



Managing the Corporation *Financial and Corporate Services*

Budget Planning and Financial Reporting

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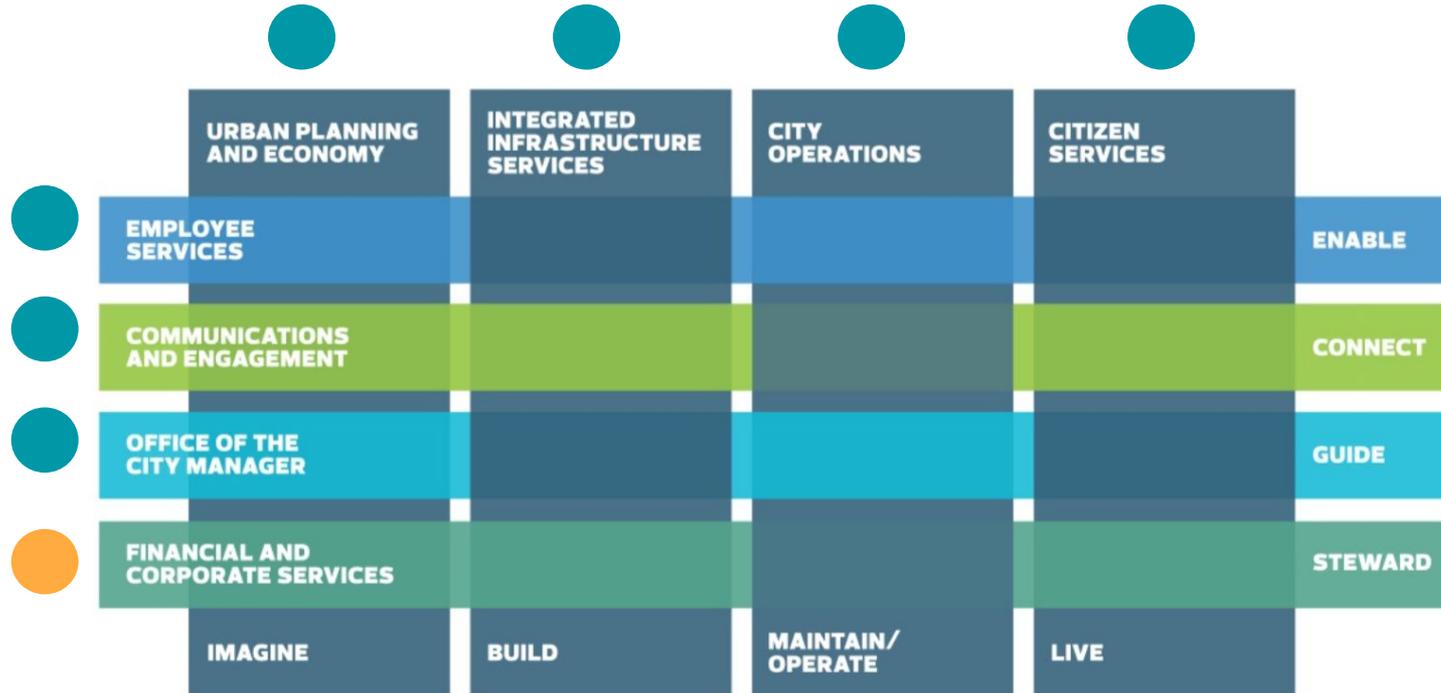
November 3, 2021

Strategic Wayfinding



Our four-year budgets operationalize the Corporate Business Plan.

Corporate Wayfinding



 = Lead Department  = Supporting Departments

The next 90 days of Budget Process and Financial Reporting

In the next 30 days...

- Fall 2021 Supplementary Budget Adjustments (2022 Budget)
- COVID 2022 Budget Adjustment
- 2021 Q3 Financial Results released
- November 22: Presentation of above items
- November 29: Budget non-statutory public hearing

In the next 60 days...

- December 2021 Reserves Review
- December 13-15: Council 2022 budget deliberations

In the next 90 days...

