

Financial Stabilization Reserve and Operating Carryforward Recommendations and Other Item

This attachment provides a summary of the 2022 Financial Stabilization Reserve (FSR) transactions and appropriations for information purposes as well as a listing of operating carryforward recommendations for Council's consideration.

Carry-forward recommendations are provided for items with expenditures budgeted for in the 2022 operating budget, which were not completed by the end of year, and require unused approved funds to be carried forward into the 2023 operating budget in order to complete the initiatives. It also reflects the projected balance of the FSR after considering operating carry-forward recommendations which have an impact on the reserve balance.

The FSR is made up of an appropriated balance as well as 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 2022 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 2022 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 2022 audited consolidated financial statements, which will be presented to City Council on April 25, 2023.

Based on the recommendations in this report, after considering all carry-forward recommendations, \$59.7 million of the tax-supported surplus of \$81.5 million will remain within the unappropriated FSR (\$20.8 million of the surplus is being recommended for carry-forward into 2023 as requested through recommendation 2 in the report and reflected in Schedule E of Attachment 2, and \$1.0 million for Council approved items during 2023). As a result, the unappropriated FSR is projected to have a balance of \$128.1 million, which is above its minimum required amount of \$122.8 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.

A summary of the unappropriated reserve balance from 2018 to 2022 is also attached.

Budget Adjustment Recommendations

Recommendation 1 - Request for carryforward to 2023 for items previously appropriated in the Financial Stabilization Reserve - \$19.2 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 2023.

Expenditures of \$19.2 million from the FSR remain unspent and are recommended for carryforward into 2023. There is no overall impact to the 2023 tax-levy requirement or the FSR.

Recommendation 2 - Request for carryforward of 2022 tax-supported surplus to be allocated to the appropriated FSR - \$20.8 million

This report recommends that the 2023 operating expenditure budgets be increased by \$20.8 million for 2022 expenditures committed but not utilized in the year, with matching funding from the FSR, as identified in Table 1, Schedule E. There are no impacts to the 2023 tax-levy requirement.

Attachment 2

Recommendations 3, 4, 5, 6 & 7 - Budget adjustments for operating commitments funded through reserves in the 2022 approved budget that were not completed by year-end

Operating commitments were provided for in the 2022 approved budget, with funding from reserves, and were not completed by year-end. Budget adjustments are being recommended to reallocate 2022 expenses and offsetting funding sources into the 2023 operating budget, with no impact to the 2023 tax-levy requirement or the FSR, as identified in Table 2.

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

SUMMARY OF FSR BALANCES	Unappropriated	Appropriated
Unappropriated Balance (prior to preliminary surplus, 2022 carryforwards, and other items)	\$ 68,402	
Appropriated Balance:		
Schedule A - Recommendation 1 , Previously Appropriated FSR Projects (Operating) - Carryforward Recommendations for expenditures expected in 2023		19,160
Schedule B - Previously Appropriated FSR Projects (Operating) - 2023-2026 Expenditures - Ongoing Reserve Appropriations		100,085
Schedule C - Previously Appropriated FSR Projects (Operating) - Future Expenditures beyond 2023 - Ongoing Reserve Appropriations		51,134
Schedule D - Previously Approved FSR Projects (Capital) - Ongoing Reserve Appropriations		29,548
FSR at December 31, 2022 (prior to preliminary surplus, 2022 carryforwards, and other items) <i>(See Summary of FSR Activity in 2022 table below for further information)</i>	\$ 68,402	\$ 199,927
2022 preliminary tax-supported operating surplus	81,511	-
Schedule E - Recommendation 2 , New Carryforward Recommendations	(20,774)	20,774
Council approved items during 2023	(1,000)	1,000
FSR - 2023 Projected	\$ 128,139	\$ 221,701

Unappropriated FSR - Minimum and Target Balances

<i>FSR Minimum Balance (5%) - Preliminary</i>	\$122,812
<i>FSR Target Balance (8.3%) - Preliminary</i>	\$203,867

Unappropriated FSR – Five Year Trend

2023 Projected	\$128,139
2022 (Preliminary)	\$68,402
2021	\$121,746
2020	\$129,015
2019	\$123,886
2018	\$130,271

The following table shows FSR activity in 2022:

