



Legislation Text

File #: AR-24-144, Version: 1

TAMRMS#: B06

8.2

Audited Financial Statements and Year End Annual Report TIME SPECIFIC 1:15 p.m.

Presented by: Bill Fletcher, Chief Administrative Officer

RECOMMENDED MOTION(S)

That the City's 2023 Annual Report, including the audited Consolidated Financial Statements for the fiscal year ended December 31, 2023, be approved.

PURPOSE OF REPORT

The Annual Report includes 2023 operational highlights, progress achieved towards implementing the City of St. Albert Strategic Plan, statistical information, and discussion of the financial statements, as well as the 2023 audited consolidated financial statements.

BACKGROUND AND DISCUSSION

The Annual Report is an important element of the City's communication efforts, providing residents and stakeholders with transparent and quality information on the City's performance. The report highlights the City's major accomplishments, and it presents the City's audited consolidated financial statements, statistics, and management commentary.

Administration continued to deliver over 150 services to the community with some service highlights provided in the report. In addition, great progress was made on advancing, supporting and enabling achievement of priorities outlined in the Council's Strategic Plan.

Below are highlights of the projects completed in 2023 across the five Council priority areas. The 2023 Annual Report contains more information on all other projects.

Economic Prosperity

In 2023, progress was made on advancing this Council priority and completion of several projects including the Green Tape 2.0 initiative, which improved planning and development processes as identified in the Competitive Analysis report recommendations, the Northwest Annexation Area Bridging Document and Investment Attraction Strategy, and great progress was also made on the St. Albert West Area Structure Plan and Land Use Bylaw Update, that are expected to complete in 2024. The Lakeview Business District development options are planned to be presented to Council in 2024.

Downtown Vibrancy

A big win for the downtown was the creation of a Business Improvement Area (BIA). This newly formed BIA held its first annual general meeting in November 2023 and elected five board members. A motion to match BIA funds raised and to explore federal and provincial grants was introduced in the City's 2024 budget to further support this group.

Community Wellbeing

In 2023, the City's grant program was reviewed and adjustments to increase efficiencies were made. The Municipal Naming Policy was revised to guide the naming of municipal assets in a way that reflects the City's heritage and recognizes and commemorates noteworthy persons or organizations associated with the City.

Adapting to a Changing Natural Environment

The Waste Minimization Strategy report was completed and presented to the Standing Council of the Whole (SCOW). Administration is working with 50 projects through the Clean Energy Improvement Program and have 170 approved applications for the Home Energy Efficiency Grant already resulting in 8 rebates totaling \$3,255. The Climate Adaptation Plan (Risk and Vulnerability Assessment) was also completed to assess and benchmark existing internal policies and standards against best practices related to risks and impacts of adverse weather conditions.

Financial Sustainability

Several projects identified in the Operation and Fiscal Review advanced with Intermunicipal Partnerships, the 911 Dispatch Delivery Model Review, and Internal Audit Committee Processes and Practices completed in 2023.

Administration made progress on the Procurement Audit recommendations. To date, 36 procurement processes have been documented and work continues on this implementation project.

2023 Financial Highlights

Administration is pleased to present the 2023 audited consolidated financial statements. The City's auditors, KPMG LLP, have audited these statements and have provided an unqualified opinion.

These financial statements meet the substantive requirements of section 276 of the Municipal Government Act and are consistent with Canadian Generally Accepted Accounting Principles as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

These financial statements represent the consolidated operating and capital activities of the City of St. Albert, the City of St. Albert Public Library, and the Arts and Heritage Foundation of St. Albert.

Administration offers the following high-level financial analysis:

Consolidated Statement of Financial Position

The City's financial position remains strong at \$77 million in net assets, which is equal to the City's financial assets of \$274.2 million less liabilities of \$196.8 million.

The City's financial assets grew slightly from 2022 by \$0.5 million, as a result of an increase in investments by \$15.8 million, an increase of accounts receivable of \$3.4 million and offset by decrease in cash and cash equivalents by \$18.6 million. This is due to an additional \$5 million added to the long-term investment portfolio in the current year.

The increase in accounts receivable is mainly due to the increase in accruals for interest on investments as well as accruals for the Investing in Canada Infrastructure Program (ICIP) and Municipal Climate Change Action Centre (MCCAC) grants. An accrual relates to having received approval for the funds but not actually receiving the funds.

On the other side of the equation, the City's liabilities increased by \$13.9 million from 2022, due largely to timing of payables and the one-time accounting accrual adjustment of employee future benefits. Debt increased by \$9 million relating to North St. Albert Trail (\$4 million) and Villeneuve Road Rebuild (\$5 million) projects.

The City's non-financial assets of \$1,323 million was an increase from 2022 of \$74.1 million. These non-financial assets include tangible capital assets (TCA), prepaids and inventories of material and supplies. \$72 million of this increase is attributed to TCA which is made up of buildings, land, roads, and machinery and equipment.

