

OPERATING FINANCIAL UPDATE - JUNE 30, 2025

Recommendation

1. That the September 16, 2025, Financial and Corporate Services report FCS02854, be received for information.
2. That Attachment 3 of the September 16, 2025, Financial and Corporate Services report FCS02854 remain private pursuant to sections 29 (advice from officials), 30 (disclosure harmful to economic and other interests of a public body) and 32 (privileged information) of the *Access to Information Act*.

Requested Action	Information only		
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	Conditions for service success
Corporate Business Plan	Managing the corporation		
Council Policy, Program or Project Relationships	<ul style="list-style-type: none"> • 2023-2026 Operating Budget • C629A Financial Stabilization Reserve • C610A Fiscal Policy for the Planning and Development Business • C579B Traffic Safety and Automated Enforcement Reserve 		
Related Council Discussions	<ul style="list-style-type: none"> • FCS02845 - 2025 Municipal Tax Levy Confirmation, City Council, April 22, 2025 		

Executive Summary

- Administration provides Operating Financial Updates three times a year. Consistent, transparent and timely financial reporting to Council helps ensure a common understanding of

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our financial health to support decision making and is part of our commitment to being accountable and open about our finances with Council and with Edmontonians.

- This report provides the June 30, 2025, 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, 2025, year-to-date results for tax-supported operations reflect a net favourable variance of \$15.8 million, and a net unfavourable variance of \$7.6 million is projected for year-end, equivalent to 0.2 per cent of the overall expense budget.
- The projections are based on the June 30, 2025, year-to-date results and other available information. Year-end projections will be updated throughout the year as additional information becomes available.
- The projected December 31, 2025, year-end balance of the Financial Stabilization Reserve (FSR) before considering the projected year-end tax-supported deficit is \$78.4 million, which is below the minimum required balance of \$142.9 million for 2025. Factoring in the projected tax-supported deficit of \$7.6 million, the FSR's balance is expected to be \$70.8 million by the end of the year. This falls \$72.1 million short of the minimum required balance.
- Structural budget variances have been identified in the individual department and branch year-end financial results section of Attachment 1, with the action plans to address the structural budget variances explained in Attachments 2 and 3.

REPORT

Year-to-Date and Year-End Projected Results

Attachment 1 provides the June 30, 2025, 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 a favourable variance of \$15.8 million, and a net unfavourable variance of \$7.6 million projected for year-end, equivalent to 0.2 per cent of the overall expense budget. The year-end projected variance is attributable to the following:

- **Unfavourable personnel budget variances** mainly due to higher overtime costs for Edmonton Transit Service to cover sick time and Workers Compensation Board claims for transit operators, and higher costs for Community Recreation and Culture for increased staffing and security requirements to meet higher than expected attendance and demand.
- **Less than budgeted permit revenue** related to On-Street Construction and Maintenance (OSCAM) permits.
- **Lower than budgeted advertising revenue** and projections indicate the advertising market is recovering slower than expected. The majority of ETS advertising contracts expire December 2025, and a new Request For Proposals (RFP) is being issued this year.

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The RFP will inform advertising revenue projections for 2026 and for the next budget cycle.

- **Higher settlements for Renewable Attributes Purchase Agreements (RAPA).** The City supports renewable energy projects through Renewable Attributes Purchase Agreements (RAPA), which provide renewable energy certificates (RECs) to offset greenhouse gas emissions. RAPAs defines a "strike price" for generators at which the renewable energy generator needs to sell energy to the wholesale market in order for the project to be financially sustainable. If the market price is lower, the City pays the difference; if higher, the excess is paid to the City. In 2025, lower market prices are anticipated to result in an estimated \$7.2 million payment from the City, creating an unfavorable variance of \$4.6 million. Further details are provided in Attachment 1.
- **Higher than anticipated computer software costs** primarily related to the Enterprise Commons project, hybrid work related software, and various other software.
- Other unfavourable variances across City departments.

