

November 18, 2008

For Submission to
November 19, 2008
Finance Committee Meeting

Deputy Mayor B. Lacey and
Members of Finance Committee

Re: Treasurer's Report

Annually the Administration reports on the status of the City of Lethbridge's current year operations. The 2008 forecast has been prepared in cooperation with all business units. The business units have reviewed their operations to September 30, 2008 and have indicated their preliminary year-end financial projections.

The following **Operating Forecast** is for the 2008 year, which is consistent with the City's requirement to have its financial statements audited and reported on an annual basis. As Finance Committee is aware, the City is currently operating in the final year of a three-year operating budget (for 2006 - 2008). To accommodate the three-year budget cycle, Business Units are expected to operate within their 36 month budget. If there was a shortfall after the second year, Business Units were expected to overcome the deficit by adjusting expenditures in the third year of the three-year budget (2008); and if the experience after the second year resulted in net under expenditures, the Business Units had the ability to roll the amounts over to assist their operations during 2008. Over the three year period 2006-2008, the ending Business Unit surplus is forecasted to be approximately \$750,000.

By City policy, 50% of the anticipated General Fund surplus from the previous years' budget cycle is available to fund one-time allocations included in the following three year operating budget. The amount available based on the 2006-2008 budget cycle includes the 2006 and 2007 corporate surpluses and is calculated as follows:

2006 corporate surplus	\$ 2,401,966
2007 corporate surplus	1,440,977
2008 corporate surplus – forecasted	<u>1,500,000</u>
	5,342,943
2006-2008 Business Unit Surplus – forecasted	<u>750,000</u>
	6,092,943
50% available	<u>50%</u>
Available for One-Time Allocations (2009-2011 Budget)	<u>\$3,046,472</u>

2008 Corporate Surplus

The 2008 Corporate Surplus is estimated to be approximately \$1,500,000.

The factors contributing to this estimated surplus are summarized as follows:

Employee benefits	\$700,000
Inspection permit revenues	400,000
Property taxes	380,000
License and permit revenues	280,000
Other revenues (allocation from Water & Landfill utilities, penalties on taxes)	240,000
Street lighting and City facility utilities	<u>(500,000)</u>
Subtotal	<u>\$1,500,000</u>

Employee Benefit accounts – are forecast to be in a \$700,000 surplus due to a combination of factors. A surplus was generated within the employee benefit account series due to greater than budgeted business unit contributions towards the employee benefits. Surpluses are also expected due to favourable experience in the Alberta Health Care, Alberta Blue Cross medical and dental plan premiums (premium increases did not materialize). These surpluses were partially offset by over expenditures in the Pension Plan accounts.

Inspection Permit Revenues – are forecast to be in a surplus position of approximately \$400,000 due to higher than anticipated volume in permits issued.

Property Taxes, Penalties and Transfers – are projected to be in excess of budget at year end in the range of \$350,000 – \$400,000 (which is about 0.5% of total taxation revenues), mainly due to property tax growth being higher than forecast.

License and permit revenues – business license revenues are projected to be in a surplus position of \$175,000 at year end. Inspection permit revenues are forecast to be in a surplus position of approximately \$105,000 due to higher than anticipated volume in permits issued.

Other Revenues – are forecasted to be in a surplus balance of approximately \$240,000, mainly due to the allocation from water and landfill (\$170,000), penalties on taxes (\$90,000) and partially offset by less than anticipated per capita grant (\$20,000).

Street Lighting and City Facility utility accounts – are projected to be in a deficit position at year end of approximately \$450,000 - \$550,000. An over expenditure of approximately \$550,000 - \$600,000 is expected in street lighting due to increased subdivision and arterial road development occurring earlier than anticipated. This is partially offset by lower than budgeted consumption of utilities experienced in facilities. Due to the volatility experienced in this area, administration will continue to closely monitor these accounts.

2006-2008 Business Unit Surplus

Significant areas contributing to the Business Unit Surplus are described below:

Police Services – are forecasted to be in a surplus position of \$170,000 at year end. The surplus is the result of higher than anticipated revenues totaling \$345,000 (generated through police record checks, pardons, insurance letters, police compound, and external funding), surplus in wages of \$390,000 (wages not expended due to maternity leaves and retirements, and lower than anticipated overtime expenditures) and training of \$60,000.

The above surpluses were partially offset by a number of other operating accounts that ended the year in deficit positions, specifically vehicle leasing & maintenance (\$83,000), computer services (\$75,000), legal costs (\$17,000), and one time expenditures (\$450,000) including the automated fingerprint identification system and in-car cameras for all police vehicles.

Library Operations - projected to be in a deficit position of \$50,000 at year end due to a variety of factors including over expenditures in payroll & benefits (\$55,000) and membership fees & supplies (\$70,000). These over expenditures were partially offset by an increase in Provincial government funding.

Parks Operations – are expected to finish the year in a break even position at year end. The parks maintenance operations dealt with a number of growth related pressures this season, including the turnover of maintenance for the Southeast water reservoir green strip, Coulee Creek storm pond, Canyon Crest playground and park and other smaller subdivision parks and entrance features.

Transportation – is expecting to be in a slight surplus position of approximately \$100,000. Contributing to this surplus is unexpended pathway maintenance budget of \$17,500 while traffic control accounts are expected to show a \$20,000 surplus. The driveway construction account and contractual patching accounts will together realize a surplus of \$61,000. It is noted that transportation operations is expected to end the year with over expenditures of approximately \$260,000, however this deficit will be offset by the 2007 transportation business unit carryover.

Recreation, Parks and Culture – is anticipating a surplus of approximately \$295,000 due to various surpluses over the 3 year period and not having all of the positions filled as required. Aquatics ended in a surplus position. When the budget for aquatics was prepared for this 3 year period, there was also a transition of maintenance costs to the contract provider. This resulted in surpluses in other budgeted categories.

Transit Operations – project deficit of \$290,000. The 2006-2008 Operating Budget did not include adequate amounts to replace transit drivers during periods of sickness or vacation. This issue was offset in 2006 and 2007 primarily by fuel surpluses. These offsetting surpluses are not available in 2008. This issue has been addressed in the 2009 – 2011 Draft Operating Budget.

Utility Funded Operations

Utility Services – is projecting a balanced budget for 2008. Unbudgeted expenses for postage, supplies, contractual services and bad debt (\$695,000) will be offset by unbudgeted revenues from penalties (\$435,000), collection related fees (\$200,000) and a position vacancy in the systems maintenance area (\$60,000).

Water Operations – are expected to be in a surplus position of approximately \$175,000 by year end. The water utility is anticipating a revenue surplus of approximately \$655,000. In addition, the water utility engineering accounts are forecasted to be under expended by approximately \$90,000 due to staff vacancies and unexpended investigative engineering funds. These surpluses are expected to be partially offset by i) unbudgeted water meter data management services in the amount (\$150,000), ii) Water Treatment Plant expenditures in its energy costs at both the treatment plant and reservoirs (\$155,000), and iii) the Water Distribution System is expected to be in a deficit position by year (\$370,400) due to a higher than average amount of water main repairs and valve & hydrant repairs throughout the year.

