

# Finance & Administration

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*Darcy Ferguson, Director*

*Darren Jones, Coordinator of Financial Services*



Special Areas Board  
EST. 1938

# 2019 Financial Statements

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## 2019 CASH POSITION

**\$38,614,891**

- Cash is up \$814,000

## 2019 TAXES RECEIVABLE

**\$ 1,780,760**

- \$ million w/o for doubtfuls

## 2019 NOTES RECEIVABLE

*These are for loans, mainly to SA & Oyen Development Corp. and the Acadia Foundation.  
Acadia foundation repayments to Special Areas end in 2021*

## 2019 INVESTMENTS

**\$30,964,260**

- Additional detail on Schedule 1

## 2018 CASH POSITION

**\$37,800,661**

## 2018 TAXES RECEIVABLE

**\$ 1,224,130**

- \$ million w/o for doubtfuls

## 2018 NOTES RECEIVABLE

## 2018 INVESTMENTS

**\$30,020,570**

# 2019 Financial Statements

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## 2019 ACCOUNTS PAYABLE

**\$ 5,068,385**

## 2019 LONG TERM DEBT

**\$ 764,964**

*- Borrowing for Acadia Foundation*

## 2019 NET FINANCIAL ASSETS

**\$70,902,110**

*- Up \$1,152,059*

## 2018 ACCOUNTS PAYABLE

**\$ 5,356,501**

## 2018 LONG TERM DEBT

**\$ 2,602,182**

*- Borrowing for Acadia Foundation*

## 2018 NET FINANCIAL ASSETS

**\$69,750,051**

# 2019 Financial Statements

## 2019 NON-FINANCIAL ASSETS

**\$242,843,818**

- *Up \$6.5 million and this represents Special Areas net investment in assets being greater than amortization. Additional detail is on Schedule 6*
- *Special Areas invested \$16.4 million in assets, less \$7.1 million for amortization*

## 2018 NON-FINANCIAL ASSETS

**\$236,299,015**

## 2019 ACCUMULATED SURPLUS

**\$313,745,928**

*- Up \$7.7 million*

- *Increase consists of:*
  - *Operational Surplus net increase of \$743,198 decrease of inventory \$2.3 million*
  - *Operations deficit on a cash basis of Note 14 \$(1.5 million)*
  - *Equity in TCA increase of \$9.2 million*
  - *Tax Recovery Reserve, balance \$55 million*

## 2018 ACCUMULATED SURPLUS

**\$306,049,066**

# 2019 Financial Statements

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## Statement of Financial Position – Key Messages

- 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.
  - \$16.2 million

# 2019 Financial Statements

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## 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 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 14 of the Audited Financial Statements help us to interpret the cash basis from the accrual method.*

