



The Corporation of the City of Stratford
Finance and Labour Relations Committee
Open Session
AGENDA

Date: Monday, December 16, 2024

Time: 7:05 P.M.

Location: Council Chamber, City Hall

Committee Present: Councillor Hunter - Chair Presiding, Councillor McCabe - Vice Chair, Mayor Ritsma, Councillor Biehn, Councillor Briscoe, Councillor Burbach, Councillor Henderson, Councillor Nijjar, Councillor Sebben, Councillor Wordofa

Staff Present: Joan Thomson - Chief Administrative Officer, Tatiana Dafoe - City Clerk, Tim Wolfe - Director of Community Services, Karmen Krueger - Director of Corporate Services, Kim McElroy - Director of Social Services, Taylor Crinklaw - Director of Infrastructure Services, Adam Betteridge - Director of Building and Planning Services, Neil Anderson - Director of Emergency Services/Fire Chief, Dave Bush - Director of Human Resources, Audrey Pascual - Deputy Clerk

To watch the Committee meeting live, please click the following link:

<https://video.isilive.ca/stratford/live.html>

A video recording of the meeting will also be available through a link on the City's website

<https://calendar.stratford.ca/meetings> following the meeting.

Pages

1. Call to Order

The Chair to call the Meeting to Order.

Councillor Beatty provided regrets for this meeting.

2. Disclosure of Pecuniary Interest and the General Nature Thereof

The *Municipal Conflict of Interest Act* requires any member of Council declaring a pecuniary interest and the general nature thereof, where the interest of a member of Council has not been disclosed by reason of the member's absence

from the meeting, to disclose the interest at the first open meeting attended by the member of Council and otherwise comply with the *Act*.

Name, Item and General Nature of Pecuniary Interest

3. **Sub-committee Minutes** 4 - 6
- Sub-committee minutes are attached for background regarding the discussion held at the November 19, 2024, Sub-committee meeting.
4. **Delegations**
- None scheduled.
5. **Report of the Director of Corporate Services**
- 5.1 **Festival Hydro Inc. and Festival Hydro Services Inc. Q2 and Q3 Updates (FIN24-033)** 7 - 36
- Staff Recommendations:** THAT the Festival Hydro Inc. financial results for the period ended June 30, 2024, and for the period ended September 30, 2024, be received for information;
- AND THAT the Festival Hydro Services Inc. financial results for the period ended June 30, 2024, and for the period ended September 30, 2024, be received for information.
- Motion by
- Sub-committee Recommendations:** THAT the Festival Hydro Inc. financial results for the period ended June 30, 2024, and for the period ended September 30, 2024, be received for information;
- AND THAT the Festival Hydro Services Inc. financial results for the period ended June 30, 2024, and for the period ended September 30, 2024, be received for information.
6. **Report of the Manager of Financial Services**
- 6.1 **Third Quarter (Q3) 2024 Operating Variance Report as at September 30, 2024 (FIN24-034)** 37 - 42
- Staff Recommendation:** THAT the report titled "Third Quarter (Q3) 2024 Operating Variance Report as at September 30, 2024" (FIN24-034) dated November 19, 2024, be received for information.
- Motion by
- Sub-committee Recommendation:** THAT the report titled "Third Quarter (Q3) 2024 Operating Variance Report as at September 30, 2024" (FIN24-

034) dated November 19, 2024, be received for information.

7. For the Information of Committee

There are no Advisory Committee/Outside Board Minutes to be provided to Committee.

8. Adjournment

Meeting Start Time:

Meeting End Time:

Motion by

Committee Decision: THAT the Finance and Labour Relations Committee meeting adjourn.



**The Corporation of the City of Stratford
Finance and Labour Relations Sub-committee
MINUTES**

Date: November 19, 2024
 Time: 4:30 P.M.
 Location: Council Chamber, City Hall

Sub-committee Present: Councillor Hunter - Chair Presiding, Councillor McCabe - Vice Chair, Councillor Beatty, Councillor Burbach, Councillor Nijjar

Staff Present: Karmen Krueger - Director of Corporate Services, Dave Bush – Director of Human Resources, Michael Koktan - Manager of Financial Services, Miranda Franken - Council Clerk Secretary

1. Call to Order

The Chair called the meeting to Order.

Land Acknowledgment

Moment of Silent Reflection

Respectful Conduct Statement

2. Disclosure of Pecuniary Interest and the General Nature Thereof

The *Municipal Conflict of Interest Act* requires any member of Council declaring a pecuniary interest and the general nature thereof, where the interest of a member of Council has not been disclosed by reason of the member's absence from the meeting, to disclose the interest at the first open meeting attended by the member of Council and otherwise comply with the *Act*.

Name, Item and General Nature of Pecuniary Interest

No declarations of pecuniary interest were made by a Member at the November 19, 2024, Finance and Labour Relations Sub-committee meeting.

3. Delegations

None scheduled.

4. Report of the Director of Corporate Services**4.1 Festival Hydro Inc. and Festival Hydro Services Inc. Q2 and Q3 Updates (FIN24-033)**

Staff Recommendations: THAT the Festival Hydro Inc. financial results for the period ended June 30, 2024, and for the period ended September 30, 2024, be received for information;

AND THAT the Festival Hydro Services Inc. financial results for the period ended June 30, 2024, and for the period ended September 30, 2024, be received for information.

Sub-committee Discussion: Members of Sub-committee and the Director of Corporate Services discussed the report. Highlights of the discussion included:

- the Income Statement Commentary on page 10 speaking to a large company switching providers; and
- members asking for further information on the LRAM budget and staff to look into these further.

Motion by Councillor McCabe

Sub-committee Recommendations: THAT the Festival Hydro Inc. financial results for the period ended June 30, 2024, and for the period ended September 30, 2024, be received for information;

AND THAT the Festival Hydro Services Inc. financial results for the period ended June 30, 2024, and for the period ended September 30, 2024, be received for information.

Carried

5. Report of the Manager of Financial Services

5.1 Third Quarter (Q3) 2024 Operating Variance Report as at September 30, 2024 (FIN24-034)

Staff Recommendation: THAT the report titled "Third Quarter (Q3) 2024 Operating Variance Report as at September 30, 2024" (FIN24-034) dated November 19, 2024, be received for information.

Sub-committee Discussion: The Director of Corporate Services advised the report indicated the that operations are as expected at this point in the year.

Motion by Councillor Burbach

Sub-committee Recommendation: THAT the report titled "Third Quarter (Q3) 2024 Operating Variance Report as at September 30, 2024" (FIN24-034) dated November 19, 2024, be received for information.

Carried

6. Advisory Committee/Outside Board Minutes

No Advisory Committee/ Outside Board Minutes were provided to Sub-committee.

7. Next Sub-committee Meeting

The next Finance and Labour Relations Sub-committee meeting is January 21, 2025 at 4:30 p.m. in the Council Chamber, City Hall.

8. Adjournment

Motion by Councillor McCabe

Sub-committee Decision: THAT the Finance and Labour Relations Sub-committee meeting adjourn.

Carried

Meeting Start Time: 4:30 P.M.

Meeting End Time: 4:35 P.M.



MANAGEMENT REPORT

Date: November 19, 2024
To: Finance and Labour Relations Sub-committee
From: Karmen Krueger, CPA, CA, Director of Corporate Services
Report Number: FIN24-033
Attachments: 1) FHI Q2 and Q3 Update;
2) FHSI Q2 and Q3 Update

Title: Festival Hydro Inc. and Festival Hydro Services Inc. Q2 and Q3 Updates

Objective: To receive the financial results for Festival Hydro Inc. (FHI) and Festival Hydro Services Inc. (FHSI) for periods ended June 30, 2024 (Q2) and September 30, 2024 (Q3).

Background: City Council is updated semi-annually on the financial and operating activities of Festival Hydro.

Analysis: The Q2 and Q3 financial results are attached.

The commentaries provided for each entity highlight variances and operating results which are as expected for these periods.

Financial Implications:

Financial impact to current year operating budget:

The reports are being provided for information and there are no significant financial impacts to note for current or future year operating budgets. Dividend and interest payments are on track as projected for the year.

