

## Reduction of Proposed Tax Increase

### Recommendation

That the November 28, 2018 Financial and Corporate Services report CR\_6462, be received for information.

### Previous Council/Committee Action

At the September 18/20, 2018 City Council meeting the following motion was passed:

That Administration provide a list of possible services that could be reduced, changed, or eliminated in order to further reduce any proposed tax increase. This list is to include options that would allow us to achieve budget reductions equivalent to 1% of the tax levy (\$16.1 million), a 2% reduction (\$32.2 million), a 3% reduction (\$48.3 million), and a 4% reduction (\$64.4 million). This list is to be provided with the budget package.

### Executive Summary

This information report provides detail on possible services that could be reduced, changed or eliminated to pursue further reductions to the proposed 2019-2022 tax increases or advance unfunded service packages. All changes in services as outlined in this report require City Council direction if the savings are to be achieved within the 2019 operating budget.

### Report

Administration presented a proposed 2019-2022 Operating Budget for Tax-Supported Operations (Civic Programs, Boards and Commissions) and Municipal Enterprises to City Council on November 7, 2018. The proposed budget was developed based on an approach and principles described in the 2019-2022 Operating Budget Outlook presented to City Council at the June 26, 2018 meeting.

The Operating Budget Outlook presentation provided an overview of the financial challenges facing the City over the next four years. The accompanying report also created an opportunity for Council to provide direction to Administration regarding how to balance demand for service continuity and growth with cost pressures. The outlook and report were important context that described the challenge of managing potential tax increases while limiting the impact to existing service levels.

Administration is able to strike a balance between growth and constraint through a commitment to continuously improving service delivery. The development of the

proposed 2019-2022 Operating Budget incorporated ongoing savings identified through greater efficiencies, process improvement, technological innovation, and the Program and Service review recommendations which were within Administration's delegated authority.

Examples of these savings include implementing a Facility Maintenance Transformation program that includes a more focused preventative maintenance approach, efficiencies in the turf enhancement program through mowing activities and a review of the training program offered to temporary staff in Parks and Roads.

### Further Budget Reduction Opportunities

In response to Council direction at the September 18, 2018 meeting, Administration has identified potential strategies to further reduce the proposed tax increase for the 2019-2022 operating budget (Attachment 1).

The potential strategies noted below are not listed in priority order:

- Core Service Shifts
- Workforce Strategies
- Council Initiative Changes
- Edmonton Police Service
- Addressing the Responsibility of Other Orders of Government
- Reduction in Funding to Partners
- Cost Recovery
- Revenue Generation

The proposed 2019-2022 Operating Budget was developed with extensive and methodical planning to manage potential tax increases while limiting the impact on existing service levels. These potential strategies, which are described in Attachment 1, have not been examined and considered with the same rigour due to time constraints. Additionally, these strategies represent much higher impact on existing services, including the complete exit from some current lines of business.

Although some of the strategies have been contemplated as part of the Program and Service review, none of the potential strategies were incorporated into the proposed 2019-2022 Operating Budget because of the additional time that will be required to implement them in a well-planned, effective and minimally disruptive manner. Administration has responded quickly to identify strategies that could be taken to reduce the proposed 2019-2022 Operating Budget in the very short term; however, pursuing immediate cost savings may erode the trust and confidence City staff and Edmontonians have in Administration, particularly around its commitment to a transparent and principled approach to managing the City for everyone.

With this in mind, Administration believes that, if directed by Council, the potential one and two percent budget reduction strategies identified in Attachment 1 can be

implemented for cost savings that can be realized in the 2019 operating budget. Administration has discussed the EPS related items in Attachment 1 directly with Edmonton Police Service.

If City Council would like further information related to specific workforce strategies or core service shifts, Administration will ask Council to go in private subject to Section 24(1)(d) of *The Freedom of Information and Protection of Privacy Act*.

### Continuous Improvement and Future Budget Impacts

Administration will explore some of the items identified in this report as part of the City's due diligence and ongoing continuous improvement efforts as is the normal practice. Prudence is necessary to respect the considerable impact that these strategies may have on a variety of stakeholders including City staff and the public.