# 2019 Financial Statements

## Revenue Summary

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### 2018 ACTUAL REVENUE

\$ 55,611,458

### 2018 BUDGETED REVENUE

\$ 51,026,973

### 2019 ACTUAL REVENUE

\$ 51,103,026

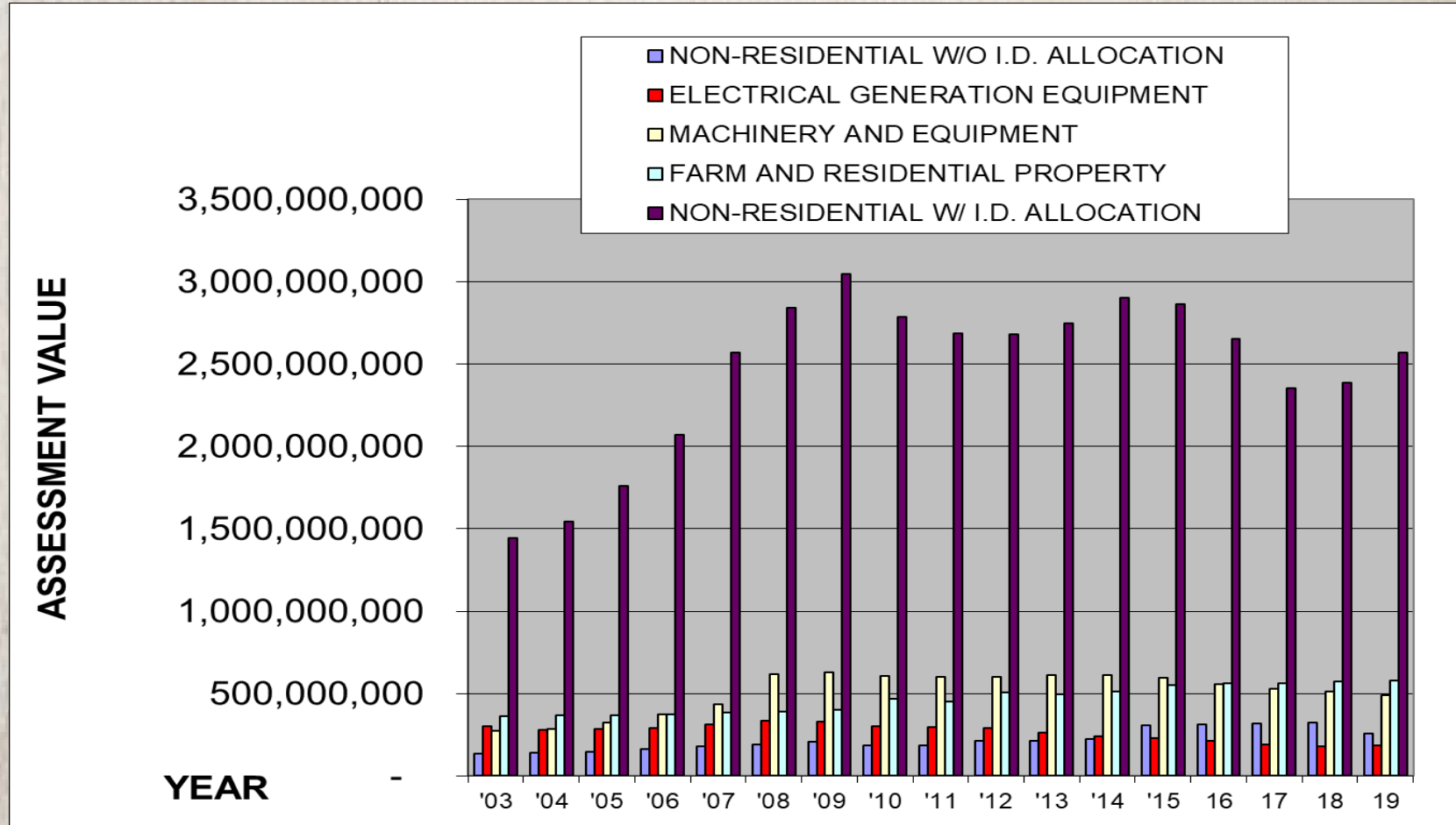
### 2019 BUDGETED REVENUE

\$ 50,849,331

**Total 2019 actual revenue is down from 2018 actual revenue and up slightly to 2019 budgeted revenue.**

# 2019 Financial Statements

## Assessment Value Trend Analysis





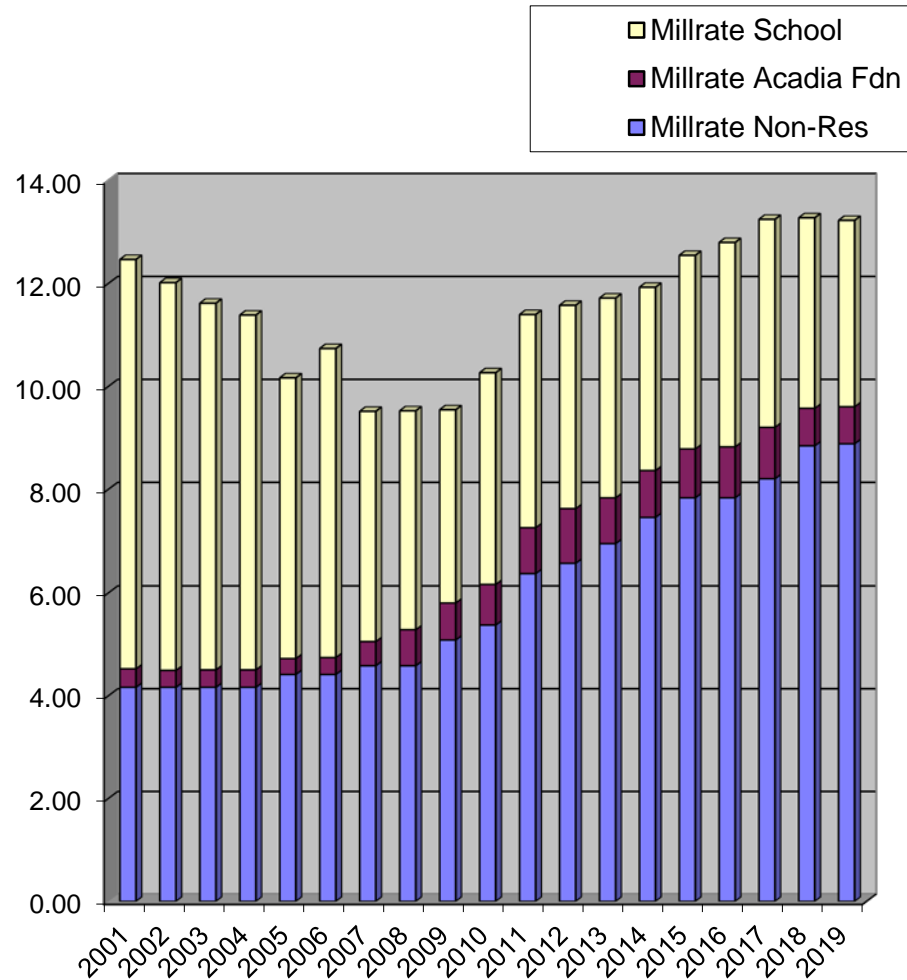
# 2019 Financial Statements

## Non-Residential Millrates

Overall strategy has been to increase millrates gradually.

Special Areas has been moving into the millrate room that has been created by lower provincial school levies.

Non-Residential Comparison



# 2019 Financial Statements

## Revenue Summary

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### 2019 ACTUAL NET TAXES

**\$ 32,853,594**

- Same municipal millrate 5.51 plus split 2.61.
- Bad debt levy on industrial accts 0.3414 (up .04).
- Residential up .03 from 2.25 to 2.28.

### 2019 BUDGETED NET TAXES

**\$ 32,414,000**

- Increased assessment offset by GOA mandated reductions for shallow gas assessments, which was offset by the GOA and had no net tax implications for SAB.
- Increased bad debt millrates and taxes on increased assessment did increase net taxes from budgeted amounts.
- Boards decision was to minimize any higher millrates to not impact tentative Oil & Gas recovery.

### 2019 ACTUAL LEASES

**\$ 8,919,477**

### 2019 BUDGETED LEASES

**\$ 9,416,030**

# 2019 Financial Statements

## Revenue Summary

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### 2019 ACTUAL PROV. GRANTS

