

Financial Stabilization Reserve, Operating Carryforward Recommendations and Other Items

This attachment provides a summary of the 2021 Financial Stabilization Reserve (FSR) transactions and appropriations for information purposes, as well as a listing of operating carryforward recommendations for Council's consideration. Carryforward recommendations are provided for items with expenditures budgeted for in the 2021 operating budget, which were not completed by the end of year, and require unused approved funds to be carried forward into the 2022 operating budget in order to complete the initiatives. The attachment also provides a summary of any previous commitments for use of the 2021 tax-supported surplus. It also reflects the projected balance of the FSR after considering operating carryforward recommendations that have an impact on the reserve balance.

The FSR is made up of an appropriated balance and an unappropriated balance. The appropriated portion of the reserve is designated for specific purposes as approved by Council, whereas the unappropriated balance is for providing one-time funding to address significant emergent financial issues. As per City Policy C629 - Financial Stabilization Reserve, the entire 2021 tax-supported surplus is transferred to the unappropriated balance of the FSR. Use of the FSR requires a subsequent reclassification to the appropriated balance and then a transfer from the appropriated reserve to offset operating expenditures in future years.

A comparison of the projected unappropriated reserve balance to both the preliminary minimum and target reserve balances for 2021 is provided for information. In accordance with City Policy C629 - Financial Stabilization Reserve, the unappropriated FSR shall have a minimum balance of 5.0 per cent and a target balance of 8.3 per cent of current tax-supported operating expenses, as reflected in the most current audited financial statements. The minimum and target balances reflected in this report are estimates based on preliminary year-end results and are subject to change based on finalization of the 2021 audited consolidated financial statements, which will be presented to City Council on April 19, 2022.

Based on the recommendations in this report, after considering all carryforward recommendations, \$20.2 million of the tax-supported surplus of \$51.9 million will remain within the unappropriated FSR. As a result, the unappropriated FSR is projected to have a balance of \$141.9 million, which is above its minimum required amount of \$112.3 million. The funds in the unappropriated FSR above the minimum balance can be used to address emergent or priority items within the operating and capital budgets, including additional one-time budget impacts as result of COVID-19.

A summary of the unappropriated reserve balance from 2017 to 2021 is also provided.

Budget Adjustment Recommendations

Recommendation 1 - Budget adjustments for items previously appropriated in the Financial Stabilization Reserve - \$8.5 million

This recommendation is for budget adjustments for amounts previously appropriated within the FSR, as identified in Table 1, Schedule A. The adjustment is strictly a timing adjustment, with expenditures and offsetting funding being reallocated to 2022.

Expenditures of \$8.5 million from the FSR remain unspent and are recommended for carryforward into 2022. There is no overall impact to the 2021 tax-levy requirement or the FSR.

Recommendations 2 & 3 - Budget adjustments for operating commitments funded through reserves, and other external non tax-levy funds in the 2021 approved budget that were not completed by year-end

Operating commitments were provided for in the 2021 approved budget, with funding from reserves or from external non tax-levy sources, and were not completed by year-end. Budget adjustments are being recommended to reallocate 2021 expenses and offsetting funding sources into the 2022 operating budget, with no impact to the 2022 tax-levy requirement or the FSR, as identified in Table 2.

Recommendation 4 - Operating budget carryforwards - \$19.4 million

This report recommends that the 2022 operating expenditure budgets be increased by \$19.4 million for 2021 expenditures committed but not utilized in the year, with matching funding from the FSR, as identified in Table 1, Schedule E.

Precommitment of the Tax-Supported Surplus

City Council previously approved use of \$6.4 million of the 2021 tax-supported surplus to offset a portion of the estimated 2022 COVID-19 budget impact (Financial and Corporate Services report FCS00828 - COVID-19 2022 Financial Impacts and Funding Strategy, at the November 30 City Council meeting). This is reflected in Table 1.

