



2024 RATEPAYER MEETINGS

Update from Darcy Ferguson, Director
Finance & Administration
Special Areas Board

Issues

Impact on Budget

- Budget concerns are now more focused on supply chain constraints, impact of low unemployment on recruiting, and inflationary pressures on expenses.
- Special Areas and the Oil and Gas industry are working through the impact of pandemic price collapse and industry's ability to pay.
- We are now seeing higher prices for these commodities and are working with the industry to get their arrears accounts caught up.
 - 2023 showed improvement to the industry with some catching up on their arrears and there was some consolidation of companies.

2023 Financial Statements

Audit Report

- The Auditor General of Alberta and his staff have audited the Special Areas Board's financial statements for the year ending December 31, 2023.
- We have included their report in the first section of the full package of financial statements. These are available online at www.specialareas.ab.ca.
- I would note it is their opinion that these statements present fairly the financial position of the Special Areas Board's Trust Account.

2023 Financial Statements

2023 CASH POSITION

\$57,616,985

- Cash is down \$5,983,000

2023 TAXES RECEIVABLE

\$ 689,984

*- \$2.0 million allowance for
doubtfuls*

2023 NOTES RECEIVABLE

\$ 4,121,599

*These are for loans, mainly to SA & Oyen Development Corp. and the Big Country
Waste Commission. Acadia Foundation repayments to Special Areas ended in 2021*

2023 INVESTMENTS

\$33,967,485

- Additional detail on Schedule 1

2022 CASH POSITION

\$63,600,037

2022 TAXES RECEIVABLE

\$ 636,875

- \$3.1 million w/ for doubtfuls

2022 NOTES RECEIVABLE

\$ 3,400,240

2022 INVESTMENTS

\$33,266,085

2023 Financial Statements

2023 ACCOUNTS PAYABLE

\$ 8,839,393

- increased Trade A/P back to normal.

2023 LONG TERM DEBT

\$ -

2023 NET FINANCIAL ASSETS

\$87,376,684

- Down \$2.3 million

2022 ACCOUNTS PAYABLE

\$ 10,577,039

-bump up due to Grant revenue being deferred, mainly Secondary Highway funding, Cereal, Federal Gas Tax

2022 LONG TERM DEBT

\$ -

- *Borrowing for Acadia Foundation*

2022 NET FINANCIAL ASSETS

\$89,694,221

2023 Financial Statements

2023 NON-FINANCIAL ASSETS

\$259,837,217

2022 NON-FINANCIAL ASSETS

\$252,132,402

- *Up \$7.7 million and this represents Special Areas net investment in assets being greater than amortization. Additional detail is on Schedule 6.*
- *Special Areas invested \$8.6 million in machinery and equip. plus \$8.4 million in road assets, less \$8.4 million for amortization.*

2023 ACCUMULATED SURPLUS

\$347,213,901

- Up \$5.4 million.

- *Change consists of:*
 - *Operations surplus on a cash basis total of \$33.7 million (Note 13). Down \$2.3 million.*
 - *Equity in TCA increase of \$8.4 million and decrease in inventory \$669K.*
 - *Tax Recovery Reserve, balance \$55 million.*

2022 ACCUMULATED SURPLUS

\$341,826,623

2023 Financial Statements

Statement of Financial Position

- The Special Areas Board is in a strong financial position. The Board has sufficient financial resources to fund future operational and capital requirements.
- The Board also has a significant financial reserve as a result of the Tax Recovery Land Sale process and investments in TCA.
- The Board's operational surplus is available for funding of future expenditures.
- \$33.7 million. It should be noted that part of this surplus is a result of TRLS II funds being transferred to this surplus account (approx. \$12.2 million).

2023 Financial Statements

Statement of Operations

- Format of financial statements is different than those used for budget preparation and comparison.
- Revenues and expenses discussion refers to the same format (ACCRUAL ACCOUNTING) as the financial statements are prepared by.
- The budget is prepared on a MODIFIED CASH BASIS.
- The key difference between these two methods is with the accrual basis self constructed roads (SAB crew work) are capitalized and then amortized over several years. The modified cash basis expenses these when the work is performed.
- Schedule 4 and Note 13 of the Audited Financial Statements help us to interpret the cash basis from the accrual method.

