FINANCE & AUDIT COMMITTEE
AUGUST 7, 2026

A Finance & Audit Committee Meeting was held in Council Chambers at Baddeck on September 14, 2026, at 1:00pm with Warden Organ in the Chair.

COUNCILLORS PRESENT

District #1 - Donna Matheson-Lefort

District #2 - Perla MacLeod, Deputy Warden

District #3 - Ian Nicholson

District #4 - Rosella Born

District #6 - Tim Donovan

District #7 - Jackie Organ, Warden

District #8 - Wanda Hennick

STAFF PRESENT

Alix Redden, CFO

Steff MacLeod, Recorder

Heather Ross, Financial Analyst (virtual)

Kelly Brett, Manager of Public Works

ABSENT

Denise Allen, public member of the Finance & Audit Committee

District #5 - Fraser Patterson

On Motion of Councillor Donovan seconded by Councillor Nicholson to approve the Agenda for September 14 2026.

Motion Carried.

CAO MacEachen requested a Capital Expenditure request be added for discussion.

Q4 2025-26 FINANCIAL UPDATE – MUNICIPALITY

- Total revenue and total expenses both finished at $19,286,589, which was $3,725,731, or 24%, over budget.
- The annual surplus/deficit was reported as $0 because the year-end operating result was transferred to Capital and Operating Reserves as part of standard municipal year-end practice.
- The largest year-end change from the Q3 forecast was the Wastewater Project adjustment: $3.33M in MCGP grant revenue was recognized to match related capital project expenses, increasing both revenue and expenses with no net impact on the bottom line.
- Taxes were slightly above budget by $28,974, helped by deed transfer tax revenue of $544,816, which exceeded both budget and the Q3 forecast.
- Grants in lieu of taxes were $21,757 over budget, while other revenue from own sources was $11,503 under budget, mainly due to lower-than-budgeted interest on investments.
- Recycling and landfill tipping fees were $112,745 over budget, continuing the favourable trend linked to the new Circular Materials revenue stream.
- Transfers from other governments were $3,388,941 over budget, driven primarily by the unbudgeted MCGP funding tied to the Wastewater Project.
- General Government Services ended $47,671 over budget, mainly due to higher legal costs, tax write-offs, and building/property work, partly offset by savings in HR, communications, and special projects.
- Protective Services finished $14,637 under budget, with Fire Protection $62,176 under budget offsetting higher Police Protection and hydrant-related costs.
- Environmental Health Services was $2,821,098 over budget, almost entirely because of the grant-funded Wastewater Project; excluding that adjustment, the category remained favourable.
- Environmental Development Services was $571,193 under budget, reflecting project pacing delays and the fact that Housing Initiatives and Washroom Capital did not proceed.
- Recreation and Cultural Services finished $334,781 under budget, largely due to trail development delays.
- Financing and Transfers were $1,748,502 over budget, including a $464,583 higher transfer to Capital Reserve and a $1,277,546 contribution to Operating Reserve instead of the budgeted draw.
- Overall, the Municipality finished the year in a stable financial position, with the main variances explained by timing, deferred projects, reserve transfers, and the funded Wastewater Project adjustment.

Q4 2025-26 FINANCIAL UPDATE – WATER UTILITY

- Total Water Utility revenue finished at $1,279,047, which was $6,799 over budget.
- Total operating expenses finished at $1,265,136, which was $66,287 over budget.
- Total non-operating expenses were $63,138, which was $10,262 under budget.
- The Utility ended the year with a deficit of $49,226, compared to a Q3 forecast deficit of about $10,389.
- The final deficit was $38,837 worse than forecast, mainly due to higher Administration and Transmission & Distribution costs.
- Metered sales were $21,473 under budget, largely due to lower commercial water usage in Ingonish.
- Public Fire Protection revenue was on budget.
- Other revenue was $28,272 over budget, driven by higher-than-expected interest earnings.
- Pumping costs were $44,451 over budget, mainly because of equipment maintenance tied to the Ingonish pump failure.
- Water Treatment was $62,705 under budget, mostly due to timing-related savings and maintenance/testing work that was budgeted but not required this year.
- Transmission & Distribution was $64,489 over budget, with Maintenance of Services being the largest driver.
- Transportation costs in Transmission & Distribution were also over budget because of a corrected vehicle fuel allocation.
- Administration finished $19,680 over budget, mainly due to unbudgeted bad debt and write-off adjustments at year-end.
- Non-operating expenses were lower than budget, helped by lower debenture debt charges and no earnings expense materializing.
- Water rates have not increased this fiscal year because the last approved rate study covered rates only up to March 31, 2025.
- Council has directed staff to begin a new water rate study, with planning tied to anticipated development and growth in Ingonish.
- Future revenue is expected to strengthen once the Cape Smokey development becomes operational.
- Overall, the Water Utility ended the year with a larger-than-expected deficit, driven by maintenance pressures, year-end adjustments, and lower metered sales, partly offset by savings in Water Treatment and stronger Other Revenue.

