



COMMUNITY & CORPORATE SERVICES – AGENDA REPORT

Meeting Date: 26 November 2024

Subject: 2024 Third Quarter Financial Update

Directorate: Corporate Services and CFO

Issue:

The Community and Corporate Services Standing Committee is being provided with the 2024 Third Quarter Financial Update for information.

Policy / Council Direction:

As per the Council Budget Policy, quarterly budget updates and variance analysis will be prepared and presented.

Background:

SUMMARY

The 2024 third quarter results are projecting a surplus of \$1.7MM. As municipal governments must balance their budget (meaning that the City cannot enter a deficit position), it is common to present a surplus. The Q3 2024 surplus is trending very close to the approved budget, representing a 0.78% variance from the 2024 Council amended budget of \$212.9MM.

The City continues to see strong growth through the third quarter with growth-related revenues, such as building permit fees and increased transit ridership, projecting surpluses.

Since Q2 2024, the Bank of Canada has further reduced the overnight rate by 0.75% (0.25% reduction in September and 0.5% reduction in October). This change in monetary policy resulted in a 2.1% year-over-year increase in inflation for September for the Calgary Census Metropolitan Area, down from the previously reported 3.6% in the second quarter.

At the end of August and through September, Airdrie enacted a second round of Level 4 water restrictions while Calgary continued work on critical repairs to the Bearspaw feeder main. Airdronians yet again demonstrated their water conservation efforts and achieved a 28% decrease in consumption, beating the 25% reduction target.

SECTION A: OPERATING FUND

Building permit revenues are projecting to be \$649K overbudget due to higher development activity than anticipated. Transit ridership is also projecting to be \$194K overbudget due to higher ridership trends from ever increasing ridership.

As disclosed in previous quarters, Airdrie received \$979K from the Local Government Fiscal Framework (LGFF) operating grant. Administration had not anticipated receiving an operating grant from LGFF during budget preparation, further increasing the projected surplus at yearend. In Q2, the City also received \$1.0MM from Fortis rebates for the years 2020 to 2023, which was received after AUC proceedings between the Developers and Fortis were resolved.

The amount of the Housing Accelerator Fund (HAF) grant revenue needed for 2024 is projecting to be underbudget as HAF-related staffing positions were hired midway through the year. This has no impact to the surplus as the projected decrease in revenue offsets an equal decrease in staffing expenses.

The impacts of the water restrictions both in Q2 and Q3 can be seen in the projections this quarter. Revenues in the aquatics area at Genesis Place are projecting to be \$107K underbudget. This is offset by growth in other areas, such as day camp registrations and pass sales (\$85K collectively). Additionally, Parks use of water is projecting \$183K underbudget as a result of significantly reduced use of potable water during the outdoor water restrictions.

The projected surplus is further offset by an anticipated spike of \$354K in the premium rates set by the Workers Compensation Board (WCB), increased use of the employee health benefit plan of \$120K, \$273K of required overtime, \$210K in Firefighter gear including fire-damaged gear replacement and \$294K in increased power costs due to higher delivery charges than anticipated.

Attachment #1 shows the operating budget variances by category to September 30, 2024. This combines both the operating and utility funds to show the variance behind the surplus of \$1.7MM.

Corporate Contingency (Unbudgeted Expenditures)

As of September 30, 2024, the full balance of \$226K has been drawn from the corporate contingency, with \$0 remaining in the fund.

UTILITY OPERATIONS

Sale of water meters and utility connection fee revenues are projecting increases of \$326K and \$632K, respectively, due to higher development activity than anticipated.

The biggest impact to utility operations noted in the projections this quarter is the impact of the Calgary water main break and related water restrictions. Decrease in use at City Buildings accounted for \$165K projected decrease in revenues, while bulk water sales decreased \$109K. Water billings remained consistent with the budget as increased revenues from higher

growth was offset by a decrease in use of water by citizens during the water restrictions. Conversely, sewer billings are projecting to be \$400K overbudget due to increased growth and are not as strongly impacted by the outdoor water restrictions since irrigation accounts are not charged sewer fees.

Further projected savings of \$422K can also be noted in waste and recycling as a result of contract savings.

As per the Fiscal Sustainability Framework, utility operations are self-supported with any surplus maintained within the Utility Fund. A surplus in utility operations does not contribute to the tax supported surplus. As of Q3 2024, a surplus of \$2.1MM is projected and expected to be added to utility reserves.

