincial restrictions, partially offset by savings on the related enforcement contract expenses which are contingent on the revenues generated; as well as lower than expected Cedar Point tenant revenues due to previous construction delays and vacancy rates trending higher than anticipated.

Included within managements budget, being proposed for the 2025 operating fiscal year, is a recommendation to implement the Integrated Emergency Coordination Centre with \$1.9M of funding to be allocated from reserves. \$700K of this reserve funding would be allocated from the 2024 operational surplus forecasted at \$3.4M.

### Salary Variances (Appendix 1 – Page 8)

For the period ending September 30, 2024, the City had an overall cost of wages and benefits that was \$2M lower than budget. The City is expected to achieve a salary deficit of \$68K by the end of fiscal year 2024. The significant change from the third quarter variance to the year end expected deficit is the result of annual payments to employees that occur in the last quarter of the year.

Budgeted salaries for 2024 have increased over the prior year, as a result of contractual obligations, as well as an increase in budgeted positions which is mostly attributable to positions being added in to the Grande Prairie Police Service to support the ongoing transition.

Administration is expecting to achieve planned managed manpower savings of \$2.5M and be within budget for overall salaries.

### Operating Reserves (Appendix 1 – Page 10)

Reserves are the restricted portion of the City's accumulated surplus and all decisions made with regards to the City's reserves are approved by Council in accordance with Policy 346. Reserves assist in creating a solid financial position for the City and strengthen long-term financial stability, help minimize fluctuations in budget, as well as support capital projects.

As of September 30, 2024, the City has \$106M in reserves.

### Capital (Appendix 1 – Pages 11-13)

At the beginning of 2024, the City had \$50M of capital funds available and assigned to approved projects. Capital projects are prefunded in accordance with the approved capital plan. As capital projects progress, spending will reduce the balance of capital funds available.

As of September 30, 2024, there is \$79M in active capital projects, approximately \$15M of capital projects are funded from grants, with the remainder being funding through capital tax, reserves, and debt.

### Long Term Debt (Appendix 1 – Page 14)

Balance of outstanding long-term debt at September 30, 2024, is \$126M.

The City is well within the provincially prescribed debt limit at the end of 2023, with \$96M remaining (at Council's 80% of provincially prescribed limit policy applied). The City continues to maintain a reasonable debt level and has a sustainable repayment schedule in place.

### Procurement Activity (Appendix 1 – Page 15)

During the third quarter of 2024, there were four tenders awarded above the \$250K threshold.

### **Relationship to City Council's Areas of Focus / Strategic Priorities**

Aligns long-term strategy and financial decisions through a budgeting process focused on priorities and sustainable financial health.

Enables and enhances trust, transparency and adaptability by ensuring accountability, integrity, efficiency, best practices and innovation in all operations.

### **Environmental Impact**

There are no environmental impacts associated with this report.

### **Economic Impact**

There are no relevant economic impacts associated with this report.

### **Social Impact**

There are no social impacts associated with this report.

### **Relevant Statutes / Master Plans / City Documents**

Section 153(d) of the Municipal Government Act states that:

*“Councillors have the duty to obtain information about the operation of administration of the municipality from the Chief Administrative Officer or a person designated by the Chief Administrative Officer”*

### **Risk**

This report indicates a reasonably strong and balanced financial position for the City with no significant risks apparent.

### **Alternatives (Optional)**

Committee may request further information from Management.

## **STAKEHOLDER ENGAGEMENT**

The Appendix included with this report will be posted on the City's website.

## **BUDGET / FINANCIAL IMPLICATIONS**

For the period ending September 30, 2024, the City is expecting a surplus from budget of \$3.4M. This equates to approximately 1.6% of the total City operating budget (\$207.6M).

Operating variances have been reported in Appendix 1, pages 3-4.

## **SUMMARY / CONCLUSION**

The City is currently anticipating a surplus of approximately \$3.4M at year end.

The City maintains a net financial asset position and accumulated surplus, indicating that there are sufficient resources to support future services. The City is also well within provincially prescribed debt and debt servicing limits, as required by the MGA, and maintains sufficient reserves to support fiscal prudence.

## **ATTACHMENTS**

Appendix 1 – 2024 Q3 Financial Report