Alignment with Strategic Priorities:

Not applicable: This report does not align with one of the Strategic Priorities as it is provided for information only.

Alignment with One Planet Principles:

Not applicable: This report does not align with one of the One Planet Principles as it is provided for information only.

Staff Recommendations: THAT the Festival Hydro Inc. financial results for the period ended June 30, 2024, and for the period ended September 30, 2024, be received for information;

AND THAT the Festival Hydro Services Inc. financial results for the period ended June 30, 2024, and for the period ended September 30, 2024, be received for information.

Prepared by: Karmen Krueger, CPA, CA, Director of Corporate Services/Treasurer

Recommended by: Karmen Krueger, CPA, CA, Director of Corporate Services/Treasurer
Joan Thomson, Chief Administrative Officer



Financial Statements

Prepared For:

Finance & Labour Relations Sub-Committee

November 2024

To: Mark Hunter and the Finance and Labour Relations Committee
From: Alyson Conrad, CFO
Re: Commentary on FHI Financial Results –
For the period ended June 30, 2024

Net income for the period is \$907K, which is \$4K above the YTD budget. Detailed commentary on the balance sheet and statement of operations are noted below:

BALANCE SHEET COMMENTARY:

Accounts Receivable – The accounts receivable balance is \$967K higher than it was in June of 2023. This variance is the result of the following:

- Electric receivables are \$355K higher than June 2023. While there is a large increase (119K) in 1–30-day arrears, the majority of this is due to month end close being run on the last working day of the month (June 28th) prior to pre-authorized payments being received by customers on June 30th. This arrears balance should decrease by the end of July.
- Water and sewer receivables are \$171K higher than June 2023 with the majority being current balances. Arrears have increased by \$56K compared to the prior year however this has come down through the first two quarters of 2024.
- OER has increased by \$550K compared to the prior year because of a large increase in the OER rate from 11.7% to 19.3%.
- Recoverable work receivables have decreased by \$136K.

Electric receivables are being continuously monitored due to the disconnection moratorium which ended on April 30, 2024. The customer service staff have been diligently working through the disconnection process with customers and attempting to receive payments or make payment arrangements prior to disconnection. This year has been very challenging in that affordability is becoming increasingly difficult due to the current economic state. We are watching for negative trends on a more frequent basis and mitigating bad debt risk as much as possible.

Inventory – Inventory has increased by \$547K since yearend. This is due to proactively ordering in preparation for capital work planned throughout the summer months. Most of the inventory is allocated for specific work.

Unbilled Revenue – This balance is \$2.6M lower than the balance in June of 2023. This balance is likely understated due to greater than 50 kW customer usage for the month of June not being incorporated into unbilled revenue due to lack of full billing information at the time of month end close. Distribution revenue for these customers was estimated as part of these statements based on demand data.

Regulatory Assets – The regulatory asset balance has increased by \$68K since December 2023 which is relatively flat. Commodity accounts (1588/89) have remained reasonably consistent month over month.

The majority of this balance is cleared through our monthly settlement process and fluctuates based on the difference between time of use and tiered rates versus the actual market cost of power. This variance is offset by account 1589 which is the Global Adjustment (GA) Variance. Non-RPP customers are billed on the first estimate, but we settle on the actual rate. This will be settled in a future rate application.

A/P and Accrued Liabilities – This balance has increased by \$509K from the June 2023 balance. A large portion of this balance relates to an increase in net HST payable of \$262K, the remainder is an increase in trade payables.

Due to FHSI – The balance remains in a payable position. The majority of this payable is due to the payment of FHSI employee work being completed. Typically, this is offset by expenses and capital work flowing through FHI's bank account, however FHSI has had limited capital spend so far in 2024.

INCOME STATEMENT COMMENTARY

Gross Margin on Service Revenue (Distribution Revenue) – The distribution revenue to the end of Q2 2024 is \$189K below budget. This amount was larger at the end of May due to an abnormally mild winter however due to large peaks in mid-June, greater than 50 kW customers' bills increased compared prior months. One of FHI's large use customers moved to greater than 50 kW at the end of January, which was expected, but it has a monthly impact of approximately 10K compared to prior years.

Other Revenue – Other revenue is running \$17K below budget at the end of Q2. There are decreases in sale of scrap and late payment charges which are expected to be permanent differences to the end of the year. The remainder of other revenues are trending slightly higher than budget. Other revenue from billables are anticipated to increase compared to budget through the rest of the year.

Controllable Costs - Total controllable costs are \$108K less than budget to the end of Q2.

Operating and Maintenance expenses are down overall by \$89K compared to the budget. Transformer station expenses are above budget. This is because we had to have Eptcon on site to complete repair work to T1 and T2 while they were onsite for Hydro One work. This was to replace components on the power transformers that had been identified during our monthly inspections as needing attention. We also had a significantly higher amount of switching to do at our station for Hydro One Transmission line work in Q2 requiring extra resources.

Lines and Services O/H costs are under budget. These expenses are down partly because of one staff vacancy for a part of the year. We expect that we will stay approximately around this variance below budget the rest of the year, but the majority of work in these accounts are reactive, so could change if issues arise.

Lines and Services U/G costs are under budget. Underground Distribution Lines and Services continue to be down as FHI saw fewer underground issues in Q1 compared to historical years, there is also a budget amount for cable testing that will occur in Q3 of this year.

Distribution Meter expenses are under budget because we had budgeted for a new Stations/Metering position all year in 2024, but they were not hired until April.

Billing, Collecting and Meter Reading expenses are \$8K below budget. Most costs are relatively close to budget. There are some costs for Jomar support that were planned as expenses that are still being recorded in capital until go-live occurs at the end of July.

Administration expenses are down overall by \$11K. The majority of this balance is due to the timing of administrative costs that occur in the second half of the year that have not yet been spent. Costs are slightly higher for professional services than budget.

CASH FLOW COMMENTARY

As per the cash flow statement, the June 30 cash balance increased by \$3.3M since March 2023. \$2.5M of the swap loan was drawn on in June which accounted for the majority of this increase. In addition, there was a decrease in accounts receivable by \$1M.

LOAN COVENANT RATIOS

The Loan Covenant liquidity ratios and debt to equity ratios as prescribed by our lender, RBC, are being met.

**Presented for information purposes.*

FESTIVAL HYDRO INC.

Income Statement

For the period ending June 30, 2024

	YTD as at Jun 30, 2023	YTD as at Jun 30, 2024	YTD Budget at Jun 30, 2024	Cur to Bdg YTD Var\$	Cur to Bdg YTD Var%
REVENUE					
Service Revenue	38,150,251	38,624,139	36,618,702	2,005,437	5%
Cost of Power	31,469,833	31,959,217	29,764,664	2,194,553	7%
GROSS MARGIN (DISTRIBUTION REVENUE)	6,680,418	6,664,922	6,854,039	-189,116	(3%)
Other Operating Revenue	516,745	509,968	526,718	-16,750	(3%)
OPERATING & MAINTENANCE EXPENSE					
Transformer & Distribution Station Expense	182,503	211,811	171,865	39,946	23%
Distribution Lines & Services Overhead	900,004	946,012	980,642	-34,629	(4%)
U/G Distribution Lines & Services	163,410	96,917	124,228	-27,311	(22%)
Distribution Transformers	41,185	40,930	42,911	-1,981	(5%)
Distribution Meters	238,306	174,636	230,273	-55,636	(24%)
Customer Premises	117,369	116,443	126,074	-9,631	(8%)
TOTAL OPERATING AND MAINTENANCE	1,642,778	1,586,750	1,675,992	-89,242	(5%)
ADMINISTRATION					
Billing, Collecting & Meter Reading	666,361	755,945	763,593	-7,648	(1%)
Administration	1,384,463	1,709,392	1,720,041	-10,648	(1%)
TOTAL ADMINISTRATION	2,050,823	2,465,337	2,483,634	-18,297	(1%)
Allocated Depreciation	-61,164	-67,686	-67,686	—	—
TOTAL CONTROLLABLE COST	3,632,437	3,984,401	4,091,940	-107,539	(3%)
NET INCOME BEFORE DEP'N, INTEREST & TAX	3,564,726	3,190,489	3,288,816	-98,327	(3%)
Depreciation	1,342,944	1,400,473	1,400,473	0	0%
Interest Expense	946,541	950,934	1,059,330	-108,396	(10%)
Interest Income	-148,480	-154,238	-160,000	5,762	(4%)
NET INCOME BEFORE SWAP, ICM & PBA & INC TAXES	1,423,721	993,320	989,013	4,307	0%
Current Tax	120,000	85,985	85,985	—	—
NET INCOME	1,303,721	907,335	903,028	4,307	0%

FESTIVAL HYDRO INC.