TABLE 1 - Financial Stabilization Reserve (FSR)
(in \$000's)

SUMMARY OF FSR BALANCES	Unappropriated	Appropriated
Unappropriated Balance (prior to preliminary surplus, 2021 carryforwards, and other items)	\$ 121,747	
Appropriated Balance:		
Schedule A - Recommendation 1 , Previously Appropriated FSR Projects (Operating) - Carryforward Recommendations for expenditures expected in 2022		8,516
Schedule B - Previously Appropriated FSR Projects (Operating) - 2022 Expenditures - Ongoing Reserve Appropriations		98,277
Schedule C - Previously Appropriated FSR Projects (Operating) - Future Expenditures beyond 2022 - Ongoing Reserve Appropriations		58,463
Schedule D - Previously Approved FSR Projects (Capital) - Ongoing Reserve Appropriations		15,695
FSR at December 31, 2021 (prior to preliminary surplus, 2021 carryforwards, and other items)	\$ 121,747	\$ 180,951
2021 preliminary tax-supported operating surplus	51,870	-
COVID-19 - 2022 Funding Strategy - use of 2021 tax-supported surplus <i>As a part of the 2022 COVID-19 funding strategy City Council approved use of \$6.4 million of the 2021 tax-supported surplus to offset a portion of the 2022 estimated COVID budget impacts (Financial and Corporate Services FCS00828 COVID-19 2022 Financial Impacts and Funding Strategy - November 22, 2021)</i>	(6,400)	6,400
Schedule E - New Carryforward Recommendations, Recommendation 4	(19,411)	19,411
Transit Safety Plan - approved February 22, 2022 City Council meeting	(1,100)	1,100
Bridge Housing Transition plan - approved February 22, 2022 City Council meeting	(4,800)	4,800
FSR - 2022 Projected	\$ 141,906	\$ 212,662

Unappropriated FSR - Minimum and Target Balances

<i>FSR Minimum Balance (5%) - Preliminary</i>	<i>\$112,280</i>
<i>FSR Target Balance (8.3%) - Preliminary</i>	<i>\$186,385</i>

Unappropriated FSR – Five Year Trend

2022 Projected	\$141,906
2021 (Preliminary)	\$121,747
2020	\$129,015
2019	\$123,886
2018	\$130,271
2017	\$125,110

The following table shows FSR activity in 2021:

SUMMARY OF FSR ACTIVITY IN 2021	Unappropriated	Appropriated
FSR at December 31, 2020 (prior to preliminary surplus, 2020 carryforwards, and other items)	\$ 129,015	\$ 213,320
2020 tax-supported operating surplus	40,385	-
2020 carryforwards	(40,385)	40,385
Council approved items during 2021	(15,154)	15,154
Air Service Opportunities Fund - allocation of pay-as-you-go and financial strategies funding		7,260
COVID-19 2022 Funding Strategy - use of COVID funds	-	22,914
Transfer from Neighbourhood Renewal Reserve (funds not required for neighbourhood renewal program)		17,000
COVID-19 2022 Funding Strategy - allocation of Annuity Plan settlement		13,643
Transfer from Enterprise Portfolio Reserve (closed through the 2021 Reserves Review)	1,030	-
Waste Re-Solutions Grant Repayment	379	-
Actual expenditures funded through FSR - 2021	-	(142,249)
Items no longer requiring FSR funding (releases)	6,476	(6,476)
FSR at December 31, 2021 (prior to preliminary surplus, 2021 carryforwards, and other items)	\$ 121,747	\$ 180,951

Schedule A - Previously Appropriated FSR Projects - Carryforward Recommendations to 2022 - Operating

Recommendation 1 - The following amounts were appropriated within the FSR to fund expenses budgeted to occur in 2021, however expenses were not incurred during the year and recommendations have been made to carryforward and utilize the expenditures within the 2022 operating budget.

Continuation of Day Service Shelters - Social Development	1,969
Affordable Housing Public Information Campaign - Social Development	614
Hosting Festival Events - COVID-19 Recovery Grant - Community & Recreation Facilities	478
YMCA of Northern Alberta - Community & Recreation Facilities	383
Revitalization (Alberta Avenue and Jasper Place Continuation) - Community Standards and Neighbourhoods	152
Total Citizen Services	\$ 3,596
Business Improvement Area Temporary Patio Support - Parks and Road Services	36
Total City Operations	\$ 36
City Plan - Integrated Marketing Communications	117
Implementation Roadmap for Public Engagement - Engagement	118
Total Communications and Engagement	\$ 235
Zoning Bylaw - Research, Engagement & Communications, Development Services, and Legal Services	532
Total Communications & Engagement, Office of the City Manager and Urban Planning & Economy	\$ 532
Edmonton Economic Recovery Grant/Economic Action Plan Grant - Economic Investment Services	1,923
WinterCity - Economic Investment Services	650
Alberta's Food Incubation Hub (FKA Wild Heart) - Economic and Environmental Sustainability	600
Domtar Contaminated Lands - Development Services	578
Infill Roadmap Implementation - City Planning	123
River Valley Planning Modernization - Planning & Environment Services	108
City Plan Implementation - Planning & Environment Services	57
Business Licensing - Development Services	48
Comprehensive Parking Review -Development Services	30
Total Urban Planning and Economy	\$ 4,117
Total - Recommendation 1	\$ 8,516