2023 Financial Statements

Revenue Summary

2023 ACTUAL REVENUE

\$ 53,823,230

2023 BUDGETED REVENUE

\$ 56,159,503

2022 ACTUAL REVENUE

\$ 55,968,643

2022 BUDGETED REVENUE

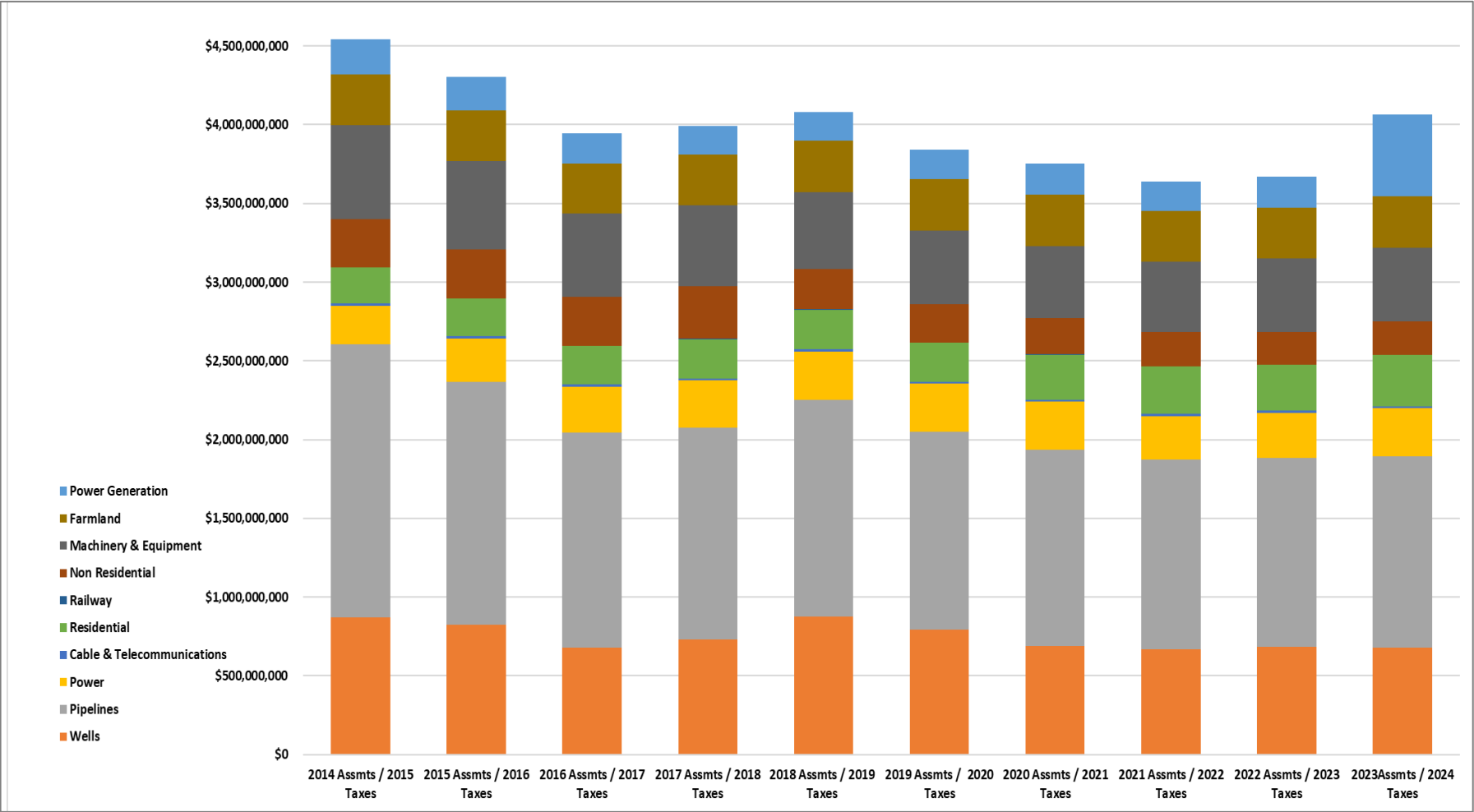
\$ 47,670,687

Total 2023 actual revenue is down from 2022 actual revenue and down to the 2023 budgeted revenue.

