



City of Prince Albert

RPT 2024-207

TITLE: 2023 Operating Yearend – Unaudited Financial Reporting

DATE: July 4, 2024

TO: City Council

PUBLIC: X

INCAMERA:

RECOMMENDATION:

That the report be received as information and filed.

EXECUTIVE SUMMARY:

The following report and related attachments includes detailed information regarding the City's 2023 operating results. The City has shown great improvements in comparison to the 2022 operating results due to a number of factors, including, but not limited to:

- Timely financial reporting. Financial Services has worked and continues to work with each department to ensure they are reviewing and understanding their spending on a more frequent basis.
- Limited spending out of Fiscal Stabilization. In 2022, a number of items amounting to over \$2.0 million were approved to be funded out of Fiscal Stabilization. In 2023, just over \$117,000 was approved for spending out of Fiscal Stabilization.
- Improved budgeting. During the 2023 budget, improvements were made to ensure budgets more accurately reflected actual spending instead of “best case scenario” budgeting. This allowed for limited spending out of Fiscal Stabilization and less overages in areas as the budgets were more accurate.

- While several improvements were made to assist with budgeting, it is important to remember that budgeting continues to be a work in progress. While more budgets were on target, there were still a number of areas that were over budget due to items like equipment failures and increased security costs. Due to other circumstances discussed below, these overages were partially covered by savings in other areas. These savings will not always be available; therefore, it is important to continue to monitor budgeting practices and ensure we are projecting upcoming costs appropriately.
- Unforeseen circumstances. While these circumstances can often negatively impact the City financially, the City incurred a number of items in the year that ultimately reduced costs. For example, 2023 saw a much milder year for snow fall, resulting in a surplus of over \$473,000 which will be used to offset the current deficit of the Snow Reserve. As indicated in RPT 24-14, the City also experienced a labour disruption for approximately 3 months of 2023 which resulted in approximately \$535,000 in savings.
- The City's General Fund produced a deficit of approximately \$246,000 as shown in the attachment titled Reconciliation from Financial Statements to Budgeted Surplus/Deficit. Overall, when all funds are combined, the City produced an operating surplus of approximately \$2,316,391, made up of:
 - General Fund: Deficit \$(246,074)
 - Sanitation Fund: Surplus \$1,068,381
 - Water Utility Fund: Surplus \$1,164,793
 - Land Fund: Surplus \$456,239
 - Airport Fund: Deficit \$(126,948)

A number of factors contributed to the overall surplus/deficit of each fund. The attachments included in this report outline these factors.

BACKGROUND:

City Council, at its meeting on December 12, 2022, approved the 2023 General Fund Budget. The motion approved that \$45,950,360 of Municipal Taxation revenue was necessary to balance the General Fund Budget.

Approved 2023 General Fund Operating and Capital Budget

The 2023 Budget approved included the following:

- Transfer of \$4,910,000 from General Fund Operating to fund the General Fund Capital Spending.
- 2023 Reserve allocations in the amount of \$3,887,170.
- Principle Loan Payments in the amount of \$281,800.
- 2023 Fleet Budget in the amount of \$6,164,400.
- \$200,000 transfer from the Police Services Operating Reserve to The City's General Fund, as approved by the Prince Albert Board of Police Commissioners, to assist with budget shortfalls.

PROPOSED APPROACH AND RATIONALE:

The following provides details of several large individual factors that impacted the City's 2023 operating year. Please see the attachments for a more detailed breakdown.

Capital Financing – Interest Earned

In March of 2023, Council approved that the Capital Financing Request for Proposal No. 9/23 be awarded to the Municipal Financing Corporation of Saskatchewan (MFC) to be payable over a period of 35 years for the creation of debt not payable within the current year in the amount of \$30,000,000 for the construction of the Aquatic and Arenas Recreation Centre.

With this influx of cash to the City's bank account, additional interest revenue of **\$1,214,696** was generated beyond the 2023 budget of \$550,000 – a total of \$1,764,696 in interest was earned.

Additional Grant Funding

The City received additional grant funding in Year 2023 to fund various City initiatives and priorities that were not in the approved General Fund Budget.

City Council on March 27, 2023 approved *“That Administration be authorized to proceed with the proposal for funding through the Building Safer Communities Fund in the amount of \$1,138,482.46, over four (4) fiscal years.”* The amount of \$187,727 is credited for 2023 for Building Safer Communities Grant Funding.

