



2023 Unaudited Financial Information

Audit Committee March 6, 2024



Unaudited Report Contents

- **Executive Summary**
- **Section A – Operating Budget Variance Analysis**
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This City of Lethbridge 2023 Financial Information Report is produced by the Finance & Corporate Performance Department in cooperation with all City of Lethbridge departments.

2023 Corporate Surplus

- **Corporate surplus of \$1,225,000 represents 0.61% of corporate budget**
- Property tax, Employee Benefit Accounts, Corporate fuel, Utility Costs
- Corporate surplus transferred to MRSR
- One-time transfer from Corporate Budget Contingency allocated to:
 - \$180,000 to L&RCHC and LHA Affordable Housing
 - \$546,000 of Corporate Budget Contingency carried over to 2024 per Council Resolution

2023 General Fund Department Surplus

2023 Surplus of \$990,000 represents 0.50% of department budgets

Specific General Fund Department Operations Areas:

- **Lethbridge Transit & Accessible Transportation - \$312,000 surplus**
 - Primarily due to increased ridership in 2023 and less than budgeted operating expenditures.
- **Planning and Design - \$426,000 surplus**
 - Primarily due decreased spending in response to decreased revenues in permit, development and licenses

2023 Utility Funded Operations

Electric - \$3,417,000 Surplus

- Surplus represents 3.1% of Electric Budget
- Transfer to Electric reserve in 2024

Waste Collection - \$296,000 Surplus

- Recycling Collection had a positive variance of \$391,000
- Waste Collection had a negative variance of \$(95,000)

Waste Processing - \$47,000 Surplus

- Per the FS6 Debt Management Policy the debenture debt payment surplus of \$850,000 was applied as a down payment to approved Capital Improvement Projects to reduce future debt financing

2023 Utility Funded Operations (Cont'd)

Wastewater – \$318,000 Surplus

- \$500,000 of current year surplus was applied to 2022-2031 CIP Project E-19 WWTP Biosolid Treatment Upgrades
- Per 2023-2026 Operating Budget, established Wastewater Reserve to provide funding for future Wastewater Treatment Plant Expansions
- Requesting approval of the transfer of \$826,000 to the new Wastewater Utility Reserve



2023 Utility Funded Operations (Cont'd)

Water – \$1,517,100 Surplus

- \$800,000 of current year surplus was applied to 2022-2031 CIP Project E-12 Water Treatment Process
- Per 2023-2026 Operating Budget established the new Water Reserve to provide funding for future Water Treatment Plant Expansions
- Requesting approval of the transfer of \$1,174,000 to the new Water Utility Reserve

Reserves

- Reserves increased by \$8.6M in 2023
- Increases include:
 - MRSR increased by \$16.5M
 - MCP increased by \$4.9M
 - Water increased by \$1.2M
 - Wastewater increased by \$0.8M
- Decreases include:
 - Electric decreased by \$9.1M
 - Fleet decreased by \$5.8M
 - Airport decreased by \$0.5M

Reserve (in thousands of dollars)	2023	2022
Acquire Off Street Parking	\$793	\$1,031
Airport	4,742	5,229
Cemeteries	2,428	2,097
Central Business District Land Acquisition	688	687
Community Lighting	3,226	3,004
Electric	7,693	16,791
Fleet Services	17,555	23,403
Insurance	5,040	4,319
Major Capital Projects	16,144	11,204
Mayor Magrath Drive Beautification	120	118
Municipal Reserve Fund	389	378
MRSR	48,567	32,048
Real Estate Holdings	5,883	6,244
Transit Bus	1,043	1,043
Urban Parks	3,333	3,485
Wastewater	826	-
Water	1,174	-
TOTAL Reserves	\$119,646	\$111,081
Total Committed Funds	\$57,892	\$57,732

