

Financial Stabilization Reserve and Operating Carryforward Recommendations and Other Items

The Financial Stabilization (FSR) comprises both an appropriated balance and an unappropriated balance. The appropriated portion is earmarked for specific purposes approved by the Council, while the unappropriated balance is intended for addressing urgent financial needs. 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.

In accordance with the policy, in years with a tax-supported surplus, the surplus is transferred to the unappropriated FSR. Tax-supported surpluses are the main contribution to 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. In years with a tax-supported deficit, the deficit is offset by the FSR, thereby reducing the unappropriated FSR balance.

Operating carry-forward recommendations are provided for items with expenditures budgeted for in the 2023 operating budget, which were not completed by the end of year, and require the unused approved funds to be carried forward into the 2024 operating budget in order to complete the initiatives. Operating carry-forwards result in a decrease in the unappropriated FSR balance as the amounts are allocated to the appropriated FSR to offset the expenditure in future years. This attachment reflects the projected balance of the FSR before and after considering operating carry-forward recommendations.

This attachment also provides a summary of the 2023 FSR transactions and appropriations for information purposes as well as a listing of operating carryforward recommendations for Council's consideration.

A comparison of the projected unappropriated reserve balance to both the preliminary minimum and target reserve balances for 2023 is provided for information. 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 2023 audited consolidated financial statements, which will be presented to City Council on April 23, 2024.

Before considering the tax-supported deficit, carry-forward recommendations, and other uses of the FSR, the FSR balance is \$149.7 million compared to the minimum required balance of \$129.7 million. After considering the tax-supported deficit of \$48.2 million, other uses of the FSR to fund Council approved priorities to date in 2024 of \$6.0 million, and based on the recommendations in this report for operating carry-forwards of \$25.8 million, the projected FSR balance in 2024 is \$69.7 million. This is \$60.0 million below the preliminary required minimum balance of \$129.7 million.

In accordance with City Policy C629 - Financial Stabilization Reserve, in the event the unappropriated FSR balance falls below the minimum, a strategy will be adopted to achieve the minimum balance over a period not to exceed three years, starting with the subsequent year's operating budget. 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.

Based on the preliminary information and proposals in this report, in 2024 the FSR would fall \$60.0 million below the required minimum balance. Council will need to approve a strategy in 2024 in order to restore the FSR back to the minimum balance over a period not exceeding three years, starting in 2025 (the subsequent year's operating budget). This strategy could be approved through the Fall 2024 Supplemental Operating Budget adjustment in November/December 2024.

Budget Adjustment Recommendations

Recommendation 1 - Request for carryforward to 2024 for items previously appropriated in the Financial Stabilization Reserve - \$13.6 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 2024.

Expenditures of \$13.62 million from the FSR remain unspent and are recommended for carryforward into 2024. There is no overall impact to the 2024 tax-levy requirement or the FSR.

Recommendation 2 - Request for carryforward of 2023 operating budget into 2024 with funding from the unappropriated FSR - \$25.8 million

This report recommends that the 2024 operating expenditure budgets be increased by \$25.8 million for 2023 expenditures committed but not utilized in the year, with matching funding from the FSR, as identified in Table 1, Schedule E.

Recommendations 3, 4, 5, 6, 7, 8, 9 & 10 - Budget adjustments for operating commitments funded through reserves and other non-tax-levy sources in the 2023 approved budget that were not completed by year-end

