

### **Financial Stabilization Reserve and Operating Carryforward Recommendations**

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 2025 operating budget, which were not completed by the end of year, and require the unused approved funds to be carried forward into the 2026 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 2025 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 2025 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 2025 audited consolidated financial statements, which will be presented to City Council on April 15, 2026.

The balance in the FSR as at December 31, 2025 is \$74.9 million. After considering the tax-supported surplus of \$31.1 million, and based on the recommendations in

## Attachment 2

this report for operating carry-forwards and other items of \$12.1 million, and \$6.5 million for Council approved items during 2026, the resulting net transfer to the FSR would be \$12.5 million. This would increase the balance of the unappropriated FSR to \$87.4 million, which is below the preliminary minimum required balance of \$150.4 million by \$63.0 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 (SOBA) process, Council approved tax increases in 2025 and 2026 to restore the FSR back to the minimum balance over five years by the end of 2029. To facilitate this, Council approved an exemption to Policy C629 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 from 2025 to 2029 (i.e. no tax-supported surplus or deficit), with no additional spending from the FSR.

Considering the preliminary 2025 tax-supported surplus and recommended carry-forwards the FSR is forecasted to reach its minimum balance in 2028. Once the FSR reaches its minimum balance the funds used to replenish the FSR will be redirected towards a dedicated renewal fund to support the City's capital infrastructure renewal deficit.

### **Budget Adjustment Recommendations**

#### ***Recommendation 1 - Request for carryforward to 2025 for items previously appropriated in the Financial Stabilization Reserve - \$7.2 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 2025.

## Attachment 2

Expenditures of \$7.2 million from the FSR remain unspent and are recommended for carryforward into 2026. There is no overall impact to the 2026 tax-levy requirement or the FSR.

*Recommendation 2 - Request for carryforward of 2025 operating budget into 2026 with funding from the unappropriated FSR - \$11.9 million*

This report recommends that the 2026 operating expenditure budgets be increased by \$11.9 million for 2025 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 2025 approved budget that were not completed by year-end*

Operating commitments were provided for in the 2025 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 2025 expenses and offsetting funding sources into the 2026 operating budget, with no impact to the 2026 tax-levy requirement or the FSR, as identified in Table 2.

**TABLE 1 - Financial Stabilization Reserve (FSR)**  
(in \$000's)

<b>SUMMARY OF FSR BALANCES</b>	<b>Unappropriated</b>	<b>Appropriated</b>
<b>Unappropriated Balance</b> (prior to preliminary surplus/(deficit), 2025 carryforwards, and other items)	<b>\$ 74,910</b>	
<b>Appropriated Balance:</b>		
Schedule A - <b>Recommendation 1</b> , Previously Appropriated FSR Projects (Operating) - Carryforward Recommendations for expenditures expected in 2026		7,181
Schedule B - Previously Appropriated FSR Projects (Operating) - 2025-2027 Expenditures - Ongoing Reserve Appropriations		21,225
Schedule C - Previously Appropriated FSR Projects (Operating) - Future Expenditures beyond 2025 - Ongoing Reserve Appropriations		11,163
Schedule D - Previously Appropriated FSR Projects (Capital) - Future Expenditures beyond 2025 - Ongoing Reserve Appropriations		10,596
<b>FSR at December 31, 2025 (prior to preliminary surplus, 2026 carryforwards, and other items)</b> (See Summary of FSR Activity in 2025 table below for further information)	<b>\$ 74,910</b>	<b>\$ 50,165</b>
2025 preliminary tax-supported operating surplus	31,052	
Schedule E - <b>Recommendation 2</b> , New Carryforward Recommendations	(11,905)	11,905
<b>Recommendation 12</b> - 2025 Alley Lighting Maintenance Special Tax Excess Revenue	(138)	138
Other Funding in 2026 (funding approved by Council through private reports on January 27, 2026 - Financial and Corporate Services report FCS03047, Urban Planning and Economy private report UPE03378)	(8,000)	8,000
<b>Recommendation 13</b> - Release FSR funding in 2026 approved through private report on January 27, 2026 - Urban Planning and Economy private report UPE03378	1,500	(1,500)
<b>FSR - 2026 Projected</b>	<b>\$ 87,419</b>	<b>\$ 68,708</b>

**Unappropriated FSR - Minimum and Target Balances**

<i>FSR Minimum Balance (5%) - Preliminary</i>	\$150,435
<i>FSR Target Balance (8.3%) - Preliminary</i>	\$249,721