Questions were raised about ongoing budget overages and whether budgets are increased to account for them. It was noted that budgets have been increased, but actual costs continue to exceed the amounts budgeted.

The Water Utility experienced deficits for a number of previous years, resulting in an accumulated deficit of approximately $2 million at one point. This was attributed largely to water rate studies not being completed frequently enough. Financial results improved following subsequent rate increases.

Q1 2026-27 FINANCIAL UPDATE – MUNICIPALITY

- Overall financial position is positive. The Municipality is currently forecasting a year-end surplus of approximately $662,000, compared with a near break-even budget.
- Revenue is essentially on budget. Total revenue is forecast at $16.20 million, only $17,600 below budget (-0.1%).
- Expenses are tracking below budget. Total expenses are forecast at $15.54 million, approximately $679,600 (4.2%) under budget.
- Property tax revenue remains strong. Total taxes are forecast at $13.28 million, essentially on budget and approximately $829,800 higher than last year, primarily due to assessment growth.
- Fire Protection is now shown separately on tax bills. Approximately $1.18 million is forecast under the new Fire Protection tax line. This is the first year it has been separated out, providing greater transparency on tax bills.
- RCMP/Police Protection is the main reason for the projected surplus. Police Protection is forecast approximately $648,800 below budget, following the Province's new RCMP billing model, which reduced the estimated 2026–27 municipal contribution by 25% from the previous billing model.
- There is some uncertainty around the RCMP savings**.** The Province has indicated that the savings are expected to be spent in other areas, but it is not yet clear what this requirement will mean for the Municipality.
- Emergency Management is forecast $20,000 over budget. This reflects the Municipality's shared contribution with the other REMO participants toward the purchase of a vehicle.
- Economic Development is expected to come in below budget. Environmental Development Services are forecast approximately $62,500 under budget, mainly because of lower Economic Development spending following the securing of a new Economic Development Officer through the Cape Breton Partnership and the pause in further hiring discussions.
- Recreation & Cultural Services are forecast $35,000 under budget. The savings are mainly related to lower salary costs caused by a delay in filling a newly created Recreation & Active Living position.
- General Government Services are slightly over budget. They are forecast approximately $25,300 over budget, including higher-than-budgeted assessment service costs, election expenses and special projects.

- Environmental Health Services are also slightly over budget. The forecast is approximately $52,900 above budget, with wastewater operational costs contributing to the variance.
- Wastewater costs will continue to affect the forecast. Financing and reserve transfers are expected to change as additional wastewater costs are recorded and billing cycles are completed.
- Large year-over-year differences are somewhat misleading. Revenue and expenses are both significantly lower than 2025–26 because last year included approximately $3.33 million in one-time wastewater grant funding and corresponding project costs**.** Excluding that one-time item, current revenue is approximately $239,900 higher than the prior year on a comparable basis.
- Bottom line: After Q1, the Municipality is in a favourable financial position, with a projected $662,000 surplus, driven primarily by reduced policing costs and smaller savings in Economic Development, Recreation and financing/transfers. However, the forecast is preliminary because it is based on only three months of actual results, and it will change as the year progresses.

A question was raised about the fire protection revenue, noting that non-profit organizations were charged for fire protection this year. The CFO advised that additional information would be provided to Council regarding these charges.