The largest changes came from a decrease in Net Tax revenue and less Government Grants.

2023 Financial Statements

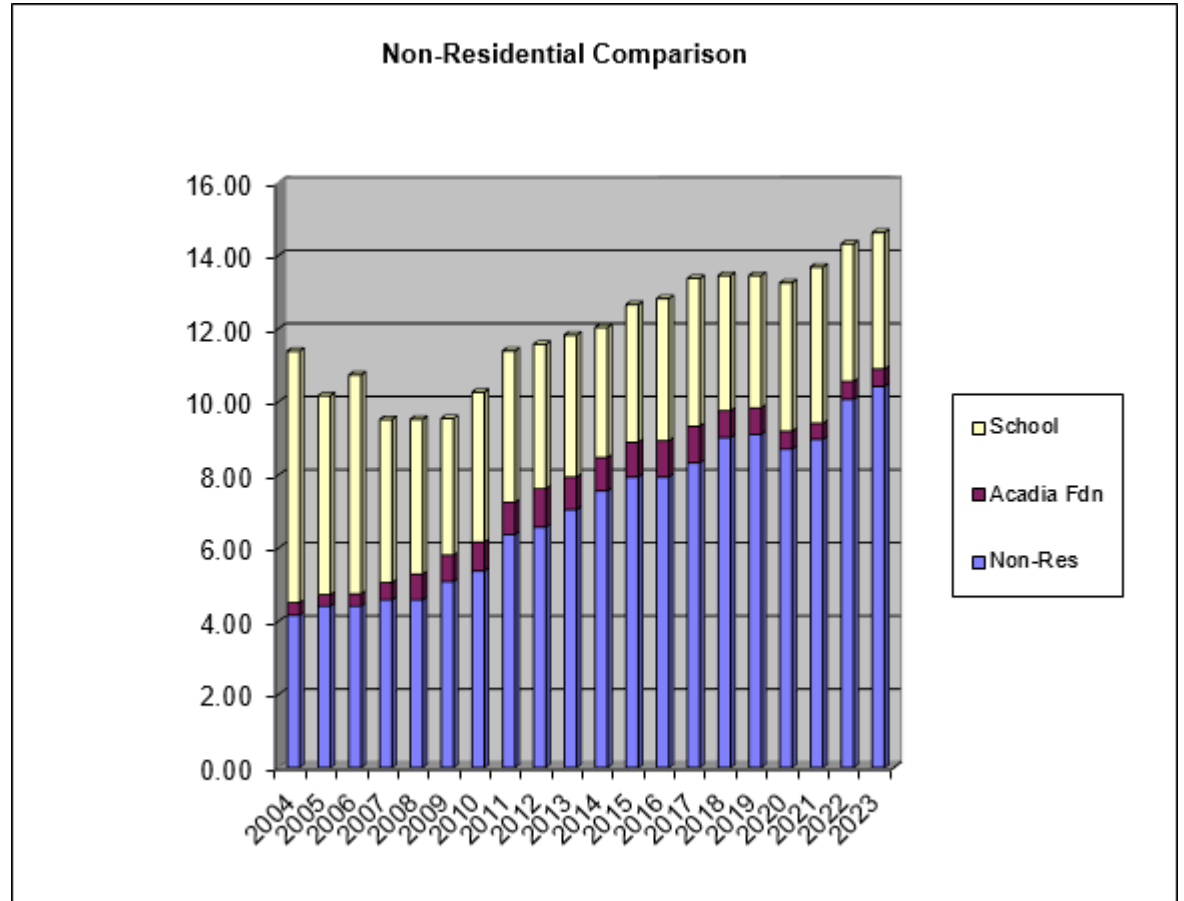
Assessment Value Trends



2023 Financial Statements

Non-Residential Millrates

- Overall strategy has been to increase millrates gradually when necessary.
- Special Areas has been moving into the millrate room that has been created in the past by lower provincial school and seniors' levies



2023 Financial Statements

Revenue Summary

2023 ACTUAL NET TAXES

\$ 33,695,815

- Municipal millrate no change at 5.71 , split was up from 2.80 to 3.26.
- Bad debt levy on industrial accts in the year was .25 down from 0.81 ('20 - 0.3414).
- Residential stayed at 3.00 (+.07 in '22).
- Overall tax revenue is up \$1.56 million and recoveries relating to bad debt resulted in a \$2.5 million swing in the net taxes revenue.

