

## **Financial Stabilization Reserve (FSR), Operating Carryforwards and Other Items**

As per City Policy C217D - *Reserve and Equity Accounts*, the entire 2020 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 carryforward recommendations, 2020 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 those recommendations which have an impact on the reserve balance and items for City Council consideration.

A comparison of the projected reserve balance to both the preliminary minimum and target reserve balances for 2020 is provided for information. The Financial Stabilization Reserve balance is projected to be above its minimum required balance.

A summary of the reserve balance from 2016 to 2020 is also provided. The 2020 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 19, 2021.

### **Budget Adjustment Recommendations**

#### ***Recommendation 1 - Budget adjustments for items previously appropriated in the Financial Stabilization Reserve - \$10.5 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 2021. There is no overall impact to the 2021 tax-levy requirement or the Financial Stabilization Reserve.

Expenditures expected to be utilized in 2020, funded by \$10.5 million from the Financial Stabilization Reserve were not spent during the year. Expenditures are now planned to go ahead in 2021. Recommendation 2 increases the 2021 budget by \$10.5 million for the revised expenditures and the offsetting reserve funding transfers.

*Recommendation 2 - Budget adjustment for operating commitments funded through the Revolving Industrial Servicing Fund reserve in the 2020 approved budget that were not completed by year-end - \$9.9 million*

Operating commitments of \$9.9 million were made in the 2020 approved budget with funding from the Revolving Industrial Servicing Fund reserve and were not completed by year-end. Budget adjustments are being recommended to reallocate 2020 expenses and offsetting funding sources into the 2021 operating budget, with no impact to the 2021 tax-levy requirement or the Financial Stabilization Reserve, as identified in Table 2.

*Recommendation 3 - Operating budget carryforwards - \$7.8 million*

This report recommends that the 2021 operating expenditure budgets be increased by \$7.8 million for 2021 expenditures committed but not utilized in the year, with matching funding from the Financial Stabilization Reserve, as identified in Table 1, Schedule E.

*Recommendation 4 – Outstanding non-regulated notional loan from Waste Services Utility for potential funding from tax-supported surplus - \$7.6 million*

This report requests City Council's consideration to use funding from the 2020 tax-supported surplus/Financial Stabilization Reserve of \$7.6 million to potentially cover the outstanding non-regulated notional loan balance due from Waste Services Utility.

Additional funding of \$7.6 million is requested to be appropriated within the Financial Stabilization Reserve to potentially write-off the balance of an outstanding equity loan with Waste Services Utility that needs to be repaid by 2025. To address non-regulated program losses and achieve target cash balances, the Waste Services Utility was given authorization through the 2015 Operating Budget process to draw on a short-term loan from the City of Edmonton's working capital (equity loan). This has ensured that non-regulated losses are covered by the loan as opposed to regulated revenues and assists in reducing non-regulated rate increases. The notional loan was to cover non-regulated losses related to the commercial business lines including closure of the Construction and Demolition (C&D) Recycling Facility and the wind-down of Commercial Collections. The C&D Recycling operations were initiated by the City and the Waste Services Utility; as such the Financial Stabilization Reserve is required to cover this loan balance as the C&D operation is now wound down. The decision to write-off the loan would be recommended to Utility Committee by Waste Services. If this is approved the funding appropriated within the FSR would be available to cover this notional loan balance.

Recommendation 5 – Appropriate remaining tax supported surplus within the Financial Stabilization reserve for potential impacts of the COVID-19 pandemic - \$24.8 million

This report requests City Council’s consideration to appropriate funding within the Financial Stabilization Reserve of \$24.8 million to be used to cover potential impacts of the COVID-19 pandemic.

The possible future costs of the COVID-19 pandemic for 2021 are not known at this time. Some potential impacts that may need funding from the Financial Stabilization Reserve in 2021 include:

- Extended operations of the City-led temporary housing pandemic shelter (Tipinawaw),
- Costs to assist with the COVID-19 vaccine rollout,
- Possible business and economic support programs and funding, and
- Demand for recovery support from the City by non-profit organizations.