Balance Sheet For the period ending June 30, 2024

	YTD as at Jun 30, 2023	YTD as at Dec 31, 2023	YTD as at Jun 30, 2024		YTD as at Jun 30, 2023	YTD as at Dec 31, 2023	YTD as at Jun 30, 2024
ASSETS				LIABILITIES			
Current Assets				Current Liabilities			
Accounts Receivable	6,127,468	9,135,134	7,094,836	Bank Indebtedness	2,512,599	3,679,961	1,249,010
Inventory	564,940	212,005	758,972	Accounts Payable & Accrued Liabilities	9,386,997	10,364,864	9,895,814
Prepaid Expenses	274,060	308,822	459,015	Current Portion of Consumer Deposits	933,846	1,256,618	913,346
Corporate PILS Recoverable	587,562	743,093	1,069,008	Current Portion of Long Term Loans	366,960	750,364	464,929
Unbilled Revenue	7,932,017	6,915,469	5,365,084	Dividends Declared	—	233,750	233,750
				Promissory Note	15,600,000	15,600,000	15,600,000
				Loan Advance	2,500,000	2,500,000	5,000,000
				Due to FHSI	8,100	29,355	89,054
	15,486,047	17,314,523	14,746,916		31,308,501	34,414,911	33,445,904
Property, Plant & Equipment	59,650,466	61,152,857	62,372,432	Other Liabilities			
				Unrealized Loss on Interest Rate Swap	-784,886	-454,755	-454,755
Other Assets				Deferred Revenue	3,184,115	3,284,439	3,450,770
Intangible Assets	1,868,460	2,228,625	2,676,773	Employee Future Benefits	1,009,878	1,024,453	1,024,453
Future Payments in Lieu of Income Taxes	-3,239,959	-3,518,269	-3,518,269				
Regulatory Assets	5,912,201	5,989,731	6,057,458	Long Term Debt			
				Consumer Deposits over one year	—	631,651	—
				RBC Loan - LT Portion	9,812,012	9,061,648	9,061,648
				TOTAL LIABILITIES	44,529,620	47,962,348	46,528,020
				EQUITY			
				Share Capital - Common	9,468,388	9,468,388	9,468,388
				Share Capital - Preferred	6,100,000	6,100,000	6,100,000
				Retained Earnings	19,633,686	19,746,727	20,348,898
				Accumulated Other Comprehensive Income	-54,479	-109,996	-109,996
				TOTAL EQUITY	35,147,595	35,205,119	35,807,290
TOTAL ASSETS	79,677,215	83,167,467	82,335,310	TOTAL LIABILITIES AND EQUITY	79,677,215	83,167,467	82,335,310

FESTIVAL HYDRO INC.

Statement of Capital For the period ending June 30, 2024

	YTD as at Jun 30, 2023	YTD as at Jun 30, 2024	YTD Budget at Jun 30, 2024	Cur to Bdg YTD Var\$	Cur to Bdg YTD Var%
DISTRIBUTION					
Distribution Overhead	1,506,519	769,372	545,175	224,197	41%
Underground Conductor and Devices	973,628	490,643	586,975	-96,332	(16%)
Distribution Transformers	605,071	415,168	157,500	257,668	164%
Services	425,102	135,017	97,500	37,517	(100%)
Distribution Meters	617,219	192,073	167,500	24,573	15%
SCADA/Distribution Automation	91,889	33,645	37,500	-3,855	(10%)
Tools and Miscellaneous Equipment	47,955	8,613	15,000	-6,387	(43%)
TOTAL DISTRIBUTION	4,267,382	2,044,530	1,607,150	437,380	27%
OTHER CAPITAL					
Land and Buildings	959,845	501,120	459,000	42,120	9%
Transformer Station	106,509	66,495	82,500	-16,005	(19%)
Vehicles and Trailers	150,104	9,043	37,500	-28,457	(76%)
Computer Hardware and Software	716,365	604,257	320,888	283,369	88%
TOTAL OTHER CAPITAL	1,932,823	1,180,915	899,888	281,027	31%
TOTAL CAPITAL	6,200,205	3,225,445	2,507,038	718,408	29%

FESTIVAL HYDRO INC.

Cash Flow Statement For the period ending June 30, 2024

	YTD as at Dec 31, 2023	YTD as at Jun 30, 2024
Cash from Operations		
Net Income	1,790,160	907,335
Depreciation	2,619,161	1,400,473
Amortization of deferred revenue in other revenue	-96,570	166,332
Unrealized loss on interest rate swap	330,131	—
Decrease/(Increase) in Receivables	-677,770	1,930,298
Decrease/(Increase) in Inventory	-34,479	-546,967
Decrease/(Increase) in Prepays	-78,381	-150,193
Decrease/(Increase) in Due from FHSI	151,502	59,699
Decrease/(Increase) in PILS	-231,530	-325,915
Decrease/(Increase) in Unbilled Revenues	-2,131,971	1,550,384
Decrease/(Increase) in Future Tax	278,310	—
Decrease/(Increase) in Regulatory Assets	1,271,988	-67,727
Increase/(Decrease) in Payables	701,773	-469,050
Increase/(Decrease) in Deposits	-108,272	-974,923
Increase/(Decrease) in Employee Future Benefits	14,575	—
Contributed Capital	466,382	157,249
Net Cash Provided	4,265,008	3,636,996
Cash from Financing		
Loan Repayments	728,465	285,435
Loan Advance	-2,500,000	-2,500,000
Cash Used - Capital Expenditures	5,337,210	3,225,445
Cash Used - Dividends paid current year	390,330	195,165
Cash Used - Dividends declared in prior year	248,269	—
Net Cash Used	4,204,274	1,206,045
Increase (Decrease) in Cash Position	60,734	2,430,951
Bank Indebtedness, Beg of Period	-3,740,695	-3,679,961
Bank Indebtedness, End of Period	-3,679,961	-1,249,010
Bank and Line of Credit Analysis	2023	2024
High balance (YTD)	2,146,529	4,185,404
Low Balance (YTD)	-6,140,288	-6,552,953
Overdraft interest (annualized)	199,421	267,534
Interest rate (avg annual for period)	6.94%	6.95%
Average overdraft balance	2,872,478	3,849,403

Key Financial Ratios:	Actual Ratio	Required Ratio
RBC Compliance Ratio - Funded Debt to Total Capital	0.43	Less than 0.65

To: Mark Hunter and the Finance and Labour Relations Committee
From: Alyson Conrad, CFO
Re: Commentary on FHI Financial Results –
For the period ended September 30, 2024

Net income for the period is \$1.39M, which is \$34K above the YTD budget. Detailed commentary on the balance sheet and statement of operations are noted below:

BALANCE SHEET COMMENTARY:

Accounts Receivable – The accounts receivable balance is \$390K more than it was in September of 2023 and \$4K less than June 2023. This variance is the result of the following:

- Electric receivables are \$385K higher than September 2023. Arrears balances have decreased by \$50K compared to September 2023, with the majority being less than 30 days. We will continue to monitor electric receivables and engage in payment arrangements with as many customers as possible before the beginning of the Winter Disconnection Moratorium.
- Water and sewer receivables are \$100K higher than September 2023. Arrears have increased for these revenues by \$52K over the prior year.
- The remaining A/R accounts have decreased by \$57K. The variances are mainly due to changes in recoverable work and OER settlement.

Electric receivables that are in arrears are being diligently reviewed and acted on by the customer service team as we prepare for the next Winter Disconnection Moratorium which will start on November 15. We generally see arrears increase through the disconnection period, so we attempt to be in the best state prior to that start date.

