

OPERATING FINANCIAL UPDATE - SEPTEMBER 30, 2022

RECOMMENDATION

That the December 5, 2022, Financial and Corporate Services report FCS01539, be received for information.

Requested Council Action	Information only		
ConnectEdmonton's Guiding Principle	ConnectEdmonton Strategic Goals		
CONNECTED This unifies our work to achieve our strategic goals.	N/A		
City Plan Values	N/A		
City Plan Big City Move(s)	N/A	Relationship to Council's Strategic Priorities	Conditions for service success
Corporate Business Plan	Managing the corporation		
Council Policy, Program or Project Relationships	<ul style="list-style-type: none"> • 2019-2022 Operating Budget • C629 Financial Stabilization Reserve (FSR) • C610 Planning and Development Reserve (P&D) • C579B Traffic Safety and Automated Enforcement Reserve (TSAER) 		
Related Council Discussions	<ul style="list-style-type: none"> • FCS01374 Operating Financial Update - June 30, 2022, City Council, August 29, 2022 • FCS01143 Spring 2022 Supplemental Operating Budget Adjustment, City Council, April 19, 2022 		

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 September 30, 2022, Operating Financial Update, including year-to-date operating results and projected year-end results compared to the approved

OPERATING FINANCIAL UPDATE - SEPTEMBER 30, 2022

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

- As of September 30, 2022, year-to-date results for tax-supported operations reflect a net favourable variance of \$45.3 million. A net favourable variance of \$67.8 million is projected for year-end, equal to 2.5 per cent of the overall tax-supported budget.
- The projections are based on the September 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 September 30, 2022, year-to-date and projected year-end operating financial results compared to the approved budget for tax-supported, enterprise/utility and CRL programs.

Operating Financial Results

The September 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. Results reflect projections based on information available at the time of writing. At year-end 100 per cent of the tax-supported surplus will be transferred to the Financial Stabilization Reserve, with budget carryforwards being recommended to the Appropriated Financial Stabilization Reserve. As part of the year-end financial close process Administration will assess the carryforward of 2022 budget for expenses that were committed before year-end but are not expected to be incurred until after. Carryforwards are generally recommended where commitments and legal agreements are in place or for Council-approved initiatives where the expense is expected in a different year. A cautious approach should be taken in the allocation of any projected surplus in advance of year end, as the entire amount may not be available for spending allocation.

For tax-supported operations, the 2022 budget was adjusted by City Council in fall 2021 (November 22, 2021, Financial and Corporate Services report, FCS00828) for estimated impacts of the COVID-19 pandemic. Compared to the COVID-19 adjusted budgets, year-to-date results for tax-supported operations show a surplus of approximately \$45.3 million as at September 30, 2022. The year-end projected results estimate a surplus of \$67.8 million, equal to 2.5 per cent of the City's \$2.7 billion budget. 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 conducted a risk-based analysis of potential emerging items and fluctuations within the operating budget for the remaining three months of the 2019-2022 budget, which determined that

OPERATING FINANCIAL UPDATE - SEPTEMBER 30, 2022

approximately \$41 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 proposed 2023-2026 Operating Budget to manage budget pressures.

The year-end projected results also reflect favourable budget variances due to personnel savings from unfilled vacancies, delayed grant payments and favourable transit fare revenues compared to the COVID-19 adjusted budget. These favourable variances are partially offset by higher snow and ice control costs due to the heavier snowfall and additional freezing rain in January to April 2022, lower-than-budgeted permit fee revenues, and higher fuel costs. As part of the 2022 Spring Supplemental Operating Budget Adjustment (April 19, 2022, Financial and Corporate Services report FCS01143), Council approved one-time funding from the Financial Stabilization Reserve to cover the additional costs incurred related to the enhanced residential snow removal pilot.

The COVID-19 pandemic's longer-term financial effects are being considered as part of the 2023-2026 proposed operating budget. The proposed budget recommends applying COVID-19 pandemic funding, which was appropriated from the Financial Stabilization Reserve in the early years of the budget, to offset revenue shortfalls and support recovery in transit, recreation facilities and parking revenues.

Economic Update

The performance of certain indicators in Edmonton and the region between Q2 and Q3 2022 suggest that the economy is still doing reasonably well. However, rising interest rates and persistently high inflation are adding to financial pressures on households and businesses, some of which are still trying to recover from the impacts of the COVID-19 pandemic. Moving forward, this further increases the risk of economic growth slowing down. More details can be found in the Q3 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 - September 30, 2022
2. City of Edmonton Q3 Economic Update