Q1 2026-27 FINANCIAL UPDATE – WATER UTILITY

- Overall financial position is stable. The Water Utility is forecasting a small year-end deficit of approximately $1,575, meaning it is essentially operating at break-even. This is an improvement from the deficit recorded last year.
- Water rates are under review. Water rates are approved by the Nova Scotia Regulatory and Appeals Board (NSRAB). Staff have met with G.A. Isenor Consulting Limited regarding the rate study and expect to move the process forward to seek new rates effective April 1, 2027.
- Revenue is on budget. Total revenue is forecast at approximately $1.28 million, on budget and about $2,300 higher than last year.
- Metered water sales are performing as expected. Metered sales are forecast at $989,400, on budget and approximately $15,000 higher than last year.
- Public Fire Protection revenue remains unchanged. Revenue is forecast at $242,448, consistent with both the budget and the previous year.
- Operating expenses are slightly over budget. Total operating expenses are forecast at approximately $1.215 million, which is $6,000 above budget, but approximately $39,400 lower than last year.
- Pumping costs are the main operating variance. Pumping is forecast $6,000 over budget, primarily because equipment maintenance is expected to cost $40,000 compared with the $34,000 budget.

- Water Treatment is on budget. Total Water Treatment costs are forecast at $376,072, with no overall budget variance anticipated at this time.
- Transmission & Distribution is also on budget, at approximately $329,300, but is substantially lower than last year's costs. The approximately $150,000 year-over-year reduction is largely because last year included significant one-time reservoir work.
- Depreciation has increased. Depreciation is forecast at approximately $197,600, which is on budget but about $45,400 higher than last year, reflecting new capital assets that have been placed into service.
- Debt costs remain manageable. Municipal debt charges are forecast at $48,138, unchanged from budget and last year. Debenture debt charges are forecast at $20,110, approximately $5,100 higher than last year due to a change in the debenture payment.
- A significant capital issue has been identified. The Utility has received a preliminary estimate of approximately $1 million to relocate three waterlines — one in Little Narrows and two in Dingwall — as required by the Province.
- There could be a substantial funding shortfall for the waterline relocation project. Only $250,000 was included in the recently approved capital budget, leaving a potential $750,000 shortfall. The Province has indicated that the work may be able to take place over a couple of years, and discussions are ongoing.
- Bottom line: The Water Utility is financially stable and operating very close to break-even, with most revenue and expense categories tracking according to budget. The key items to watch are future water rates, pumping/maintenance costs and the potential $750,000 funding gap for the required waterline relocations. Because this is only the first-quarter forecast, winter conditions, spring thaw and unexpected repairs could materially affect costs later in the year.

The Nova Scotia Department of Public Works is completing bridge upgrades at two locations in Dingwall and one in Little Narrows. As part of the work, the Province needs to extend the bridge guardrails; however, municipal waterlines located within the right-of-way must first be relocated. The work is challenging due to limited space and steep roadside conditions and is expected to involve significant costs. Discussions with the Provincial Department of Public Works are ongoing.

CAPITAL EXPENDITURE REQUEST

- Public Works is requesting Council approval to move the purchase of a commercial shredder from the 2027–28 capital budget to the current 2026–27 fiscal year.
- Expansion of the existing C&D cell is no longer considered financially feasible, with estimated construction costs of $1.5 million and annual operating costs of $2-4 million.
- A commercial shredder has now been quoted at $515,000 plus HST and would help extend the life of the existing C&D cell by reducing the volume of material being disposed.
- The shredder could process C&D materials, certain tires, clean wood, and leaf and yard waste.

- Benefits include reduced transportation and disposal costs, improved storm response, greater capacity for accepting trees and limbs, increased operational flexibility, and potential revenue opportunities.
- Public Works recommends purchasing the shredder in the current fiscal year so the Municipality can begin realizing these operational and cost-saving benefits sooner.

Deputy Warden MacLeod made the recommendation and Council agreed and it will be approved by motion at the regular meeting of council on September 21, 2026.

Councillor Matheson-LeFort recommended and Council agreed to accept the Q4 and Q1 financial updates as presented.

ADJOURN

Motion to adjourn at 2:23pm.