Inventory – Inventory balances have increased by \$237K. There was a large portion of inventory purchased to prepare for underground service work that was to be completed earlier in 2024 however this work has not been done yet and therefore the inventory is on hand. FHI anticipates that this value will decrease by yearend.

Prepaid Expenses – Prepaid expenses have increased by \$248K since September 2023. This is mainly due to Cost of Service costs being included here. The total prepaid will be \$500K for Cost of Service costs and will be brought in as a expense over five years starting in 2025.

Due (to) from FHSI – The balance in this account has remained in a payable position for most of 2024. FHSI has not spent the majority of their capital budget and there was less work completed by FHSI staff on FHI projects than planned.

Unbilled Revenue – This balance is \$770K higher than the balance in September 2023. The main difference between June and September was due to an increase in global adjustment rates from 5.09 cents to 8.67 cents.

Regulatory Assets – The regulatory asset balance has decreased by \$1.1M since September 2023 and is driven virtually by the Wholesale Market variance which decreased by \$1.8M. In previous years this account was in a large receivable balance for most utilities, so the rate was adjusted to decrease this variance. The remaining impacts were due to increases in 1588 and 1589 variances totaling \$633K. These variances fluctuate month over month.

A/P and Accrued Liabilities – This balance has decreased by \$277K from the September 2023 balance. The difference mainly relates to a decrease in IESO bill by \$311K. The remainder are typical trade payable variances.

INCOME STATEMENT COMMENTARY

Gross Margin on Service Revenue (Distribution Revenue) – The distribution revenue to the end of Q3 2023 is \$176K below budget. Overall kWhs for the year are down 2.3M. This was due to the mild winter however a large portion of this was made up in the summer months where there were higher than average temperatures. Residential revenue is ahead of budget based on moderate increases to customer counts. FHI lost one large use customer in the year who moved to >50kW. The annual impact of this change is approximately \$100K. In addition the LRAM budget was substantially higher than will be seen in 2024 which is causing a significant amount of the variance from budget and will continue until yearend.

Other Revenue – Other revenue is running \$30K above budget at the end of Q3. The majority of this is due to administrative billing markups compared to a typical year.

Controllable Costs - Total controllable costs are \$274K less than budget to the end of Q3.

Operating and Maintenance expenses are down overall by \$256K compared to the budget. Transformer and Distribution Station Expense is up by \$25K. A portion of this is due to consultant costs for transformer repair work. This was to replace components on the power transformers that had been identified during our monthly inspections as needing attention. We also had a significantly higher amount of switching to do at our station for Hydro One Transmission line work in Q2 requiring extra resources. Distribution Lines and Services Overhead is under by \$169K. The majority of this is the timing of tree trimming that will be completed in Q4. Underground Distribution Lines and Services is under budget by \$29K. Underground Distribution Lines and Services continue to be down as FHI has seen less underground issues compared to historical years, there is also a budget amount for cable testing that we will defer into future years to save costs.

Billing, Collecting and Meter Reading expenses are down \$15K compared to the budget. So far in 2024, FHI is underspent in software support as well as some of the costs from FHSI. This will be offset in Q4 by the additional billing resource that was hired to assist with the increased workload required internally for the new CIS.

Administration expenses are down overall by \$3K. There are several variances within these accounts, but the offsets have assisted in remaining on budget.

CASH FLOW COMMENTARY

As per the cash flow statement, the September 30 cash balance increased by \$354K since June 2023. Cash flows have improved due to improved net income and some larger capital expenses such as CIS and renovation costs occurring earlier in the year. In any given month, half of the month is in a positive balance and later in the month it is in a credit position because of the timing of the IESO invoice.

LOAN COVENANT RATIO

The Loan Covenant ratio as prescribed by our lender, RBC, is being met.

Presented for information purposes.

FESTIVAL HYDRO INC.

Balance Sheet

For the period ending September 30, 2024

	YTD as at Sep 30, 2023	YTD as at Dec 31, 2023	YTD as at Sep 30, 2024		YTD as at Sep 30, 2023	YTD as at Dec 31, 2023	YTD as at Sep 30, 2024
ASSETS				LIABILITIES			
Current Assets				Current Liabilities			
Accounts Receivable	6,700,552	9,135,134	7,090,902	Bank Indebtedness	2,158,227	3,679,961	3,931,509
Inventory	493,853	212,005	730,586	Accounts Payable & Accrued Liabilities	9,102,816	10,364,864	8,826,057
Prepaid Expenses	167,088	308,822	415,549	Current Portion of Consumer Deposits	950,518	1,256,618	897,196
Due from FHSI	20,363	-29,355	-155,987	Current Portion of Long Term Loans	184,163	750,364	189,653
Corporate PILS Recoverable	759,334	743,093	1,086,015	Dividends Declared	—	233,750	—
Unbilled Revenue	5,684,102	6,915,469	6,453,707	Promissory Note	15,600,000	15,600,000	15,600,000
				Loan Advance	2,500,000	2,500,000	5,000,000
	13,825,292	17,285,168	15,620,772		30,495,724	34,385,556	34,444,415
Property, Plant & Equipment	59,902,505	61,152,857	62,861,709	Other Liabilities			
				Unrealized loss on interest rate swap	-784,886	-454,755	-454,755
Other Assets				Deferred Revenue	3,074,907	3,284,439	3,333,246
Intangible Assets	2,107,683	2,228,625	3,083,374	Employee Future Benefits	1,009,878	1,024,453	1,024,453
Future payments in lieu of income taxes	-3,239,959	-3,518,269	-3,518,269				
Regulatory Assets	6,890,952	5,989,731	5,760,656	Long Term Debt			
				Consumer Deposits over one year	—	631,651	—
				RBC Loan - LT Portion	9,812,012	9,061,648	9,061,648
				TOTAL LIABILITIES	43,607,635	47,932,993	47,409,007
				EQUITY			
				Share Capital - Common	9,468,388	9,468,388	9,468,388
				Share Capital - Preferred	6,100,000	6,100,000	6,100,000
				Retained Earnings	20,364,929	19,746,727	20,940,843
				Accumulated Other Comprehensive Income	-54,479	-109,996	-109,996
				TOTAL EQUITY	35,878,838	35,205,119	36,399,235
TOTAL ASSETS	79,486,473	83,138,112	83,808,242	TOTAL LIABILITIES AND EQUITY	79,486,473	83,138,112	83,808,242

FESTIVAL HYDRO INC.

Statement of Capital

For the period ending September 30, 2024

	YTD as at Sep 30, 2023	YTD as at Sep 30, 2024	YTD Budget at Sep 30, 2024	Cur to Bdg YTD Var\$	Cur to Bdg YTD Var%
DISTRIBUTION					
Distribution Overhead	1,831,232	909,234	905,441	3,793	0%
Underground Conductor and Devices	1,029,072	827,234	900,389	-73,155	(8%)
Distribution Transformers	736,060	653,294	311,250	342,044	110%
Services	500,940	252,156	146,250	105,906	72%
Distribution Meters	753,684	223,628	300,000	-76,372	(25%)
SCADA/Distribution Automation	110,267	66,319	57,375	8,944	16%
Tools and Miscellaneous Equipment	51,948	11,849	33,750	-21,901	(65%)
TOTAL DISTRIBUTION	5,013,203	2,943,712	2,654,455	289,258	11%
OTHER CAPITAL					
Land and Buildings	1,044,654	933,322	1,623,750	-690,428	(43%)
Transformer Station	175,352	73,571	112,500	-38,929	(35%)
Vehicles and Trailers	150,104	62,038	337,500	-275,462	(82%)
Computer Hardware and Software	1,055,075	1,072,266	1,059,500	12,766	1%
TOTAL OTHER CAPITAL	2,425,186	2,141,197	3,133,250	-992,053	(32%)
TOTAL CAPITAL	7,438,389	5,084,909	5,787,705	-702,795	(12%)

FESTIVAL HYDRO INC.