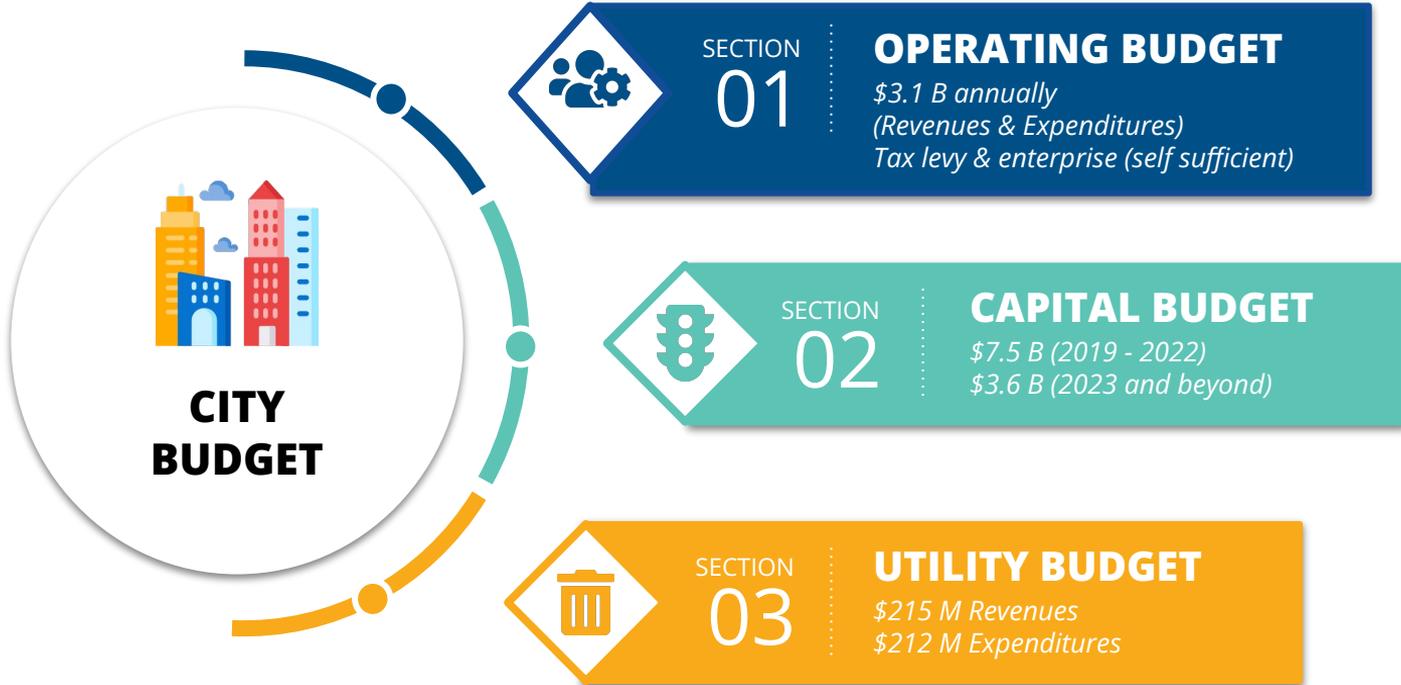
- Year end financial close and reporting process
- Continued preparation of 2023-2026 proposed budgets

