

COUNCIL INFORMATION ITEM

MEETING DATE: August 18, 2025

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REPORT TITLE: Second Quarter Financial Variance Report 2025

EXECUTIVE SUMMARY

It is imperative that Administration keeps Council informed of the financial health of the City throughout the year. This report outlines the second quarter operational variance report for the City of Leduc for the period January 1, 2025 to June 30, 2025.

Revenues were higher than expectations by \$6.8M and anticipated to be higher than budget at year-end.

Expenses were lower than expectations by \$1.0M and anticipated to be slightly lower than budget at year-end.

As of June 30, 2025, results show capital expenditures are 15% of the annual capital budget.

Report for Mayor and Councilor's expenditures is also attached.

RECOMMENDATION

That Council receives the Second Quarter Financial Variance Report 2025 as information.

BACKGROUND

OPERATIONAL REPORTING

The attached report outlines operational revenues collected and operational expenses incurred up to the end of June 2025 in contrast to the 2025 operational budget allocations and the previous year's actual operational revenues and expenses for the same period.

Expectations are that revenue and expenses will be equal the budget allocations by the end of June, representing two quarters of the fiscal year. However, certain factors can affect this such as seasonality or timing. The areas that differ materially from budget will be discussed further below.

Revenue

Enforcement Services

Enforcement Services revenue is trending higher than expectations by \$55K. This is due to inherent variability and collection of bylaw fines. Administration is expecting to be on budget at year-end.

Government Transfers

Government transfers are trending higher than expectations by \$209K. This is due to timing of when grant payments are received and additional grants received for Northern and Regional Economic Development (NRED) program and grant for municipal intern. Administration is expecting to be on budget at year-end.

Interest & Penalties

Interest and penalties revenue is trending higher than expectations by \$540K. This is due to sale of investments resulting in gains and higher than expected interest received for bank deposits. Administration is expecting to be higher than budget at year-end.

Sale of Services

Sale of services revenue is trending higher than expectations by \$1.7M. The material differences are due to the following. There were more admissions and membership sales than expected for Recreation Services. Significantly higher than anticipated activity for building development permits, installations and business licenses and Engineering & Environment is trending higher due to increased growth and Extended Producer Responsibility (EPR) program. Administration is expecting to be higher than budget by year-end.

Utility Services

Utility services revenue is higher than expectations by \$311K. This is due to franchise fees trending slightly higher than budget; however, water sales are trending slightly lower due to wet weather conditions. Administration is expecting to be on budget at year-end.

Other Income

Other income is significantly higher than expectations by \$3.7M. This is due to increased development and growth which is resulting in increased off-site levies collected. Administration is expecting to be significantly higher than budget by year-end and this revenue will be fully transferred to reserves.

Expenses

Salaries, Wages and Benefits

Overall, salaries, wages and benefits are lower than expectations by \$794K. This is due to vacancies for various positions and one-time expenditures not yet incurred. Administration is expecting to be slightly lower than budget by year-end.

Contract Services

Contract services expense is higher than expectations by \$430K. This is due to timing and seasonality. The material differences are the result of the following impacts. Recognizing prepaid invoices and contracts from prior year for services provided in 2025. Enforcement services RCMP contract is trending higher than budget because of forecasting higher member utilization. Snow clearing requirement was higher than expected in Q1. Utilities services are trending lower than budget due to timing of work performed in the latter half of the year. Administration is expecting to be on budget by year-end.

Cost of Utilities Sold

Cost of utilities sold is trending lower than expectations by \$209K. This is in line with lower water sales due to weather conditions. Administration is expecting to be on budget by year-end.

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General Services

General services expense is lower than expected by \$273K. This favourable variance is resulting from one-time expenses not yet incurred. Administration is expecting to be on budget by year-end.

Materials and Supplies

Materials and supplies expense is lower than expectations by \$395K. This is due to timing and seasonality; however, it is comparable to the amount spent at this time in 2024. The material differences are the result of the following impacts. Public services is trending lower than budget due to timing of supplies purchases in the latter half of the year for fertilizers, trees, sand and various snow and ice control supplies. Also, diesel and gasoline expenses are trending lower due to variability in prices. Recreation services are trending lower than budget due to timing of purchases occurring in the latter half of the year for event and program supplies and promotional advertising. Utilities services are trending lower than budget due to timing of purchases for work occurring in the latter half of the year. Administration is expecting to be on budget by year-end.

Repairs and Maintenance

Repairs and maintenance expense is higher than expectations by \$236K. This is due to additional wear and tear incurred during snow clearing events and vendor cost increases to keep aging equipment in working order. Administration is expecting to be on budget by year-end.

Operational Closing Remarks

On closing, Administration feels that the overall variance between revenues and expenses is favourable.

CAPITAL REPORTING

At the end of June 2025, capital expenditures compared to the capital budget is at 14% (15% if 65th Avenue Interchange project is excluded) for the City's capital program and 30% for the off-site levy capital program. The first and second quarter capital expenditures are typically lower as this is the time when construction usually begins. Most invoices will be received for payment in the third and fourth quarters. A more detailed capital report will come forward in the Q3 financial reporting.

COUNCIL EXPENSES BY COUNCILLOR

At Council's direction, a council expense report for the Mayor and each Council member have been attached to this report. This is intended to create enhanced transparency for council expenditures.

ATTACHMENTS

- City of Leduc Operating Variance Report from January 1, 2025 to June 30, 2025
- City of Leduc Capital Project Summary by Program Report From January 1, 2025 to June 30, 2025
- City of Leduc Council Expenses by Council Member from January 1, 2025