

OPERATING FINANCIAL UPDATE - JUNE 30, 2023

Recommendation

1. That a reserve be established for the Community Safety and Well-Being Strategy, as outlined in Attachment 2 of the September 12, 2023, Financial and Corporate Services report FCS01959.
2. That the Brownfield Redevelopment Reserve purpose and scope be updated as outlined in Attachment 2 of the September 12, 2023, Financial and Corporate Services report FCS01959.

Requested Action	Council 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	N/A
Corporate Business Plan	Managing the corporation		
Council Policy, Program or Project Relationships	<ul style="list-style-type: none"> • 2023-2026 Operating Budget • C629 Financial Stabilization Reserve (FSR) • C610 Planning and Development Reserve (P&D) • C579B Traffic Safety and Automated Enforcement Reserve (TSAER) • OCM00991 Community Safety and Well-Being Strategy • C217D Reserve and Equity Accounts • C571 Brownfield Remediation and Redevelopment Support 		
Related Council Discussions	<ul style="list-style-type: none"> • FCS01657, Spring 2023 Supplemental Operating Budget Adjustment, City Council, April 17, 2023 		

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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, 2023, Operating Financial Update, including 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. An update is also provided on certain reserves.
- As of June 30, 2023, year-to-date results for tax-supported operations reflect a net unfavourable variance of \$2.7 million, and a net unfavourable variance of \$73.8 million is projected for year-end, equivalent to 2.6 per cent of the overall tax-supported budget.
- The projections are based on the June 30, 2023 year-to-date results and other available information. Year-end projections may be updated throughout the year as additional information becomes available.
- Recommendations are also made for the establishment of a new Community Safety and Well-being Reserve to manage the funds for the Community and Safety Well-being Strategy, as well as amendments to the Brownfield Redevelopment Reserve to increase its scope to manage the funding for Phase I, II and IV grants. The Brownfield Redevelopment Reserve was originally approved to manage the funding for only Phase III grants for the Brownfield Redevelopment program.

REPORT

Operating Financial Results

Attachment 1 provides the June 30, 2023, 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.

Year-to-date results for tax-supported operations show an unfavourable budget variance of \$2.7 million and year-end projected results reflect unfavourable budget variance of \$73.8 million, which is equivalent to a 2.6 per cent variance when compared to the overall expense budget. The year-end projected variance is due to unfavourable budget variance resulting from:

- salary settlements;
- less than budgeted transit fare revenue due to shifts in fare purchasing behaviour and related changes to travel patterns;
- lower ATCO Gas Franchise Fees resulting from charging lower rates to customers and warmer than anticipated weather;
- less than expected On-Street Construction and Maintenance (OSCAM) revenue; and
- other unfavourable variances across City departments.

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This is partially offset with higher memberships and admissions revenue from higher than expected demand for recreation and attraction facilities' programs and services and lower personnel costs due to unfilled vacancies across various City departments.

Alberta Wildfire Support Costs

The City incurred \$3.1 million in costs up to June 2023 to support Albertans impacted as a result of wildfires. These costs were for establishment of an evacuee reception centre at the Edmonton EXPO Centre and fire support services provided to impacted communities. The City will be submitting an application to the provincial Disaster Recovery Program (DRP) for reimbursement of costs incurred for wildfire support. The year-end projected results for tax-supported operations include the costs incurred by the City for wildfire support of \$3.1 million, offset by the expected recovery through the provincial DRP.

Financial Stabilization Reserve

The projected December 31, 2023 year-end balance for the Financial Stabilization Reserve (FSR) is \$135.7 million, which is above its minimum required balance of \$123.5 million for 2023, but below the target balance of \$205.1 million. The projected December 31, 2023 balance is above the minimum balance by \$12.2 million. The projected balance includes all planned funding from the reserve in 2023, but does not reflect the projected unfavourable year-end tax-supported position of \$73.8 million when compared to budget.

As per City Policy C629 - Financial Stabilization Reserve, at year-end any tax-supported deficit would be offset by the unappropriated FSR, resulting in a decrease in the balance of the reserve. As currently projected, the FSR balance would be \$61.9 million if tax-supported operations end the year with an unfavourable budget variance of \$73.8 million. In this case, the FSR would fall below its minimum balance by approximately \$61.6 million. In accordance with the policy, in the event that the unappropriated FSR balance falls below the minimum, a strategy will need to be adopted to achieve the minimum balance over a period not to exceed three years, starting with the subsequent year's operating budget.

Administration will continue to manage spending to reduce the currently projected year-end deficit position. Funding new initiatives from the FSR for the remainder of the year should be limited to those circumstances with emergent financial needs in accordance with the reserve p

Reserve Recommendations

Attachment 2 includes recommendations for the creation of a new Community Safety and Wellbeing Reserve, as well as amendments to the existing Brownfield Redevelopment Reserve. The recommendations are summarized below.

Community Safety and Wellbeing Reserve (New Reserve)

Administration is proposing to create a new reserve for the Community Safety and Well-Being (CSWB) Strategy. The intent of the CSWB Strategy, as discussed on May 16, 2022 (OCM00991,

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Community Safety and Wellbeing Strategy, Community and Public Services Committee), is to advance prevention-focused efforts to address the root causes of complex social challenges including racism, poverty and homelessness. CSWB initiatives are assessed for impact according to Council-approved pillars, guiding principles and outcomes including: Anti-Racism, Reconciliation, Well-Being, Pathways In and Out of Poverty, Safe and Inclusive Spaces, Equitable Policies and Procedures, and Crime Prevention and Crisis Intervention.

Annual approved funding for the CSWB Strategy is \$21.9 million and the funding is currently held within the Financial Strategies account. Establishing a CSWB reserve will allow for the CSWB tax-levy funds of \$21.9 million to be transferred to the reserve on an annual basis and allocated to CSWB initiatives as approved by City Council. The reserve will allow for monitoring, tracking and reporting on use of funds and unallocated funds. Funds unallocated at year-end will be retained within the reserve to support future funding requirements in alignment with the CSWB Strategy. Funds approved for CSWB initiatives but not spent by year-end, due to timing of expenditures, will be held within the reserve to offset expenses when they are incurred in future years.

Brownfield Redevelopment Reserve (Amendments to Existing Reserve)

Administration is proposing to update the reserve description which governs the applicable uses of the Reserve funds for the Brownfield Redevelopment reserve.

The Brownfield Redevelopment Reserve currently includes the Phase III program. Administration is recommending that the Phase I, II and IV program be included as well. Due to the nature of the remediation and redevelopment work that is undertaken by applicants, it may take several years for grant payments to be completed. This update will transfer the remaining tax levy budget related to the Phase I, II and IV grant program at year end to the Brownfield Redevelopment Reserve, eliminating the need for an annual operating budget carry-forward for these committed grants. The transfers to and from the reserve will be in line with City Policy C571 - Brownfield Remediation and Redevelopment Support.

Economic Update

Over the first half of 2023, the performance of key economic indicators suggest relatively strong economic activity in Edmonton and the census metropolitan area (CMA), with in-migration likely playing a large role. Details of developments in the regional labour market, inflation and residential construction over the first half of 2023 are provided in Attachment 3.

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 Edmonton's programs and services should enable a better life for all Edmontonians.

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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+ is not completed for financial update reports.

Attachments

1. Operating Financial Update - June 30, 2023
2. Reserve Recommendations
3. City of Edmonton Mid-Year 2023 Economic Update