

## Financial Stabilization Reserve (FSR), Operating Carry-Forwards and Other Items

As per City Policy C217D - Reserve and Equity Accounts, the entire 2019 tax-supported surplus is transferred to the Financial Stabilization Reserve. Use of the Financial Stabilization Reserve requires a subsequent transfer from the reserve to offset expenditures in future years.

This attachment provides a listing of carry-forward recommendations, 2019 Financial Stabilization Reserve transactions and appropriations, other funding recommendations for City Council consideration and the details of the appropriated balance of the Financial Stabilization Reserve. It also provides the projected balance of the Financial Stabilization Reserve after considering Recommendation 1 and the preliminary 2019 tax-supported surplus. Recommendation 1 is for the carry-forward of 2019 approved operating budget into 2020 where operating commitments were provided for in the 2019 approved budget and were not utilized by year-end. Recommendation 1 is the only recommendation in the report requiring new funding from the Financial Stabilization Reserve.

A comparison of the projected reserve balance to both the preliminary minimum and target reserve balances for 2019 is provided for information in this attachment. The Financial Stabilization Reserve balance is projected to be above its minimum required balance.

A summary of the reserve balance from 2015 to 2019 is also provided. The 2019 reserve balance and minimum and target balances may change based on finalization of the audited consolidated financial statements, which will be presented to City Council on April 27, 2020.

### **Budget Adjustment Recommendations**

#### **Recommendation 1 - Operating budget carry-forwards - \$3.8 million**

This report recommends that the 2020 operating expenditure budgets be increased by \$3.8 million for 2019 expenditures committed but not utilized in the year, with matching funding from the Financial Stabilization Reserve, as identified in Table 1, Schedule E.

Recommendation 2 - Budget adjustments for items previously appropriated in the Financial Stabilization Reserve - \$4.5 million

This recommendation is for budget adjustments for amounts previously appropriated within the Financial Stabilization Reserve, as identified in Table 1, Schedule A. The adjustment is strictly a timing adjustment, with expenditures and offsetting funding being reallocated to 2020. There is no overall impact to the 2020 tax-levy requirement or the Financial Stabilization Reserve.

Expenditures expected to be utilized in 2019, funded by \$4.5 million from the Financial Stabilization Reserve were not spent during the year. Expenditures are now planned to go ahead in 2020. Recommendation 2 increases the 2020 budget by \$4.5 million for the revised expenditures and the offsetting reserve funding transfers.

Recommendations 3 - 5 – Budget adjustments for operating commitments funded through reserves and other external non tax-levy funds in the 2019 approved budget that were not completed by year-end

Operating commitments were made in the 2019 approved budget with funding from reserves or external non tax-levy funds and were not completed by year-end. Budget adjustments are being recommended to reallocate 2019 expenses and offsetting funding sources into the 2020 operating budget, with no impact to the 2020 tax-levy requirement or the Financial Stabilization Reserve, 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, 2019 carry-forwards, and other items)	<b>\$ 123,886</b>	
<b>Appropriated Balance:</b>		
Schedule A - <b>Recommendation 2</b> , Previously appropriated carry-forward requests with expenditures expected in 2020		4,462
Schedule B - 2020-2022 Reserve Appropriations - Operating, previously appropriated		20,327
Schedule C - On-going Reserve Appropriations - Operating, previously appropriated		21,133
Schedule D - On-going Reserve Appropriations - Capital, previously appropriated		5,369
<b>FSR at December 31, 2019</b> (prior to preliminary deficit, 2019 carry-forwards, and other items)	<b>123,886</b>	<b>51,291</b>
2019 preliminary tax-supported operating surplus	20,205	-
Schedule E - New Carry-forward Recommendations, <b>Recommendation 1</b>	(3,812)	3,812
<b>FSR - 2020 Projected</b>	<b>\$ 140,279</b>	<b>\$ 55,103</b>

**Unappropriated FSR - Minimum and Target Balances**

<i>FSR Minimum Balance (5%) - Preliminary</i>	\$ 116,623
<i>FSR Target Balance (8.3%) - Preliminary</i>	\$ 196,594

**Unappropriated FSR – Five Year Trend**

<b>2020 Projected</b>	<b>\$ 140,279</b>
<b>2019 (preliminary)</b>	<b>123,886</b>
2018	130,271
2017	125,110
2016	92,852
2015	93,286

The following table shows FSR activity in 2019:

<b>SUMMARY OF FSR ACTIVITY IN 2019</b>	<b>Unappropriated</b>	<b>Appropriated</b>
<b>FSR at December 31, 2018</b> (prior to preliminary deficit, 2018 carry forwards, and other items)	<b>\$ 130,271</b>	<b>\$ 68,118</b>
2018 tax-supported operating deficit	(2,279)	-
Council approved items during 2019	(12,162)	12,162
Repayment of 2019-2022 appropriated funding approved during the Dec. 2018 budget deliberations	3,210	-
Waste RE-solutions Capital Grant Repayment	1,500	-
2019 tax-levy uplift transferred to FSR - Brownfield remediation grant program	609	-
Actual expenditures funded through FSR - 2019	-	(17,493)
Use of the transition payment from transfer of Drainage to EPCOR:		
2019 Stranded costs incurred due to Drainage transfer	-	(8,188)
QEII Park - Wastewater Treatment Demolition	-	(571)
Items no longer requiring FSR funding	2,737	(2,737)
<b>FSR at December 31, 2019</b> (prior to preliminary surplus, 2019 carry forwards, and other items)	<b>\$ 123,886</b>	<b>\$ 51,291</b>