2023 ACTUAL LEASES

\$ 8,422,708

Grazing rate reduction for drought 25%.

2023 BUDGETED NET TAXES

\$ 32,133,000

- Increased assessment, \$51 million as a result of wind tower sites being assessed. Still a tax holiday for the Oil and Gas industry on new well drilling initiative.
- Decreased bad debt millrates offset by increase on split and taxes on increased.
- Board's decision on non-residential taxes with both the change to the split millrate, school, and bad debt levy. Result is millrate remained the same for '23 & '22.

2023 BUDGETED LEASES

\$ 13,656,880

'23 Budget included \$4.5 million for a paving project.

2023 Financial Statements

Revenue Summary

2023 ACTUAL PROV. GRANTS

\$ 3,445,745

\$ 1,903,800 Capital

2023 BUDGETED PROV. GRANTS

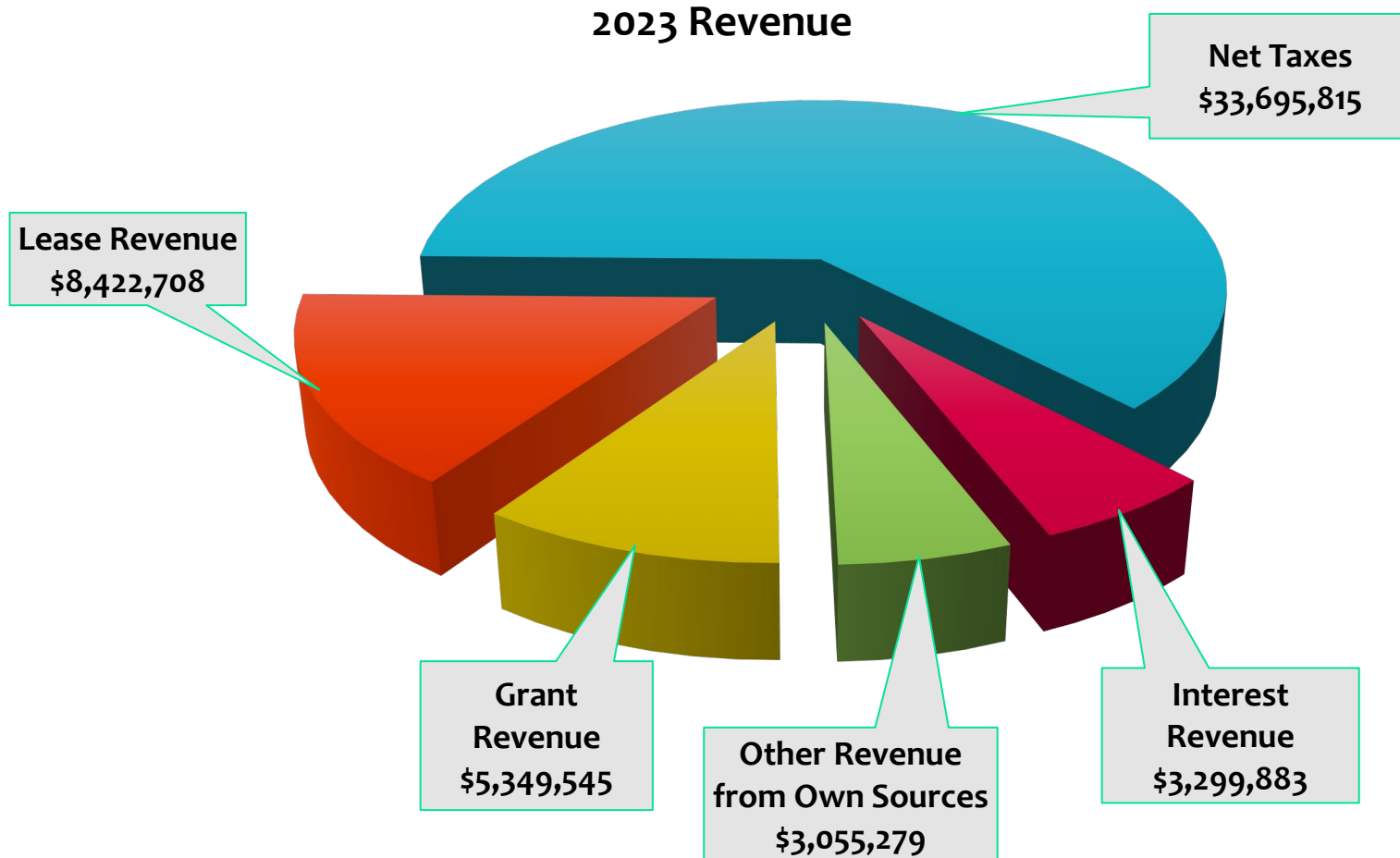
\$ 4,286,698

\$ 1,878,000 Capital

- Amounts are down to budget, and this is due to less work being done on the irrigation project than was anticipated. Work is occurring over three years vs. original estimate of two.
 - MSI funding of budget of \$2.9 million actual was \$3.2 million with additional funding being received for the operational component.
 - Regular transportation funding of \$1.5 million has been reduced to \$736,000 for 2022 and beyond.
 - Note grant funds were received to help with Cereal's transition and funds will be available for work in future years. Due to changes made to the MSI framework those amounts had to be utilized in 2022 and therefore this caused the increase an increase for 2022 not matched in 2023.

2023 Financial Statements

Revenue Summary



2023 Financial Statements

Expenses Summary

2023 ACTUAL EXPENSES

\$ 48,435,952 *Accrual basis*

\$ 8,399,553 *Amortization*

\$ 8,569,173 *Assets acquired*

\$ 57,013,879 *Total cash basis*

2022 ACTUAL EXPENSES

\$ 46,490,282 *Accrual basis*

\$ 7,790,708 *Amortization*

\$ 9,635,491 *Assets acquired*

\$ 48,338,755 *Total cash basis*

- Overall expenses are up compared to 2022, primarily in the transportation services area.