Wastewater Operations –are expecting to be on budget by year end. Revenues are expected to be higher than budgeted by approximately \$65,000. As well, engineering and administration will have under expenditures of approximately \$190,000 due to staff vacancies and unexpended investigative engineering funds. This year, the Wastewater Treatment Plant over expended their sludge removal budget by approximately \$610,000 in order to remove excess sludge from the sewage lagoons. This over expenditure will be balanced by unallocated wastewater operating capital.

Waste and Recycling Services – is comprised of the Waste, Recycling and Landfill operations.

Waste (Solid Waste) Services is expected to be in a surplus position of \$115,000 by year end. Increased revenues due to a rate increase of \$1/mth and growth were partially offset by increased operating costs such as fuel and purchases of carts for growth areas (net \$180,000 surplus). Commercial collections will end the year over expended by \$85,000. The Large Item Service program is also expecting to end the year over expended by \$20,000.

Recycling Services – are forecasted to be in a surplus position of approximately \$55,000 due to surplus revenues (\$60,000) related to residential growth, reduced operating expenses (\$30,000) and increased revenue for electronics and the household waste programs (\$30,000). However, this will be partially offset by over expenditures to the Green Waste program of approximately \$100,000. The green waste program includes the community yard waste drop off program which to date has collected more tonnes of leaves, grass and garden waste than was received all of last year, and is anticipated to collect two to three times the volume collected in 2007.

Landfill Operations - is forecast to be in a surplus position by year end. A projected revenue surplus of about \$1,500,000 is partially offset by a higher than budgeted transfer to the General Fund (\$150,000). The forecasted surplus of \$1,410,000 is anticipated to be used for an increased allocation to the closure / post closure care fund and costs associated with new initiatives requested within the 2009-2011 Operating Budget. It is noted that increased use of the Landfill, as indicated by the revenue surplus, shortens the cell life and accelerates the need for construction of the next landfill cell.

Electric Wire Services Utility Operations – are projected to be in a surplus of approximately \$1.37 million by the year end. The Regulated Rate Option (RRO) is expected to be in a surplus of about \$1.6 million by year end due mainly to the hedged purchase price of electricity coming in less than budgeted. However, it is important to note that due to the volatility of the electric market, the RRO accounts can fluctuate significantly (as much as a million dollars) from month to month and as a result Administration will monitor these accounts closely over the remaining months.

Distribution tariff operations are anticipated to be in a deficit of about \$450,000, due to significant and unanticipated increases in transmissions access charges from the Alberta Electric System Operator. Due to the volatility these charges have on annual operations, a new rate rider will be introduced in the Electric bylaw effective January 1, 2009.

Transmission system operating costs is expected to be in a slight surplus position of about \$270,000.

Reserves

The following areas could have a significant impact on reserves.

Fleet Reserve – fuel accounts are projected to greater than budgeted by about \$400,000 due to increased usage and fuel prices greater than budgeted by 11%. Final year end results will be dependent on market prices. This pressure is projected to be partially offset by net under expenditures in various operating accounts (\$350,000). Administration will monitor the situation to ensure that overall the Fleet Services accounts continue to operate within budget. In accordance with City Policy, Fleet Services year end results are transferred to the Fleet Reserve.

Snow clearing – based on year to date expenditures, sanding and snow clearing operations will be in a deficit position by year-end, however we are unable to predict with any accuracy what it may be as it depends on the amount of snowfall in the latter part of the year. Based on previous year snow events, a deficit of \$300,000 to \$400,000 could be expected. As of January 1, 2008, the Snow Removal Reserve was merged with the Municipal Revenue Stabilization Reserve (MRSR), and any annual surplus / deficit from sanding, snow and ice removal operations will be funded from the MRSR.

Risk management – is projected to be in a surplus balance of approximately \$600,000 at the end of the year. This is mainly due to insurance premiums being negotiated less than budgeted. The surplus will be transferred to the Insurance Reserve at year end.

Parking Operations – are forecast to be in a surplus position of approximately \$20,000 by year end due to a projected increase in revenues in the range of \$90,000 - \$100,000, partially offset by a projected increase in spending of \$80,000 for the paving of the Fairmont Park RV Parking lot.

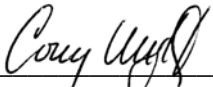
Traffic Safety Act Revenues – are anticipated to be in a surplus of approximately \$450,000 mainly due to greater than budgeted revenues related to provincial violation fines. Traffic Safety Act Revenues include provincial violation fines (tickets for speeding, failing to stop, going through red lights, etc.) and photo radar. In accordance with City Council policy, the Traffic Safety Act revenues will be directed to the Municipal Revenue Stabilization Reserve and do not impact the year end surplus.

The attached 2006-2008 Operating Forecast Summary is an overview of the General and Utility Operations while the 2006-2008 Variance Report provides Finance Committee with the projected year-end surplus / (deficit) for applicable business units.


Included for Council's information are copies of the Statement of Reserves and Reserve Analysis (green sheets) to September 30, 2008. The analysis provides Council with an overview of the transactions affecting the Reserves as well as any 2008 commitments yet to be appropriated from the Reserves. An analysis of Subdivision and Off-Site Operations (blue sheets) to September 30, 2008 is also attached.

Should you wish additional details, please contact the City Treasurer or the Controller.


Respectfully submitted,



Corey Wight, CA
City Treasurer



Barry Sawada, CA
Controller



Garth Sherwin, CA
City Manager

**CITY OF LETHBRIDGE
2006 - 2008 OPERATING FORECAST SUMMARY**

	Budget	Forecast Dec. 31/08	Projected Variance
	\$	\$	\$
GENERAL OPERATIONS			
REVENUE			
Taxation and other revenue	91,855,586	92,475,586	620,000
EXPENDITURES			
Boards and Commissions	25,888,600	25,768,600	120,000
General Government Services	21,236,492	20,288,492	948,000
Infrastructure Services	14,885,000	15,360,000	(475,000)
Community Services	29,845,494	28,808,494	1,037,000
	<u>91,855,586</u>	<u>90,225,586</u>	<u>1,630,000</u>
Total Projected General Fund Surplus	-	<u>2,250,000</u>	2,250,000
Less 2006-2008 business unit surplus			<u>750,000</u>

