



REQUEST FOR DECISION

SUBJECT:	Gravel Processing, Inventory and Budget		
SUBMISSION TO:	COMMITTEE OF THE WHOLE	REVIEWED AND APPROVED FOR SUBMISSION	
MEETING DATE:	May 20, 2025	CAO:	MANAGER:
DEPARTMENT:	INFRASTRUCTURE & ENGINEERING	DIR: RA	PRESENTER: LT/JF
STRATEGIC PLAN:	Economy	LEG: SS	

RELEVANT LEGISLATION:

Provincial (cite) – Alberta Standards and Specifications for Highway Construction, Edition 16 (January 27, 2020)

Council Bylaw/Policy (cite) – N/A

RECOMMENDED ACTION:

MOTION: That Committee of the Whole accept the report on gravel budget, processing, and inventory calculations, for information as presented.

BACKGROUND/PROPOSAL:

During the March 25, 2025 regular Council meeting, Finance presented the 2024 Financial Reporting, showing all variables regarding gravel within budget. However, some uncertainty remained on the gravel processing side and how inventory is tracked/cost.

Part of Greenview following financial approved practices, an annual audit is performed to ensure everything was accounted for correctly and there are no outlying factors that could affect financial status in the future. At the April 22, 2025, regular Council meeting, external auditors also explained the gravel process and expressed no concerns. Administration would like to provide an opportunity to further clarify, should any questions remain.

As a municipality of Alberta, we are legislated to follow accounting principles, financial processes, and best practices, which are approved by our internal and external advisors. Past annual audits have shown that all gravel has been accurately reported. Administration aims to clarify the budget and financial gravel inventory tracking process, so that all parties are unified in the understanding and provincial expectations. Administration will show that we are within budget for gravel purchases, but using inventory (invoiced gravel sitting in stockpiles) from previous years.

Short and easy breakdown is as follows:

- Gravel Crushing (SML locations theoretical m³ cost are dependent on contract)
- Hauling gravel to stockpile sites (stockpile sites are dependent on costs per tonne)
- Total financial cost for each stockpile site (sites are given a volume / cost per tonne)
- Gravel now has a cost per tonne that is classified as inventory at each stockpile location and will be financially accounted for once placed on the road.

A survey of a stockpile to identify quantities remaining is performed annually in cubic meters and applying an Alberta Transportation approved formula (1.632 proctor value, as per Sections 5.2 Supply of Aggregate, of the Alberta Standards and Specifications for Highway Construction), the cubic meters are converted to tonnes. Item of note, the longer gravel sits on site and/or more material is added (1-5 years), the theoretical survey volume compared to the actual tonnes of material left will balance once the site is reclaimed; *ie, once a stockpile site has been added to numerous times, the original height has been raised and compacted to form a hard surface, but when the pile has been depleted and site scraping is performed, you will find additional material (that was shown previously as a discrepancy).*

Following accounting processes, Administration does track inventory balances. The gravel inventory balance going back to 2020, is as follows:

	2020	2021	2022	2023	2024
6112-Gravel Purchases					
Actual	348,013.76	184,503.65	1,193,197.86	(2,327,904.86)	3,401,209.57
Budget	2,735,088.00	3,431,875.00	2,428,125.00	2,375,000.00	240,000.00
Variance	2,387,074.24	3,247,371.35	1,234,927.14	4,702,904.86	(3,161,209.57)
Inventory Balance	8,228,681.82	8,973,844.16	9,847,901.59	14,497,728.19	11,359,655.61

It is Administration’s understanding that Greenview’s accounting practices regarding gravel tracking have not changed. Our interpretation is that the actual gravel tracking and reporting is not the issue, it’s that we budget only for purchases and not usage. So, the auditors have never found an issue because they look at how we account for the actuals, not the budget (in other words, exactly what has been expensed).

Administration notes that the uncertainty may stem from 2024 being the first year in a while where the purchases was very high (pulling from inventory) but the budget was very low. Greenview has encountered similar issues in the past with it not being near the budget but they were all surpluses (showing underspent), so it wasn’t questioned as much. For example, in 2023 there was a \$4.7M surplus in this GL but the inventory went up from \$9.8M to \$15M as most of what we bought went to inventory and not on the road. Then in 2024, you see the opposite. The actual cost of \$3.4M with a corresponding decrease in inventory down to \$11M.

Administration starts the year with an approved budget set by Council, and prides itself on staying within the limits of the budget.

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- BENEFITS OF THE RECOMMENDED ACTION:**
1. The benefit of the recommended motion is that Committee of the Whole will have a better understanding of gravel tracking and inventory accounting practices.

DISADVANTAGES OF THE RECOMMENDED ACTION:

There are no perceived disadvantages to the recommended motion.

ALTERNATIVES CONSIDERED:

As this is an information item, no alternatives have been considered.

FINANCIAL IMPLICATION:

There are no financial implications to the recommended motion.

STAFFING IMPLICATION:

There are no staffing implications to the recommended motion.

PUBLIC ENGAGEMENT LEVEL:

Greenview has adopted the IAP2 Framework for public consultation.

INCREASING LEVEL OF PUBLIC IMPACT

Inform

PUBLIC PARTICIPATION GOAL

Inform - To provide the public with balanced and objective information to assist them in understanding the problem, alternatives, opportunities and/or solutions.

PROMISE TO THE PUBLIC

Inform - We will keep you informed.

FOLLOW UP ACTIONS:

There are no follow up actions to the recommended motion.

ATTACHMENT(S):

- Q4 2024 Operating Budget Variance Report
- 2021-2024 Budget Variance Reports
- Gravel flowchart
- Section 5, Supply of Aggregate (Alberta Standards and Specifications for Highway Construction)