**Unappropriated FSR – Five Year Trend**

<b>2026 (Projected)</b>	<b>\$87,419</b>
<b>2025 (Preliminary)</b>	<b>\$74,910</b>
2024	\$85,204
2023	\$151,629
2022	\$68,402
2021	\$121,746

The following table shows FSR activity in 2025:

<b>SUMMARY OF FSR ACTIVITY IN 2025</b>	<b>Unappropriated</b>	<b>Appropriated</b>
<b>FSR at December 31, 2024</b> (prior to preliminary surplus/(deficit), 2025 carryforwards, and other items)	<b>\$ 85,204</b>	<b>\$ 75,540</b>
2024 tax-supported operating deficit	(4,241)	-
2025 carryforwards	(23,262)	23,262
Enoch Cree Nation Whitemud Drive Upgrades	(9,300)	9,300
Actual expenditures funded through FSR - 2025	-	(52,690)
Tax-Levy Transfer (2025) - 5 Year FSR Replenishment Strategy	10,742	
Financial Strategies Transfer (one-time) - FSR Replenishment Strategy	9,969	
Items no longer requiring FSR funding, and other items	5,798	(5,247)
<b>FSR at December 31, 2025</b> (prior to preliminary surplus/(deficit), 2026 carryforwards, and other items)	<b>\$ 74,910</b>	<b>\$ 50,165</b>

**Schedule A - Previously Appropriated FSR Projects - Carryforward Recommendations to 2026 - Operating**

*Recommendation 1 - The following amounts were previously appropriated within the FSR to fund expenses budgeted to occur in 2025, however expenses were not incurred during the year and recommendations have been made to carryforward the expenditure budget and FSR funding within the 2026 operating budget.*

Glenriding Heights Partnership - Community Recreation and Culture	3,004
Ogilvie Site Servicing Costs Funding - Social Development	1,250
Heritage Valley Project - Community Recreation and Culture	429
<b>Total Community Services</b>	<b>\$ 4,683</b>
124 Street Decorative Light Canopy Project - Parks and Road Services	208
<b>Total City Operations</b>	<b>\$ 208</b>
Implementation Roadmap for Public Engagement - Chief Communications Officer	117
<b>Total Office of the City Manager</b>	<b>\$ 117</b>
Edmonton Edge Fund Phase 1 - Economic Investment Services	1,422
Downtown Action Plan (formerly known as Downtown Vibrancy) - Economic Investment Services	562
Economic Action Plan Grant - Economic Investment Services	139
<b>Total Urban Planning and Economy</b>	<b>\$ 2,123</b>
Council Contingency - Corporate Expenditures	50
<b>Total Corporate Programs</b>	<b>\$ 50</b>
<b>Total - Recommendation 1</b>	<b>\$ 7,181</b>

**Schedule B - Previously Appropriated FSR Projects with expenditures in 2026-2027 - 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 2026-2027. These are provided for information purposes.*

Edmonton Economic Recovery Construction Grant - Corporate Programs, Corporate Expenditures	9,731
Enoch Cree Nation Whitemud Drive Upgrades - Urban Planning and Economy, Development Services	9,300
Heritage Council budget increase - Boards and Authorities, Heritage Council	1,050
YMCA Castledowns - Community Services, Community Recreation and Culture	500
Free Play for Kids - Community Services, Social Development	300
Alley Lighting Maintenance - City Operations, Parks and Road Services	344
<b>Total</b>	<b>\$ 21,225</b>

**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	3,305
Sedona property (Dwayne's Home) - funding to offset financial risk exposure	2,700
Community Development Corporation land transfer funding	158
<b>Total</b>	<b>\$ 11,163</b>

**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	5,585
Holyrood Supportive Housing - Integrated Infrastructure Services	3,645
Other Funding (private report approved by Council on April 11, 2017)	1,224
Affordable Housing Land Acquisition and Site Development - Community Services	142
<b>Total</b>	<b>\$ 10,596</b>

**Schedule E - New Carryforward Recommendations to 2026 - Operating**

**Recommendation 2** - *Operating commitments were provided for in the 2025 approved budget and were not utilized by year-end. Budget funding is recommended for carryforward to the 2026 operating budget in order to fund the related expenditures.*