2008 CORPORATE SURPLUS 1,500,000

	Budget	Forecast Dec. 31/08	Projected Variance
UTILITY OPERATIONS			
WATER			
Revenue	14,872,400	15,527,400	655,000
Expenditures	14,767,400	15,352,400	(585,000)
Surplus	<u>105,000</u>	<u>175,000</u>	<u>70,000</u>
WASTE WATER			
Revenue	12,609,000	12,674,000	65,000
Expenditures	12,609,000	12,674,000	(65,000)
Balanced	<u>-</u>	<u>-</u>	<u>-</u>
SOLID WASTE			
Revenue	4,012,300	4,162,300	150,000
Expenditures	3,997,100	4,032,300	(35,200)
Surplus	<u>15,200</u>	<u>130,000</u>	<u>114,800</u>
RECYCLING			
Revenue	1,082,000	1,142,000	60,000
Expenditures	1,045,500	1,087,000	(41,500)
Surplus			
	<u>36,500</u>	<u>55,000</u>	<u>18,500</u>
LANDFILL			
Revenue	5,529,600	7,027,800	1,498,200
Expenditures	5,467,800	5,617,800	(150,000)
Surplus	<u>61,800</u>	<u>1,410,000</u>	<u>1,348,200</u>
ELECTRIC			
Revenue	52,791,300	55,991,300	3,200,000
Expenditures	52,791,300	54,621,300	(1,830,000)
Surplus	<u>-</u>	<u>1,370,000</u>	<u>1,370,000</u>

The accumulated surplus (deficit) for the Utility Operations at Dec 31, 2008 is projected to be:

	Opening Balance	Forecast	Forecast Closing
Water	1,561,293	175,000	1,736,293
Waste Water	476,262	-	476,262
Solid Waste	89,725	130,000	219,725
Recycling	141,311	55,000	196,311
Landfill	549,658	1,410,000	1,959,658
Electric *	-	1,370,000	1,370,000
Total	<u>2,818,250</u>	<u>3,140,000</u>	<u>5,958,250</u>

* - By policy, the prior year Electric surplus (deficit) is transferred to (from) the MRSR

CITY OF LETHBRIDGE 2006 - 2008 VARIANCE REPORT

GENERAL OPERATIONS

Taxes and Grants-in-Lieu - projected surplus **\$ 380,000**
(2008 budget of \$73,140,700: 98.2% collected to 16-Nov-08)

- | | |
|---|-----------|
| 1) Live assessment, net of the impact of the downtown redevelopment incentive (\$90,000), is expected to be greater than budgeted | \$325,000 |
| 2) Grants-in-lieu - greater than budgeted | 55,000 |

Other Revenue - projected surplus **240,000**

- | | |
|--|---------|
| 1) Allocation from Water of \$20,000 (8% of Water revenues) and Landfill of \$150,000 (10% of tipping fee revenues) are forecasted to be greater than budgeted | 170,000 |
| 2) Penalties on taxes greater than budgeted (\$90,000), partially offset by less than anticipated per capita Policing Grant (\$20,000) | 70,000 |

Total Net Surplus from Taxes and Other Revenues *** 620,000**

Boards and Commissions - projected surplus **120,000**

Police

- | | |
|--|-----------|
| 1) Wages - unexpended wages related to maternity leaves, retirements and lower than anticipated overtime | 390,000 |
| 2) Revenues - police record check requests have increased in volume, also pardons, insurance letters (\$85,000), police compound revenue (\$80,000), ALERT program (\$30,000) external funding related to special projects (\$160,000) partially off set by a shortfall in alarm bylaw fines (\$10,000) | 345,000 |
| 3) Operating accounts - a number of accounts ended the year in deficit positions, specifically vehicle leasing & maintenance (\$83,000), computer services (\$75,000), legal costs (\$17,000) and one time expenditures (\$450,000) including the automated fingerprint identification system and in-car cameras for all police vehicles. These deficits were partially offset by a surplus in training (\$60,000) | (565,000) |
| | 170,000 |

Galt Museum

Galt Museum - the break even position is a result of the projected operational surplus of \$40,000 being applied to the interim financing from the Municipal Revenue Stabilization Reserve related to the Galt Expansion project. -

Library

Library Operations - projected to be in a deficit position of \$50,000 at year end due to a variety of factors including over expenditures in payroll & benefits (\$55,000) and membership fees & supplies (\$70,000). These over expenditures were partially offset by an increase in Provincial government funding. (50,000)

General Government Services - projected surplus **948,000**

- | | |
|---|-----------|
| 1) Employee benefits - are forecasted to be in a surplus due to a combination of factors. A surplus was generated within the employee benefit account series due to greater than budgeted business unit contributions towards the employee benefits. Surpluses are also expected due to favourable experience in the Alberta Health Care, Alberta Blue Cross medical and dental plan premiums (anticipated premium increases did not materialize). These surpluses were partially offset by over expenditures in the Pension Plan accounts. | 700,000 * |
| 2) Utilities on City facilities – lower than budgeted consumption of utilities experienced in city facilities. | 75,000 * |
| 3) Economic Development - included in the surplus projection is approximately a \$25,000 surplus for the Lethbridge County airport contract. | 45,000 |
| 4) Governance / Communications - net under expenditure due to budget roll over's from previous year | 68,000 |

5) Corporate Initiatives - due mainly to under expended wages & benefits (\$15,000). Also, under expenditures in travel, training and supplies accounts (5,000).	25,000
6) Corporate Services - due mainly to under expended wages & benefits (\$5,000). Also, under expenditures in travel, training and supplies accounts (15,000).	20,000
7) Financial Services - mainly wage accounts due to unfilled positions for part of the year	15,000
8) Assessment and Taxation - balanced to budget	-
9) Human Resources Administration - balanced to budget	-

Infrastructure Services - projected deficit (475,000)

1) Street Lighting – an over expenditure of \$550,000 - \$600,000 is expected due to increased subdivision and arterial road development occurring earlier than anticipated. Due to the volatility experienced in this area, administration will continue to closely monitor these accounts.	(575,000) *
2) Parks Maintenance operations - are expected to finish the year in a break even position at year end. The parks maintenance operations dealt with a number of growth related pressures this season, including the turnover of maintenance for the Southeast water reservoir green strip, Coulee Creek storm pond, Canyon Crest playground and park and other smaller subdivision parks and entrance features.	-
3) Transportation Services net surplus - is expected to be in a slight surplus position of approximately \$100,000 due to under expenditures in pathway maintenance (\$20,000), traffic control accounts (\$20,000) and driveway construction and contractual patching (\$60,000).	100,000

Community Services - projected surplus 1,037,000

1) Recreation and Culture	
(a) General - due to various surpluses over the 3 year period, and not having all positions filled as required	289,000
(b) Aquatics - ended in a surplus position. When the budget for aquatics was prepared for this 3 year period, there was also a transition of maintenance costs to the contract provider. This resulted in surpluses in other budgeted categories.	90,000
(c) Galt Gardens - opened later than budgeted	78,000
(d) Helen Schuler Centre - balanced to budget	-
(e) Yates Memorial Centre - balanced to budget	-
(f) Community Based Services - balanced to budget	-
(g) Fritz Sick - balanced to budget	-
(h) Arenas - balanced to budget	-
	<hr/>
	457,000
2) Inspection Permit revenues - higher than anticipated building and plumbing permit revenues	400,000 *
3) By-Law Enforcement	
(a) Business licenses - revenues in excess of budget	175,000 *
(b) Wage savings (positions not filled)	45,000
(c) Animal control - dog license revenues are forecast to be over budget at year end (\$5,000), net of animal control and care contract service increase.	(5,000)
	<hr/>
	215,000
4) Family and Community Support Services (FCSS) - a projected surplus (\$135,000) is due to an increase in the FCSS Grant (2008-2009) and the recent decision by Alberta Child & Youth Services to provide the subsidized Out of School Care (OOSC). Therefore, the City of Lethbridge is no longer required to provide the subsidized OOSC program. The unexpended balances will be carried forward to 2009 and referred to the Community and Social Development Committee for consideration and subsequent recommendation to City Council.	-