- 2023 was a return to a more normal operating year for SAB but not without its challenges. There were, and still are, supply side issues with both pricing and availability. SAB was able for the most part to fill seasonal positions and most full time positions available but we are seeing recruitment issues. Weather conditions did allow the season to be extended and wage budget was utilized.
- Overall, the major reason for the difference from budget to actual is the delay of a 855 Paving Project, delayed capital purchases (due to availability) and associated cost savings.

2023 Financial Statements

Expenses Summary

2023 ACTUAL TRANSPORTATION

\$ 19,648,230 Accrual basis
\$ 34,850,835 *Cash expenditures
including capital*

2023 BUDGETED TRANSPORTATION

\$ 30,979,896 Accrual basis
\$ 47,544,181 *Cash expenditures
including capital*

- Overall actual expenditures were comparable to the budget with changes to:
 - Paving on Hwy 855 was deferred to 2024 this is a \$9.0 million savings from the Budget.
 - GBC encountered more repair work and deferred one project to 2024 and associated costs.
 - Increased costs were incurred in the areas of parts and fuel to budget.
 - Some equipment/capital purchases were deferred due to availability issues (\$3.8 million). Advances were made on some purchases when machinery was available (\$2.0 million).

2023 Financial Statements

Expenses Summary

2023 ACTUAL ADMINISTRATION

\$ 5,959,756

\$ 6,362,322 cash basis

2023 BUDGETED ADMINISTRATION

\$ 5,322,632

\$ 5,957,632 cash basis

- Bad Debts on MSL's were \$328,000 more than anticipated, with Oil & Gas prices recovering.
- Special Areas also did write off a loan to a community group whose operations were unable to generate enough funds for loan payments. There is still a significant asset which, if sold, would enable recovery of the advanced funding.
- The Province continued with their program to reimburse Special Areas for bad school levy debt.
- Additional costs were also incurred for additional staffing and insurance.