Events & Attraction Program - Community Recreation and Culture	2,698
Homeward Trust Operating Subsidy - Social Development	619
Recreation and Partnership Facility Investment Program - Community Recreation and Culture	342
Assisted Snow Program Pilot - Community Standards	114
<b>Total Community Services</b>	<b>\$ 3,773</b>
Downtown Action Plan (formerly known as Downtown Vibrancy) - Economic Investment Services	4,420
Energy Transition Strategy Implementation - Planning and Environment Services ( <i>transfer to Parkland Purchase Reserve \$900K, and Tree Management Reserve \$500K</i> )	1,400
Intermunicipal Collaborative Frameworks (ICFs) and Intermunicipal Development Plans (IDPs) - Economic Investment Services	1,182
Climate Adaptation Strategy Implementation - Planning and Environment Services ( <i>transfer to Tree Management Reserve \$500K</i> )	500
Future Growth Area Servicing Study - Economic Investment Services (to be transferred to Development Services)	300
Chinatown Strategy Plan - Economic Investment Services	284
<b>Total Urban Planning and Economy</b>	<b>\$ 8,086</b>
Mayor's Chief of Staff Recruitment - Mayor and Councillor Offices	46
<b>Total Mayor and Councillor Offices</b>	<b>\$ 46</b>
<b>Total - Recommendation 2</b>	<b>\$ 11,905</b>

**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 2025 approved budget that were not completed by year-end. Budget adjustments are recommended to reallocate 2025 expenses and offsetting funding sources into the 2026 operating budget, with no impact to the Financial Stabilization Reserve or the 2026 tax-levy position.**

**Recommendation 3 - Budget adjustment 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 (ICSP) Reserve, both reflected in the Development Services branch within Urban Planning and Economy, are recommended for carryforward into 2026 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	14,676	-	14,676
Transfer from the Industrial Infrastructure Cost Sharing Reserve	-	(14,676)	(14,676)
			<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 2025, with \$4,899 in funding remaining. Issues were encountered around critical building systems and Homeward Trust has been required to seek additional funding. Project completion is expected in late 2026. The remaining budget is recommended for carry-forward to fund the costs of the hotel conversion in 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 under construction and is expected to reach 30 per cent completion in Q1 2026 with the project planned to be completed and operational by Q4 2026. The expense and revenue budget are being recommended for carry-forward to fund the costs of the project in 2026.

	<u>Expenditure</u>	<u>Revenue</u>	<u>Net</u>
Catholic Social Services Affordable Housing Project expenditures	1,943	-	1,943
Transfer from Affordable Housing Reserve	-	(1,943)	(1,943)
			<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) and \$9,225 was disbursed in 2025 as construction milestones were met. The remaining expense and revenue budget of \$1,025 is being recommended for carry-forward to fund construction costs that are expected to be incurred in Q1 2026.

	<u>Expenditure</u>	<u>Revenue</u>	<u>Net</u>
CMHC National Housing Co-Investment Fund expenditures	1,025	-	1,025
Transfer from Affordable Housing Reserve	-	(1,025)	(1,025)
			<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 2025 and requested to carry forward the budget for next year as they have already started planning and design work to construct a number of school drop-off facilities in 2026.

	<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 are in progress and require a carryforward, to be funded from the CSWB Reserve, to complete these initiatives in 2026: 2SLGBTQIA+ Safe Spaces Action Plan Implementation (\$54), Active Living School Program for High-Needs Schools (\$109), Home Fire Safety Program for High-Risk Neighbourhoods (\$100), PTSD/Resilience Training for Enforcement (\$8), Transit for Nikaniw Indigenous Youth (\$26), Truth and Reconciliation (\$451), CSWB Evaluation (\$66) and Indigenous Led Encampment Support (\$85).

	<u>Expenditure</u>	<u>Revenue</u>	<u>Net</u>
Community Safety and Well-being expenditures	899	-	899
Transfer from the Community Safety and Well-being Reserve	-	(899)	(899)
			<u>-</u>

**Recommendation 10 - Budget adjustments for the Community Mobilization Task Force with funding from the CSWB Reserve (Social Development)**

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. On April 13, 2025, City Council approved funding allocations to three non-profit organizations. The completion of funding agreements has been delayed due to a transition of responsibility from the Task Force to Social Development, a conflict of interest complaint requiring investigation, a formal legal opinion requiring a judicial review period of six months and a re-evaluation of planned projects to confirm intent and ensure alignment. A carry-forward, to be funded from the CSWB Reserve, is requested to fund the agreements, once executed.

	<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 adjustments for items previously approved for funding from the Planning and Development Reserve (Development Services, Urban Planning and Economy)**

The Future Growth Area Servicing Study is a Planning & Development Business Model funded project. Timelines have shifted due to the time required for hiring staff and procurement of an external consultant. Staff and contracts are in place with the 2025 budgeted expenditures expected to take place in 2026.

	<u>Expenditure</u>	<u>Revenue</u>	<u>Net</u>
Future Growth Area Servicing Study expenditures	1,044	-	1,044
Transfer from Planning and Development Reserve	-	(1,044)	(1,044)
			<u>-</u>