Operating commitments were provided for in the 2023 approved budget, with funding from reserves and other non-tax-levy sources, and were not completed by year-end. Budget adjustments are being recommended to reallocate 2023 expenses and offsetting funding sources into the 2024 operating budget, with no impact to the 2024 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/(deficit), 2023 carryforwards, and other items)	\$ 149,683	
Appropriated Balance:		
Schedule A - Recommendation 1 , Previously Appropriated FSR Projects (Operating) - Carryforward Recommendations for expenditures expected in 2024		13,606
Schedule B - Previously Appropriated FSR Projects (Operating) - 2024-2026 Expenditures - Ongoing Reserve Appropriations		40,932
Schedule C - Previously Appropriated FSR Projects (Operating) - Future Expenditures beyond 2023 - Ongoing Reserve Appropriations		18,648
Schedule D - Previously Appropriated FSR Projects (Capital) - Future Expenditures beyond 2023 - Ongoing Reserve Appropriations		26,816
FSR at December 31, 2023 (prior to preliminary surplus, 2023 carryforwards, and other items) (See Summary of FSR Activity in 2022 table below for further information)	\$ 149,683	\$ 100,002
2023 preliminary tax-supported operating deficit	(48,213)	-
Schedule E - Recommendation 2 , New Carryforward Recommendations	(25,766)	25,766
Council approved items during 2024	(6,011)	6,011
FSR - 2024 Projected	\$ 69,693	\$ 131,779

Unappropriated FSR - Minimum and Target Balances

FSR Minimum Balance (5%) - Preliminary	\$129,698
FSR Target Balance (8.3%) - Preliminary	\$215,299

Unappropriated FSR – Five Year Trend

2024 (Projected)	\$69,693
2023 (Preliminary)	\$149,683
2022	\$68,402
2021	\$121,746
2020	\$129,015
2019	\$123,886

The following table shows FSR activity in 2023:

SUMMARY OF FSR ACTIVITY IN 2023	Unappropriated	Appropriated
FSR at December 31, 2022 (prior to preliminary surplus/(deficit), 2023 carryforwards, and other items)	\$ 68,402	\$ 192,360
2022 tax-supported operating surplus	81,613	-
2023 carryforwards	(20,774)	20,774
Council approved items during 2023	(1,356)	1,356
Actual expenditures funded through FSR - 2023	-	(94,833)
Day shelter funding - Bissell Centre and The Boyle Street Service Society	(4,080)	4,080
Transfer of Community Safety Well Being (CSWB) funds to newly created CSWB reserve	(100)	(2,799)
A1 Soccer funding - release	5,000	(5,000)
Edmonton Metro Transit Services Commissions loan guarantee - release	4,633	(4,633)
Edmonton Space & Science Foundation loan guarantee - release	4,000	(4,000)
Edmonton Metropolitan Transit Commission - refund of withdrawal funding	1,472	
Other Funding (private report approved by Council on July 4, 2023)		3,570
Other items no longer requiring FSR funding - releases	10,873	(10,873)
FSR at December 31, 2023 (prior to preliminary surplus/(deficit), 2024 carryforwards, and other items)	\$ 149,683	\$ 100,002

Recommendation 1 - The following amounts were previously appropriated within the FSR to fund expenses budgeted to occur in 2023, however expenses were not incurred during the year and recommendations have been made to carryforward the expenditure budget and FSR funding within the 2024 operating budget.

Ogilvie Site Servicing Costs Funding - Social Development	1,250
Bissell Center and Boyle Street 2023/2024 Day Services - Social Development	1,617
Sands Hotel Conversion (Rapid Housing Initiative) - Social Development	700
Transit Safety and Security Plan - Community Standards and Neighbourhoods	676
Canadian Finals Rodeo Funding - Community Recreation and Culture	600
Transit Community Outreach Team - Social Development	459
Affordable Housing Public Information Campaign - Social Development	381
Support for the Edmonton Ski Club - Community Recreation and Culture	200
Healthy Streets Operation Centre - Social Development	37
Total Community Services	\$ 5,920
Transit Safety and Security Plan - Edmonton Transit	340
Naturalization Plan - Parks and Road Services	299
Total City Operations	\$ 639
Corporate Integrated Data Solution (CIDS) - Service Innovation and Performance	177
Innovation Fund - Service Innovation & Performance	13
Total Financial and Corporate Services	\$ 190
Modernized Communications Approaches Pilot Project - Chief Communications Officer	210
Implementation Roadmap for Public Engagement - Chief Communications Officer	117
Web and Digital Services (Web Based Enhancements) - Chief Communications Officer	110
City Plan communication and engagement support - Communications Officer	9
Total Office of the City Manager	\$ 446
Edmonton Edge Fund Phase 1 - Economic Investment Services	4,904
Edmonton Economic Recovery Grant/Economic Action Plan Grant - Economic Investment Services	1,263
Zoning Bylaw Renewal Initiative - Development Services	194
Heritage Building Lighting/Winter City - Economic Investment Services	50
Total Urban Planning and Economy	\$ 6,411
Total - Recommendation 1	\$ 13,606

Schedule B - Previously Appropriated FSR Projects with expenditures in 2024-2026 - Ongoing Appropriations - Operating

The following amounts were previously appropriated within the FSR with approved budget expenses in 2024-2026. These amounts continue to be appropriated in the FSR with expenditures expected in 2024-2026. These are provided for information purposes.

