

OPERATING FINANCIAL UPDATE - DECEMBER 31, 2022

RECOMMENDATION

1. That the 2023 Operating Budget be adjusted to increase expenditures by \$19,160,000 offset by an equivalent transfer from amounts currently appropriated in the Financial Stabilization Reserve, to address the delay of expenditures into 2023, as outlined in Schedule A, Table 1, Attachment 2 of the March 14, 2023, Financial and Corporate Services report FCS01656.
2. That the 2023 Operating Budget be adjusted to increase expenditures by \$20,774,000 and to transfer the equivalent amount from the Financial Stabilization Reserve, to fund the carryforward of expenditures where 2022 program commitments exist, as outlined in Schedule E, Table 1, Attachment 2 of the March 14, 2023, Financial and Corporate Services report FCS01656.
3. That the 2023 Operating Budget be adjusted to increase expenditures by \$3,183,000 offset by an equivalent transfer from the Revolving Industrial Servicing Fund Reserve, to address the timing of Revolving Industrial Servicing Fund program rebates within Development Services, Urban Planning and Economy, as outlined in Table 2, Attachment 2 of the March 14, 2023, Financial and Corporate Services report FCS01656.
4. That the 2023 Operating Budget be adjusted to increase expenditures by \$1,018,000 offset by an equivalent amount of revenue (transfer from reserve and provincial grant), to address the timing of expenditures for Rapid Housing Initiative - Cities Stream within Social Development, Community Services, as outlined in Table 2, Attachment 2 of the March 14, 2023, Financial and Corporate Services report FCS01656.
5. That the 2023 Operating Budget be adjusted to increase expenditures by \$9,799,000 offset by an equivalent amount of revenue (transfer from reserve and federal grant), to address the timing of expenditures for Rapid Housing Initiative - Project Stream within Social Development, Community Services, as outlined in Table 2, Attachment 2 of the March 14, 2023, Financial and Corporate Services report FCS01656.
6. That the 2023 Operating Budget be adjusted to increase expenditures by \$3,765,000 offset by an equivalent transfer from the Brownfield Reserve, to address the timing of grant expenditures for Brownfield Remediation and Redevelopment support within

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Economic Investment Services, Urban Planning and Economy, as outlined in Table 2, Attachment 2 of the March 14, 2023, Financial and Corporate Services report FCS01656.

- That the 2023 Operating Budget be adjusted to increase expenditures by \$250,000 offset by an equivalent transfer from the Traffic Safety and Automated Enforcement Reserve (TSAER), to address the timing of traffic safety related expenditures within Parks and Road Services, City Operations, as outlined in Table 2, Attachment 2 of the March 14, 2023, Financial and Corporate Services report FCS01656.

Requested Council Action		Decision required	
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"> FCS01143 Spring 2022 Supplemental Operating Budget Adjustment, City Council, April 19, 2022 FCS01539 Operating Financial Update - September 30, 2022, City Council, December 5, 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 outlines the preliminary 2022 operating financial results compared to the approved budgets (including one-time COVID-19 related adjustments) for tax-supported, enterprise/utility and Community Revitalization Levy (CRL) programs.
- December 31, 2022, results for tax-supported operations reflect a net favourable year-end variance of \$81.5 million (based on information available to February 27, 2023).
- This report provides recommendations for the carryforward of \$19.2 million (Recommendation 1) of items previously approved by City Council with funding from the appropriated Financial Stabilization Reserve (FSR) and \$18.0 million (Recommendations 3 to 7) for items funded

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through other reserves. These recommendations do not further impact the FSR or the tax-supported surplus.

- This report includes a recommendation to carryforward \$20.8 million in unused 2022 operating budget into 2023 (Recommendation 2). The items recommended for carryforward reflect the 2022 budget for projects or initiatives that were not completed within the fiscal year, but require the remainder of the budget in 2023 to address the commitments associated with the project. The unused 2022 budget for these items contributes to the tax-supported surplus. In accordance with City Policy C629, Financial Stabilization Reserve, the entire 2022 tax-supported surplus is transferred to the FSR. Therefore, Administration recommends funding the 2022 expenses requested for carryforward into 2023 from the FSR.
- An economic update is also provided for the fourth quarter of 2022.
- Results are preliminary, unaudited and subject to change until the approval of the City's 2022 consolidated annual financial statements. Administration will provide the audited financial statements, presented on a public sector accounting basis as required for legislative reporting, to Audit Committee on April 21, 2023 and to City Council on April 25, 2023.