Income Statement

For the period ending September 30, 2024

	YTD as at Sep 30, 2023	YTD as at Sep 30, 2024	YTD Budget at Sep 30, 2024	Cur to Bdg YTD Var\$	Cur to Bdg YTD Var%
REVENUE					
Service Revenue	56,121,613	61,155,141	54,928,053	6,227,087	11%
Cost of Power	45,944,644	51,050,553	44,646,996	6,403,557	14%
GROSS MARGIN (DISTRIBUTION REVENUE)	10,176,969	10,104,588	10,281,058	-176,470	(2%)
Other Operating Revenue	742,043	819,891	790,077	29,814	4%
OPERATING & MAINTENANCE EXPENSE					
Transformer & Distribution Station Expense	281,203	283,074	257,798	25,276	10%
Distribution Lines & Services Overhead	1,297,128	1,305,838	1,470,962	-165,124	(11%)
U/G Distribution Lines & Services	204,794	150,839	186,342	-35,502	(19%)
Distribution Transformers	62,803	63,845	64,367	-523	(1%)
Distribution Meters	325,785	279,253	345,409	-66,156	(19%)
Customer Premises	179,450	174,956	189,111	-14,155	(7%)
TOTAL OPERATING AND MAINTENANCE	2,351,163	2,257,805	2,513,989	-256,183	(10%)
ADMINISTRATION					
Billing, Collecting & Meter Reading	1,037,318	1,130,128	1,145,390	-15,262	(1%)
Administration	2,076,710	2,577,316	2,580,061	-2,745	(0%)
TOTAL ADMINISTRATION	3,114,027	3,707,444	3,725,451	-18,006	(0%)
Allocated Depreciation	-91,746	-101,530	-101,530	—	—
TOTAL CONTROLLABLE COST	5,373,444	5,863,720	6,137,910	-274,190	(4%)
NET INCOME BEFORE DEP'N, INTEREST & TAX	5,545,568	5,060,759	4,933,225	127,534	3%
Depreciation	2,014,416	2,123,709	2,100,709	23,000	1%
Interest Expense	1,530,294	1,636,620	1,588,996	47,624	3%
Interest Income	-214,106	-216,828	-240,000	23,172	(10%)
NET INCOME BEFORE SWAP, ICM & PBA & INC TAXES	2,214,964	1,517,258	1,483,520	33,738	2%
Current Tax	180,000	128,977	128,977	—	—
NET INCOME BEFORE SWAP, ICM & FUTURE TAX	2,034,964	1,388,281	1,354,542	33,738	2%
Unrealized Gain/Loss on Swap	—	—	—	—	—
Future Tax	—	—	—	—	—
Marketable Security - recorded as OCI	—	—	—	—	—
NET INCOME	2,034,964	1,388,281	1,354,542	33,738	2%

FESTIVAL HYDRO INC.

Cash Flow Statement

For the period ending September 30, 2024

	YTD as at Dec 31, 2023	YTD as at Sep 30, 2024
Cash from Operations		
Net Income	1,790,160	1,388,281
Depreciation	2,619,161	2,123,709
Amortization of deferred revenue in other revenue	-96,570	48,807
Unrealized loss on interest rate swap	330,131	—
Decrease/(Increase) in Receivables	-677,770	2,222,232
Decrease/(Increase) in Inventory	-34,479	-518,581
Decrease/(Increase) in Prepaids	-78,381	-106,727
Decrease/(Increase) in Due from FHSI	151,502	126,632
Decrease/(Increase) in PILS	-231,530	-342,923
Decrease/(Increase) in Unbilled Revenues	-2,131,971	461,762
Decrease/(Increase) in Future Tax (offsetting entry in payable)	278,310	—
Decrease/(Increase) in Regulatory Assets	1,271,988	229,075
Increase/(Decrease) in Payables	701,773	-1,738,806
Increase/(Decrease) in Deposits	-108,272	-991,073
Increase/(Decrease) in Employee Future Benefits	14,575	—
Contributed Capital	466,382	420,599
Net Cash Provided	4,265,008	3,322,988
Cash from Financing		
Loan Repayments	728,465	560,711
Loan Advance	-2,500,000	-2,500,000
Cash Used - Capital Expenditures	5,337,210	5,084,909
Cash Used - Dividends paid current year	390,330	428,915
Cash Used - Dividends declared in prior year	248,269	—
Net Cash Used	4,204,274	3,574,535
Increase (Decrease) in Cash Position	60,734	-251,548
Bank Indebtedness, Beg of Period	-3,740,695	-3,679,961
Bank Indebtedness, End of Period	-3,679,961	-3,931,509
Bank and Line of Credit Analysis	2023	2024
High balance (YTD)	2,146,529	5,281,013
Low Balance (YTD)	-6,140,288	-6,552,953
Overdraft interest (annualized)	199,421	178,356
Interest rate (avg annual for period)	6.94%	7.01%
Average overdraft balance	2,872,478	2,544,304

Key Financial Ratio:	Actual Ratio	Required Ratio
RBC Compliance Ratio - Funded Debt to Total Capital	0.45	Less than 0.65



Financial Statements

Prepared For:

Finance & Labour Relations Sub-Committee

November 2024

To: Mark Hunter and the Finance and Labour Relations Committee
From: Alyson Conrad, CFO
Re: Commentary on FHSI Financial Results –
For the period ended June 30, 2024

The net income for the period was \$5K, which is \$10K lower than budget and \$41K lower than at this point last year. It is however an improvement from Q1 which was a breakeven net income. Detailed commentary on the balance sheet and income statement activity are noted below:

Balance Sheet Commentary:

A/R & Prepaids – This balance is \$4K higher than Q2 2023. There are limited changes compared to the prior year. The prepaid balance includes \$28K for joint pole expenses and the remainder is the quarterly receivable from Wightman.

Outstanding accounts receivable balances are generally held in Festival Hydro as they hit the intercompany account and revenues when they are billed, not when they are collected. They are being monitored through the monitoring of the miscellaneous AR aging in Festival Hydro. We will continue to monitor the aged miscellaneous AR balances regularly to ensure Rhyzome receivables are not impacting Festival's cash flows increasingly.

Capital Asset Additions – Spend to date is \$19K compared to budget of 108K or 18%. Capital spend includes cyber security improvements and network devices as well as well as upgrades to fibre optic splice closures (FOSCs) which was included in the budget plan to assist with expanding capacity. Although spend is down at the end of June, Fibre and WiFi capital is expected to be fully spent by the end of the year as well as \$28K in the remaining computer equipment hardware, software and building buckets.

Due from Festival Hydro Inc. – The balance remains in a receivable position at the end of Q2. This is due to underspending on capital projects and increased FHI work in June specifically to prepare for the CIS go-live.

Deferred Revenue and POP Loan – Deferred revenue and the POP Loan agree to amortization schedules.

Income Statement Commentary:

Revenues – Revenues are \$43K lower than budget in Q2. ISP revenue is down by \$23K due to the budget expectation of growth from the downtown expansion project. Construction is underway but revenues won't be realized until later in the year. Consulting revenue is down \$16K compared to budget due to aggressive estimates on for FHI project work. While work is up in Q2 related to CIS, there is likely not as

much work required on the planned ERP. Remaining revenue streams are relatively close to budget at the end of Q2.

Operating Expenses – Operating expenses are below budget by \$12K at the end of Q2. Due to lower than planned revenue, discretionary expenses have been limited. There have been limited fibre maintenance repairs required compared to budget by \$21K. There were some slightly higher staffing costs due to changes in two positions after the budget was approved which will continue until yearend.

Cash Flow Commentary:

The cash balance has remained flat at \$7K from the March 2024 balance. There have been limited changes to the cash balance in Q2.

FESTIVAL HYDRO SERVICES INC.