Schedule B - Previously Appropriated FSR Projects with expenditures in 2022 - Ongoing Appropriations - Operating

The following amounts were previously appropriated within the FSR with approved budget expenses in 2022. These amounts continue to be appropriated in the FSR with expenditures expected in 2022. These are provided for information purposes.

COVID Funds - 2022 COVID funding strategy - Corporate Programs, Corporate Revenue	31,000
Financial Strategies 2021 funds - 2022 COVID funding strategy - Corporate Programs, Corporate Revenue	22,914
Annuity Plan funds - 2022 COVID funding strategy - Corporate Programs, Corporate Revenue	13,643
Air Service Opportunities Fund - Urban Planning and Economy, Economic and Environmental Sustainability	7,940
Explore Edmonton operating support - Explore Edmonton, Boards and Authorities	7,200
2022 Transit Fares Freeze - City Operations, Edmonton Transit	3,453
Drainage Utility transition funds received from EPCOR	2,521
Planning and Development Business Model - Revised Fiscal Strategy - funding for 2022 tax-supported expenditures - Various Departments	2,436
2022 Business Improvement Area - 50% levy support - Urban Planning & Environment, Economic Investment Services	1,850
Edmonton's Cultural Industries Assistance - Urban Planning & Environment, Economic Investment Services	1,200
Business License Fee Waiver - Corporate Programs, Corporate Revenue	1,100
Transit Safety Plan - Citizen Services, Community Standards & Neighbourhoods	1,100
Transit Community Outreach Team - Citizen Services, Community Standards & Neighbourhoods and, Social Development	940
Revitalization (Alberta Avenue and Jasper Place Continuation) - Citizen Services, Community Standards and Neighbourhoods	297
Shelter Security & Safe Consumption Site - Citizen Services, Social Development	266
Logistic and Distribution Support for PPE - Financial and Corporate Services, Corporate Procurement and Supply Services	161
Chinatown Transformation Strategy - Urban Planning and Economy, Economic and Environmental Sustainability	156
Urban Wellness Plan - Citizen Services, Social Development	100
Total	\$ 98,277

Schedule C - Previously Appropriated FSR Projects with expenditures in Future Years - Ongoing Appropriations - Operating

The following amounts were previously appropriated within the FSR with expenses expected in future years beyond 2022. The funding remains available for applicable expenses in future periods. These are provided for information purposes.

Edmonton Economic Recovery Construction Grant (COVID-19 Funding)	22,900
Drainage Utility transition funds received from EPCOR (remaining balance)	15,370
Community Development Corporation land transfer funding	4,745
Edmonton Space & Science Foundation Loan Guarantee	4,000
Phased reopening of recreation facilities (COVID-19 Funding)	3,944
Edmonton Metropolitan Transit Services Commission Loan Guarantee	3,300
COVID-19 Funding - Unallocated	1,651
Fort Edmonton Management Company Operating Loan	1,688
Edmonton Tower lease renegotiation settlement (for purposes of community benefit)	481
Our Lady of Peace local improvements tax deferral - 2018	152
Our Lady of Peace local improvements tax deferral - 2017	152
Suicide prevention - Living Hope (COVID-19 Funding)	80
Total	\$ 58,463

Schedule D - Previously Appropriated FSR Projects with expenditures in Future Years - On-going Appropriations - Capital

The following amounts were previously appropriated within the FSR with expenses expected in future years. The funding remains available for applicable expenses in future periods. These are provided for information purposes.