The City also received \$45,600 from the Canada Heritage Grant for EA Rawlinson Centre along with \$30,00 from Canadian Heritage – Canada Arts and Culture Recovery Program (CACRP).

The attached report illustrates the various Operating Grants and Donations received in 2023.

Revenue Impacts

On December 20th, 2022 the Government of Saskatchewan delivered a Funding Agreement to the City of Prince Albert for a total maximum funding of \$415,038 relating to Transit. The maximum funding as provided by the one-time public transit funding program 2022-23 was identified as \$415,083. 50% paid by the provincial government and 50% by the federal government. This funding must be completely expended by March 31, 2024 as per the terms of the Agreement.

The City received the 50% allocation from the Federal Government in Year 2023 in the amount of \$207,519. When Finance Administration inquired into the other 50% funding from the Provincial Government, it was identified their portion of funding was part of the City's Annual Municipal Revenue Sharing. That was not communicated to the City until yearend. The City Manager has held discussions with SUMA and other Municipalities regarding the shortfall of funding from the Province for the Transit Agreements. As such, that leaves a shortfall in funding for 2023 relating to the additional hours of service and new shelters initiated as part of the program.

For 2023, the amount in shortfall of funding equates to:

One-Time Transit Grant Funding - Revenue for 2023	\$120,967
Expenditures for Additional Hours and New Shelters	<u>(\$312,101)</u>
Overage for One-Time Transit Grant Funding Expensed	<u>(\$191,134)</u>

Fiscal Stabilization Funding

Council approved that Administration install a yellow flashing pedestrian signal on the corner of 1st Avenue East and 8th Street, where the City previously removed the controlled signals, to be funded by Fiscal Stabilization. The amount of \$7,849 was expensed in 2023.

The City accepted responsibility for Health and Safety Violation and approved that the fine amount of \$95,000 be funded from the Fiscal Stabilization Fund.

City Council also approved by motion in February of 2023 that the By-Election in the estimated budget amount of \$37,000 be funded from Fiscal Stabilization. The total amount of \$15,148 was expensed in 2023.

The total projects to be funded from Fiscal Stabilization Fund is as follows:

Projects Approved for Funding from Fiscal Stabilization:

Fine for OHS Violation	(\$95,000)
Yellow Flashing Pedestrian Signal	(\$7,849)
Council By-Election	<u>(\$15,148)</u>
	<u>(\$117,997)</u>

Maintenance and Occupational Health and Safety Priorities

There were many maintenance and occupational health and safety priorities that were required in 2023. They included compressor issues, air handling units, pump issues, roof leakages, boiler issues, etc.

There were numerous unexpected repairs to maintain infrastructure of City facilities so they do not go into a further disrepair. The 2023 Budget did not include any contingency or allowance of funding to address unexpected issues and repairs. As such, those specific projects resulted in increased costs exceeding budget as they cannot be predicted at the time of budget preparation.

For 2023, outside legal costs exceeded budget by \$142,445. The overage in legal costs has been consistent year over year as communicated at the outset of 2023 budget deliberations. Instead of having a large increase in one year, Administration has been gradually increasing this budget annually. As the years progress, it is expected that this overage will become less and less. Further, Council approved that the Prince Albert Golf & Curling Centre Legal Fees in the amount of \$57,246 be paid by the City of Prince Albert through the Legal Services Account of the City Solicitor's Functional Area.

CONSULTATIONS:

City Administration has finalized the 2023 year end with the final Audit Report and Audit Opinion.

COMMUNICATION AND/OR ANNOUNCEMENT PLAN:

Financial Services will continue quarterly reporting presented in a similar format to budget documents which provides more granular detail on each division

BUDGET/FINANCIAL IMPLICATIONS:

When all funds are combined, the City produced an operating surplus of approximately \$2,316,391, made up of:

- General Fund: Deficit \$(246,074)
- Sanitation Fund: Surplus \$1,068,381
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PUBLIC NOTICE:

Public Notice pursuant to the Public Notice Bylaw No. 24 of 2015 is not required.

ATTACHMENTS:

1. Reconciliation from Financial Statements to Budgeted Surplus/Deficit.
2. 2023 General Fund Yearend – Unaudited.
3. 2023 Sanitation Fund Yearend – Unaudited.
4. 2023 Airport Fund Yearend – Unaudited.
5. 2023 Water and Sewer Utility Fund Yearend – Unaudited.
6. 2023 Land Fund Yearend – Unaudited.

Written by: Melodie Boulet, Finance Manager

Approved by: Senior Accounting Manager, Director of Financial Services and City Manager