

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 C629A - 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 2024 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 2024 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 2024 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 2024 audited consolidated financial statements, which will be presented to City Council on April 22, 2025.

Before considering the tax-supported deficit, carry-forward recommendations, and other uses of the FSR, the FSR balance is \$85.2 million compared to the minimum required balance of \$143.2 million. After considering the tax-supported deficit of \$0.7 million, and based on the recommendations in this report for operating carry-forwards of \$23.3 million, the projected FSR balance in 2025 is \$61.3 million. This is \$81.9 million below the preliminary required minimum balance of \$143.2 million.

In accordance with City Policy C629A - 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.

Through the Fall 2024 Supplemental Operating Budget Adjustment process, Council approved tax increases in 2025 and 2026 to restore the FSR back to the minimum balance over five years. To facilitate this, Council approved an exemption to Policy C629A to allow the repayment strategy to occur over five years instead of three.

Budget Adjustment Recommendations

Recommendation 1 - Request for carryforward to 2024 for items previously appropriated in the Financial Stabilization Reserve - \$25.1 million

This recommendation is for budget adjustments for amounts previously appropriated within the FSR, as identified in Table 1, Schedule A. The

Attachment 2

adjustment is strictly a timing adjustment, with expenditures and offsetting funding being reallocated to 2024.

Expenditures of \$25.1 million from the FSR remain unspent and are recommended for carryforward into 2025. There is no overall impact to the 2025 tax-levy requirement or the FSR.

Recommendation 2 - Request for carryforward of 2024 operating budget into 2025 with funding from the unappropriated FSR - \$23.3 million

This report recommends that the 2025 operating expenditure budgets be increased by \$23.3 million for 2024 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 & 11 - Budget adjustments for operating commitments funded through reserves and other non-tax-levy sources in the 2024 approved budget that were not completed by year-end

Operating commitments were provided for in the 2024 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 2024 expenses and offsetting funding sources into the 2025 operating budget, with no impact to the 2025 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), 2024 carryforwards, and other items)	\$ 85,204	
Appropriated Balance:		
Schedule A - Recommendation 1 , Previously Appropriated FSR Projects (Operating) - Carryforward Recommendations for expenditures expected in 2025		25,076
Schedule B - Previously Appropriated FSR Projects (Operating) - 2025-2026 Expenditures - Ongoing Reserve Appropriations		22,757
Schedule C - Previously Appropriated FSR Projects (Operating) - Future Expenditures beyond 2024 - Ongoing Reserve Appropriations		13,888
Schedule D - Previously Appropriated FSR Projects (Capital) - Future Expenditures beyond 2025 - Ongoing Reserve Appropriations		13,819
FSR at December 31, 2024 (prior to preliminary surplus, 2025 carryforwards, and other items) <i>(See Summary of FSR Activity in 2024 table below for further information)</i>	\$ 85,204	\$ 75,540
2024 preliminary tax-supported operating deficit	(675)	-
Schedule E - Recommendation 2 , New Carryforward Recommendations	(23,262)	23,262
FSR - 2024 Projected	\$ 61,267	\$ 98,802

Unappropriated FSR - Minimum and Target Balances

<i>FSR Minimum Balance (5%) - Preliminary</i>	\$143,156
<i>FSR Target Balance (8.3%) - Preliminary</i>	\$237,639

Unappropriated FSR – Five Year Trend

2025 (Projected)	\$61,267
2024 (Preliminary)	\$85,204
2023	\$151,629
2022	\$68,402
2021	\$121,746
2020	\$129,015

The following table shows FSR activity in 2024:

SUMMARY OF FSR ACTIVITY IN 2024	Unappropriated	Appropriated
FSR at December 31, 2023 (prior to preliminary surplus/(deficit), 2024 carryforwards, and other items)	\$ 151,629	\$ 100,003
2023 tax-supported operating deficit	(40,555)	-
2024 carryforwards	(25,766)	25,766
Council approved items during 2024	(1,553)	1,553
Actual expenditures funded through FSR - 2024	-	(53,454)
CSU 52 2021-2024 salary settlement - one-time retropayment and lump sum payment	(7,800)	7,800
Explore Edmonton - Financial Support	(6,011)	6,011
Sedona property (Dwayne's Home) - funding to offset financial risk exposure	(2,700)	2,700
Transfer of unused 2024 Community Safety Well Being (CSWB) funds back to the FSR (Through the 2023-2026 operating budget \$6.6 million was approved from the FSR to fund the 2024 CSWB funding shortfall on a one-time basis)	3,121	
Items no longer requiring FSR funding	14,839	(14,839)
FSR at December 31, 2024 (prior to preliminary surplus/(deficit), 2025 carryforwards, and other items)	\$ 85,204	\$ 75,540

Schedule A - Previously Appropriated FSR Projects - Carryforward Recommendations to 2025 - Operating

Recommendation 1 -The following amounts were previously appropriated within the FSR to fund expenses budgeted to occur in 2024, however expenses were not incurred during the year and recommendations have been made to carryforward the expenditure budget and FSR funding within the 2025 operating budget.

