



## **COUNCIL – AGENDA REPORT**

**Meeting Date:** 18 March 2025  
**Subject:** 2024 Preliminary Fourth Quarter Financial Update  
**Directorate:** Corporate Services and CFO

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### **Issue:**

Council is being provided with the 2024 Preliminary Fourth Quarter Financial Update for information and is being asked to endorse the yearend operating surplus split.

### **Policy / Council Direction:**

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

### **Background:**

#### **SUMMARY**

Airdrie continues to be one of the fastest growing cities in Alberta, with extraordinary permit revenue reflected through 2024 and additional property tax revenue received due to this growth. Throughout 2024, the City saw high ridership in Transit and favourable market conditions resulting in interest income on our investments exceeding the budget.

The 2024 fourth quarter preliminary surplus is \$5.8MM (2.7% of the 2024 Council amended budget of \$213.6MM). To note, third quarter projected a surplus of \$1.7MM; this change from Q3 is mainly due to investments that were called early by the bank in the fourth quarter that were not due to mature until future years. This income was not budgeted and could not be projected as it is heavily dependent on market conditions. Typically, Administration would have moved this extraordinary income to the tax stabilization reserve as per the Administrative Reserves Policy. However, staff is recommending Council put this to the General Capital Reserve, as discussed in the recommendation below.

City auditors began the 2024 financial audit on February 24, 2025. The audit is well underway with results expected to come forward on April 15. Please note that the results presented in this report are preliminary and could change once the auditors have completed their final audit.

## **SECTION A: OPERATING BUDGET**

Attachment #1 shows the operating budget variances by category for the year ended December 31, 2024. This combines both the operating and utility fund to show the variance behind the surplus of \$5.8MM.

### **Revenue**

The following highlights key revenue variances by category:

- Net Property Taxes saw an increase due to supplementary growth revenues
- Sales and User Charges revenue is \$2.2MM overbudget. Utility administration makes up \$1.4MM of the additional revenues as discussed in the Utility Operations section below. The remaining variance comes from increased ridership in Transit.
- The main contributor to the projected surplus falls under Other Revenues and is largely due to investment income, building permit fees and increased usage at City Arenas.
- In 2024, the City received a \$979K Operating Grant from the Local Government Fiscal Framework (LGFF). As disclosed in previous quarters, Administration had not anticipated receiving this operating grant from LGFF during budget preparation.

### **Expenses**

The following highlights key expense variances by category:

- Salaries, Wages and Benefits are \$2.7MM overbudget due to higher WCB premiums, unionized retro payments, and overtime.
- Contracted and General Services came in \$3.8MM underbudget; however, \$3.6MM of this is made up of projects that will be carried forward to 2025. This amount is offset in "Added to Reserves" and does not impact the surplus. Other contributors to the variance in this line item are landfill capping expenses for contaminated sites and the unbudgeted Building Safer Communities grant expense, offset by savings in Transit contracts due to a new provider, savings in City Council due to the lower than anticipated cost of the Elected Officials Compensation and Resourcing Review and savings in Council member expense and training accounts.
- Materials, Goods, Supplies and Utilities is \$760K underbudget with \$360K of this amount relating to operating projects that will be carried forward to 2025. The remaining variance is due to savings in water consumption within the parks department as a result of the water restrictions imposed in 2024 and savings in Utility Operations as discussed below, offset by additional fire gear needed as a result of fire damage.
- Added to Reserves is \$9.1MM overbudget and consists of \$2.3MM in RCMP contract savings, \$1.0MM in streetlight rebates, \$3.4MM in Utility Operations surplus and \$2.4MM in ongoing 2024 operating projects that will be carried forward to the 2025 budget.

## **UTILITY OPERATIONS**

Sale of water meters and utility connection fee revenues were over budget by \$270K and \$580K respectively, due to higher development activity than anticipated.