2023 Financial Statements

Expenses Summary

2023 ACTUAL WATER SERVICES

\$ 4,985,692

\$ 5,231,327 cash basis

2023 BUDGETED WATER SERVICES

\$ 7,180,398

\$ 7,520,898

- Service costs include irrigation exploration work, these costs were offset by funding through our AB/Fed partnership. Budget anticipated work occurring over 2 years @ \$3.5 million per year. It is expected this work will occur over 3 years vs. 2.
- Deferral of Altario waterline extension until project attracts required grant funding
- Work on moving water systems above ground is proceeding.

2023 Financial Statements

Expenses Summary

2023 ACTUAL AG/ECON DEV'T /PASTURES

\$ 2,807,213

\$ 3,199,946 cash basis

- Activities are returning to near normal operations.
- SAMDA has been disbanded and work in that area is being done by SAB staff.
- Sheerness Industrial Park work is proceeding with grant funding

2023 BUDGETED AG/ECON DEV'T /PASTURES

\$ 2,890,971

\$ 3,119,471

2023 ACTUAL PROTECTIVE SERV. SERV.

\$ 2,767,402

\$ 3,261,126 cash basis

- 2023 includes additional funding being advanced for Oyen Medical Clinic.
- 2023 also included additional costs for Fire call outs.

2023 BUDGETED PROTECTIVE

\$ 2,280,141

\$ 2,806,141

2023 Financial Statements

Expenses Summary

2023 ACTUAL RECREATION

\$ 2,218,106

\$ 2,453,775 cash basis

2023 BUDGETED RECREATION

\$ 2,331,802

\$ 2,851,302

- There was a increase in the recreation grant funding available for distribution by local Rec Boards due to the increased assessment. Recreation project funding was not fully utilized.
- Special Areas parks were busy after a slow start and a full contingency of staff were hired.
- A capital purchase was deferred and partially offset by an advance purchase in '22.