Ogilvie Site Servicing Costs Funding - Social Development	1,250
Canadian Finals Rodeo Funding - Community Recreation and Culture	300
Affordable Housing Public Information Campaign - Social Development	296
Transit Safety and Security Plan - Community Standards and Neighbourhoods	226
Transit Community Outreach Team - Social Development	221
Total Community Services	\$ 2,293
124 Street Decorative Light Canopy Project - Parks and Road Services	208
Total City Operations	\$ 208
Modernized Communications Approaches Pilot Project - Chief Communications Officer	210
Implementation Roadmap for Public Engagement - Chief Communications Officer	117
Total Office of the City Manager	\$ 327
Edmonton Edge Fund Phase 1 - Economic Investment Services	2,908
Edmonton Economic Recovery Grant/Economic Action Plan Grant - Economic Investment Services	566
Downtown Vibrancy - Economic Investment Services	50
Total Urban Planning and Economy	\$ 3,524
Financial Strategies 2023-2026 - Corporate Expenditures	18,305
Council Contingency - Corporate Expenditures	419
Total Corporate Programs	\$ 18,724
Total - Recommendation 1	\$ 25,076

Schedule B - Previously Appropriated FSR Projects with expenditures in 2025-2026 - Ongoing Appropriations - Operating

The following amounts were previously appropriated within the FSR with approved budget expenses in 2025-2026. These amounts continue to be appropriated in the FSR with expenditures expected in 2025-2026. These are provided for information purposes.

Edmonton Economic Recovery Construction Grant - Corporate Programs, Corporate Expenditures	16,321
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)	1,943
Heritage Council budget increase - Boards and Authorities, Heritage Council	1,900
YMCA Castledowns - Community Services, Community Recreation and Culture	1,000
Free Play for Kids - Community Services, Social Development	600
Hosting Festival Events - Community Services, Community Recreation and Culture	494
Heritage Valley Project Development (Checkpoint 1) - Community Services, Community Recreation and Culture	447
Alley Lighting Maintenance - City Operations, Parks and Road Services	52
Total	\$ 22,757

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

Drainage Utility transition funds received from EPCOR (remaining balance)	5,000
ArtsCommon funding returned to be used for community benefit	3,570
Sedona property (Dwayne's Home) - funding to offset financial risk exposure	2,700
Fort Edmonton Management Company operating loan	2,015
Community Development Corporation land transfer funding	603
Total	\$ 13,888

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.

Canora Supportive Housing - Integrated Infrastructure Services	7,628
Holyrood Supportive Housing - Integrated Infrastructure Services	4,379
Other Funding (private report approved by Council on April 11, 2017)	1,670
Affordable Housing Land Acquisition and Site Development - Community Services	142
Total	\$ 13,819

Schedule E - New Carryforward Recommendations to 2024 - Operating

Recommendation 2 - Operating commitments were provided for in the 2024 approved budget and were not utilized by year-end. Budget funding is recommended for carryforward to the 2025 operating budget in order to fund the related expenditures.

Glenriding Heights Partnership - Community Recreation & Culture	6,800
Event Attraction Program - Community Recreation & Culture	2,000
Recreation and Partnership Facility Investment Program (Edmonton Mountain Bike Alliance) - Community Recreation & Culture	408
Total Community Services	\$ 9,208
Alley Lighting Maintenance - Parks and Road Services	344
Total City Operations	\$ 344
Warehouse Relocations & Tenant Improvements - Corporate Procurement and Supply Services	315
Total Financial and Corporate Services	\$ 315
Downtown Vibrancy - Economic Investment Services	3,057
Priority Growth Areas Zoning Project - Development Services	691
Chinatown Strategy Plan - Economic Investment Services	336
Business Census - Economic Investment Services	91
Total Urban Planning and Economy	\$ 4,175
Financial Strategies 2023-2026 - Corporate Expenditures	9,117
Council Contingency - Corporate Expenditures	103
Total Corporate Programs	\$ 9,220
Total - Recommendation 2	\$ 23,262

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

Recommendations 3 to 11 - Operating commitments funded through reserves or external non tax-levy funds in the 2024 approved budget that were not completed by year-end. Budget adjustments are recommended to reallocate 2024 expenses and offsetting funding sources into the 2025 operating budget, with no impact to the Financial Stabilization Reserve or the 2025 tax-levy position.

Recommendation 3 - Budget adjustments for items previously approved for funding from the Industrial Infrastructure Cost Sharing Reserve (Development Services, Urban Planning and Economy)

The remaining Revolving Industrial Servicing Fund program rebates and offsetting funding from the subsequent Industrial Infrastructure Cost Sharing (IICSP) Reserve, both reflected in the Development Services branch within Urban Planning and Economy, are recommended for carryforward into 2025 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	10,676	-	10,676
Transfer from the Industrial Infrastructure Cost Sharing Reserve	-	(10,676)	(10,676)
			<u>-</u>

Recommendation 4 - Budget adjustment for approved funding for Rapid Housing Initiative - Project Stream, with offsetting expenditures (Social Development, Community Services)

The City received \$10,981 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 \$13,403 expended between 2022 and 2024, with \$4,899 in funding remaining. Due to issues encountered around critical building systems impacted by long lead times in the supply chain, the timing of work has been extended and project completion is expected in 2026. The remaining expense budget and City funding are recommended for carry-forward to fund the remaining costs of the hotel conversion in 2025 and 2026.