The biggest impact to Utility Operations is the Calgary water main break and related water restrictions. A decrease in use at City buildings accounted for a \$160K decrease in revenues, which is offset by increased water billings due to growth and a decrease in bulk water sales of \$170K. Conversely, sewer billings came in \$590K overbudget due to increased growth. These billings were not strongly impacted by the outdoor water restrictions since irrigation accounts are not charged sewer fees.

Further projected savings of \$425K can be seen in waste and recycling as a result of contract savings. Less repairs and maintenance were required in 2024 for water underground and stormwater resulting in approximately \$300K of savings. Reducing the surplus is \$420K in losses at the West Lift Station; a claim has been submitted to insurance and the amount of recovery has not yet been determined.

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. At Q4 2024, Utility Operations has a surplus of \$3.4MM, which has been added to the utility reserves.

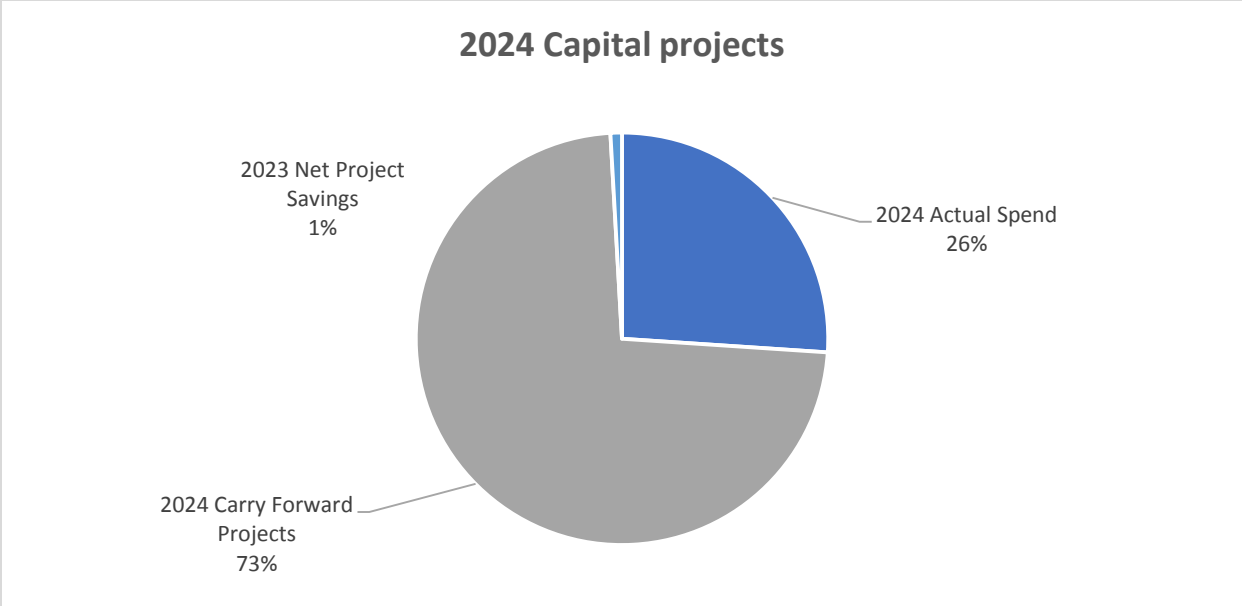
## **SECTION B: CAPITAL BUDGET**

The total Capital Budget for 2024 was \$273.4MM, which includes carry forward projects from prior years and budget amendments from 2024. The original 2024 budget was approved at \$131.6MM with prior year carry forwards amounting to \$127MM. Actual spent funds were \$77.7MM at December 31, 2024. The capital budget projects progress update as of December 31, 2024 is attached for your information (Attachment #2).

\$15.4MM worth of capital budget amendments have been completed as of December 31, 2024, with Council and Administrative endorsements (see Budget Amendments summary in Attachment #3).