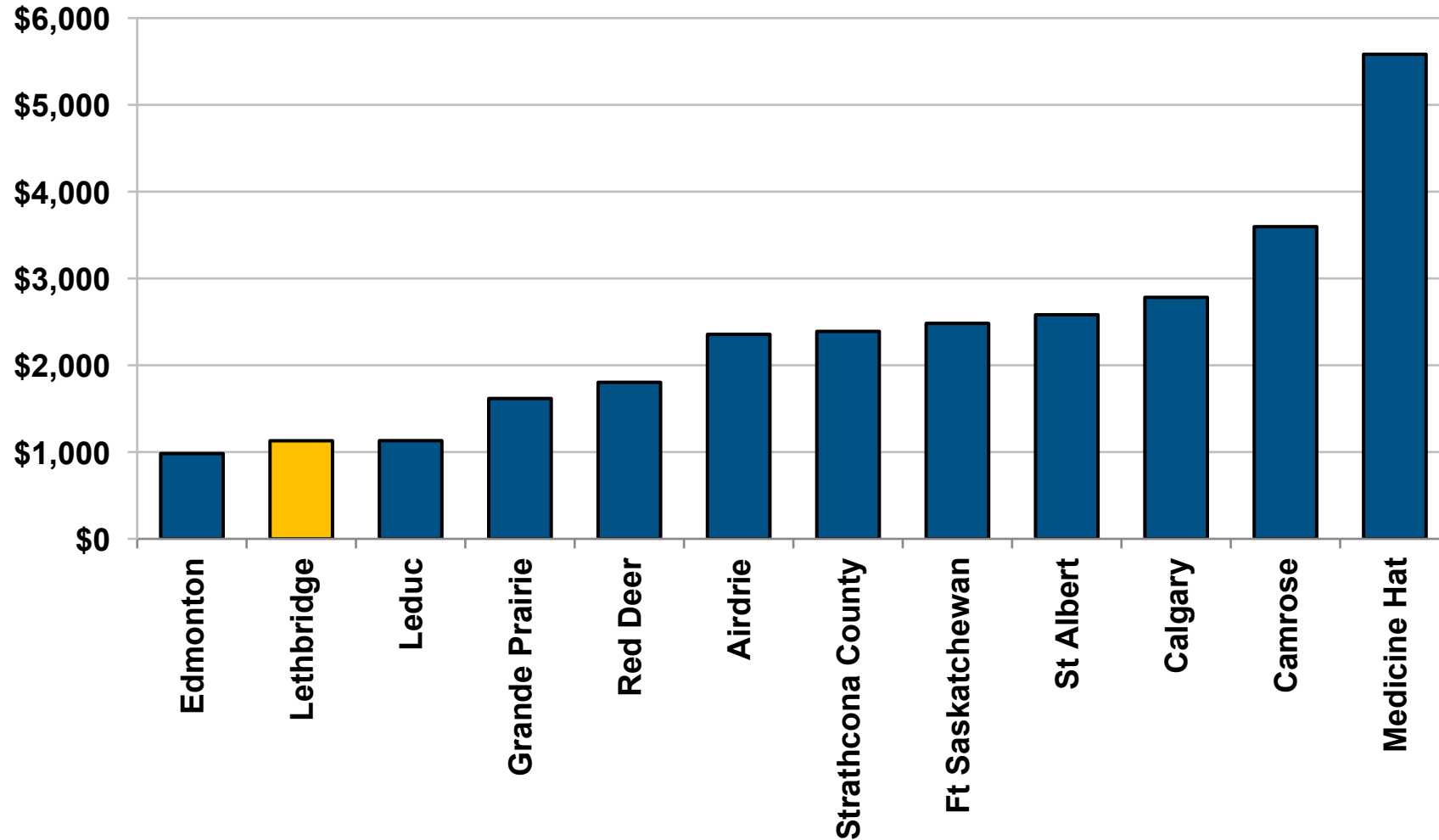
Reserves continued

MRSR

- When other areas of the corporation are experiencing budget constraints, this is usually funded from the MRSR.
- Funding additional items from the MRSR, puts additional pressure on this reserve.
- Does not include 2024-2026 transfers to reserve above budgeted amounts

