

## OPERATING FINANCIAL UPDATE - JUNE 30, 2022

### RECOMMENDATION

That the August 29, 2022, Financial and Corporate Services report FCS01374, be received for information.

<b>Requested Council Action</b>	Information only		
<b>ConnectEdmonton's Guiding Principle</b>	<b>ConnectEdmonton Strategic Goals</b>		
<b>CONNECTED</b> This unifies our work to achieve our strategic goals.	n/a		
<b>City Plan Values</b>	n/a		
<b>City Plan Big City Move(s)</b>	n/a	<b>Relationship to Council's Strategic Priorities</b>	Conditions for service success
<b>Corporate Business Plan</b>	Managing the corporation		
<b>Council Policy, Program or Project Relationships</b>	<ul style="list-style-type: none"> <li>2019-2022 Operating Budget</li> <li>C629 Financial Stabilization Reserve (FSR)</li> <li>C610 Planning and Development Reserve (P&amp;D)</li> <li>C579B Traffic Safety and Automated Enforcement Reserve (TSAER)</li> </ul>		
<b>Related Council Discussions</b>	<ul style="list-style-type: none"> <li>FCS01143 Spring 2022 Supplemental Operating Budget Adjustment, City Council, April 19, 2022</li> </ul>		

### Executive Summary

- Administration provides operating financial updates three times a year. Consistent, transparent and timely financial reporting to Council is part of managing the corporation for the community.
- This report provides the June 30, 2022, Operating Financial Update, including year-to-date operating results and projected year-end results compared to the approved budget for

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tax-supported, enterprise/utility and Community Revitalization Levy (CRL) programs. An update is also provided on certain reserves.

- As of June 30, 2022, year-to-date results for tax-supported operations reflect a net favourable variance of \$23.8 million, and a net favourable variance of \$24.4 million is projected for year-end, less than 1 per cent of the overall tax-supported budget.
- The projections are based on the June 30, 2022 year-to-date results and other available information. Year-end projections may be updated throughout the year as additional information becomes available.

## REPORT

Attachment 1 provides the June 30, 2022, year-to-date and projected year-end operating financial results compared to the approved budget for tax-supported, enterprise/utility and Community Revitalization Levy (CRL) programs.

### Operating Financial Results

The June 30, 2022 Operating Financial Update provides year-to-date operating results and projected year-end results compared to the approved budget for tax-supported, enterprise/utility and Community Revitalization Levy (CRL) programs.

For tax-supported operations, the 2022 budget was adjusted by City Council in fall 2021 for estimated impacts of the COVID-19 pandemic. When compared to the COVID-19 adjusted budgets, year-to-date results for tax-supported operations show a surplus of approximately \$23.8 million as at June 30, 2022. The year-end projected results estimate a surplus of \$24.4 million, or less than one per cent of the City's \$2.7 billion budget. The projected surplus reflects the combined results across tax-supported operations, with favourable variances in some areas being offset by unfavourable variances in others. Administration monitors variances against the budget and the results inform budget adjustments where required.

Much of the year-end projected surplus can be attributed to amounts within the Financial Strategies budget that Administration has assessed are not required for the remainder of 2022. Financial Strategies include amounts to manage fluctuations and to provide flexibility for emerging items over the course of the four year operating budget cycle. Administration has conducted a risk-based analysis of potential emerging items and fluctuations within the operating budget for the remaining six months of the 2019-2022 budget and determined that approximately \$38 million in funding is not required within Financial Strategies for 2022. The funds will remain in Financial Strategies on an ongoing basis to be considered as a part of the 2023-2026 proposed budget to manage budget pressures.

The year-end projected results also reflect favourable budget variances due to favourable transit fare revenues, lower than budgeted DATS contract costs and higher than anticipated gas franchise fees. These favourable variances are partially offset by higher snow and ice control costs due to the heavier snowfall and additional freezing rain that occurred in January to April 2022 and lower than budgeted permit fee revenues. As part of the 2022 Spring Supplemental

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Operating Budget Adjustment, Council approved one-time funding to cover the additional costs incurred related to the enhanced residential snow removal pilot.

The pandemic's longer-term financial effects are being considered as a part of the 2023-2026 proposed operating budget, as discussed with Council earlier this year through the 2023-2032 Operating Investment Outlook. Possible funding strategies to offset the long-term budget impacts of COVID-19 include use of funds within Financial Strategies and one-time COVID-19 funds appropriated within the Financial Stabilization Reserve.

### **Economic Update**

Over the first half of 2022, the performance of some indicators for Edmonton and the region suggested that economic activity gained momentum, with the pace of regional employment growth picking up and the unemployment rate dropping below six per cent in Q2 as notable developments. However, looking ahead, higher prices, particularly for energy and rising interest rates, are expected to challenge Edmonton's growth prospects at least over the short-term. Details on the performance of select economic indicators, along with highlights from the City of Edmonton's latest economic forecast, can be found in the mid-year economic update included as Attachment 2.

### **COMMUNITY INSIGHT**

As the financial updates provide the quantitative results of budget items that undertake their own efforts to gain insight from Edmontonians, additional community insight is not sought for financial update reports.

### **GBA+**

As the financial updates reflect the reporting of actual results that provide the quantitative progress of programs and services that each have individual implications for GBA+, additional GBA+ analysis is not completed for financial update reports.

### **ATTACHMENTS**

1. Operating Financial Update - June 30, 2022
2. City of Edmonton Mid-Year 2022 Economic Update