Edmonton Economic Recovery Construction Grant - Corporate Programs, Corporate Expenditures	20,613
Community Safety and Wellbeing funding (approved through the 2023-2026 budget to address CSWB funding needs) - Community Services, Social Development	6,623
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)	5,956
Heritage Council budget increase - Boards and Authorities, Heritage Council	2,550
YMCA Castledowns - Community Services, Community Recreation and Culture	1,500
Drainage Utility transition funds received from EPCOR	1,000
Hosting Festival Events - Community Services, Community Recreation and Culture	987
Free Play for Kids - Community Services, Social Development	900
Heritage Valley - Community Services, Community Recreation and Culture	447
Alley Lighting Maintenance - City Operations, Parks and Road Services	356
Total	\$ 40,932

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 2024. The funding remains available for applicable expenses in future periods. These are provided for information purposes.

Edmonton Economic Recovery Construction Grant (COVID-19 Funding)	
Drainage Utility transition funds received from EPCOR (remaining balance)	13,149
Other Funding (private report approved by Council on July 4, 2023)	3,570
Fort Edmonton Management Company Operating Loan	1,022
Community Development Corporation land transfer funding	603
Our Lady of Peace local improvements tax deferral - 2018 (deferred to 2038)	152
Our Lady of Peace local improvements tax deferral - 2017 (deferred to 2036)	152
Total	\$ 18,648

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 - Community Services	12,956
Holyrood Supportive Housing - Integrated Infrastructure Services	9,067
Other Funding (private report approved by Council on April 11, 2017)	3,786
UV Air Purification on Transit - Edmonton Transit	764
Vehicle Replacements - Edmonton Police Service	123
Downtown District Energy Strategy - Integrated Infrastructure Services	120
Total	\$ 26,816

Schedule E - New Carryforward Recommendations to 2024 - Operating

Recommendation 2 - Operating commitments were provided for in the 2023 approved budget and were not utilized by year-end. Budget funding is recommended for carryforward to the 2024 operating budget in order to fund the related expenditures.

Valley Zoo Master Plan - Community Recreation & Culture	300
Northeast River Valley Park Master Plan - Community Recreation & Culture	280
<i>Total Community Services</i>	<i>\$ 580</i>
124 Street Decorative Light Canopy Project - Parks and Road Services	209
<i>Total City Operations</i>	<i>\$ 209</i>
Scona Pool Demolition - Infrastructure Planning and Design	1,038
<i>Total Integrated Infrastructure Services</i>	<i>\$ 1,038</i>
2025 Election Costs - Office of the City Clerk	364
<i>Total Office of the City Manager</i>	<i>\$ 364</i>
Downtown Vibrancy - Economic Investment Services	4,327
Chinatown Strategy Plan - Economic Investment Services	352
Business Census - Economic Investment Services	172
<i>Total Urban Planning and Economy</i>	<i>\$ 4,851</i>
Financial Strategies 2023-2026 - Corporate Expenditures	18,305
Council Contingency - Corporate Expenditures	419
<i>Total Corporate Programs</i>	<i>\$ 18,724</i>
Total - Recommendation 2	\$ 25,766

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

Recommendations 3, 4, 5, 6, 7, 8, 9 & 10 - Operating commitments funded through reserves or external non tax-levy funds in the 2023 approved budget that were not completed by year-end. Budget adjustments are recommended to reallocate 2023 expenses and offsetting funding sources into the 2024 operating budget, with no impact to the Financial Stabilization Reserve or the 2024 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 2024 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	10,306	-	10,306
Transfer from the Revolving Industrial Servicing Fund Reserve	-	(10,306)	(10,306)
			<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 with the City contributing \$6,725 through the existing Affordable Housing Reserve and remaining Provincial Block Funding for total funding of \$21,610. 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 for the Sands Hotel conversion are recommended for carry-forward into 2024 to fund the remaining payments to NiGiNan Housing Ventures.