These unfavourable variances are partially offset with a projected favourable budget variance in:

- **Financial Strategies**, the Financial Strategies budget within Corporate Expenditures includes risk-adjusted budget estimates that allow the City to manage the risk associated with the more volatile line items in the City's budget centrally, such as fuel and utilities.
- **Increased membership and admissions revenue**, driven by higher program and service demand and special events.
- **Higher Taxation revenue**, reflecting changes in tax assessment values that occurred between tax bylaw and tax notice mailout, in part due to new construction but mainly due to valuation changes on existing properties.
- Other favorable variances across City departments.

Financial Stabilization Reserve

The projected December 31, 2025, year-end balance of the FSR before considering the projected year-end tax-supported deficit is \$78.4 million, which is below the minimum required balance of \$142.9 million for 2025. After considering the projected tax-supported deficit of \$7.6 million, the projected balance of the reserve is \$70.8 million, which is below the minimum balance by \$72.1 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.

Through the Fall 2024 Supplemental Operating Budget Adjustment process, Council identified \$10 million in one-time savings in 2025 to replenish the FSR, and approved tax increases in 2025 of 0.5 per cent and 2026 of 0.6 per cent to restore the FSR back to the minimum balance over five years, from 2025 to 2029. The total amount required to achieve the minimum balance in 2029 is

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\$109.7 million. To facilitate this, Council approved an exemption to Policy C629A to allow the repayment strategy to occur over five years instead of three.

The FSR repayment strategy is based on an assumption of a balanced position at the end of each year for the next five years (i.e. no tax-supported surplus or deficit). A surplus position at the end of the fiscal year will improve the financial position of the FSR and expedite the creation of the dedicated renewal fund, and a deficit position at the end of a fiscal year will deteriorate the financial position of the FSR, thereby delaying the creation of a renewal fund. Administration is reviewing spending across the organization and curtailing spending where possible with the goal to end 2025 on budget.

Structural Budget Variances

Structural budget variances are recurring deficits or surpluses that can be attributed to an event or circumstance that fundamentally changes business operations. These include items such as contaminated sand removal, vandalism of City facilities, lower than budgeted transit fare revenue, on-street construction and maintenance (OSCAM) permit fee revenues and increased overtime costs. Left unaddressed, recurring unfavourable budget variances can erode the financial sustainability of an organization, as seen with the diminishing balance of the FSR.

During the Fall 2024 Supplemental Operating Budget Adjustment process, City Council made a motion requesting that Administration enhance the quarterly financial reporting to include all unfunded variances over \$1.5 million to Council, with a mitigation plan to avoid the accumulation of unfunded liabilities in future budget cycles. Administration has addressed this by identifying structural budget variances within the individual department and branch year-end financial results section of Attachment 1, and including action plans to address these structural budget variances in Attachments 2 and 3.

Action plans continue to evolve. The timeframe required for implementing these action plans and achieving expenditure reductions will vary, with some extending into the subsequent budget cycle. Concurrent with the implementation of these action plans, Administration is working to curtail organizational spending, on a temporary basis where feasible, with the goal of ending the year in a balanced position.

A formal update of all structural budget variances (including those less than \$1.5 million) will be provided through the Fall 2025 Supplemental Operating Budget Adjustment report.

Economic Update

In Q2 2025, the performance of key indicators suggests that the Edmonton and census metropolitan area (CMA) economies were relatively resilient against a backdrop of heightened uncertainty stemming from geopolitical trade disruptions. Details of Q2 2025 developments in the Edmonton CMA labour market, CMA price inflation, and building construction and housing market trends are provided in Attachment 4.

Community Insight

The City of Edmonton's budgets are one of the ways that Council can achieve the goals of ConnectEdmonton and the Big City Moves of The City Plan. Through various channels (including

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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.

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.

Environment and Climate Review

This report was reviewed for environment and climate risks. Based on the review completed no significant interactions with the City's environmental and climate goals were identified within the scope of this report.

Attachments

1. Operating Financial Update - June 30, 2025
2. Structural Budget Variances - June 30, 2025
3. PRIVATE - Structural Budget Variances - June 30, 2025
4. City of Edmonton Q2 2025 Economic Update