**\$ 4,516,068**

**\$ 479,271 Capital**

### 2019 BUDGETED PROV. GRANTS

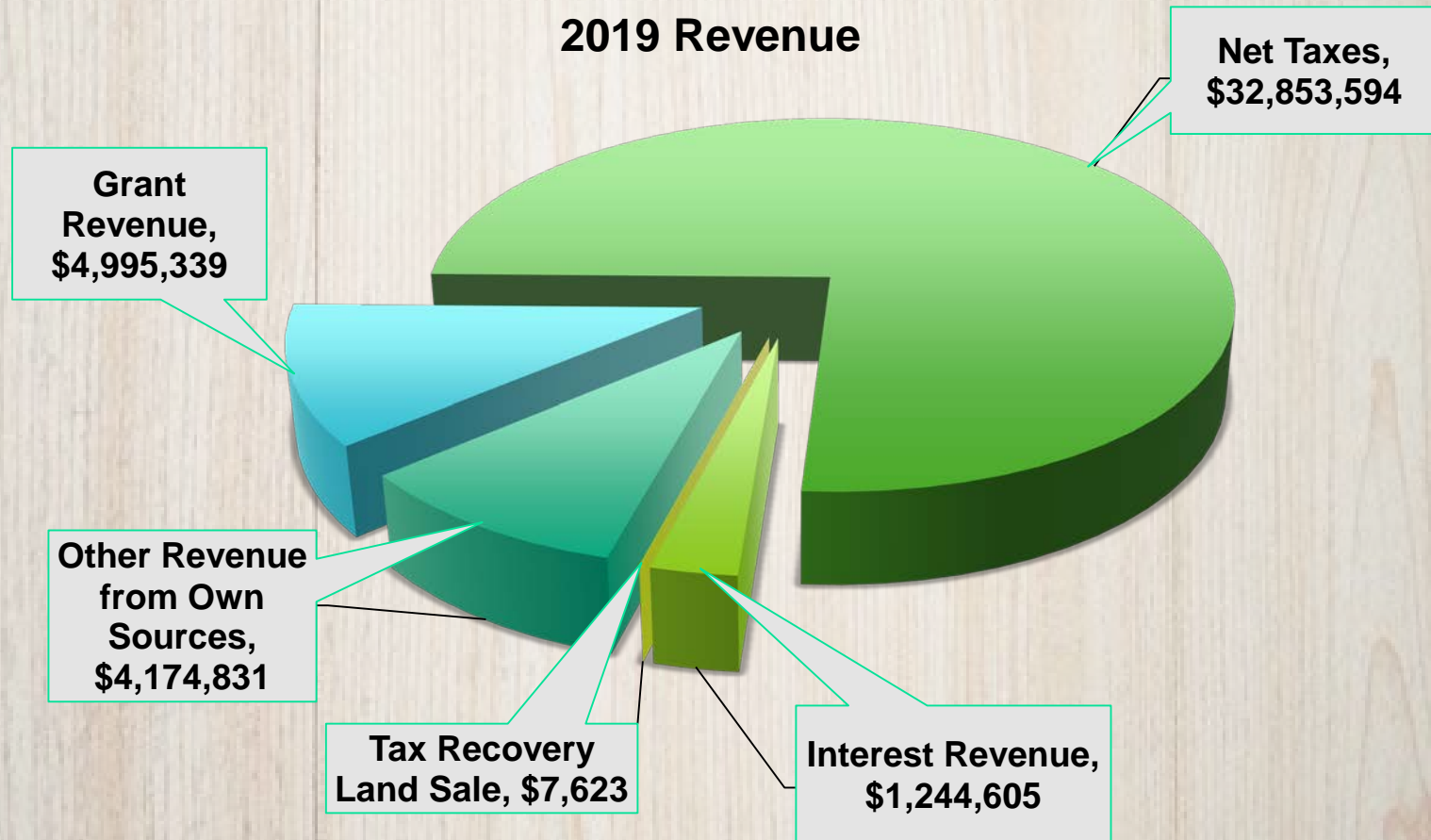
\$ 4,632,232

\$ 479,271 Capital

- Most items are on budget, including:
  - MSI funding of \$2.2 million
    - *down from \$5.8 in 2018 election year*
  - Regular transportation funding of \$1.5 million

# 2019 Financial Statements

## Revenue Summary



# 2019 Financial Statements

## Expenses Summary

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### 2019 ACTUAL EXPENSES

**\$ 43,406,164** *Accrual basis*  
\$ 8,345,224 *Amortization*  
\$ 8,296,643 *Assets acquired*  
**\$ 53,746,380** *Total cash basis*

### 2019 BUDGETED EXPENSES

\$ 42,675,075 *Accrual basis*  
\$ 7,861,787 *Amortization*  
\$ 6,544,250 *Assets acquired*  
\$ 54,773,740 *Total cash basis*

Overall expenses (accrual basis) are up a bit as compared to the 2019 budget.

The savings experienced with the GBC contract for the Kirriemuir Road were used to purchase new scrapers vs. leasing or financing them.

# 2019 Financial Statements

## Expenses Summary

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### 2019 ACTUAL TRANSPORTATION

**\$ 19,905,747**

**\$ 36,107,267** *Cash expenditures  
including capital*

### 2019 BUDGETED TRANSPORTATION

**\$ 19,241,622**

**\$ 36,799,124** *Cash expenditures  
including capital*

- Overall actual expenditures were comparable to the budget with changes to:
  - a slight shift in manpower with salary savings utilized to extend wage season for maintenance and construction
  - the Kirriemuir Road contract came in significantly less than budget
  - operational savings in fuel, gravel haul, GBC and oil work. These savings were used to:
    - advance capital expenditures, mainly purchase of scrapers vs lease (\$1.368 million)
    - extend the construction and maintenance seasonal wages and work season to reflect favorable weather conditions
  - additional expenses for parts and repairs, this was influenced by price increases

# 2019 Financial Statements

## Expenses Summary

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### 2019 ACTUAL ADMINISTRATION

\$ 5,013,009

### 2019 BUDGETED ADMINISTRATION

\$ 5,004,573

- Overall expenses were up to budget
  - This is due to the bad debt expense relating to taxes receivable (\$1.5 million,) and
  - MSL receivables (\$200,000) due from the Oil & Gas sector.
- Also the Province stepped in to allow Special Areas to recover bad school levy debt from them (\$640,000 for 2019).
- We did experience savings in office renovations and Atco appeal fees.