2023 ACTUAL INDUST. TAX TRANS

\$ 1,650,000

2023 BUDGETED TRANSFER

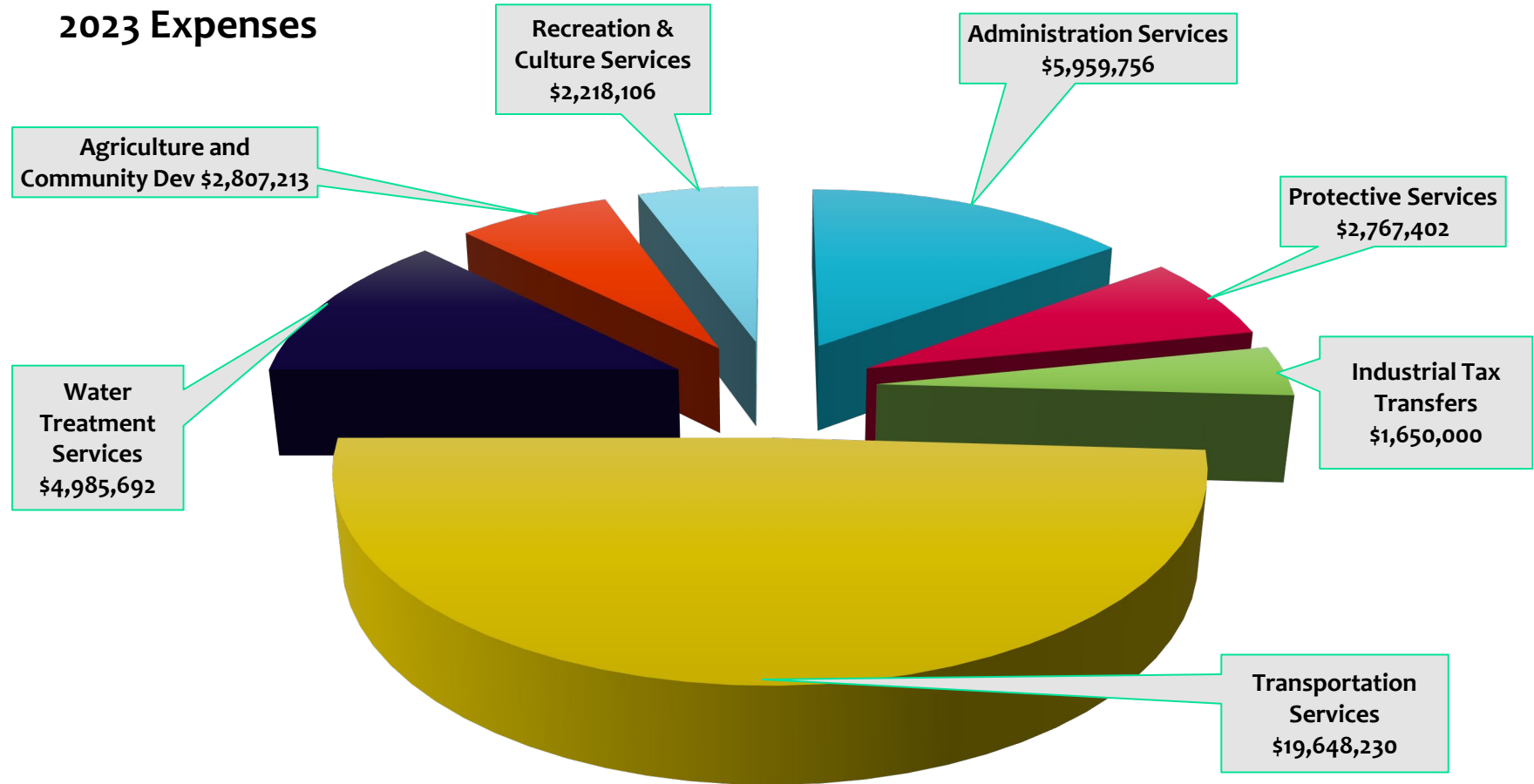
\$ 825,000

- Based on increased assessment and anticipated growth the Board doubled the amount transferred to Towns and Villages within SAB boundaries.

2023 Financial Statements

Expenses Summary

2023 Expenses



2023 Finances

Impact on 2024 Budget

2023 (DEFICIT)

\$(13,545,122) deficit budgeted
\$ (2,932,537) actual cash deficit

- Accumulated Unrestricted Operational Surplus (see Schedule 4):
 - 2015 Actual \$14,152,341
 - 2016 Actual \$13,504,876
 - 2017 Actual \$ 9,047,816
 - 2018 Actual \$15,451,081
 - 2019 Actual \$16,194,279
 - 2020 Actual \$25,664,371
 - 2021 Actual \$30,178,970
 - 2022 Actual \$35,103,313 cash basis
 - 2023 Actual \$32,839,531 cash basis

2024 BUDGET

\$ (18,060,295) budget deficit
Intention was to bring in a budget for 2024 that would advance deferred projects (paving), invest in health care facilities/services and draw down the surplus. Board will utilize surplus over time to consider what future operations and expenses will be planned and implemented.

Significant considerations:

- Hiring a full contingency of seasonal staff
- Total Assess. \$3.6 billion (Actual \$4.1 billion)
- Millrate adj to offset lost revenues from bad debts. Split changed from 3.26 to 4.26. This will result in \$5 million in add’nl tax revenue.
- Oil & Gas Industry continuing recovery, which has been adversely impacted the last couple of years. Both on Tax & MSL rev.
- Continuation of plan for fleet replacement(supply chain issues resolved?),
- GBC & shoulder pull work continuing.
- Paving project on Hwy 855 proceeding \$10 million.

The background of the slide is a collage of numerous colorful sticky notes in shades of pink, yellow, blue, and green. Each sticky note has a large, bold, black question mark printed on it. The notes are scattered and overlapping, creating a dense, textured effect.

Questions

P: (403) 854-5605

Darcy.Ferguson@specialareas.ab.ca

www.specialareas.ab.ca