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

<b>SUMMARY OF FSR BALANCES</b>	<b>Unappropriated</b>	<b>Appropriated</b>
<b>Unappropriated Balance (prior to preliminary surplus, 2020 carryforwards, and other items)</b>	<b>\$ 133,887</b>	
<b>Appropriated Balance:</b>		
Schedule A - Recommendation 1, Previously appropriated carryforward requests with expenditures expected in 2021		10,483
Schedule B - 2021-2022 Reserve Appropriations - Operating, previously appropriated		37,594
Schedule C - On-going Reserve Appropriations - Operating, previously appropriated		150,255
Schedule D - On-going Reserve Appropriations - Capital, previously appropriated		10,116
<b>FSR at December 31, 2020 (prior to preliminary deficit, 2020 carryforwards, and other items)</b>	<b>133,887</b>	<b>208,448</b>
2020 preliminary tax-supported operating surplus	40,174	-
<b>Schedule E - New Carryforward Recommendations, Recommendation 3</b>	(7,793)	7,793
Waste Services Utility loan funding, <b>Recommendation 4</b>	(7,612)	7,612
Appropriation of remaining surplus for potential COVID-19 pandemic impacts, <b>Recommendation 5</b>	(24,769)	24,769
<b>FSR - 2021 Projected</b>	<b>\$ 133,887</b>	<b>\$ 248,622</b>

**Unappropriated FSR - Minimum and Target Balances**

<i>FSR Minimum Balance (5%) - Preliminary</i>	\$ 110,365
<i>FSR Target Balance (8.3%) - Preliminary</i>	\$ 183,206

**Unappropriated FSR – Five Year Trend**

<b>2021 Projected \$</b>	<b>133,887</b>
<b>2020 (preliminary)</b>	<b>133,887</b>
2019	123,886
2018	130,271
2017	125,110
2016	92,852

The following table shows FSR activity in 2020:

<b>SUMMARY OF FSR ACTIVITY IN 2020</b>	<b>Unappropriated</b>	<b>Appropriated</b>
<b>FSR at December 31, 2019 (prior to preliminary deficit, 2019 carryforwards, and other items)</b>	<b>\$ 123,886</b>	<b>\$ 51,291</b>
2019 tax-supported operating surplus	20,127	-
Council approved items during 2020	(11,591)	11,591
Appropriation of previous 2020 COVID-19 budget reduction strategies and related to the Municipal Operating Support Transfer funds	-	158,179
Reduced Edmonton Public Library 2020 net operating requirement	-	3,200
Fund ITU World Triathlon Grand Final in 2021 (subject to continued support from other orders of government)	-	1,800
Actual expenditures funded through FSR - 2020	-	(7,533)
Use of the transition payment from transfer of Drainage to EPCOR: 2020 Stranded costs incurred due to Drainage transfer	-	(8,615)
Items no longer requiring FSR funding	1,465	(1,465)
<b>FSR at December 31, 2020 (prior to preliminary surplus, 2020 carryforwards, and other items)</b>	<b>\$ 133,887</b>	<b>\$ 208,448</b>

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

**Schedule A - Previously Appropriated carryforward Requests**

**Recommendation 1** - The following amounts were appropriated within the FSR to fund expenses budgeted to occur in 2020, however expenses were not incurred during the year and recommendations have been made to carryforward and utilize the expenditures within the 2021 operating budget.

City-led temporary housing pandemic shelter (Tipinawaw) - Social Development	5,871
Affordable Housing Public Information Campaign - Social Development	457
Truth and Reconciliation Commission Alberta - Commemorative Art - Social Development	200
Revitalization - Community Standards and Neighbourhoods	179
<b>Total Citizen Services</b>	<b>\$ 6,707</b>
Bus Network Redesign - Edmonton Transit	1,033
<b>Total City Operations</b>	<b>\$ 1,033</b>
City Plan - Integrated Marketing Communications	233
Implementation Roadmap for Public Engagement - Engagement	118
Bus Network Redesign - Integrated Marketing Communications	103
<b>Total Communications and Engagement</b>	<b>\$ 454</b>
Police Warehouse Renovations - Edmonton Police Service	62
<b>Total Edmonton Police Service</b>	<b>\$ 62</b>
Domtar Contaminated Lands - Development Services	614
Alberta's Food Incubation Hub (FKA Wild Heart) - Economic and Environmental Sustainability	600
WinterCity - Corporate Strategy	350
WinterCity/Lighting - Corporate Strategy	300
Infill Roadmap Implementation - City Planning	295
Comprehensive Parking Review - Development Services	68
<b>Total Urban Form and Corporate Strategic Development</b>	<b>\$ 2,227</b>
<b>Total amounts appropriated in FSR not completed before 2020 year-end - Recommendation 3</b>	<b>\$ 10,483</b>

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

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**Schedule B - 2021-2022 Reserve Appropriations - Operating**

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*The following appropriations have related 2021-2022 approved budget expenses.*

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*Approved by Council on December 8, 2016 (2016 Fall Supplementary Operating Budget Adjustments):*