5) Planning		
(a) higher than anticipated development permit, Land Use Bylaw amendment, and subdivision revenues	105,000	*
(b) under expenditure in wages due to delay in hiring planners	95,000	
	<u>200,000</u>	
6) Public Safety Communication Centre (PSCC) - Surplus in unexpended training	25,000	
7) ENMAX Centre operations are expected to balance to budget by year end. Due to the expansion and renovation project, the ENMAX Centre will be closed during the months of May to September of 2009, 2010 and 2011. It is anticipated that the event activity in 2009 will remain constant as compared to 2006-08 (about 90 – 110 events per year) however if an operating surplus were to occur in 2008, it will be carried forward to offset any operating deficits due to the closures.	-	
8) Cemeteries		
(a) Revenue in excess of budget	45,000	
(b) Net over expenditure in various operation accounts, including wages	(45,000)	
(c) The Mountview Cemetery capital project for new offices will be completed by yearend, while the Archmount Cemetery drainage project is in the design stage, resulting in funds carried over to 2009. During the year, the gravesite restoration project was completed.	-	
	<u>-</u>	
9) Fire and Ambulance		
(a) Revenues - are higher than budgeted due to contracted revenues (\$150,000) and ambulance fees (\$205,000)	355,000	
(b) Net over expenditure in general operations	(70,000)	
(c) The integrated fire and ambulance service shows over expenditures in wages due to the 3rd deputy chief (funded through increased contractual revenues), one backfilling safety codes officer & equipment technician, and data entry clerk for patient care reporting.	(255,000)	
	<u>30,000</u>	
10) Facility Services budget allocation relates to the annual maintenance and lifecycle management of City buildings. This is an annualized budget which is primarily project based and therefore any unexpended funds are carried over into subsequent years.	-	
11) Parks Management budget relates to the annual maintenance of amenities as well as the annualized funding for the development of new parks and lifecycle management of existing parks and amenities.	-	
12) Transit Operations – the 2006-2008 Operating Budget did not include adequate amounts to replace transit drivers during periods of sickness or vacation. This issue was offset in 2006 and 2007 primarily by fuel surpluses. These offsetting surpluses are not available in 2008. This issue has been addressed in the 2009 – 2011 Draft Operating Budget.	(290,000)	
TOTAL PROJECTED GENERAL FUND SURPLUS	<u>\$ 2,250,000</u>	
Less 2006 - 2008 Total Business Unit Surplus	750,000	
TOTAL CORPORATE SURPLUS	<u>* \$ 1,500,000</u>	
RESERVE FUNDED OPERATIONS		
Fleet Services - projected deficit	<u>\$ (50,000)</u>	
1) Fuel costs greater than budgeted	(400,000)	
2) Garage operations - net under expenditure in various accounts	350,000	
Community Lighting - projected surplus	<u>\$ 10,000</u>	
1) Decreased contractual services required for lighting installations	10,000	
2) Higher than budgeted roadway lighting costs - an over expenditure of \$550,000 - \$600,000 is expected due to increased subdivision and arterial road development occurring earlier than anticipated. This over expenditure will be absorbed within current operations (i.e. will be part of the 2008 corporate surplus) and therefore will not affect the Community Lighting Reserve.	-	

Snow Removal - projected deficit**\$ (350,000)**

Snow removal operations - dependent on weather conditions in last two months.

(350,000)

Based on previous year snow events, a deficit of \$300,000 to \$400,000 could be expected. As of January 1, 2008, the Snow Removal Reserve has been merged with the Municipal Revenue Stabilization Reserve (MRSR). Any annual surplus / deficit from sanding, snow and ice removal operations will be funded from the MRSR and therefore there will be no impact on year end results.

Risk Management - projected surplus**\$ 600,000**

1) Under expenditure in insurance premiums

590,000

2) Under expenditure in operations

10,000

Parking - projected surplus**\$ 20,000**

1) Net revenue surplus in parking meter revenues

100,000

2) Off-street parking lot maintenance - \$80,000 unbudgeted expenditure for the asphalt paving of the Fairmont Park RV Parking lot.

(80,000)

UTILITY OPERATIONS**Utility Services - projected to balance to budget****\$ -**

1) Collection related fees - revenue from warning notice, application fee and disconnect / reconnect fees not budgeted in 2008

435,000

2) Late payments penalties - penalty revenue exceeded budget (automated process based on customer activity)

200,000

3) Wages and benefits - vacant Systems Analyst position

60,000

4) Interdepartmental transfers - funds to general capital and corporate overhead

(30,000)

5) Bad debt write offs - write off of bad debt (\$250,000) takes into account write offs in prior years that affected accounts that were active in 2008.

(70,000)

6) Materials and supplies - paper & envelopes not budgeted in 2008

(80,000)

7) Utility administration fee - growth did not meet budgeted amount. The number of billed accounts was over estimated in 2008 budget by 4,000 accounts/month

(245,000)

8) Contractual services costs - postage (\$210,000) and disconnect charges (\$100,000) not budgeted in 2008, partially offset by billing costs being under spent (\$40,000).

(270,000)

Note - operational surpluses and deficits, if any are allocated to the utilities at year end.

Water - projected surplus**\$ 175,000**

1) Original budget - surplus

105,000

2) Revenues - surplus in water revenues

655,000

3) Water design and inspection - under expenditure resulting from inability to hire vacant positions

90,000

4) Administration and accounting - deficit position due to unbudgeted meter data management services.

(150,000)

5) Water Treatment Plant - over expended due to higher than anticipated energy usage at the treatment plant and reservoirs.

(155,000)

6) Water operations - deficit position due to a higher than typical number of hydrant repairs. Also, water meter installations are overspent due to a greater amount than budgeted manpower usage. The meter shop also projects to be overspent on the purchase of meters, however, the cost of these meters will be recovered back to the utility in the form of revenues.

(370,000)

Waste Water - projected to balance to budget**\$ -**

1) Original budget - balanced

-

2) Capital from operations transfer - decrease in the transfer of funds to the annual wastewater capital program.

450,000

3) Design and inspection - surplus due to under expenditures in the wastewater investigative surveys program and vacant positions.