Balance Sheet

For the period ending June 30, 2024

	YTD as at Jun 30, 2023	YTD as at Dec 31, 2023	YTD as at Jun 30, 2024		YTD as at Jun 30, 2023	YTD as at Dec 31, 2023	YTD as at Jun 30, 2024
ASSETS				LIABILITIES			
Current Assets				Current Liabilities			
Cash	15,118	6,194	6,877	Accounts Payable	32,014	22,849	38,438
Accounts Receivable & Prepaids	43,342	14,348	47,685	Current Portion of LTD	32,493	44,156	22,078
Inventory	7,410	7,131	7,131	Promissory Note	372,000	372,000	372,000
Due from Festival Hydro Inc.	8,100	29,355	89,054				
Income Tax Receivable/(Payable)	-22,799	3,859	11,859				
Total Current Assets	51,171	60,887	162,607	Total Current Liabilities	436,507	439,004	432,516
Fixed Assets				Other Liabilities			
Gross Book Value	5,537,802	5,464,038	5,483,244	Deferred Revenue	524,217	480,259	436,301
Accumulated Depreciation	-2,780,625	-2,810,234	-2,980,404	Deferred Tax Liabilities	247,000	248,000	248,000
Net Book Value	2,757,177	2,653,805	2,502,840				
				Long Term Debt			
				POP Loan Long Term Portion	277,981	233,825	233,825
				TOTAL LIABILITIES	1,485,704	1,401,088	1,350,642
				EQUITY			
				Share Capital	249,236	249,236	249,236
				Retained Earnings	1,073,407	1,064,368	1,065,569
				TOTAL EQUITY	1,322,643	1,313,604	1,314,804
TOTAL ASSETS	2,808,347	2,714,692	2,665,446	TOTAL LIABILITIES AND EQUITY	2,808,347	2,714,692	2,665,446

FESTIVAL HYDRO SERVICES INC.

Statement of Capital For the period ending June 30, 2024

	YTD as at Jun 30, 2024	YTD Budget at Jun 30, 2024	Cur to Bdg YTD Var\$	Cur to Bdg YTD Var%
CAPITAL				
Computer Equipment - Hardware	4,685	10,000	-5,315	(53%)
Computer Software	—	1,000	-1,000	(100%)
Buildings	789	5,000	-4,211	(84%)
Fibre Capital	13,731	52,000	-38,269	(74%)
WiFi Capital	—	40,000	-40,000	(100%)
TOTAL CAPITAL	19,205	108,000	-88,795	(82%)

FESTIVAL HYDRO SERVICES INC.

Statement of Operations For the period ending June 30, 2024

	YTD as at Jun 30, 2023	YTD as at Jun 30, 2024	YTD Budget at Jun 30, 2024	Cur to Bdg YTD Var\$	Cur to Bdg YTD Var%
TOTAL REVENUE	745,562	696,045	739,213	-43,168	(6%)
TOTAL OPERATING EXPENSES	470,614	506,302	517,853	-11,552	(2%)
NET INCOME BEFORE DEPRECIATION & INTEREST	274,947	189,744	221,360	-31,616	(14%)
Depreciation	187,289	164,400	170,170	-5,770	(3%)
Interest Expense	17,533	18,606	23,484	-4,879	(21%)
Interest Income	-1,172	-232	—	-232	100%
NET INCOME FOR THE PERIOD BEFORE TAXES	71,298	6,970	27,705	-20,735	(75%)
Current Tax Provision	23,000	1,500	8,750	-7,250	(83%)
Future Tax Provision	—	—	3,250	-3,250	(100%)
NET INCOME(LOSS) FOR THE PERIOD	48,298	5,470	15,705	-10,235	(65%)

FESTIVAL HYDRO SERVICES INC.

Cash Flow Statement

For the period ending June 30, 2024

	YTD as at Dec 31, 2023	YTD as at Jun 30, 2024
Cash from Operations		
Net Income	39,259	5,470
Future tax provision	1,000	—
Current tax provision (ITC portion)	21,000	—
Depreciation	373,188	164,400
Amortization of contributed capital	-63,735	-31,867
Amortization of deferred revenue	-6,167	-12,091
Due to/from QR Fibre Co.	49,500	—
Net Change in Receivables/Payables	-53,981	-24,247
Net Cash Provided	360,064	101,665
Cash from Financing		
Capital expenditures - Festival	-165,384	-19,205
Loan - Wightman	-43,324	-22,078
Loan from/(repayment to) Festival	-151,502	-59,699
Net Cash Used	-360,211	-100,982
Increase (Decrease) in Cash Position	-146	683
Cash Beg of Period	6,341	6,194
Cash End of Period	6,194	6,877

To: Mark Hunter and the Finance and Labour Relations Committee
From: Alyson Conrad, CFO
Re: Commentary on FHSI Financial Results –
For the period ended September 30, 2024

The net income for the period was \$6K, which is \$17K lower than budget and \$3K lower than at this point last year. Detailed commentary on the balance sheet and income statement activity are noted below:

Balance Sheet Commentary:

A/R & Prepaids – This balance is lower than Q2 by \$21K. This is lower due to a portion of the prepaid amount of joint use expenses being recognized in the period. This balance is \$515 lower than the prior year and therefore comparable for this time of year.

Outstanding accounts receivable balances are generally held in Festival Hydro as they hit the intercompany account and revenues when they are billed, not when they are collected. They are being monitored through the monitoring of the miscellaneous AR aging in Festival Hydro. We will continue to monitor the aged miscellaneous AR balances regularly to ensure Rhyzome receivables are not impacting Festival's cash flows increasingly.

Capital Asset Additions – Additions to the end of September 2024 are \$53K, or 67% of Q3 budget. This includes \$15K in computer hardware additions, \$3K on the data centre building, \$32K on fibre related projects and \$3K on WiFi related projects. Details on the capital spend to date are as noted below:

Computer Hardware: Total spend for FHSI on computer hardware YTD is \$15K. The related to hardware required in the data centre to enable the lit fibre build for the downtown expansion project.

Building Capital: Building capital additions total \$3K. This included costs for enhancements to the alarm system in data centre including improved access controls.

Fibre Capital: Total spend on fibre capital YTD is \$32K. This is made up of two key areas including the downtown expansion project which is still ongoing as well as the budgeted remediation plans.

WiFi Capital: Total spend on WiFi capital YTD is \$3K. There is limited spend in this area and only relates to moving equipment to extend the life of the asset. This capital item should be limited for the remainder of 2024.

Due from Festival Hydro Inc. – The balance in this account increased from June 30, 2024, moving to a larger receivable balance of \$174K. This is an atypical balance, however with less capital costs being incurred and more work being done on large corporate projects for FHI this balance has remained flipped into a receivable for several months. This will trend to a more typical balance by the end of the year.

Deferred Revenue – This balance has decreased from the June 2024 balance as a portion of the balance has been recognized into revenue for Q3 2024. No new contributions have been received in the period.

Income Statement Commentary:

Revenues – Revenues are \$42K lower than budget in Q3. Dark fibre, WiFi and ISP revenues are down compared to plan. FHSI is attempting to offset these losses by gaining customers in the downtown core and will see revenue from these customers in Q4. Consulting revenues are down due to lower than expected work from FHI's corporate systems projects. Co-locate revenues are down to the end of Q3 because of delays in renegotiating two contract prices that are up for renewal. These will be renewed in Q4 and will be billed retroactively to the end of the prior contract and should make up this variance.

Operating Expenses – Operating expenses are above budget by \$8K at the end of Q3. Fibre, administration and outside service costs are collectively down \$40K. This is mainly due to less unplanned maintenance required in the year and intentional cost cutting measures due to the decreases in revenue. Employee costs are higher than budget by \$30K. This is due to the individuals who were onboarded in late 2023 being higher cost than what was budgeted.

Depreciation and Interest Expense – Depreciation is below budget by \$6K based on the lower than anticipated capital spend in 2024. Interest expense is lower by \$10K due to the receivable balance from FHI.

Cash Flow Commentary:

The cash balance has decreased to \$1K from the \$7K June 2024 balance. The main variances in cash from Q2 are due to the loss of a couple of larger customers. It is also due to the large increase in the due from FHI balance.

FESTIVAL HYDRO SERVICES INC.