SUMMARY OF FSR ACTIVITY IN 2022	Unappropriated	Appropriated
FSR at December 31, 2022 (prior to preliminary surplus, 2022 carryforwards, and other items)	\$ 121,746	\$ 180,952
2021 tax-supported operating surplus	52,254	-
2022 carryforwards	(19,411)	19,411
Council approved items during 2022	(32,063)	32,063
COVID-19 - 2022 Funding Strategy - use of 2021 tax-supported surplus	(6,400)	6,400
Transit COVID Funding Support (RESTOR funds)		66,968
Affordable Housing Land Acquisition and Site Development	(22,925)	22,925
Snow and Ice Pilot Clearing costs	(14,300)	14,300
Edmonton Metropolitan Transit Commission - costs of withdrawal	(13,000)	13,000
Edmonton Metropolitan Transit Commission - release related to revised estimate	5,000	(5,000)
Community Safety and Wellbeing Shortfall funding	(7,234)	7,234
Emergency Shelter Space	(7,500)	7,500
Actual expenditures funded through FSR - 2022	-	(153,591)
Items no longer requiring FSR funding (releases)	12,235	(12,235)
FSR at December 31, 2022 (prior to preliminary surplus, 2022 carryforwards, and other items)	\$ 68,402	\$ 199,927

Schedule A - Previously Appropriated FSR Projects - Carryforward Recommendations to 2023 - Operating

Recommendation 1 -The following amounts were previously appropriated within the FSR to fund expenses budgeted to occur in 2022, however expenses were not incurred during the year and recommendations have been made to carryforward and utilize the expenditures within the 2023 operating budget.

Emergency Shelter Operations - Social Development	7,500
Transit Safety and Security (includes COVID-19 Recovery Grant) - Community Standards and Neighbourhoods	1,280
Transit Community Outreach Team - Social Development, and Community Standards and Neighbourhoods	1,277
Anti-Racism Grants Program - Social Development	1,174
Affordable Housing Public Information Campaign - Social Development	814
Support for the Edmonton Ski Club - Community Recreation and Culture	333
Revitalization (Alberta Avenue and Jasper Place Continuation) - Community Standards and Neighbourhoods	224
Snow and Ice Control Program Enforcement - Community Standards and Neighbourhoods	151
Encampment and Unsheltered Homelessness Response - Community Standards and Neighbourhoods	131
Total Community Services	\$ 12,884
Sand Removal (remove and dispose sand stock piles) - Parks and Road Services	208
Total City Operations	\$ 208
Call Centre Support Systems Renewal - Relationships & Customer Access	361
Web and Digital Services (Web Based Enhancements) - Story & Brand	246
Communications support - Fire Rescue Services, anti-racism, and reconciliation - Reputation & Brand	198
Implementation Roadmap for Public Engagement - Engagement	117
City Plan communication and engagement support - Research, Engagement & Communications	29
Total Communications and Engagement	\$ 951
Downtown Vibrancy Initiative - Economic Investment Services	1,706
Edmonton Economic Recovery Grant/Economic Action Plan Grant - Economic Investment Services	1,731
Domtar Contaminated Lands - Development Services	555
Chinatown Recovery Funding - Economic Investment Services	478
WinterCity - Economic Investment Services	370
Zoning Bylaw Renewal Initiative - Development Services	232
Brownfield Phase I, II and IV grants - Economic Investment Services	45
Total Urban Planning and Economy	\$ 5,117
Total - Recommendation 1	\$ 19,160

Schedule B - Previously Appropriated FSR Projects with expenditures in 2023-2026 - Ongoing Appropriations - Operating

The following amounts were previously appropriated within the FSR with approved budget expenses in 2023-2026. These amounts continue to be appropriated in the FSR with expenditures expected in 2023-2026. These are provided for information purposes.