Community Development Corporation incorporation and establishment - Citizen Services, Social Development	280
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*Approved by Council on November 28-30 and December 3-7, 12, and 14, 2018 (2019-2022 Budget Deliberations):*

Drainage Stranded Costs	7,923
Juno Event - Citizen Services, Community and Recreation Facilities	550
China Town - Urban Form and Corporate Strategic Development, Economic and Environmental Sustainability	347
Urban Wellness/Recover - Citizen Services, Social Development	300

*Approved by Council on July 6, 2020 (CR\_8301 item 6.2):*

Fund ITU World Triathlon Grand Final - Citizen Services, Community and Recreation Facilities	1,800
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*Approved by Council on October 28, 2020 (CR\_7214 item 6.2):*

Alberta Avenue and Jasper Place Revitalization Resource Continuation - Citizen Services, Community Standards and Neighbourhoods	594
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*Approved by Council on December 9, 2020 (Fall 2020 Operating Budget Subsequent Motions):*

Operating Requirements - Explore Edmonton, Boards and Authorities	17,100
Phased reopening of recreation facilities - Citizen Services, Community and Recreation Facilities	7,500
Funding for the YMCA of Northern Alberta - Citizen Services, Community and Recreation Facilities	1,000
Postpone the cash transit fee increase - Edmonton Transit, City Operations	200

<b>Total appropriations with related 2021-2022 approved budget expenses</b>	<b>\$ 37,594</b>
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**Schedule C - On-going Reserve Appropriations - Operating**

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*The following on-going appropriations did not have related 2020 budget expenses. The funding remains available for applicable expenses in future periods.*

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Appropriation of previous 2020 COVID-19 budget reduction strategies and related to the Municipal Operating Support Transfer funds (approved by Council on December 7, 2020)	124,579
Transition Payment received from EPCOR, net of stranded costs	15,258
Community Development Corporation land transfer funding - Citizen Services, Social Development	4,745
Reduced Edmonton Public Library 2020 net operating requirement (approved by Council on December 7, 2020)	3,200
Fort Edmonton Management Company Operating Loan (approved by Council on December 7, 2020)	1,688
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>\$ 150,255</b>
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**TABLE 1 - Financial Stabilization Reserve (FSR)**

(in \$000's)

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

Other Funding (private report approved by Council week of November 16, 2020)	5,000
Other Funding (private report approved by Council on April 11, 2017)	3,900
Downtown District Energy Strategy - Integrated Infrastructure Services	329
CP Rail Shared Use Path Right of Way - Integrated Infrastructure Services	270
Police Warehouse Renovations - Police Services	220
Jumpstart - Integrated Infrastructure Services	213
Mill Woods Senior and Multicultural Center - Second floor design - Citizen Services	142
Open Space: Planning and Design - Integrated Infrastructure Services	42
<b>Total on-going reserve appropriations - Capital</b>	<b>\$ 10,116</b>

**Schedule E - New Carryforward Recommendations***Recommendation 3 - Operating commitments were provided for in the 2020 approved budget and were not utilized by year-end. Budget funding is recommended for carryforward to the 2021 operating budget in order to fund the related expenditures.*

Revitalization - Community Standards and Neighbourhoods	458
Affordable Housing Public Information Campaign - Social Development	271
<b>Total Citizen Services</b>	<b>\$ 729</b>
Zoning Bylaw (Public Engagement Advisor) - Engagement	81
<b>Total Communications and Engagement</b>	<b>\$ 81</b>
Council Contingency - Corporate Expenses	149
<b>Total Corporate Programs</b>	<b>\$ 149</b>
Zoning Bylaw (Lawyer) - Legal Services	187
<b>Total Office of the City Manager</b>	<b>\$ 187</b>
Edmonton Economic Recovery Grant - Economic and Environmental Sustainability	4,156
Zoning Bylaw - Development Services	725
Re-Imagine - Corporate Strategy	706
River Valley Planning Modernization - City Planning	476
City Plan Implementation - City Planning	297
Business Licensing Bylaw Implementation - Development Services	287
<b>Total Urban Form and Corporate Strategic Development</b>	<b>\$ 6,647</b>
<b>Total Commitments Not Completed Before 2019 Year-End - Recommendation 3</b>	<b>\$ 7,793</b>

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

***Recommendations 5 - Operating commitments funded through reserves or external non tax-levy funds in the 2020 approved budget that were not completed by year-end. Budget adjustments are recommended to reallocate 2020 expenses and offsetting funding sources into the 2021 operating budget, with no impact to the Financial Stabilization Reserve or the 2021 tax-levy position.***

***Recommendation - 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 carryforward into 2021 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>
			-