100,000

4) Waste Water administration and accounting - under expenditure due to vacant position

90,000

5) Revenues - greater than budgeted revenues	65,000
6) Water operations - are projected to finish the year in a balanced position.	-
7) Waste Water Treatment Plant - deficit position due to a \$48,000 expenditure in process chemicals, \$33,800 net over expenditure between the energy and natural gas charges, \$12,500 over expenditure in treatment plant parts and consumable tools and a \$610,000 over expenditure in the 2008 Sludge disposal program.	(705,000)
Waste (Solid Waste) - projected surplus	\$ 130,000
1) Original budget - surplus	15,200
2) Residential operations - increased revenues due to a rate increase of \$1/mth and growth were partially offset by increased operating costs such as fuel and purchases of carts for growth areas	180,000
3) Large item service program under expended	19,800
4) Commercial collection operations - net over expenditure	(85,000)
Recycling - projected surplus	\$ 55,000
1) Original budget - surplus	36,500
2) Reduced operating expenses and increased revenues for electronics and household hazardous waste programs	58,500
3) Residential revenues - greater than budgeted growth	60,000
4) Increased servicing costs for yard waste sites	(100,000)
Landfill - projected surplus	\$ 1,410,000
1) Original budget - surplus	61,800
2) Revenues - greater than anticipated due to increased waste volumes	1,498,200
3) Increased Return on Investment to taxation due to increased revenues	(150,000)
The forecasted surplus of \$1,350,000 is anticipated to be used for an increased allocation to the closure / post closure care fund and costs associated with new initiatives requested within the 2009-2011 budget.	
Electric Wire Services - projected surplus	\$ 1,370,000
Original budget - balanced	-
Distribution Operations	
1) Revenues - surplus due to annual adjustments to Distribution Tariff. The 2006-2008 budget was based upon 2004 actual rates and rates expected in 2005. Each year since, the rates have been adjusted to meet market conditions.	3,800,000
2) Other expenditures - miscellaneous general administrative expenses	(50,000)
3) Operating and maintenance costs - expected to be higher than budget primarily due to increases in IBEW wages and increased reliance on contractors to complete work	(200,000)
4) Transmission access services - charges related to the transmission rider and working capital from the System Operator will be significantly greater than budgeted	(4,000,000)
	(450,000)
Transmission Tariff	
1) Expenditures - Shortage of personnel to complete work. Some additional work may be completed by year end, depending on availability of contractors.	470,000
2) Revenues - the deficit results from a reduction in the Lethbridge transmission cost recovery charge approved by the Provincial Minister (the budgeted revenues to cover transmission costs were prepared prior to the Minister's review and tariff approval).	(200,000)
	270,000
Regulated Rate Option (RRO)	
1) Energy purchases - large surplus resulted from prudent acquisition of hedges along with a changes in the mandated formula for calculating the regulated price	2,800,000
2) Administration and general - greater than expected, including the costs associated with the Utility Services 2006 operational deficit (\$108,000).	(200,000)
3) RRO Revenues - lower than anticipated	(400,000)
4) Payment in Lieu of Taxes - the payment in lieu of taxes was not a legislated requirement when the 2006-2008 budget was prepared, and therefore was not budgeted.	(650,000)
	1,550,000

STATEMENT OF RESERVES

	<u>September 30</u> <u>2008</u>	<u>December 31</u> <u>2007</u>
OPERATING		
Cemeteries	\$ 589,616	\$ 589,616
Insurance	1,372,459	1,372,459
Mayor Magrath Drive Beautification	100,755	96,632
Municipal Revenue Stabilization	16,287,220	7,330,728
Snow Removal	0	29,767
Urban Parks	<u>1,987,529</u>	<u>1,359,329</u>
 TOTAL OPERATING RESERVES	 <u>20,337,579</u>	 <u>10,778,530</u>
 CAPITAL		
Acquire Off Street Parking	1,477,674	1,220,574
Central Business District Land Acquisition	278,333	277,645
Community Lighting	2,093,774	1,939,199
Community Reserve Fund	1,798,517	687,630
Fleet Services	13,251,472	11,352,322
Major Capital Projects	3,883,876	3,845,176
Real Estate Holdings	1,700,691	1,634,820
School Bus	153,978	63,978
Transit Bus	<u>976,154</u>	<u>947,654</u>
 TOTAL CAPITAL RESERVES	 <u>25,614,469</u>	 <u>21,968,998</u>
 TOTAL RESERVES	 \$ <u>45,952,048</u>	 \$ <u>32,747,529</u>
 TOTAL COMMITTED FUNDS	 \$ <u>8,929,413</u>	 \$ <u>7,266,794</u>
 FUTURE INTERNAL FUNDING REQUIREMENTS:		
Residential Subdivisions	14,690,084	13,590,497
ENMAX Centre	7,900,000	7,900,000
Community Arts Centre	4,400,000	4,400,000
Land Purchase	3,042,280	3,042,280
Waste Water Treatment Plant	500,000	500,000
Cemetery Gravesite Restoration	30,055	30,055
Mountainview Cemetery - Office	62,410	62,410
Archmount Cemetery - Drainage	100,000	100,000
	<u>\$ 30,724,829</u>	<u>\$ 29,625,242</u>

**RESERVE ANALYSIS
FOR THE PERIOD January 1 - September 30, 2008**

OPERATING RESERVES

CEMETERIES

Balance as at September 30, 2008 \$ 589,616.13

INSURANCE

Balance as at September 30, 2008 \$ 1,372,458.91

MAYOR MAGRATH DRIVE BEAUTIFICATION

Balance as at January 1, 2008 \$ 96,631.98

Add: Contributions from				
- Travel Lodge	\$	5,616.00		
- Thrift Lodge		314.00		5,930.00
				102,561.98

Less: Land Lease Taxes				
				1,806.78

Balance as at September 30, 2008 \$ 100,755.20

MUNICIPAL REVENUE STABILIZATION

Balance as at January 1, 2008 \$ 7,330,727.59

Add: Municipal Consent and Access Fee (electric)	\$	4,646,925.00		
Investment Income		3,392,636.63		
Return on Investment (electric)		2,779,049.98		
Allocation from electric capital (depreciation)		566,567.37		
By-law enforcement revenue surplus (vs. annual budget of \$3.9M)		375,108.44		
ATCO Franchise Fee surplus (vs. annual budget of \$2.4M)		269,673.70		
Transfer from Snow Removal Reserve		29,766.69		
		12,059,727.81		

Internal financing recoveries (Year of final payment):				
- City Hall (2015)		1,612,200.01		
- Residential subdivisions		1,340,838.80		
- Wastewater operations (2008)		215,249.99		
- Police station (2011)		441,599.99		
- Sherring Industrial Park (2020)		416,768.26		
- Landfill cell development (2008)		458,100.00		
-Transportation (2011)		379,650.01		
- Wellness centre (2016)		318,900.01		
- Police technology (2013)		299,624.99		
- Museum expansion (2016)		152,474.99		
- ICAP-East Lethbridge sewer expansion (2013)		148,424.99		
- Radio trunking system (2013)		140,324.99		
- Tertiary treatment (2012)		201,675.01		
- Water debt paydown (2009)		23,700.01		
- Cemetery gravesite restoration (2015)		58,575.01		
- Lethbridge Soup Kitchen (2016)		23,700.01		
- MIS System		130,125.01		
		6,361,932.08		18,421,659.89
				25,752,387.48