**TABLE 1 - Financial Stabilization Reserve (FSR)**  
(in \$000's)**Schedule A - Previously Appropriated Carry-forward Requests**

**Recommendation 2** - The following amounts were appropriated within the FSR to fund expenses budgeted to occur in 2019, however expenses were not incurred during the year and recommendations have been made to carry forward and utilize the expenditures within the 2020 operating budget.

Investigation Management System hardware/software maintenance and licensing - Community Standards and Neighbourhoods	500
WinterCity Strategy - Community and Recreation Facilities	290
Truth and Reconciliation Commission Alberta - Commemorative Art - Social Development	200
<b>Total Citizen Services</b>	<b>\$ 990</b>
Bus Network Redesign (BNR) - Edmonton Transit	478
<b>Total City Operations</b>	<b>\$ 478</b>
Implementation Roadmap for Public Engagement - Engagement	118
<b>Total Communications and Engagement</b>	<b>\$ 118</b>
Administrative Lease - Edmonton Police Service	87
Police Warehouse Renovations - Edmonton Police Service	62
<b>Total Edmonton Police Service</b>	<b>\$ 149</b>
Downtown District Energy Initiative - Infrastructure Delivery	329
<b>Total Integrated Infrastructure Services</b>	<b>\$ 329</b>
Health and Safety Office Adjustments	11
<b>Total Mayor and Councillors Offices</b>	<b>\$ 11</b>
Domtar Contaminated Lands - Development Services	701
External Partners/The Public, Alberta's Food Incubation Hub (FKA Wild Heart) - Economic and Environmental Sustainability	600
WinterCity - Corporate Strategy	350
WinterCity/Lighting - Corporate Strategy	300
Glenora Conservation Areas / Direct Control Zoning - City Planning	182
Envision 109 - City Planning	100
Comprehensive Parking Review - Development Services	91
Breathe - City Planning	63
<b>Total Urban Form and Corporate Strategic Development</b>	<b>\$ 2,387</b>
<b>Total amounts appropriated in FSR not completed before 2019 year-end - Recommendation 2</b>	<b>\$ 4,462</b>

**TABLE 1 - Financial Stabilization Reserve (FSR)**  
(in \$000's)**Schedule B - 2019-2022 Reserve Appropriations - Operating***The following appropriations have related 2020-2022 approved budget expenses.*

<i>Approved by Council on December 8, 2016 (2016 Fall Supplementary Operating Budget Adjustments):</i>	
Community Development Corporation incorporation and establishment - Citizen Services, Social Development	560
<i>Approved by Council on March 20, 2018 (2017 Preliminary Year-End Financial Results - Operating):</i>	
Bus Network Redesign - City Operations, Transit	802
Bus Network Redesign - Communications and Engagement, Integrated Marketing Communications	205
Renewal and Integration of the Municipal Development Plan and Transportation Master Plan - Urban Form and Corporate Strategic Development, City Planning	418
Renewal and Integration of the Municipal Development Plan and Transportation Master Plan - Communications and Engagement, Reputation and Brand	63
<i>Approved by Council on November 28-30 and December 3-7, 12, and 14, 2018 (2019-2022 Budget Deliberations):</i>	
Drainage Stranded Costs	16,194
Urban Wellness/Recover - Citizen Services, Social Development	600
China Town - Urban Form and Corporate Strategic Development, Economic and Environmental Sustainability	552
Juno Event - Citizen Services, Community and Recreation Facilities	550
Glenora Conservation Areas/Direct Control Zoning - Urban Form and Corporate Strategic Development, City Planning	9
<i>Approved by Council on April 30, 2019 (2019 Spring Supplementary Operating Budget Adjustments):</i>	
Alberta Avenue and Jasper Place Revitalization Resource Continuation - Citizen Services, Community Standards and Neighbourhoods	224
<i>Approved by Council on June 4, 2019 (CR_7178 item 6.12):</i>	
2026 FIFA World Cup Host City Candidacy - Citizen Services, Community and Recreation Facilities	150
<b>Total appropriations with related 2019-2022 approved budget expenses</b>	<b>\$ 20,327</b>

**Schedule C - On-going Reserve Appropriations - Operating***The following on-going appropriations did not have related 2019 budget expenses. The funding remains available for applicable expenses in future periods.*