MRSR forecast for 2024-2026 (in thousands)	
Balance as of December 31, 2023	\$48,567
Additions:	
2023 Corporate Surplus	1,225
Subtotal	\$49,792
Committed & Projected:	
One-time allocations (2019-2022)	\$6,941
One-time allocations (2023-2026)	8,382
Internal Funding Requirements	5,846
Offsites (Estimated – Arterial 2024-2026)	8,280
Subdivision line of credit (Estimated)	3,000
Lethbridge & District Exhibition (2025 & 2026 Estimated deficit)	13,000
Subtotal Projected MRSR balance	\$45,449
TOTAL Projected MRSR balance	\$4,343

2022 Reserves Per Capita



Economic Outlook

- **Increased inflation and interest rates will have an impact on land development within the community.**
 - Major land developers are not planning on new subdivision developments in 2024.
 - Increased costs of inflation and the effect of interest rates on customers as the main reason for slowing development.
 - Developers believe they have sufficient existing lot inventory.
- **Potential impact to City revenues over the 2024-2026 period:**
 - Reduced Offsite Levies revenues to fund existing loan payments
 - Potential reduction in Opportunity Lethbridge Lot Sales impacting land banking and subdivision surplus projects
 - Potential reduction in Development & Building Permits
 - Potential reduction in property tax growth



Offsites - Revised Growth Forecast

	2023	2024	2025	2026-35	2036 - On
Revised Ha	6.5	10	30	35	44
Bylaw Ha	30	30	35	35	44