COVID Financial Impacts - Corporate Programs, Corporate Revenue (funding approved through 2023-2026 operating budget to offset transit, parking, and community recreation facility revenue shortfalls as a result of COVID)	57,300
Edmonton Metropolitan Transit Commission costs of withdrawal - Edmonton Transit (net of revision)	8,000
Community Safety and Wellbeing funding (approved through the 2023-2026 budget to address CSWB funding needs) - Community Services, Social Development	7,234
Explore Edmonton operating support - Boards and Authorities, Explore Edmonton	5,000
Edmonton Edge Fund Phase 1 - Urban Planning and Economy, Economic Investment Services	5,000
Air Service Opportunities Fund - Urban Planning and Economy, Economic Investment Services	3,970
Healthy Streets Operating Centre - Edmonton Police Service	3,205
Heritage Council budget increase - Boards and Authorities, Heritage Council	2,950
Drainage Utility transition funds received from EPCOR	2,000
YMCA Castledowns - Community Services, Community Recreation and Culture	2,000
Hosting Festival Events - Community Services, Community Recreation and Culture	1,479
Free Play for Kids - Community Services, Social Development	1,200
Heritage Valley - Community Services, Community Recreation and Culture	447
Africa Centre Community Multicultural Centre - Community Services, Social Development	300

Total	\$ 100,085
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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 2023. The funding remains available for applicable expenses in future periods. These are provided for information purposes.

Edmonton Economic Recovery Construction Grant (COVID-19 Funding)	22,770
Drainage Utility transition funds received from EPCOR (remaining balance)	13,149
Edmonton Metropolitan Transit Services Commission Loan Guarantee	4,633
Community Development Corporation land transfer funding	4,590
Edmonton Space & Science Foundation Loan Guarantee	4,000
Fort Edmonton Management Company Operating Loan	1,688
Our Lady of Peace local improvements tax deferral - 2018	152
Our Lady of Peace local improvements tax deferral - 2017	152

Total	\$ 51,134
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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.

Affordable Housing Land Acquisition and Site Development - Integrated Infrastructure Services	22,925
UV Air Purification on Transit - Edmonton Transit (COVID-19 Funding)	2,003
Other Funding (private report approved by Council on April 11, 2017)	3,903
CP Rail Shared Use Path Right of Way - Integrated Infrastructure Services	270
Downtown District Energy Strategy - Integrated Infrastructure Services	213
Jumpstart - Integrated Infrastructure Services	193
Mill Woods Senior and Multicultural Center - Second floor design - Community Services	41

Total	\$ 29,548
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Schedule E - New Carryforward Recommendations to 2023 - Operating

Recommendation 2 - Operating commitments were provided for in the 2022 approved budget and were not utilized by year-end. Budget funding is recommended for carryforward to the 2023 operating budget in order to fund the related expenditures.

A1 Sports Facility - Community Recreation & Culture	5,000
Anti-Racism Strategy - Social Development	1,850
Ogilvie Site Servicing Costs Subsidy - Social Development	1,250
Revitalization Neighbourhood Grants - Community Standards and Neighbourhoods	1,221
Sands Hotel (Rapid Housing Initiative) - Social Development	700
Encampment Outreach Social Workers from Indigenous Led Organizations - Social Development	487
McArthur Permanent Supportive Housing Site - Social Development	400
Community Outreach Transit Team - Social Development	365
Extreme Weather Response - Social Development	251
Healthy Streets Operation Centre - Risk Terrain Modelling - Social Development	250
Affordable Housing Public Information Campaign - Social Development	208
Recover Urban Wellbeing - Social Development	200
Problem Properties Initiative - Community Standards and Neighbourhoods	154
Encampment and Unsheltered Homelessness Response - Community Standards and Neighbourhoods	131
Total Community Services	\$ 12,467
Transit Safety Initiative - Parks and Road Services	511
Naturalization Plan - Parks and Road Services	464
Alley Lighting Maintenance - Parks and Road Services	356
Total City Operations	\$ 1,331
Upgraded Core features to Edmonton.ca - Reputation and Brand	225
Modernized Communications Approaches Pilot Project - Reputation and Brand	210
Total Communications and Engagement	\$ 435
Indigenous led Shelter - Infrastructure Planning and Design	1,000
Total Integrated Infrastructure Services	\$ 1,000
Corporate Integrated Data Solution (CIDS) - Financial Services	925
Innovation Fund - Service Innovation & Performance	400
Private Utility Right of Way Process Improvement Project - Real Estate	355
Taxation, Assessment and Collections System (TACS) - Assessment and Taxation	320
Total Financial and Corporate Services	\$ 2,000
Community Property Safety Team - pilot extension - Fire Rescue Services	463
Chinatown Recovery Funding - Office of the City Manager	300
Integrated Call Evaluation & Dispatch Centre - Office of the City Manager	230
Total Office of the City Manager	\$ 993
Downtown Vibrancy Initiative - Economic Investment Services	1,552
Zoning Bylaw Renewal Initiative - Development Services	521
River Valley Planning Modernization - Planning & Environment Services	250
Brownfield Phase I, II and IV grants - Economic Investment Services	225
Total Urban Planning and Economy	\$ 2,548
Total - Recommendation 2	\$ 20,774

