

## OPERATING FINANCIAL UPDATE - SEPTEMBER 30, 2023

### Recommendation

That the December 12, 2023, Financial and Corporate Services report FCS02066, be received for information.

<b>Requested 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>	N/A
<b>Corporate Business Plan</b>	Managing the corporation		
<b>Council Policy, Program or Project Relationships</b>	<ul style="list-style-type: none"> <li>• 2023-2026 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>• FCS01959 Operating Financial Update - June 30, 2023, City Council, September 12, 2023</li> <li>• FCS01657, Spring 2023 Supplemental Operating Budget Adjustment, City Council, April 17, 2023</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 September 30, 2023, Operating Financial Update, including year-to-date operating results and projected year-end results compared to the approved

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

- As of September 30, 2023, year-to-date results for tax-supported operations reflect a net unfavourable variance of \$1.4 million, and a net unfavourable variance of \$52.0 million is projected for year-end, equivalent to 1.8 per cent of the overall tax-supported budget.
- The projections are based on the September 30, 2023, year-to-date results and other available information. Year-end projections may be updated throughout the year as additional information becomes available.

## REPORT

### Operating Financial Results

Attachment 1 provides the September 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 \$1.4 million and year-end projected results reflect an unfavourable budget variance of \$52.0 million, equivalent to 1.8 per cent of the overall expense budget. The year-end projected variance is due to unfavourable budget variances 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;
- increased fleet and facility services contractor and material costs;
- less than expected On-Street Construction and Maintenance (OSCAM) revenue; and
- other unfavourable variances across City departments.

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

### Alberta Wildfire Support Costs

The City incurred \$16.1 million in costs to support Albertans and residents of the Northwest Territories impacted as a result of wildfires. These costs included establishment of an evacuee reception centre and fire support services provided to impacted communities. The year-end projected results include a full recovery of these costs from the impacted communities through mutual aid agreements. These communities will ultimately seek reimbursement for eligible costs through the provincial Disaster Recovery Program (DRP).

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### Financial Stabilization Reserve

The projected December 31, 2023, year-end balance for the Financial Stabilization Reserve (FSR) is \$140.0 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 balance includes all planned funding from the reserve in 2023, but does not reflect the projected unfavourable year-end tax-supported position of \$52.0 million when compared to budget.

Any tax-supported budget deficit would be offset by the FSR, resulting in a decrease in the balance of the reserve. Accordingly, in Q1 2024, after the 2023 year-end results are finalized, if tax-supported operations end the year in an unfavourable budget position the budget shortfall would be offset by the FSR. Depending on the magnitude of the shortfall, the FSR may fall below its minimum balance. As currently projected, the FSR balance would be \$88.0 million in 2024 if tax-supported operations end 2023 with an unfavourable budget variance of \$52.0 million, which would result in the FSR being \$35.5 million below its minimum balance. In accordance with City Policy C629 - Financial Stabilization Reserve, if the unappropriated FSR balance falls below the minimum, a strategy must be adopted to achieve the minimum balance over a period not to exceed three years, starting with the subsequent year's operating budget. As a result, a strategy may need to be implemented starting with the 2025 operating budget to replenish the FSR to its minimum balance from 2025 to 2027. The strategy may include replenishing the FSR with any unplanned one-time revenues, savings through one-time cost reduction strategies, previously committed one-time appropriated items within the FSR that are no longer required for their original purpose, and transfer of funds from other reserves where the amounts are no longer required for their original purposes. A multi-year tax-levy increase could also be considered.

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

### **Economic Update**

Over the first three quarters of 2023, the performance of key economic variables indicate economic activity in Edmonton and the census metropolitan area (CMA) has softened. Details of developments in key economic indicators for Edmonton and the CMA over Q3 2023 are provided in Attachment 2.

### **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 - September 30, 2023
2. City of Edmonton Q3 2023 Economic Update