REPORT

Attachment 1 provides details on the preliminary 2022 operating financial results compared to the 2022 approved budget (after one-time adjustments required to address the COVID-19 pandemic) for tax-supported, enterprise/utility and Community Revitalization Levy (CRL) programs. Preliminary year-end results for tax-supported operations show a net favourable variance of \$81.5 million as at December 31, 2022: a variance of 2.5 per cent of the City's \$3.2 billion tax-supported expense budget.

The Financial Stabilization Reserve (FSR) balance prior to the approval of recommendations and addition of the surplus is \$68.4 million. Considering the tax-supported surplus of \$81.5 million and recommendation to carry forward \$20.8 million in expenditures (part of the surplus) that were budgeted in 2022 but now anticipated in 2023 (Recommendation 2), and \$1.0 million for Council approved items during 2023, a balance of \$128.1 million remains in the FSR. This is above the minimum required reserve balance of \$122.8 million and below the target balance of \$203.9 million. The balance of \$5.3 million over the minimum will remain unallocated in the FSR. In accordance with City Policy C629 - Financial Stabilization Reserve, the purpose of the unappropriated FSR balance is to manage one-time, unexpected emergent financial needs, including operating and capital projects, as approved by City Council.

2022 Preliminary Operational Financial Results

This report reflects actual results for 2022 compared against the approved budget (including one-time COVID-19 related adjustments) for tax-supported, enterprise/utility and Community Revitalization Levy (CRL) programs.

Preliminary results for tax-supported operations show a net favourable year-end position of \$81.5 million, representing a variance of 2.5 per cent when compared to the overall expense

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budget. The net favourable budget variance is primarily the result of lower than budgeted costs for financial strategies and lower than budgeted personnel costs due to unfilled vacancies. These favourable variances are partially offset by higher snow and ice program costs due to heavier snowfall and additional freezing rain from January to April 2022.

Further detail on the sources and causes of the 2022 operating variances is provided in Attachment 1.

Financial Stabilization Reserve, Operating Carryforwards and Other Items

Attachment 2 includes recommendations for:

- Carryforward of items previously appropriated in the FSR into the 2023 operating budget (Recommendation 1 - \$19.2 million).

These are items that had previously been approved with funding from the FSR, with expenditures originally expected to occur in 2022. Expenditures are now expected in 2023. This adjustment is reallocating the expenditure and the previously approved funding from the FSR into 2023.

- Carryforward of 2022 budgeted expenditures committed but not utilized during the year into the 2023 operating budget, with matching funding from the FSR (Recommendation 2 - \$20.8 million).

This adjustment is related to operating expenditures that were originally approved in the 2022 operating budget, with funding from tax-levy, that were not fully utilized during the year and require the remaining funding to complete the project or initiative during 2023. The recommendation is for carryforward of unused expenditure budget, with funding from the FSR, into 2023.

- Carryforward of operating commitments into the 2023 operating budget previously approved with funding through numerous reserve funds, totaling \$18.0 million (Recommendations 3 to 7).

These are items that had previously been approved with funding from other reserves, or non-tax levy sources, with expenditures originally expected in 2022. Expenditures are now expected in 2023. This adjustment reallocates the expenditure and the previously approved funding from applicable reserve sources into 2023.

Economic Update

An economic update for Q4 2022 is included as Attachment 3. It highlights indicators relevant to Edmonton's economic recovery, including employment growth and quarterly housing starts.

COMMUNITY INSIGHT

The City of Edmonton's budgets are the instruments that allow Council to achieve the goals of ConnectEdmonton and the Big City Moves of The City Plan. Through various channels (including formal public engagement, community conversations/tables, 311, social media and speakers at Committees of Council), the City of Edmonton listens to the needs, desires and financial realities of Edmontonians as it delivers programs and services on behalf of the community. The City of

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Edmonton's programs and services should enable a better life for all Edmontonians. Administration is committed to providing financial reporting back to Council and residents that demonstrates how the City has delivered on the goals and objectives set out in the budget.

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 these reports.

ATTACHMENTS

1. Operating Financial Update - December 31, 2022
2. Financial Stabilization Reserve, Operating Carryforward Recommendations and Other Items
3. City of Edmonton's Q4 2022 Economic Update