UV Air Purification on Transit - Edmonton Transit (COVID-19 Funding)	5,898
Other Funding (private report approved by Council week of November 16, 2020)	5,000
Other Funding (private report approved by Council on April 11, 2017)	3,919
CP Rail Shared Use Path Right of Way - Integrated Infrastructure Services	270
Downtown District Energy Strategy - Integrated Infrastructure Services	239
Jumpstart - Integrated Infrastructure Services	193
Mill Woods Senior and Multicultural Center - Second floor design - Citizen Services	134
Open Space: Planning and Design - Integrated Infrastructure Services	42
Total	\$ 15,695

Schedule E - New Carryforward Recommendations to 2022 - Operating

Recommendation 4 - Operating commitments were provided for in the 2021 approved budget and were not utilized by year-end. Budget funding is recommended for carryforward to the 2022 operating budget in order to fund the related expenditures.

Neighbourhood revitalization funds - Community Standards and Neighbourhoods	679
Affordable Housing Public Information Campaign - Social Development	322
Total Citizen Services	\$ 1,001
Residential Blading - Parks and Road Services	2,309
Sand Removal (remove and dispose sand stock piles) - Parks and Road Services	2,151
Total City Operations	\$ 4,460
Call Centre Support Systems Renewal - Relationships & Customer Access	500
Web and Digital Services (Web Based Enhancements) - Story & Brand	419
Communications support - Fire Rescue Services, anti-racism, and reconciliation - Relationships & Customer Access	300
Total Communications and Engagement	\$ 1,219
Edmonton Police Services funding within Financial Strategies - Corporate Expenses	300
Council Contingency - Corporate Expenses	700
Total Corporate Programs	\$ 1,000
Energy Rebates - Planning & Environment Services	5,617
Downtown Vibrancy Initiative - Economic Investment Services	4,585
Energy Transition Strategy and Climate Adaptation Implementation - Planning & Environment Services	506
Zoning Bylaw Renewal Initiative - Development Services	308
Growth Management Framework - Planning & Environment Services	232
Brownfield Phase I, II and IV grants - Strategic and Emerging Investment	163
Mass Transit Planning (Mobility Network Assessment) - Planning & Environment Services	156
Enviso - System Integration and Performance Improvement Project - Planning & Environment Services	102
Glenora Conservation Areas Direct Control Zoning - Planning & Environment Services	62
Total Urban Planning and Economy	\$ 11,731
Total - Recommendation 4	\$ 19,411

TABLE 2 - Other Recommendations - Budget Adjustments with No Impact to FSR
(in \$000's)

Recommendations 2 & 3 - Operating commitments funded through reserves or external non tax-levy funds in the 2021 approved budget that were not completed by year-end. Budget adjustments are recommended to reallocate 2021 expenses and offsetting funding sources into the 2022 operating budget, with no impact to the Financial Stabilization Reserve or the 2021 tax-levy position.

Recommendation 2 - Budget adjustments for items previously approved for funding from the Revolving Industrial Servicing Fund Reserve

The remaining Revolving Industrial Servicing Fund program rebates and offsetting funding from the Revolving Industrial Servicing Fund Reserve, both reflected in the Development Services branch within Urban Planning and Economy, are recommended for carryforward into 2022 to the Development Services branch. Rebate expenses originally anticipated to be incurred during the year were delayed due to slower than expected progress on certain developments.

	<u>Expenditure</u>	<u>Revenue</u>	<u>Net</u>
Industrial Servicing Fund rebate expenditures	9,081	-	9,081
Transfer from the Industrial Servicing Fund Reserve	-	(9,081)	(9,081)
			<u>-</u>

Recommendation 3 - Budget adjustment for approved funding for Rapid Housing Initiative, with offsetting expenditures

The City received funding from Canada Mortgage and Housing Corporation (CMHC) in November 2021 as part of the Rapid Housing Initiative (RHI) Cities Stream, and the City provided matching funds through the existing Affordable Housing Reserve and remaining Provincial Block Funding. A portion of the funds were used in 2021 for initial payments to Niginan Housing Ventures and Mustard Seed Foundation for hotel conversions. The remaining expense budget and related funding are recommended for carry-forward into 2022 to fund the remaining payments for the hotel conversions.

	<u>Expenditure</u>	<u>Revenue</u>	<u>Net</u>
Rapid Housing Initiative - Cities Stream expenditures	7,233	-	7,233
Provincial grants	-	(5,044)	(5,044)
Transfer from Affordable Housing Reserve	-	(1,681)	(1,681)
Federal grants	-	(508)	(508)
			<u>-</u>