	<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 with the City contributing \$7,321 from the existing Affordable Housing Reserve for total funding of \$18,302 to be distributed as operating contributions to an external organization for the purpose of funding the Coliseum Inn Hotel conversion project. The hotel has been acquired and construction is underway with \$13,402 expended in 2022 and 2023. The remaining expense budget of \$4,900 and related City funding are recommended for carry-forward into 2024 to fund the remaining costs for the hotel conversion.

	<u>Expenditure</u>	<u>Revenue</u>	<u>Net</u>
Rapid Housing Initiative - Project Stream expenditures	4,900	-	4,900
Transfer from Affordable Housing Reserve	-	(4,900)	(4,900)
			<u>-</u>

Recommendation 6 - Budget adjustment for approved funding for National Housing Co-Investment, with offsetting expenditures

The City received \$9,750 in funding from Canada Mortgage and Housing Corporation (CMHC) in May 2023 as part of the National Housing Co-Investment Fund with the City contributing \$3,500 through the existing Affordable Housing Reserve for total funding of \$13,250 to support renovation and repair of existing affordable housing. The full expense and revenue budget of \$13,250 is being requested for carry-forward to fund construction costs expected to be incurred over 2024 and 2025.

	<u>Expenditure</u>	<u>Revenue</u>	<u>Net</u>
CMHC National Housing Co-Investment Fund expenditures	13,250	-	13,250
CMHC National Housing Co-Investment Fund revenue	-	(9,750)	(9,750)
Transfer from Affordable Housing Reserve	-	(3,500)	(3,500)
			<u>-</u>

Recommendation 7 - 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 8 - 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) and Edmonton Public School Board (EPSB), the City of Edmonton committed funds as part of Safe School Drop Off initiative that would provide funding to allow schools to install safer areas for parent drop off. The project is 50/50 cost-shared with the ECSD and EPSB, as a result of budget constraints EPSB was not able to construct the drop-off in 2023 and requested to carry forward the budget for next year's construction.

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

Recommendation 9 - Budget adjustments for items previously approved to support downtown revitalization with Provincial Funding

The province provided a grant to support downtown revitalization on January 11, 2023. A request to extend the deadline to utilize the grants funds from January 30, 2024 to October 31, 2024 has been approved by the Government of Alberta. The remaining funding will be used as intended in 2024 to provide grant funding to festivals and events and fund an enhanced cleaning program (Centre City Optimization Pilot Project).

	<u>Expenditure</u>	<u>Revenue</u>	<u>Net</u>
Downtown Vibrancy expenditures	380	-	380
Provincial grants	-	(380)	(380)
			<u>-</u>

Recommendation 10 - Budget adjustments for items previously approved to support Community Safety and Well-being initiatives (CSWB) with funding from the CSWB Reserve

Various Community Safety and Well-being (CSWB) initiatives approved in 2022 and 2023 are in progress and require the originally approved funding from the CSWB reserve to complete the initiatives in 2024. These include new grant programs or grant increases approved in October 2023 (\$4,758), Indigenous-led shelter projects (\$887), Anti-racism strategy (\$398), Community Outreach Transit Teams (\$230), Truth and Reconciliation (\$150) and Extreme Weather Protocol (\$80).

	<u>Expenditure</u>	<u>Revenue</u>	<u>Net</u>
Community Safety and Well-being expenditures*	6,503	-	6,503
Transfer from Community Safety and Well-being Reserve	-	(6,503)	(6,503)
			<u>-</u>

* \$5,467 Social Development, Community Services, \$488 Infrastructure Planning and Design, Integrated Infrastructure Services, \$498 City Manager, Office of the City Manager, \$50 Economic Investment Services, Urban Planning and Economy