As these and other continuous improvement efforts result in future cost savings and/or additional revenue generation, the 2019-2022 Operating Budget will be updated and adjusted through a defined budget adjustment process as outlined in the November 6, 2018 Financial and Corporate Services report CR\_6346.

Administration presented the budget implications of ongoing continuous improvement activities through similar budget adjustments during the last multi-year operating budget cycle. For example, as part of the Fall 2017 Supplemental Operating Budget Adjustment, Administration identified \$47.5 million in savings, including \$19.6 million in harvestable savings. These savings have allowed Administration to propose reducing the approved 2018 tax levy increase from 5.0 percent to 3.6 percent.

From 2010 to 2018, Administration has proactively avoided more than \$300 million in potential tax levy impact through a combination of additional revenue and reducing expenditures from efficiencies and innovation. Each year, Administration reports these avoidances as part of the budget documentation available to Council and the public.

### **Public Outreach**

Administration used a variety of approaches to communicate the proposed 2019–2022 Operating Budget and gather public input. The communications plan aimed to improve the public's understanding of how City funds are spent and how Administration develops the budget.

Administration's communications approach for the 2019 to 2022 budget cycle included a Budget Roadshow that traveled to festivals and community events in the months of August and September. The Budget Roadshow included budget-themed activities to help start conversations and inform participants about basic City Budget facts. It also encouraged Edmontonians to visit [edmonton.ca/mybudget](http://edmonton.ca/mybudget) to provide input about budget priorities through an online tool and survey.

The online tool included a movable “slider” that showed respondents the impact of either increasing or decreasing the monthly contribution to various service categories.

Average of all respondents: increase spending	Average of all respondents: decrease spending
<ul style="list-style-type: none"> <li>● Community Services</li> <li>● Community Standards</li> <li>● Fire Rescue</li> <li>● Neighbourhoods and Parks</li> <li>● Police Services</li> <li>● Public Transit</li> <li>● Summer Road Maintenance</li> <li>● Winter Road Maintenance</li> </ul>	<ul style="list-style-type: none"> <li>● City Governance</li> <li>● Economic Development</li> <li>● Operational Support</li> <li>● Planning and Permitting</li> <li>● Public Library</li> <li>● Recreation Facilities and Attractions</li> <li>● Communications and Engagement activities</li> </ul>

Survey participants were also asked to rank their preference for Council investing in areas like LRT expansion, traffic safety, climate change adaptation/environment, and debt reduction from 10 (very important) to one (not important). Survey respondents ranked Emergency Services as the highest priority and Social Development as the lowest priority.

A detailed Budget Survey and Outreach Report are provided as Attachment 2.

More than 120 Edmontonians also addressed City Council directly about their concerns and questions regarding the proposed 2019-2022 Operating Budget during the Non-Statutory Public Hearing on November 15/26/28, 2018.

### Corporate Outcomes and Performance Management

Corporate Outcome(s): The City of Edmonton has a resilient financial position.			
Outcome(s)	Measure(s)	Result(s)	Target(s)
Effective financial planning preserves and enhances the City's financial position.	City of Edmonton Credit Rating (Standard & Poor's rating)  Annual tax rate increase required for base Operating Budget (per Administration's proposed 2019-2022 Operating Budget)	AA+ (2017)  0.6% (2019) 0.3% (2020) 0.8% (2021) 1.9% (2022)	AA+ (2018)  Within inflationary forecast for Edmonton Economy

**Attachments**

1. Summary of Potential Saving Strategies
2. Budget Survey and Outreach Report - 2018

**Others Reviewing this Report**

- C. Owen, Deputy City Manager, Communications and Engagement
- G. Cebryk, Deputy City Manager, City Operations
- A. Laughlin, Deputy City Manager, Integrated Infrastructure Services
- K. Armstrong, Deputy City Manager, Employee Services
- R. Smyth, Deputy City Manager, Citizen Services
- P. Ross, Acting Deputy City Manager, Urban Form and Corporate Strategic Development