Transition Payment received from EPCOR, net of stranded costs	15,603
Community Development Corporation land transfer funding - Citizen Services, Social Development	4,745
Edmonton Tower \$5M Lease Payment - portion unallocated (approved by Council on November 28-30 and December 3-7, 12, and 14, 2018 (2019-2022 Budget Deliberations))	481
Our Lady of Peace local improvements tax deferral (approved by Council on July 11, 2017)	152
Our Lady of Peace local improvements tax deferral (approved by Council on April 10, 2018)	152
<b>Total on-going reserve appropriations - Operating</b>	<b>\$ 21,133</b>

**Schedule D - On-going Reserve Appropriations - Capital***The following appropriations relate to funding for capital projects with budgeted expenditures extending into future years.*

Police Warehouse Renovations - Police Services	2,290
Other Funding (private report approved by Council on April 11, 2017)	2,001
Century Place Renovations - Financial and Corporate Services	364
CP Rail Shared Use Path Right of Way - Integrated Infrastructure Services	270
Jumpstart - Integrated Infrastructure Services	255
Mill Woods Senior and Multicultural Center - Second floor design - Citizen Services	144
Open Space: Planning and Design - Integrated Infrastructure Services	45
<b>Total on-going reserve appropriations - Capital</b>	<b>\$ 5,369</b>

**TABLE 1 - Financial Stabilization Reserve (FSR)**  
(in \$000's)**Schedule E - New Carry-Forward Recommendations**

**Recommendation 1** - Operating commitments were provided for in the 2018 approved budget and were not utilized by year-end. Budget funding is recommended for carryforward to the 2019 operating budget in order to fund the related expenditures.

Affordable Housing Public Information Campaign - Social Development	550
Revitalization - Community Standards and Neighbourhoods	347
<b>Total Citizen Services</b>	<b>\$ 897</b>
City Plan - Integrated Marketing Communications	431
<b>Total Communications and Engagement</b>	<b>\$ 431</b>
Council Contingency - Corporate Expenses	150
<b>Total Corporate Programs</b>	<b>\$ 150</b>
Employee Engagement Survey - Talent Acquisition, Service and Solutions	130
<b>Total Employee Services</b>	<b>\$ 130</b>
Energy Transition / Energy Efficiency Upgrade Rebates - Economic and Environmental Sustainability	700
City Plan - City Planning	476
Infill Roadmap Implementation - City Planning	428
Economic Investment and Development/YEG Innovation, Edmonton Global and EEDC Role Clarity - Economic and Environmental Sustainability	300
Enterprise Performance Management (EPM) - Corporate Strategy	200
Mass Transit Study - City Planning	100
<b>Total Urban Form and Corporate Strategic Development</b>	<b>\$ 2,204</b>
<b>Total Commitments Not Completed Before 2019 Year-End - Recommendation 1</b>	<b>\$ 3,812</b>

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

***Recommendations 3-5 - Operating commitments funded through reserves or external non tax-levy funds in the 2019 approved budget that were not completed by year-end. Budget adjustments are recommended to reallocate 2019 expenses and offsetting funding sources into the 2020 operating budget, with no impact to the Financial Stabilization Reserve or the 2020ax-levy position.***

**Recommendation 3 - Budget adjustment for the Regional Transit Service Commission project with related grant funding**

*City Planning, Urban Form and Corporate Strategic Development:*

The regional transit services commission transition team is continuing to identify the scope and delivery of regional commuter transit services, develop administrative, legal and financial frameworks, and integration strategy with municipal operations. The project is expected to be complete by March 2020 and the related funding agreement for the grant expires December 31, 2020.

	<u>Expenditure</u>	<u>Revenue</u>	<u>Net</u>
Regional Transit Service Commission project expenditures	361	-	361
Alberta Community Partnership Grant revenue	-	(361)	(361)
		<u>          </u>	<u>          </u>
			-

**Recommendation 4 - 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 City Planning branch within Urban Form and Corporate Strategic Development, are recommended for carry-forward into 2020 to the Development Services branch. Rebate expenses originally anticipated to be incurred during the year were due to slower than expected progress on certain developments.

	<u>Expenditure</u>	<u>Revenue</u>	<u>Net</u>
Industrial Servicing Fund rebate expenditures	9,859	-	9,859
Transfer from the Industrial Servicing Fund Reserve	-	(9,859)	(9,859)
		<u>          </u>	<u>          </u>
			-

**Recommendation 5 - Budget adjustment for 41st Avenue/ Queen Elizabeth II Highway Interchange Project**

The City manages the construction and provides an operating contribution towards the 41st Avenue/Queen Elizabeth II Highway project with funding from developers and grants. The asset is owned by the province and is close to finalization and is awaiting the issuance of the Final Acceptance Certificate (FAC). Repair expenditures are anticipated in 2020 prior to the FAC issuance. Of the remaining expense budget and related funding, \$1,406 is recommended for carry-forward into 2020 for the 41st Avenue/ Queen Elizabeth II Highway Interchange project. In 2020, after FAC issuance, remaining funds will be released and reallocated to corporate capital funding through future Supplemental Capital Budget Adjustments.

	<u>Expenditure</u>	<u>Revenue</u>	<u>Net</u>
Land and utility expenditures	1,406	-	1,406
Developer and grant funding	-	(1,406)	(1,406)
		<u>          </u>	<u>          </u>
			-