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

Recommendations 3, 4, 5, 6 & 7 - Operating commitments funded through reserves or external non tax-levy funds in the 2022 approved budget that were not completed by year-end. Budget adjustments are recommended to reallocate 2022 expenses and offsetting funding sources into the 2023 operating budget, with no impact to the Financial Stabilization Reserve or the 2023 tax-levy position.

Recommendation 3 - 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 2023 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>
Revolving Industrial Servicing Fund rebate expenditures	3,183	-	3,183
Transfer from the Revolving Industrial Servicing Fund Reserve	-	(3,183)	(3,183)
			<u>-</u>

Recommendation 4 - Budget adjustment for approved funding for Rapid Housing Initiative - Cities Stream, with offsetting expenditures

The City received \$14,885 in 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 of \$6,725 through the existing Affordable Housing Reserve and remaining Provincial Block Funding. A portion of the funds (\$20,592) were used in 2021 and 2022 for initial payments to Niginan Housing Ventures and Mustard Seed Foundation for hotel conversions. The remaining expense budget of \$1,018 and related City funding are recommended for carry-forward into 2023 to fund the remaining payments for the hotel conversions.

	<u>Expenditure</u>	<u>Revenue</u>	<u>Net</u>
Rapid Housing Initiative - Cities Stream expenditures	1,018	-	1,018
Provincial grants	-	(974)	(974)
Transfer from Affordable Housing Reserve	-	(44)	(44)
			<u>-</u>

Recommendation 5 - Budget adjustment for approved funding for Rapid Housing Initiative - Project Stream, with offsetting expenditures

The City received \$10,981 million from the Canada Mortgage and Housing Corporation (CMHC) in February 2022 as a part of the CMHC Rapid Housing Initiative (RHI) Project Stream. The funds were approved to be distributed as operating contributions to an external organization for the purpose of funding the Coliseum Inn hotel conversion project (February 9, 2022 City Council meeting Community Services report CS00898 Attachment 1). The project was approved to be funded in 2022 with \$10,981 in RHI funding and \$7,321 in funding from the Affordable Housing Reserve for the City contribution towards the project. The hotel has been acquired and construction is underway with \$8,502 expended from RHI funding in 2022. This results in a balance of \$2,478 of RHI funding and \$7,321 of Affordable Housing Reserve funding to be expended in 2023 as construction progresses.

	<u>Expenditure</u>	<u>Revenue</u>	<u>Net</u>
Rapid Housing Initiative - Project Stream expenditures	9,799	-	9,799
Rapid Housing Initiative - Project Stream revenue	-	(2,478)	(2,478)
Transfer from Affordable Housing Reserve	-	(7,321)	(7,321)
			<u>-</u>

Recommendation 6 - Budget adjustments for items previously approved for funding from the Brownfield Reserve

These funds are for Brownfield Remediation and Redevelopment Support (Policy C571) - funds are allocated to projects that are underway (grants are executed at completion of remediation). The nature of brownfield projects and resulting grants mean that carry-forwards are necessary as the timelines involved result in financial commitments extending between years.

	<u>Expenditure</u>	<u>Revenue</u>	<u>Net</u>
Brownfield Reserve expenditures	3,765	-	3,765
Transfer from Brownfield Reserve	-	(3,765)	(3,765)
			<u>-</u>

Recommendation 7 - Budget adjustments for items previously approved for funding from the Traffic Safety and Automated Enforcement Reserve (TSAER)

As part of joint collaboration with the Edmonton Catholic School District (ECSD), the City of Edmonton committed funds as part of School Drop Off initiative that would provide funding to allow schools to install safer areas for parent drop off. As a result of higher tender bids received being well above market value and over the projected budget, it is anticipated that re-tendering efforts in early 2023 will likely see pricing that is near or within budget.

	<u>Expenditure</u>	<u>Revenue</u>	<u>Net</u>
TSAER expenditures	250	-	250
Transfer from the TSAER Reserve	-	(250)	(250)
		<u> </u>	<u> </u>
			-