	<b>Actual YTD (December 31, 2024)</b>	<b>2024 Approved Budget</b>
Major Projects	\$ 52,974,802	\$ 203,319,887
Minor Projects	14,494,793	56,552,191
Lifecycle/Other Projects	10,213,809	13,505,863
<b>Total</b>	<b>\$ 77,683,404</b>	<b>\$ 273,377,941</b>

Of the remaining \$195.7MM Approved Capital Budget, \$189.1MM will be carried forward to 2025. Major capital projects make up \$148MM of this carry forward amount and include the Financial Enterprise Software, Highland Park Fire Station, Southwest Regional Recreation Centre Design, Public Works Yard Redevelopment, and Inspire, as well as \$37MM in growth related projects. To see a full listing of carry forward projects, please see Attachment #2.



**SECTION C: RESERVES**

As of December 31, 2024 (and taking the preliminary surplus into account) the balance in the Reserves amounts to \$220.4MM.

As per the Reserves Policy and Procedures, the City recognizes the need to set aside funds for emergent financial needs and the replacement of existing equipment, facilities and future projects. Taking into account the surplus split as recommended by Administration, the reserve balances at yearend are as follows:

	Opening Balance	2024 Yearend Balance
Operating (\$1.8MM restricted)	\$ 57,617,737	\$ 65,865,864
Capital (\$7.7MM restricted)	48,670,751	51,713,512
Offsite (restricted)	64,848,769	64,286,896
Utilities	33,420,779	38,523,363
Total	\$ 204,558,035	\$ 220,389,635

Contained in the total \$220.4MM reserves, \$73.8MM 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.

**SURPLUS SPLIT**

The surplus will be confirmed once the auditors have completed all yearend audit work and the finalized statements have been presented. Council is being asked to confirm the desired distribution of the surplus.

Council may request the 2024 operating surplus to be distributed into City reserves in various ways. During the 2025 budget deliberations in November, Council approved \$2.4MM in one-time expenditures. Administration is recommending this be transferred into the General Operating Reserve to be drawn in 2025.

As per the Fiscal Sustainability Framework, the General Operating Reserve is to maintain a minimum level of three months (or 25%) of the approved annual General Tax Supported Budget. This minimum requirement is not being met (it is at 19% rather than 25%); however, Administration believes the General Operating Reserve is at a sufficient level and the Capital Reserves are at a much higher risk. The recommendation is:

- That Council splits the 2024 operating surplus of \$5.8MM as follows:
  - \$2,433,900 to the General Operating Reserve (to be drawn in 2025 to cover one-time expenditures); and
  - \$3,344,209 to the General Capital Reserve.

## **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 had \$59MM debt outstanding at the end of 2024, leaving room within the municipal and internal debt limits to manage future infrastructure needs.

	Opening Balance	2024 Yearend Balance
Tax-Supported Debt	\$ 27,930,900	\$ 25,350,813
Offsite Levy Supported Debt	37,594,008	33,685,267
<b>Total</b>	<b>\$ 65,525,084</b>	<b>\$ 59,036,080</b>

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.

### **Council Committee Routed Through:**

As Administration is requesting that Council endorse the surplus split, the fourth quarter financial update has not been routed through a committee.

### **Administration Recommendation:**

That Council accepts the 2024 Preliminary Fourth Quarter Financial Update for information and allocates the 2024 operating surplus as outlined in the surplus split above.

### **Alternatives/Implications:**

N/A

### **Budget Implications:**

At 2024 year-end there is a preliminary surplus of \$5.8MM.

**Communications and Engagement:**

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

**Recommendation:**

That Council:

1. accepts the 2024 Preliminary Fourth Quarter Financial Update for information; and
2. allocates the 2024 operating surplus of \$5,778,109 as follows:
  - a. \$2,433,900 to the General Operating Reserve (to be drawn in 2025 to cover one-time expenditures); and
  - b. \$3,344,209 to the General Capital Reserve.

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Staff Presenter:	Stephanie Mitchell
External Presenter:	N/A
Department:	Corporate Services and CFO
Reviewed by:	Shannon Schindeler
Attachments:	#1: Q4 Operating Variance Report
	#2: Q4 Capital Variance Report
	#3: Q4 Budget Amendments Summary
	#4: Q4 Statement of Reserves
	#5: Q4 Long-Term Debt