Less: Electric wire service-allocation to General Operations		6,150,000.01		
Allocation to General Operations		2,610,900.00		
Allocation to electric distribution capital projects		566,567.37		
Allocation for cashiering		95,400.00		
Allocation for parking ticket data entry		19,800.00		
		9,442,667.38		

One Time Allocations:				
Economic Development Lethbridge-labour (N7)		22,500.00		9,465,167.38

Balance as at September 30, 2008 \$ 16,287,220.10

**RESERVE ANALYSIS
FOR THE PERIOD January 1 - September 30, 2008**

MUNICIPAL REVENUE STABILIZATION (continued)

Committed Funds:

One Time Allocations:

2006:		
- Peenaquim Park gun range safety (N8)		89,365.00
- Municipal Heritage program (N4)		7,075.43
2007:		
- West Side Gymnasium upsizing		1,000,000.00
- Lethbridge Public Library fund development (N1)		72,900.00
- Red light camera traffic study		5,000.00
2008:		
- Control of Graffiti		150,000.00
- Lethbridge Public Library fund development (N1)		73,200.00
- Three sidewalk sanders		18,000.00
2009:		
- 2009 55 Plus Winter Games		140,000.00
	\$	<u>1,555,540.43</u>

Internal Loan Requirements :

Residential subdivisions (5-7 years)		14,690,084.10
Note: Not to exceed \$21,200,000		
ENMAX Centre (CIP D6)		7,900,000.00
Community Arts Centre (CIP D14)		4,400,000.00
Land purchase		3,042,280.00
Waste water treatment plant (5 year Loan)		500,000.00
Mountainview Cemetery-office (N35) (10 year loan)		30,054.56
Cemetery gravesite restoration (10 year loan)		62,409.76
Archmount Cemetery- drainage (N36) (10 year loan)		100,000.00
	\$	<u>30,724,828.42</u>

As at September 30, 2008 internal advances amounting to approximately \$44,100,000 (of which \$138,000 relates to an operating loan to the Sewage Utility) were outstanding from this reserve. These amounts will be recovered, with interest, in future years.

In addition, interest free loans to the following community groups remain committed against this reserve. These amounts have been recorded as receivables by the City as at September 30, 2008.

	Year of Loan	Maturity of Loan	Balance as at September 30, 2008	Annual Payment
Lethbridge Soccer Association	1997	2008	8,500.00	8,500.00
Prairie Baseball Club	1999	2019	110,000.00	10,000.00
Nordbridge Seniors	2000	2012	103,717.10	20,743.42
Lethbridge Softball Association	2005	2013	125,000.00	25,000.00
Japanese Gardens	2005	2015	14,400.00	1,800.00

**RESERVE ANALYSIS
FOR THE PERIOD January 1 - September 30, 2008**

SNOW REMOVAL

Balance as at January 1, 2008	\$	29,766.69
Less: Transfer to close to MRSR		<u>29,766.69</u>
Balance as at September 30, 2008	\$	<u>0.00</u>

URBAN PARKS

Balance as at January 1, 2008	\$	1,359,328.69
Add: Allocation from operations		<u>628,200.00</u>
Balance as at September 30, 2008	\$	<u>1,987,528.69</u>

Committed Funds:

2005 - 2008

- Parks special maintenance projects		600,000.00
- Indian Battle Park-play units		320,000.00
- Parks equipment		89,029.94
- Legion playground in Henderson Park		81,039.00
- Henderson Lake mitigation strategies		25,758.00
- Helen Schuler building maintenance		21,100.00
- Alexander Park shale reclamation		12,847.00
- Indian Battle Park hazardous tree abatement		15,300.00
- Elks & Helen Schuler roofs		10,000.00
- Indian Battle Park-(look-out tower stairs)		<u>5,353.61</u>
	\$	<u>1,180,427.55</u>

TOTAL OPERATING RESERVES as at September 30, 2008 **\$ 20,337,579.03**

**RESERVE ANALYSIS
FOR THE PERIOD January 1 - September 30, 2008**

CAPITAL RESERVES

ACQUIRE OFF STREET PARKING

Balance as at January 1, 2008		\$	1,220,574.24
Add: Parking Revenues			
- Parking Meters	\$	638,936.58	
- Parking Lots		<u>55,127.22</u>	<u>694,063.80</u>
			1,914,638.04
Less: Administration		145,166.77	
Enhance downtown maintenance (Snow clearing, street sweeping etc.)		183,553.35	
Parking meter operations		71,591.60	
Parking lot operations		<u>36,652.09</u>	<u>436,963.81</u>
Balance as at September 30, 2008		\$	<u><u>1,477,674.23</u></u>

CENTRAL BUSINESS DISTRICT LAND ACQUISITION

Balance as at January 1, 2008		\$	277,645.14
Add: Parking rent (514-3 Ave S)			<u>687.87</u>
Balance as at September 30, 2008		\$	<u><u>278,333.01</u></u>
Committed Funds:			
- Consulting 1 Ave S - redevelopment	\$	<u>18,676.00</u>	

As at September 30, 2008 an internal advance amounting to \$1,500,000 has been made to this reserve. This amount is to be repaid in future years.

COMMUNITY LIGHTING

Balance as at January 1, 2008		\$	1,939,198.92
Add: Allocation from operations			<u>154,575.00</u>
Balance as at September 30, 2008		\$	<u><u>2,093,773.92</u></u>

COMMUNITY RESERVE FUND

Balance as at January 1, 2008		\$	687,630.33
Add: Sale of Fairmont land to Extendicare(Canada) Inc. Plan 0811142 Block 15 Lot 51			<u>1,110,886.25</u>
Balance as at September 30, 2008		\$	<u><u>1,798,516.58</u></u>

**RESERVE ANALYSIS
FOR THE PERIOD January 1 - September 30, 2008**

FLEET SERVICES

Balance as at January 1, 2008		\$	11,352,322.11
Add: Allocation from fleet operations	\$	1,865,250.00	
Equipment replacement carry over			
Recoveries:			
- Water debt paydown (principal)(2009)		33,899.99	1,899,149.99
			<u>1,899,149.99</u>
Balance as at September 30, 2008		\$	<u><u>13,251,472.10</u></u>

As at September 30, 2008 internal advances amounting to about \$71,500 are owing to this reserve. These amounts are to be recovered in future years.