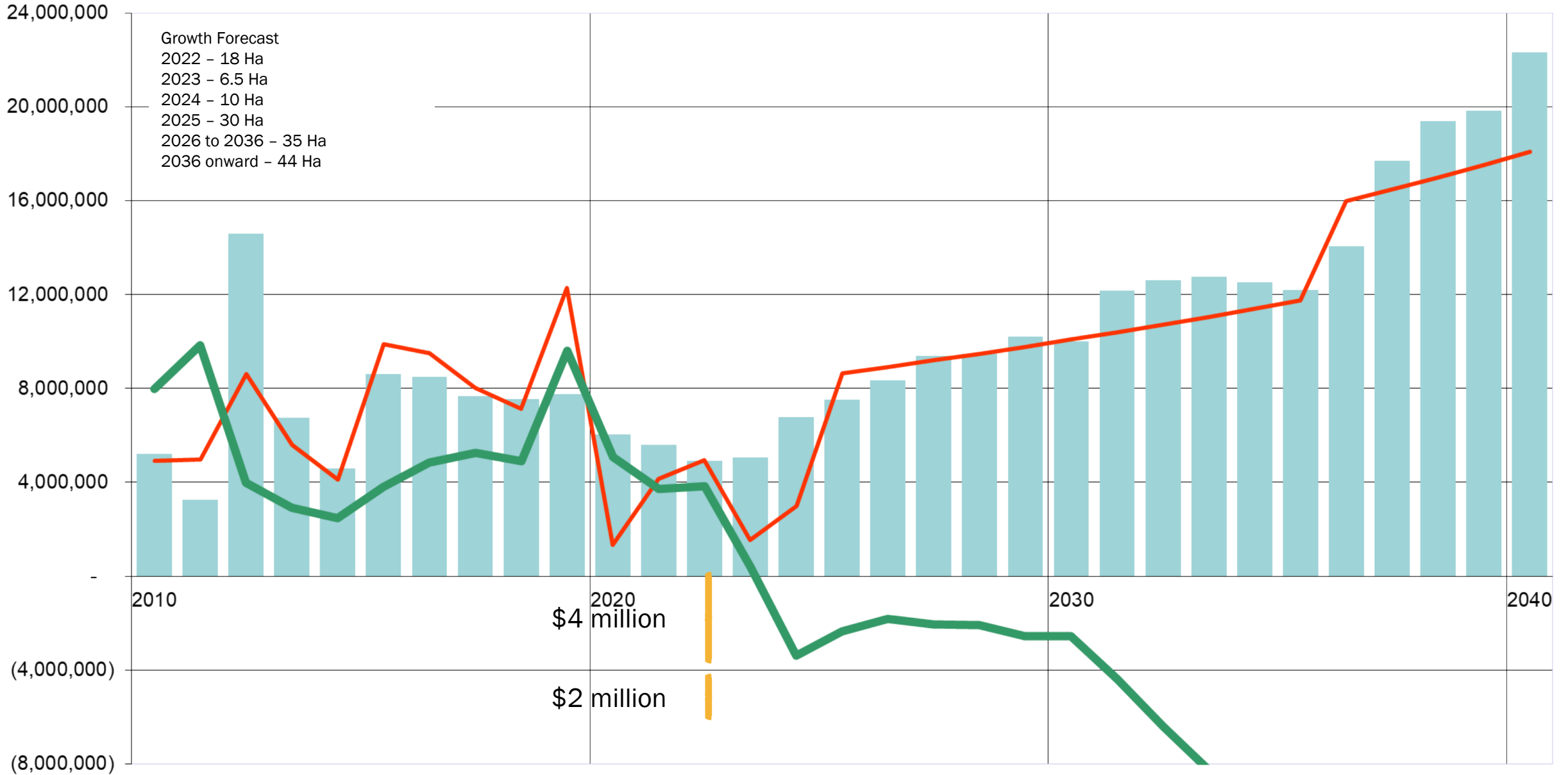
Adjustments

Delay near term projects and forecast expenditures

- CO-2 North Scenic Drive (Uplands Blvd to 40th Ave N) (CIP Schedule: 2024)
- EO-1 West Siphon Screen Relocation (CIP Schedule 2023/24)
- CO-3 Walsh Drive (University to Metis Trail) (Sewer and Arterial) (CIP Schedule 2025/26)



Off-site Levy Cash Flow Forecast



Offsite Account Analysis

Anticipated 2024 Shortfall of \$3-4 Million

- 2023 Year End Balance of \$406,900
- 2024 Debt Payments of \$6.25 Million

Recommended Resolution for funding shortfall

- A line of credit of up to \$2.8 million from the Municipal Revenue Stabilization Reserve to fund the 2024 debt payments for arterial and stormwater projects, to be repaid with future levy collections
- Allocate up to \$1.2 million from the water accumulated surplus and up to \$2.25 million from the wastewater accumulated surplus to fund the 2024 debt payments for utility servicing projects, to be repaid through future levy collections.

Recommended Resolutions

Water Reserve & Funding Transfer

Approval of the creation of the Water Reserve and funding transfer to the reserve of \$1,174,000

Wastewater Reserve & Funding Transfer

Approval of the creation of the Water Reserve and funding transfer to the reserve of \$826,000

Offsites Line of Credit

Approval of a line of credit of up to \$2.8 million from the MRSR, \$1.2 million from the water accumulated surplus and up to \$2.25 million from the wastewater accumulated surplus to fund the 2024 debt payments for offsite funded projects, to be repaid with future levy collections.

Land Purchase Closing Costs

Approval of funding the \$5,000 of closing costs associated with the approved land purchase of SW 16-21-8 W4M from the Real Estate Holding Reserve.

Downtown Clean & Safe Strategy

Approve the re-allocation of the MRSR One Time funding for Downtown Clean and Safe Strategy of \$240,000 to CSD to support spending on community & wellbeing issues that fall outside the scope of external funding eligibility and \$100,000 to support Crime Prevention Through Environmental Design (CPTED) program.



Timelines

- Unaudited Financial Information Package
 - February 22 – Review by ELT
 - March 6 – Audit SPC
 - March 26 – City Council Meeting
- Upcoming Financial Reporting Dates:
 - Annual Report - Year End Timelines
 - KPMG - Audit of City Financial Records (February 26 – March 8)
 - Audit SPC Meeting (Wednesday, April 3)
 - Annual Report to City Council (April 23)
 - Submit Audited Municipal Financial Information Return (MFIR) to Province (April 30)



Questions