	<u>Expenditure</u>	<u>Revenue</u>	<u>Net</u>
Rapid Housing Initiative - Project Stream expenditures	4,899	-	4,899
Transfer from Affordable Housing Reserve	-	(4,899)	(4,899)
			<u>-</u>

Recommendation 5 - Budget adjustment for approved funding for Catholic Social Services Housing Project, with offsetting expenditures (Social Development, Community Services)

On December 12, 2023 City Council approved one-time budget for the Social Development branch of \$2,775 with funding from the Affordable Housing Reserve, to be spent on a multi-year basis, to fund the affordable housing agreement with Catholic Social Services. The affordable housing project is currently completing demolition of the existing buildings on site in advance of construction in 2025. The development permit was issued October 2024 and the building permit application is expected to be submitted Q1 2025 with the project planned to be completed and operational by July 2026. The expense and revenue budget are being recommended for carry-forward to fund the costs of the project in 2025 and 2026.

	<u>Expenditure</u>	<u>Revenue</u>	<u>Net</u>
Catholic Social Services Affordable Housing Project expenditures	2,775	-	2,775
Transfer from Affordable Housing Reserve	-	(2,775)	(2,775)
			<u>-</u>

Recommendation 6 - Budget adjustment for approved funding for National Housing Co-Investment, with offsetting expenditures (Social Development, Community Services)

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. \$3,000 was subsequently transferred to capital profile 23-90-4101 - Social Housing Capital Renewal Project (City Owned Sites). The remaining expense and revenue budget of \$10,250 is being recommended for carry-forward to fund construction costs that are expected to be incurred in 2025 and 2026.

	<u>Expenditure</u>	<u>Revenue</u>	<u>Net</u>
CMHC National Housing Co-Investment Fund expenditures	10,250	-	10,250
CMHC National Housing Co-Investment Fund revenue	-	(6,750)	(6,750)
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 (Economic Investment Services, Urban Planning and Economy)

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) (Parks and Roads Services, City Operations)

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 both ECSD and EPSB were not able to construct the drop-off projects in 2024 and requested to carry forward the budget for next year's construction.

	<u>Expenditure</u>	<u>Revenue</u>	<u>Net</u>
TSAER expenditures	500	-	500
Transfer from the TSAER Reserve	-	(500)	(500)
			<u>-</u>

Recommendation 9 - Budget adjustments for items previously approved to support Community Safety and Well-Being (CSWB) initiatives with funding from the CSWB Reserve (Various Branches)

Various Community Safety and Well-being (CSWB) Initiatives approved in 2022, 2023 and 2024 are in progress and require the originally approved funding from the CSWB Reserve to complete the initiatives in 2025. These include: Encampment Response and Outreach (\$822), Truth and Reconciliation (\$525), Community Outreach Transit Teams (\$224), CSWB Evaluation (\$200), Community Safety Peace Officer Training initiatives (\$164), RECOVER Urban Wellbeing (\$97) and Indigenous-led Shelter projects (\$40).

	<u>Expenditure</u>	<u>Revenue</u>	<u>Net</u>
Community Safety and Well-being expenditures	2,072	-	2,072
Transfer from the Community Safety and Well-being Reserve	-	(2,072)	(2,072)
			<u>-</u>

Recommendation 10 - Budget adjustments for the Community Mobilization Task Force with funding from the CSWB Reserve (Office of the City Manager)

On January 15, 2024, City Council declared a housing and homelessness emergency and allocated one-time funding of \$3,500 to establish a Community Mobilization Task Force. Recommendations will come forward to Council on March 18, 2025 as part of MO02832 Community Mobilization Task Force on Housing and Homelessness, outlining a plan to use the funding which is being recommended for carryforward.

	<u>Expenditure</u>	<u>Revenue</u>	<u>Net</u>
Community Mobilization Task Force expenditures	3,500	-	3,500
Transfer from the Community Safety and Well-being Reserve	-	(3,500)	(3,500)
			<u>-</u>

Recommendation 11 - Budget adjustment for 2025 Municipal Elections with funding from the Edmonton Elections Reserve (Office of the City Clerk, Office of the City Manager)

Due to changes in legislation, timelines of the project, and project scope, some planned activities and purchases in advance of the 2025 Municipal Elections have been delayed. This includes costs related to voting station laptops/tablets procurement and delays to Election Logistics Management System (ELMS) upgrades to accommodate legislative changes. The costs are expected to be incurred in 2025.

	<u>Expenditure</u>	<u>Revenue</u>	<u>Net</u>
Edmonton Elections expenditures	1,054	-	1,054
Transfer from Edmonton Elections Reserve	-	(1,054)	(1,054)
			<u>-</u>