Balance Sheet

For the period ending September 30, 2024

	YTD as at Sep 30, 2023	YTD as at Dec 31, 2023	YTD as at Sep 30, 2024		YTD as at Sep 30, 2023	YTD as at Dec 31, 2023	YTD as at Sep 30, 2024
ASSETS				LIABILITIES			
Current Assets				Current Liabilities			
Cash	17,875	6,194	1,224	Accounts Payable	34,150	22,849	64,708
Accounts Receivable & Prepaids	27,254	14,348	26,739	Current Portion of LTD	10,831	44,156	11,039
Inventory	7,410	7,131	7,131	Promissory Note	372,000	372,000	372,000
Income Tax Receivable	4,159	3,859	19,059				
Due (to) from Festival Hydro Inc.	-20,363	29,355	174,155				
Total Current Assets	36,335	60,887	228,308	Total Current Liabilities	416,981	439,004	447,746
Fixed Assets				Other Liabilities			
Gross Book Value	5,565,498	5,464,038	5,516,846	Deferred Revenue	502,238	480,259	433,576
Accumulated Depreciation	-2,874,270	-2,810,234	-3,065,489	Deferred Tax Liabilities	247,000	248,000	248,000
Net Book Value	2,691,229	2,653,805	2,451,357				
				Long Term Debt			
				POP Loan Long Term Portion	277,981	233,825	233,825
				TOTAL LIABILITIES	1,444,199	1,401,088	1,363,147
				EQUITY			
				Share Capital	249,236	249,236	249,236
				Retained Earnings	1,034,129	1,064,368	1,067,283
				TOTAL EQUITY	1,283,365	1,313,604	1,316,518
TOTAL ASSETS	2,727,564	2,714,692	2,679,665	TOTAL LIABILITIES AND EQUITY	2,727,564	2,714,692	2,679,665

FESTIVAL HYDRO SERVICES INC.

Statement of Capital For the period ending September 30, 2024

	YTD as at Sep 30, 2024	YTD Budget at Sep 30, 2024	Cur to Bdg YTD Var\$	Cur to Bdg YTD Var%
CAPITAL				
Computer Equipment - Hardware	14,741	15,000	-259	(2%)
Computer Software	—	1,500	-1,500	(100%)
Buildings	2,670	7,500	-4,830	(64%)
Fibre Capital	32,577	78,000	-45,423	(58%)
WiFi Capital	2,820	60,000	-57,180	(95%)
TOTAL CAPITAL	52,807	162,000	-109,193	(67%)

FESTIVAL HYDRO SERVICES INC.

Statement of Operations For the period ending September 30, 2024

	YTD as at Sep 30, 2023	YTD as at Sep 30, 2024	YTD Budget at Sep 30, 2024	Cur to Bdg YTD Var\$	Cur to Bdg YTD Var%
TOTAL REVENUE	1,066,861	1,067,202	1,108,820	-41,618	(4%)
TOTAL OPERATING EXPENSES	730,510	784,397	776,780	7,617	1%
NET INCOME BEFORE DEPRECIATION & INTEREST	336,351	282,805	332,039	-49,235	(15%)
Depreciation	280,933	249,423	255,255	-5,832	(2%)
Interest Expense	32,757	24,928	35,227	-10,299	(29%)
Interest Income	-1,358	-292	—	-292	(100%)
NET INCOME FOR THE PERIOD BEFORE TAXES	24,020	8,746	41,558	-32,812	(79%)
Current Tax Provision	15,000	2,318	13,125	-10,807	(82%)
Future Tax Provision	—	—	4,875	-4,875	(100%)
NET INCOME(LOSS) FOR THE PERIOD	9,020	6,428	23,558	-17,129	(73%)

FESTIVAL HYDRO SERVICES INC.

Cash Flow Statement

For the period ending September 30, 2024

	YTD as at Dec 31, 2023	YTD as at Sep 30, 2024
Cash from Operations		
Net Income	39,259	6,428
Future tax provision	1,000	—
Current tax provision (ITC portion)	21,000	2,318
Depreciation	373,188	249,423
Amortization of contributed capital	-63,735	-47,801
Amortization of deferred revenue	-6,167	1,118
Due to/from QR Fibre Co.	49,500	—
Net Change in Receivables/Payables	-53,981	14,268
Net Cash Provided	360,064	225,754
Cash from Financing		
Capital expenditures - Festival Hydro Inc.	-165,384	-52,807
Loan - Wightman	-43,324	-33,117
Due to (from) Festival Hydro Inc.	-151,502	-144,800
Net Cash Used	-360,211	-230,725
Increase (Decrease) in Cash Position	-146	-4,971
Cash Beg of Period	6,341	6,194
Cash End of Period	6,194	1,224



MANAGEMENT REPORT

Date: November 19, 2024
To: Finance and Labour Relations Sub-committee
From: Michael Koktan, CPA, CA, Manager of Financial Services
Report Number: FIN24-034
Attachments: Third Quarter 2024 Operating Variance Report

Title: Third Quarter (Q3) 2024 Operating Variance Report as at September 30, 2024

Objective: To provide Council with a summary and analysis of variances to date, and preliminary projections to year-end.

Background: Regular monitoring of budgetary performance provides both early warnings of potential problems and ongoing tools to flag areas requiring attention. It gives decision makers time to consider actions if major deviations in budget to actual results become evident.

Analysis: As this data represents the first nine months of the year, the attached variance summary is preliminary. Currently, a surplus is being projected for the year end. Overall corporate variances and departmental analysis and notes support this on the report attachment. It should be noted that while most divisional reviews are not anticipating significant variances from budget, when a corporate lens is applied, it is likely that small divisional surpluses will result in an overall corporate surplus, due in part to supplementary taxation revenues and staffing vacancies.

The forecasted variance of actual expenses and revenues from budgeted expenses and revenues includes planned journal entries that are typically performed at year-end and represents department and a preliminary estimate of the final financial position.

Detailed commentary on each of the departments' variances is in the attachment with this report. A high-level departmental overview is discussed below.

Mayor, Council, Committees

A surplus may occur in the cost centre depending on strategic priority plan implementation. However, certain budgeted expenses such as special events and strategic priorities will not occur until Q4 of 2024. A significant variance is not anticipated.

Chief Administrative Officer

Department is tracking close to budget. A significant variance is not anticipated. Projects not started will result in a transfer to reserves to be completed in 2025.

Human Resources

The surplus resulting from staffing vacancies will be offset by payroll costs related to the newly approved roles in the department which commenced in September 2024. No significant variances are anticipated in 2024.

Corporate Services (including Finance, Taxation, Clerks, Information Technology)

Overall, there is a projected surplus due to later than anticipated hiring of the legislative support position, and higher than expected supplementary tax revenues. Based on the early estimates, it is not likely that the planned reliance on the tax stabilization reserve will be required to the full extent, if at all.

Building and Planning Services

Building Division permit revenue is tracking higher than budget but any surplus or deficit is managed through the reserve fund so there will be no levy impact.

In the Planning Division, salaries are tracking below budget, but consulting costs are above budget, so this is expected to result in nominal overall variances at year-end.

A significant variance is not anticipated for the By-law Division at year-end.

Infrastructure Services

The Infrastructure Services Department as a whole, is reasonably close to budget with a slight deficit expected due to a delay in delivery of fleet purchases which has resulted in higher than anticipated repairs and maintenance costs.

Fire and Airport

No significant variances are anticipated currently for Fire or Airport.

Community Services

Current variances are expected to reduce by year-end in this cost centre, but wages and interfunctional transactions are still anticipated to result in a surplus of \$400,000.

Social Services

A variance of approximately \$40,000 is expected for 2024, because of unbudgeted City homelessness response costs.

Police

The Police Service is expected to track to budget as any surplus or deficit is balanced via the Police reserve fund.

Library

The Library is expected to track to budget as any surplus or deficit is balanced via the Library reserve fund.

Conclusion

Year-end forecasts as noted in the attached. The key takeaway is that while individual departments are projecting to remain near budget, the organization as a whole is forecasting a year-end surplus.

Financial Implications:

Financial impact to current year operating budget:

There are no impacts to the 2024 or subsequent operating budgets. This report is for information only.

Alignment with Strategic Priorities:

Not applicable: This report does not directly align with any one Strategic Priority as it is a summary financial report for information purposes. It does however provide benefit by offering insight into overall operational performance and it also supports informed decision-making.

Alignment with One Planet Principles:

Not applicable: As this report is being prepared for informational purposes, the One Planet Principles do not apply.

Staff Recommendation: THAT the report titled "Third Quarter (Q3) 2024 Operating Variance Report as at September 30, 2024" (FIN24-034) dated November 19, 2024, be received for information.