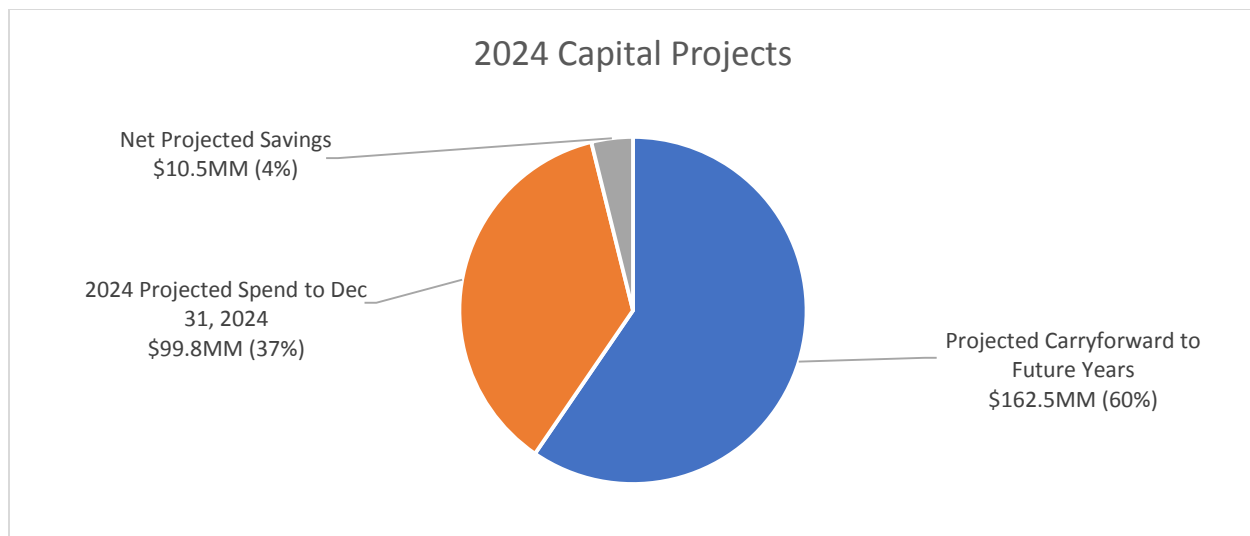
SECTION B: CAPITAL BUDGET

The total capital budget for 2024 is \$272.8MM which includes carry forward projects from prior years and budget amendments in 2024. The original 2024 budget was approved at \$131.6MM and carry forwards amounted to \$126.4MM. Actual funds spent are \$45.1MM at September 30, 2024. The Q3 capital budget variance report is attached for your information (Attachment #2).

\$14.8MM worth of capital budget amendments have been completed as of September 30, 2024, with Council and Administrative endorsements as seen in Attachment #3.

	Actual YTD (September 30, 2024)	2024 Approved Budget
Major Projects	\$ 30,465,394	\$ 203,478,117
Minor Projects	8,595,578	56,567,041
Lifecycle/Other Projects	6,057,837	12,780,536
Total	\$ 45,118,809	\$ 272,825,694

The graph below illustrates the projected capital spend for 2024 will be approximately \$99.8M of the \$272.8MM adjusted capital budget, leaving \$162MM projected to be carried-forward to future years and \$10.5MM in potential savings (this is subject to change as we await final invoices and warranties on substantially complete projects). The \$162MM in projected carry-forward projects mainly comprised of the Highland Park Fire Station, Land acquisition, South West Regional Recreation Centre, Multi-Use Facility and Library, Ron Ebbesen Arena, 40 Ave-Southwinds Blvd to Cobblestone Blvd, 40 Ave-Highview Gate to 800m East, Highland Park Reservoir Upgrade, Wastewater Gravity Trunk-SE Airdrie, and South Regional Lift Station (please note many of these are multi-year projects).



A detailed report highlighting all ongoing major capital projects is also being brought forward to the Community Infrastructure and Strategic Growth Committee following this meeting.

SECTION C: RESERVES

The projected balance in the Reserves at the end of 2024 will be \$158MM.

As per the Reserves policy and procedures, the City recognizes the need for setting aside funds for emergent financial needs and the replacement of existing equipment, facilities, and future projects. The expected reserve balances at year-end are as follows:

	Opening Balance	2024 Projected Yearend Balance
Operating	\$ 57,617,737	\$ 58,596,907
Capital (\$3.8MM restricted)	46,572,231	29,971,324
Offsite (restricted)	66,947,288	45,749,359
Utilities	33,420,779	23,494,980
Total	\$ 204,558,035	\$ 157,812,570

Contained in the total \$158MM reserves, \$50MM is externally restricted in nature. This is made up of Offsite reserves as well as some smaller reserves within Capital. Staff continue to work on the fiscal strategy to build capital reserves to levels appropriate to lifecycle the City's asset base. A detailed listing of each reserve category can be found in Attachment #4.

SECTION D: DEBT

The City of Airdrie adheres to the debt limit prescribed by the Province and as detailed in the City's Debt Management Policy. The City will have \$59 million debt outstanding at the end of 2024, leaving room within the municipal and internal debt limits to manage future infrastructure needs. Projected percentage of debt utilized by yearend is 18%.

	Opening Balance	2024 Projected Yearend Balance
Tax Supported Debt, including Loan Payable	\$ 27,930,900	\$ 25,340,814
Offsite Levy Supported Debt	37,594,186	33,685,267
Total	\$ 65,525,086	\$ 59,026,081

A detailed listing of all ongoing debt-borrowing capital projects as well as debentures that will be paid off in the next five years are listed in Attachment #5.

Administration Recommendation:

That the Community and Corporate Services Standing Committee accepts the 2024 Third Quarter Financial Update for information.

Alternatives/Implications:

There are no alternatives to Administration's recommendation.

Budget Implications:

As of Q3 2024, a surplus of \$1.7MM is expected at yearend.

Communications and Engagement:

The 2024 Third Quarter Financial Update will be posted to the City website.

Recommendation:

That the Community and Corporate Services Standing Committee accepts the report entitled "2024 Third Quarter Financial Update" for information.

Holly Arruda
Acting Team Leader, Budget and Financial Planning

Staff Presenter:	Holly Arruda
External Presenter:	There is no external presenter
Department:	Budget and Financial Planning
Reviewed by:	Shannon Schindeler
Attachments:	#1: Q3 Operating Variance Report #2: Q3 Capital Variance Report #3: Q3 Budget Amendments Summary #4: Q3 Statement of Reserves #5: Q3 Long-Term Debt