In a little more detail:

- Engineered structures increased by \$62.8 million which is made up of over \$33 million in contributed assets from Developers for Riverside Developments, North Ridge, Erin Ridge North, and Cherot, \$5.3 million for North St. Albert Trail, \$3.7 million for Villeneuve Rd Rebuild and \$2.3 million for Ray Gibbon Improvements
- Building improvements increased by \$14.1 million due to the Fountain Park renovations
- Land improvement also increased by \$6.9 million due to developments such as North St. Albert Trail \$1.4 million, Larry Olexiuk Field Turf \$1 million, Neighborhood Parks \$0.9 million, and for paved parking lots \$0.7 million

Overall, the City's Accumulated Surplus or municipal equity increased to \$1,400 million from the \$1,339 million in 2022 that was restated. The majority of the accumulated surplus is \$1,224.6 million in equity in TCA. This is tangible capital assets, less depreciation, less debt, less asset retirement obligation. The second component is Reserves of \$178 million.

Consolidated Statement of Operations and Accumulated Surplus

This statement details the City's revenues and expenses on a consolidated basis. The first section of the statement focuses on the consolidated operating revenues and expenses which resulted in an annual deficiency before capital revenue of \$3.1 million. The city continues to maintain a healthy

financial position by seeking cost reductions and managing service levels.

Total operating revenues increased by \$16.8 million from 2022. This was due to changes in the following areas:

- Sales and User Fees increased by \$4.9 million due to increased demand for fitness and transit passes as well as relating to recovered costs for Northwest Territories evacuations.
- Property Taxes increased by \$7.4 million to support the 2023 Budget which was approved by Council.
- Investment Income increased by \$3.2 million due to higher interest rates and investment base.
- Electrical Franchise Fees increased by \$1.6 million due to an increase in franchise fee rate from 10% to 15%.
- These increases were offset by a small decrease in Fines and Penalties of \$0.5 million as a result of fewer tickets being issued.

On the other side, the operating expenses increased by \$17.0 million in the following functional areas:

- Emergency Services increased by \$4.1 million due to one-time RCMP retro payment expense and costs relating to the North West Territories evacuation support.
- Planning and Engineering Services increased by \$3.6 million due to amortization expense due to increase in capital assets and increase in salaries from filling of prior year vacancies and lower staff turnover.
- Corporate Financing increased by \$7.2 million as the prior year had a gain on disposal of capital assets and there was a one-time accounting accrual adjustment of employee future benefits. There is also a slight increase in wage benefits due to higher premiums.
- General Government increased by \$2.6 million due to the reorganization of Government/Indigenous Relation & Environment and Communications & Public Affairs. Both departments were moved from Executive Leadership to General Government. There was also an increase in software contracts and users of software.

- Community and Recreation Services increased by \$2.0 million with an increase in salaries and fewer vacancies compared to the prior year.
- These increases were offset by a decrease in Executive Leadership of \$1.3 million due to the reorganization of Government/Indigenous Relations & Environment and Communications & Public Affairs departments moving to the General Government.

Capital revenues increased by \$10.6 million mainly due to an increase in contributed assets of \$15.8 million.

Overall, the City's annual surplus remains financially strong at \$60.7 million. This annual surplus differs from the operating surplus as it includes non-cash items, such as amortization, accretion and contributed assets.

More detailed variance explanations on the functional divisions can be found in the fourth quarter report that was presented to Council on February 13, 2024.

STAKEHOLDER COMMUNICATIONS OR ENGAGEMENT

The Annual Report, once approved, will be posted to the City website.

IMPACTS OF RECOMMENDATION(S)

Financial:

None at this time.

Compliance & Legal:

As per section 276 of the MGA, a municipality must prepare annual financial statements for the immediately preceding year. Once approved the municipality must make its financial statements and the auditor's report available to the public by May 1 of the current year.

This year, administration applied for and received approval from the Minister of Municipal Affairs via Ministerial Order No. MSD: 053/24 for an extension to June 30 for the preparation and making available to the public of the 2023 financial statements and the auditor's report of the financial statements.

Program or Service:

None at this time.

Organizational:

None at this time.

Risks

As per section 276 of the MGA, a municipality must prepare annual financial statements for the immediately preceding year. Once approved the municipality must make its financial statements and the auditor's report available to the public. Generally, this must be done by May 1; however, administration applied for and received an extension until June 30 of this year to complete this work for 2023.

ALIGNMENT TO PRIORITIES IN COUNCIL'S STRATEGIC PLAN

N/A

ALIGNMENT TO LEVELS OF SERVICE DELIVERY

Public Communication and Corporate Reporting to Community:

The annual report provides progress updates on Council's Strategic Plan, financials, and key performance indicators to support transparency to the community through regular reporting of the City's achievements. The report is prepared annually to provide updates on progress toward achieving established goals and to report on City's financial position, in accordance with the below service level:

Community, Business, and Financial Reporting

H.1.2a City's Annual Report: Audited Financial Statements are provided annually by an external auditor. The City's Annual Report is published in June each year.

ALIGNMENT TO COUNCIL DIRECTION OR MANDATORY STATUTORY PROVISION

As per section 276 of the MGA, a municipality must prepare annual financial statements for the immediately preceding year. Once approved the municipality must make its financial statements and the auditor's report available to the public by May 1 of the current year.

IMPACTS OF ALTERNATIVES CONSIDERED

N/A

Report Date: June 18, 2024

Author(s): Stella Tam, Varsha Dua

Department: Financial and Strategic Services

Department Director: Anne Victoor

Managing Director: Diane McMordie

Chief Administrative Officer: Bill Fletcher