# 2019 Financial Statements

## Expenses Summary

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### 2019 ACTUAL WATER SERVICES

**\$ 2,823,978**

### 2019 BUDGETED WATER SERVICES

**\$ 3,090,732**

- SAWSP environmental impact assessment work for this phase is wrapping up until decisions are made on future direction.
  - Additional grant funding to help offset the cost of this work is being applied for.
- Saving in Carolside operations, deferred work on Sounding Creek dam rip rapping.
- Work was done on Bindloss & Jenner distribution, Sibbald North well and Wardlow water building was completed.
- This expense area includes our BCWMC fees.



# 2019 Financial Statements

## Expenses Summary

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### 2019 ACTUAL AG/ECON DEV'T /PASTURES

\$ 2,374,998

### 2019 BUDGETED AG/ECON DEV'T /PASTURES

\$ 2,592,169

- There were savings in:
  - the Red Deer River spray project (later start),
  - deferred additional GVI work, and
  - some pasture renovations were deferred.
- SAMDA was disbanded for 2019 and as a result project funding was not disbursed.
- Additional fencing work in the pastures was done with funding received as part of our damage claim settlement from the 2017 Bindloss fire.

# 2019 Financial Statements

## Expenses Summary

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### 2019 ACTUAL RECREATION

\$ 2,272,499

### 2019 BUDGETED RECREATION

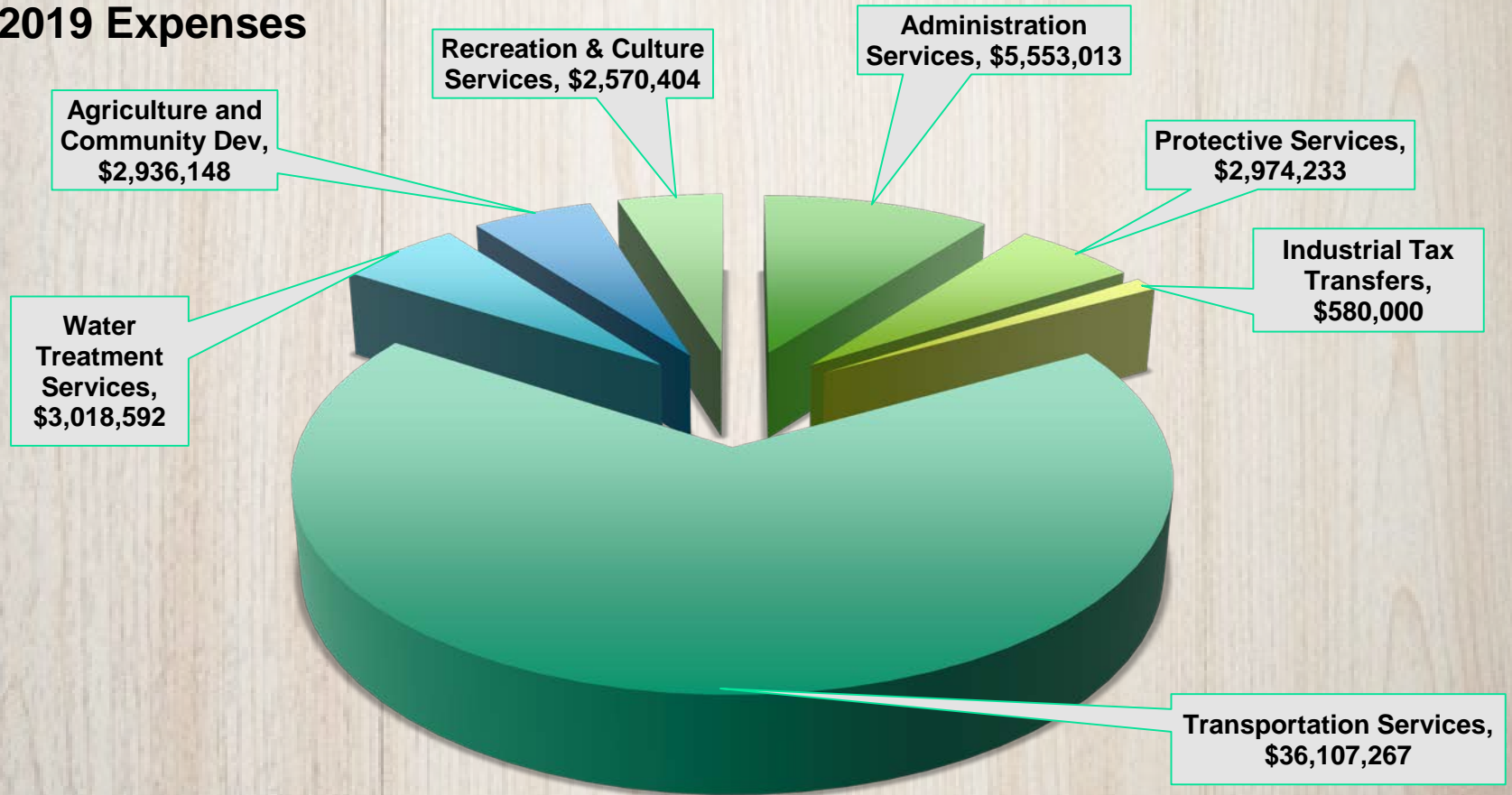
\$ 2,332,819

- There was an increase in the recreation grant funding available due to increases in assessment.
  - This allowed recreation boards to allocate additional recreation dollars.
- Special Areas made a recreation advance to Village of Consort to help with their swimming pool project. Advances were also made to Consort & Oyen baseball academies.
- Savings were seen in parks operations, and there was a capital deferral of the Prairie Oasis Park playground project to 2020.

# 2019 Financial Statements

## Expenses Summary

### 2019 Expenses



# 2019 Financial Statements

## Audit Report

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The Auditor General of Alberta and his staff have audited the Special Areas Board's financial statements for the year ending December 31, 2019.

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](http://www.specialareas.ab.ca).

I would note that it is their opinion that these statements present fairly the financial position of the Special Areas Board's Trust Account.

# 2019 Finances and Impact on 2020 Budget

## 2019 (DEFICIT)

\$ (2,815,909) deficit budgeted  