Prepared by: Michael Koktan, CPA, CA, Manager of Financial Services
Recommended by: Karmen Krueger, CPA, CA, Director of Corporate Services/Treasurer
 Joan Thomson, Chief Administrative Officer

City of Stratford Q3 Operating Variance Report as at September 30, 2024						
Department	2024 Net Budget	Unaudited as at September 30, 2024	% of Budget Spent	(Surplus) / Deficit FORECASTED Variance As at Dec 31, 2024	Variance as a % of Budget	Department Explanation
<u>Mavor/Council/CAO Office</u>						
101 - Mayor & Council	716,724	457,420	63.8	(106,831)	0%	Current variance expected to reduce by year-end.
102 - Committees of Council	94,945	12,541	13.2	(78,223)	0%	Current variance expected to reduce by year-end. Unused dollars will go to committee reserve.
111 - CAO's Office	952,071	654,438	68.7	(79,486)	0%	Current variance expected to reduce by year-end. Unused special project funds transferred to reserve for future use.
<u>Human Resources</u>						
112 - Human Resources	1,166,301	827,883	71.0	0	0%	Projected surplus due to staffing vacancies offset by approved new hire salaries.
<u>Corporate Services</u>						
100 - Taxation	(80,090,376)	(80,090,364)	100.0	0	0%	No significant variance anticipated all taxes are billed for the year.
100 - General Revenues	(1,847,077)	(658,229)	35.6	0	0%	No variance anticipated. Festival Hydro dividends tracking/received later in year.
121 - City Clerk	876,443	595,650	68.0	(54,000)	-6%	The legislative specialist position to be filled later in the year.
134 - Information Technology	0	(744,477)	0.0	0	0%	No significant variance anticipated. All amounts are charged back to divisions or transferred to IT reserve fund.
135 - Parking	(587,334)	(425,572)	72.5	19,905	0%	Current variance expected to reduce by year-end.
136 - Crossing Guards	257,950	115,662	44.8	(103,734)	0%	Current variance expected to reduce by year-end. Current variance due to timing of commissionaires payments.
139 - General Financial Services	761,224	1,256,708	165.1	(122,000)	-16%	Current variance expected to reduce by year-end. Due to timing of transfers, long-term debt transactions, and revenue received \$3 million transfer from tax stabilization may or may not be needed to offset any deficit.
513 - Industrial Land Sales	0	332,349	0.0	0	0%	No significant variance expected, balanced through industrial land reserve.
810 - Requisitions from Others	10,409,228	8,150,475	78.3	0	0%	Current variance expected to reduce by year-end due to timing differences in payments to partner agencies.
872 - Community Supports	1,049,868	736,410	70.1	(67,988)	0%	No significant variance expected, timing differences in timing of Bill 23 transfers.
<u>Planning & Development Services</u>						
250 - Building Permits	0	(472,283)	0.0	0	0%	Current variance expected to reduce by year-end. Balanced through building permit reserve fund.
251 - Planning Services	680,617	596,414	87.6	114,602	0%	Current variance expected to reduce by year-end.
252 - By-Law Enforcement	378,632	72,118	19.0	(282,475)	0%	Current variance expected to reduce by year-end.

City of Stratford Q3 Operating Variance Report as at September 30, 2024						
Department	2024 Net Budget	Unaudited as at September 30, 2024	% of Budget Spent	(Surplus) / Deficit FORECASTED Variance As at Dec 31, 2024	Variance as a % of Budget	Department Explanation
<i>Infrastructure Services</i>						
310 - Engineering	1,320,212	1,473,555	111.6	644,528	2%	Unbudgeted community climate consulting costs not covered by grant of \$22,500. Current variance expected to reduce by year-end due to salary reallocations to be corrected.
315 - Fleet	1,079,512	844,360	78.2	150,000	14%	Anticipated deficit due to aging fleet repairs and to delays in receiving replacement vehicles.
320 - Roads	7,311,046	5,199,443	71.1	(378,455)	0%	Current variance expected to reduce by year-end.
330 - Sanitary	0	(69,373)	0.0	0	0%	No significant variance anticipated as user-fee division is balanced to reserve funds.
340 - Storm	4,929,662	2,729,096	55.4	(1,290,868)	0%	No significant variance anticipated despite extra storm maintenance being performed.
350 - Water	0	113,936	0.0	0	0%	No significant variance anticipated as user-fee division is balanced to reserve funds.
360 - Waste	882,311	441,571	50.0	(293,550)	0%	Current variance expected to reduce by year-end due to reserve transfers and other timing of payments.
<i>Fire</i>						
211 - Fire	9,877,547	7,685,048	77.8	369,183	0%	Current variance expected to reduce by year-end.
512 - Airport	73,049	56,796	77.8	2,679	0%	No significant variance anticipated at this time.
<i>Community Services</i>						
141 - City Buildings	2,216,487	1,291,906	58.3	(493,946)	0%	Building maintenance initiatives on various city facilities expected to be completed in Q4. Current variance expected to reduce by year-end.
711 - Parks	2,779,472	2,270,874	81.7	248,360	0%	Current variance expected to reduce by year-end.
715 - Facilities	2,093,245	1,120,140	53.5	(599,725)	0%	Current variance expected to reduce by year-end.
721 - Recreation	6,220,030	4,626,133	74.4	(51,853)	0%	Current variance expected to reduce by year-end.
731 - Cemetery	503,508	371,378	73.8	(8,337)	0%	No significant variance anticipated at this time.
750 - Transit	3,706,795	2,255,003	60.8	(400,000)	0%	Current variance expected to reduce by year-end. Wages and interfunctional transactions will likely still result in a surplus of \$400,000.
751 - Parallel Transit	646,955	456,372	70.5	(38,459)	0%	No significant variance anticipated at this time.
752 - Community Transportation	0	301,392	0.0	0	0%	No significant variance anticipated, balanced with community transit funding and partner billings

City of Stratford Q3 Operating Variance Report as at September 30, 2024						
Department	2024 Net Budget	Unaudited as at September 30, 2024	% of Budget Spent	(Surplus) / Deficit FORECASTED Variance As at Dec 31, 2024	Variance as a % of Budget	Department Explanation
<u>Social Services</u>						
610 - Social Services Administration	21,115	2,008,594	9512.6	40,000	189%	At this time there is a variance of approximately \$40,000 expenditure expected for 2024 as a result of unbudgeted City Homelessness response costs. Please note, journal entries to reallocate amounts are completed at year end as part of the shared service reconciliation and/or funding year end reporting.
611 - Ontario Works	624,920	509,848	81.6	0	0%	No variance anticipated at this time. Please note, journal entries to reallocate amounts are completed at year end as part of the shared service reconciliation and/or funding year end.
612 - Homelessness	239,010	147,300	61.6	0	0%	No variance anticipated at this time. Please note, journal entries to reallocate amounts are completed at year end as part of the shared service reconciliation and/or funding year end.
613 - Anne Hathaway Day Care Centre	47,290	1,104,413	2335.4	0	0%	No variance anticipated at this time. Please note, journal entries to reallocate amounts are completed at year end as part of the shared service reconciliation and/or funding year end.
614 - Perth & Stratford Housing Corporation	2,131,545	3,027,844	142.0	0	0%	Variance primarily due to capital entries that will be performed at year-end. No variance is expected.
615 - Housing Division - Service Manager	791,270	156,740	19.8	0	0%	No variance anticipated at this time. Please note, journal entries to reallocate amounts are completed at year end as part of the shared service reconciliation and/or funding year end.
616 - Child Care	326,421	8,205,933	2513.9	0	0%	No variance anticipated at this time. Please note, journal entries to reallocate amounts are completed at year end as part of the shared service reconciliation and/or funding year end.
618 - Affordable Housing	624,596	(297,153)	-47.6	0	0%	No variance anticipated. Activity in this division is balanced through the reserve fund with no impact to the levy surplus/deficit.
<u>Police</u>						
231 - Police	13,821,228	10,687,431	77.3	0	0%	No significant variance anticipated. Any surplus or deficit is managed from the police reserve.
<u>Library</u>						
411 - Library	2,913,558	2,027,261	69.6	0	0%	Revenue is expected to be down due to the Township of Perth South not renewing their library service contract for 2024. Any surplus or deficit is managed from the library reserve
Total Net Expenses (Revenue)	\$ -	\$ (9,837,016)		\$ (2,860,674)		Projected Surplus