Committed funds:			
Equipment replacements	\$	2,883,887.00	
Automated Side Loader Refuse Truck		1,017,119.25	
Street sweeper		65,000.00	
Special maintenance projects		50,661.54	
	\$		<u>4,016,667.79</u>

MAJOR CAPITAL PROJECTS

Balance as at January 1, 2008		\$	3,845,175.92
Add: Allocation from operations	\$	222,449.99	
Repayment of salt & sand storage facility		37,499.99	259,949.98
			<u>4,105,125.90</u>
Less: Police technology			<u>221,250.01</u>
Balance as at September 30, 2008		\$	<u><u>3,883,875.89</u></u>

Committed funds:			
- Phase-in building maintenance 2006/2007	\$	750,000.00	
- Performing Arts Centre (2010)		500,000.00	
- Southern Alberta Art Gallery		500,000.00	
- Compliance to Provincial Electronic Patient Care Report		15,000.00	
	\$		<u>1,765,000.00</u>

REAL ESTATE HOLDINGS

Balance as at January 1, 2008		\$	1,634,819.62
Add: Cash to close sale of Lot 23 Blk 7 Pln 0812488 2303 - 6 Ave S	\$	40,500.00	
Cash to close sale of Lot 18 PUL Blk 26 Pln 8610676 - 23 Ridgewood Cres W		6,450.00	
Cash to close sale of lane way 221 - 16 St N		4,259.50	
Rental Income			
- 3038 & 3040 13 Street North		6,293.04	
- Water Tower Parking Lot		4,500.00	
- ROW 3521 - 1 Avenue South		10,687.50	72,690.04
			<u>1,707,509.66</u>
Less: Land Lease Taxes			<u>6,818.92</u>
Balance as at September 30, 2008		\$	<u><u>1,700,690.74</u></u>

As at September 30, 2008 an internal advance amounting to about \$1,500,000 has been made from this reserve. This amount is to be recovered in future years.

**RESERVE ANALYSIS
FOR THE PERIOD January 1 - September 30, 2008**

SCHOOL BUS

Balance as at January 1, 2008	\$	63,977.53
Add: Allocation from operations		90,000.00
Balance as at September 30, 2008	\$	153,977.53

TRANSIT BUS

Balance as at January 1, 2008	\$	947,654.21
Add: Allocation from operations for transit scheduling technology	\$	17,249.99
Allocation from operations		11,250.00
		28,499.99
Balance as at September 30, 2008	\$	976,154.20

Committed funds:

Transit scheduling software	\$	115,627.74
Replacement transit scheduling technology for Access-a-ride		92,000.00
Fare study II		13,104.16
Technology upgrades		172,369.38
	\$	393,101.28

TOTAL CAPITAL RESERVES as at September 30, 2008	\$	25,614,468.20
TOTAL OPERATING RESERVES as at September 30, 2008		20,337,579.03
TOTAL RESERVES as at September 30, 2008	\$	45,952,047.23
TOTAL COMMITTED FUNDS	\$	8,929,413.05
TOTAL INTERNAL LOAN REQUIREMENTS		30,724,828.42
TOTAL FUNDING REQUIREMENTS	\$	39,654,241.47
EXCESS OF RESERVES OVER FUNDING REQUIREMENTS	\$	6,297,805.76

**RESIDENTIAL SUBDIVISION SURPLUS
FUNDING ANALYSIS**

For the period ending September 30, 2008

Development Operations Funding

Funds Received from Lot Sales (Net of Builder Discounts)

SunRidge:

SunRidge A - Phase 1	\$ 1,997,939
SunRidge A - Phase 3	538,933
SunRidge A - Phase 2	2,059
	<u>2,538,931</u>

RiverStone:

RiverStone - Phase 10	1,948,974
RiverStone - Phase 12	1,398,715
RiverStone - Phase 9	10,675
	<u>3,358,364</u>

Copperwood:

Copperwood Joint Venture	<u>2,193,254</u>
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8,090,549

Funds Used for Development

RiverStone:

RiverStone Common	1,126,927
RiverStone - Phase 15	1,050,353
RiverStone - Phase 12	287,855
RiverStone - Phase 14	184,194
RiverStone - Phase 10	63,862
RiverStone - Phase 13	37,973
RiverStone - Phase 11	26,660
RiverStone - Phase 6	9,012
RiverStone - Phase 9	2,748
RiverStone - Phase 16	2,695
RiverStone - Phase 8	1,200
RiverStone - Phase 7	300
RiverStone - Phase 5	200
	<u>2,793,980</u>

SunRidge:

SunRidge A - Phase 3	1,235,625
SunRidge A - Curb Remediation	583,830
SunRidge Common	258,762
SunRidge A - Demonstration Home	107,892
SunRidge A - Phase 2	82,630
SunRidge A - Phase 3c	67,441
SunRidge A - Phase 3d	16,990
SunRidge A - Phase 1	11,923
	<u>2,365,094</u>

The Crossings:

The Crossings Common	<u>685,017</u>
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Copperwood:

Copperwood Joint Venture	<u>237,100</u>
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Legacy Ridge:

Legacy Ridge - Commercial Site	<u>4,275</u>
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Total Funds Used for Development 6,085,466

Net Funds Received/(Used) for Development Operations 2,005,083

Other Activity Funding

Funds Used for:

Internal Loan Repayment - Municipal Revenue Stabilization Reserve (Note 4)	1,340,839
Operating Budget Funding	590,284
Allocation in lieu of property taxes	46,650
Outline Plan - Cost Sharing Agreement	27,310
	<u>2,005,083</u>

Net Funds Received/(Used) in Other Activities (2,005,083)

Net decrease in Residential Subdivision Surplus -

Residential Subdivision Surplus Balance January 1, 2008 -

Total RESIDENTIAL Subdivision Surplus Balance September 30, 2008 \$ -

**RESIDENTIAL SUBDIVISION SURPLUS
FUNDING ANALYSIS**

For the period ending September 30, 2008

Funds Committed for Future

RiverStone:

Phase 15 Sanitary Lift Station	\$ 476,468
Phase 12 Underground Utilities & Surface Improvements	462,401
Phase 11-15 Design and Storm Outfall	283,787
Phase 13 & 14 Rough Grading	182,039
Phase 10 Underground Utilities & Surface Improvements	135,207
Phase 9 - 13 Design & Development Guidelines	91,780
William Pearce Park - Landscape & Irrigation	86,392
Phase 7-10 Engineering Services	5,841
	<u>1,723,915</u>

The Crossings:

Deep Servicing and Surface Works	4,127,615
Purchase of Willms Lands (Note 1)	998,714
Detailed Design/Construction/Sports Field	916,005
Purchase of Marnoch Lands (Note 2)	471,750
Urban Master Plan - Mixed Use Centre	96,661
Environmental Study	12,482
Website Development	10,033
	<u>6,633,260</u>

SunRidge:

Phase B ASP & Outline Plan	584,484
Prime Consultant Services	277,798
Landscape & Irrigation Work	148,380
Development of Park Features/Entrance Sign	121,950
Engineering Services Phases 1-3	119,739
Phase 3A Underground Utility & Surface Works	100,004
Architectural Controls & Design Approvals	54,791
Subdivision Legal Surveying	33,600
Website Enhancement	6,415
	<u>1,447,161</u>

Other:

West Lethbridge Centre Core Facilities Project	1,550,000
Affordable Housing	712,600
Legacy Ridge Commercial Site	597,128
West Highlands Storm Water Park	406,350
Parks Capital	295,996
Chinook Trail Land Purchase - Melcor Land Exchange (Note 3)	247,800
Community Development Planning - Sustaining Responsiveness	204,800
Land Administration	176,625
Outline Plan - Cost Sharing Agreement	112,690
Parks Maintenance	90,000
Pest Control	16,891
Allocation in lieu of property taxes	15,550
Information Technology	8,450
Development Services	2,250
	<u>4,437,129</u>

Total Committed Funds

\$ 12,517,550

Notes:

- 1 The Willms Lands (part of The Crossings) comprising 81.14 acres with a total cost of \$1,627,800 were purchased in 2004 (Costs include land costs of \$1,622,800 and other related land closing costs of \$5,000). The total cost of this land has been capitalized under Land Held for Resale. When needed for subdivision development, the land will be transferred to subdivisions and funded from Residential Subdivision Surplus (on a per acre basis).
- 2 The Marnoch Lands (part of The Crossings) comprising 80.06 acres with a total cost of \$943,500 were purchased in 2004 (Costs include land costs of \$920,000 and other related land closing costs of \$23,500). The total cost of this land has been capitalized under Land Held for Resale. When needed for subdivision development, the land will be transferred to subdivisions and funded from Residential Subdivision Surplus (on a per acre basis).
- 3 As of September 30, 2008 the Melcor Developments Ltd. land exchange contains a commitment from Residential Subdivision Surplus of \$247,800 to front end finance the purchase of Chinook Drive Right-of-Way lands (which will be repaid once Chinook Trail commences).
- 4 To finance the deficit balance in the Residential Subdivision Surplus Account related to the startup costs associated with the SunRidge and The Crossing subdivisions through an original "line of credit loan" of up to \$8,000,000 from the Municipal Revenue Stabilization Reserve (MRSR) at a rate based on the City's average short term investment rate was approved by Council. Additionally, Council Authorized an additional \$13,200,000 for costs associated to The Crossings under By-Law 5410 to bring the total line of credit to \$21,200,000. Loan repayments will be based on cashflow availability within the Residential Subdivision Surplus. As at September 30, 2008 the balance outstanding on this line of credit loan is \$6,509,915.90.

**INDUSTRIAL SUBDIVISION SURPLUS
FUNDING ANALYSIS**

For the period ending September 30, 2008

Development Operations Funding

Funds Received from Lot Sales		
Sherring Industrial Park - Phase 1	\$ 4,550,208	
Shackleford Industrial Park	41,745	
Total Funds Received from Lot Sales	<u>4,591,953</u>	
Funds Used for Development		
Sherring Industrial Park - Phase 1	299,170	
Sherring Industrial Park Common	17,683	
Shackleford Industrial Park	2,874	
Sherring Industrial Park Shared Cost Agreement - Phase 1 (Note 2)	(481,112)	
Total Funds Used for Development	<u>(161,385)</u>	
Net Funds Received From (Used for) Development Operations		4,753,338

Other Activity Funding

Funds Used for:		
Debt Payment - ACFA	777,228	
Allocation in lieu of property taxes	137,325	
	<u>914,553</u>	
Net Funds Received (Used) in Other Activities		<u>(914,553)</u>
Net increase in Industrial Subdivision Surplus		3,838,785
Industrial Subdivision Surplus Balance January 1, 2008		(2,749,359)
Total INDUSTRIAL Surplus September 30, 2008		<u>\$ 1,089,426</u>

Funds Committed for Future

Funds Committed for Future		
Sherring:		
Giffen Lands (Note 1)	\$ 1,679,327	
Surface Works	504,635	
Site Servicing	273,875	
Landscaping Construction	148,512	
Lift Stations	57,794	
	<u>2,664,143</u>	
Other:		
Debenture Debt	355,072	
Industrial Park - Top Lift Paving	324,212	
Allocation in lieu of property taxes	45,775	
	<u>725,059</u>	
Total Committed Funds	<u>\$ 3,389,202</u>	

Notes:

- 1 The Giffen Lands (part of the Sherring Industrial Park) comprising 468.34 acres with a total cost of \$2,230,744 were purchased in 2002. The total cost of this land has been capitalized under Land Held for Resale. When needed for subdivision development, the land will be transferred to subdivisions and funded from Industrial Subdivision Surplus (on a per acre basis). At September 30, 2008, the value of land not yet transferred is \$1,679,327.
- 2 The Sherring North Development Ltd cost sharing agreement credits of \$481,112 were received in 2008. For further clarity a decision was made to break-out cost sharing credits from land sales.

OFFSITE ACCOUNT ANALYSIS

For the period ending September 30, 2008

Revenues

Net Off-Site Levies

Domenic Construction for Coulee Creek Stage 1 Phase 4	\$ 1,454,508
Melcor for Legacy Ridge Phase 4	491,761
Total Net Levies	<u>1,946,269</u>

Add: Other Revenues

General Interest	353,889
Total Other Revenues	<u>353,889</u>

Total Revenues

2,300,158

Allocations

Less: Offsite/Oversize Credits

Sherring Industrial Park- Phase 1	923,454
Watermain Twinning Sandstone Rdg 3	237,555
Domenic Construction for Coulee Creek Stage 1 Phase 4	157,058
Melcor for Legacy Ridge Phase 4	65,728
Melcor for Legacy Ridge Phase 1A	23,528
Total Oversize Credits	<u>1,407,324</u>

Other Funding Activity

Less: Other Costs

ACFA Debt Payment	762,960
Total Other Costs	<u>762,960</u>

Total Allocations

2,170,284

Net increase / (decrease) in Off-Site Account

129,874

Add: Off-Site Account Balance January 1, 2008

12,903,085

OFF-SITE Account Balance September 30, 2008

\$ 13,032,958

Funds Committed for Future

Developer Oversize Credits:

The Crossings	\$ 1,601,744
Remington - WT Hill - Phase 2	300,000
	<u>1,901,744</u>

Funds Committed for Projects:

Benton Reservoir	4,000,000 *
University Drive (SunRidge to Riverbend)	2,500,000
South Syphon Upgrade	1,500,000 *
26th Ave North (28th Street to 31st North)	1,400,000
28th Street North	1,352,714
Intersection Improvements	1,129,000
Whoop-up Drive Blackfoot Rd W to W of Benton Drive	979,294
University Dr - Whoop-up Drive to McGill Blvd	804,281
26 Ave 28-31 Street North Upgrade	798,300
Maintain safety - Intersection improvements	640,335
West Lethbridge Distribution Looping	570,415
Distribution System Looping	500,000
Bridge Drive Utility Corridor	500,000
Fill Line Booster Station / MM Dr. Reservoir Pump Upgrade	482,122
Benton Drive Right-of-Way Purchase	414,533
28th Street North (MMD to 26 Ave N)	400,000
University Drive Rocky Mountain Blvd-Chinook Trail	211,247
North Scenic Dr 9th Ave N to Stafford Dr N	149,980
Sanitary Sewer Relief Lines	10,977
	<u>18,343,197</u>

Total Committed Funds

\$ 20,244,940

* Projects to be funded by future debenture borrowings