**\$ (1,550,911) actual cash deficit**

- Accumulated Unrestricted Operational Surplus (see Schedule 4):

- 2014 Actual \$14,676,402
- 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 BALANCED BUDGET

\$ 1,863 budget surplus  
*Intention was to bring in a balanced budget for 2020*

### **Significant considerations:**

- Change to shallow gas assessment (down 35%). Results in 2020 totals of \$3.8 billion (2019 = \$4.1B)
- Last of the Acadia Fdn payments for lodge construction was made in 2019 and anticipate reduction in millrate for that.
- Strong expectations for oil well drilling tax, which has been exceptionally strong the last couple of years.
  - *This growth does not balance out MSL revenue with reclamations outpacing new well sites (pad & horizontal drilling, etc.).*
  - *This revenue stream expected to decline.*
- **Overall budget anticipated expenditure reductions of \$3.9 million in order to balance.**
- Continuation of plan for scraper fleet replacement, GBC work, shoulder pull and expansion of SMRWC pipeline.

# COVID-19 Pandemic and Impact on 2020 Budget

**March 2020 - Review of 2020 budget outlined several concerns regarding operations during a pandemic event and potential negative impacts on revenue streams.**

- How does Special Areas operate crews in camps?
- Impact of price collapse on Oil & Gas industry's ability to pay.
  - *Concerns with MSL rental collections and property tax collection which doesn't occur until Nov 15<sup>th</sup> (at which time a significant portion of budget would be spent).*
- Board approved overall millrate reduction for industrial ratepayers including increased education levy from Province.

## **2020 BALANCED BUDGET?**

Significant revisions were made to the Budget by Special Areas Board & Council:

### **Reductions for Phase I**

- Removal of capital purchases not immediately required and able to defer like firehall construction & regional waterline extension

### **Reductions for Phase II**

- Recognition construction season and seasonal hires cannot start until June 15
- Decision to not hire shoulder pull crew and defer work to the future

### **Reduction for Phase III**

- These reductions were based on changes in programs/service reductions out of Phase II decisions. Result was additional capital purchase deferrals, savings in fuel, parts, road oil, and other materials.

**Other Reductions** for capital leasing/financing vs. purchases

## **2020 ADJUSTED SAVINGS**

**\$ 2,877,000**

**\$ 2,171,952**

**\$ 3,595,500**

**\$ 2,240,000**

**Total \$10,884,452**

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# Questions?

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