The overview of our session today

1. Budget Highlights
2. Financial Sustainability
3. Budget Process
4. Financial Reporting
5. Investments

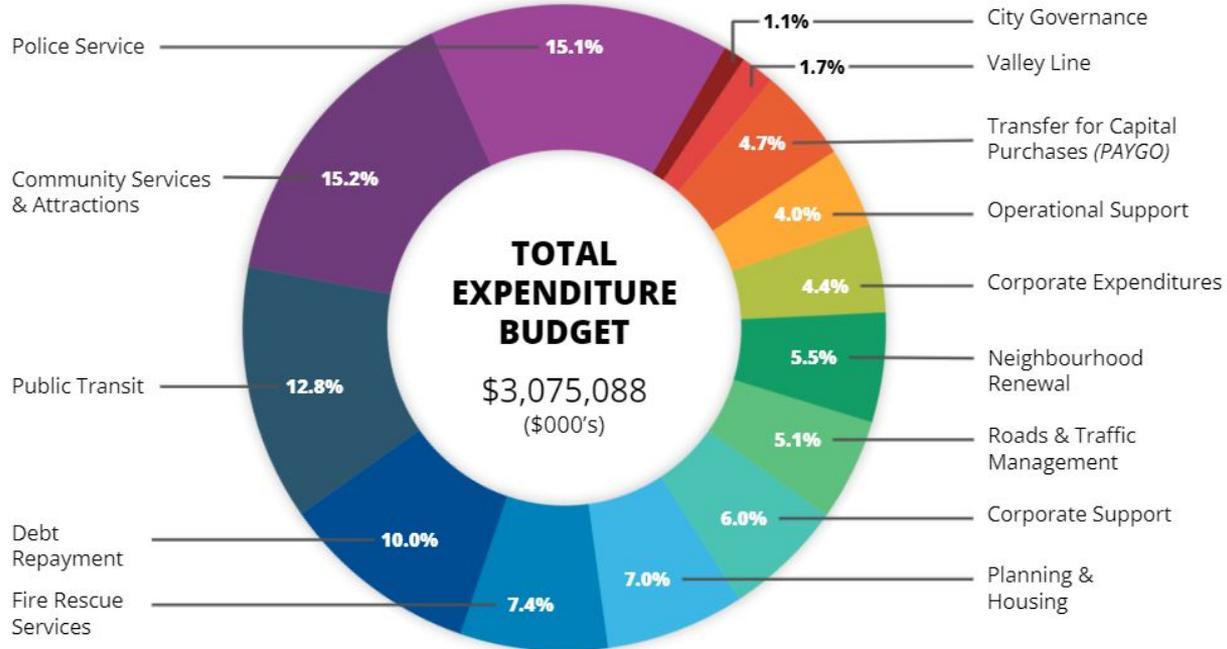
Budget Highlights

City Budget



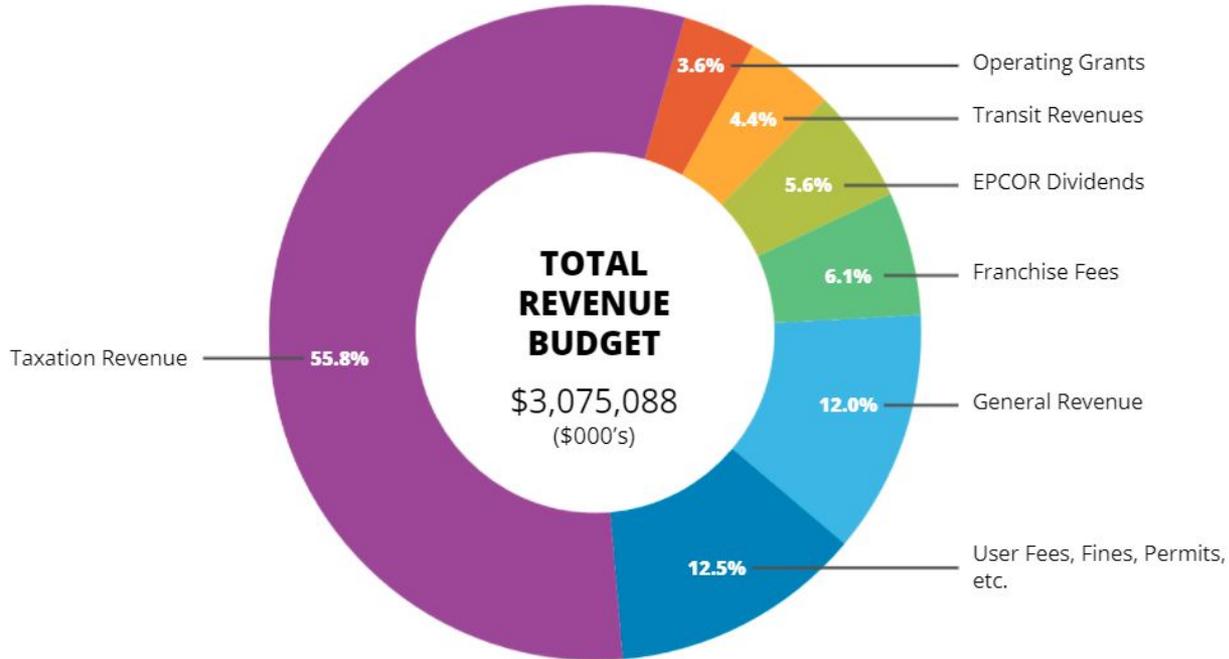
Operating Budget - Expenditures

2021 EXPENDITURES - Spring 2021 SOBA excluding COVID Adjustments



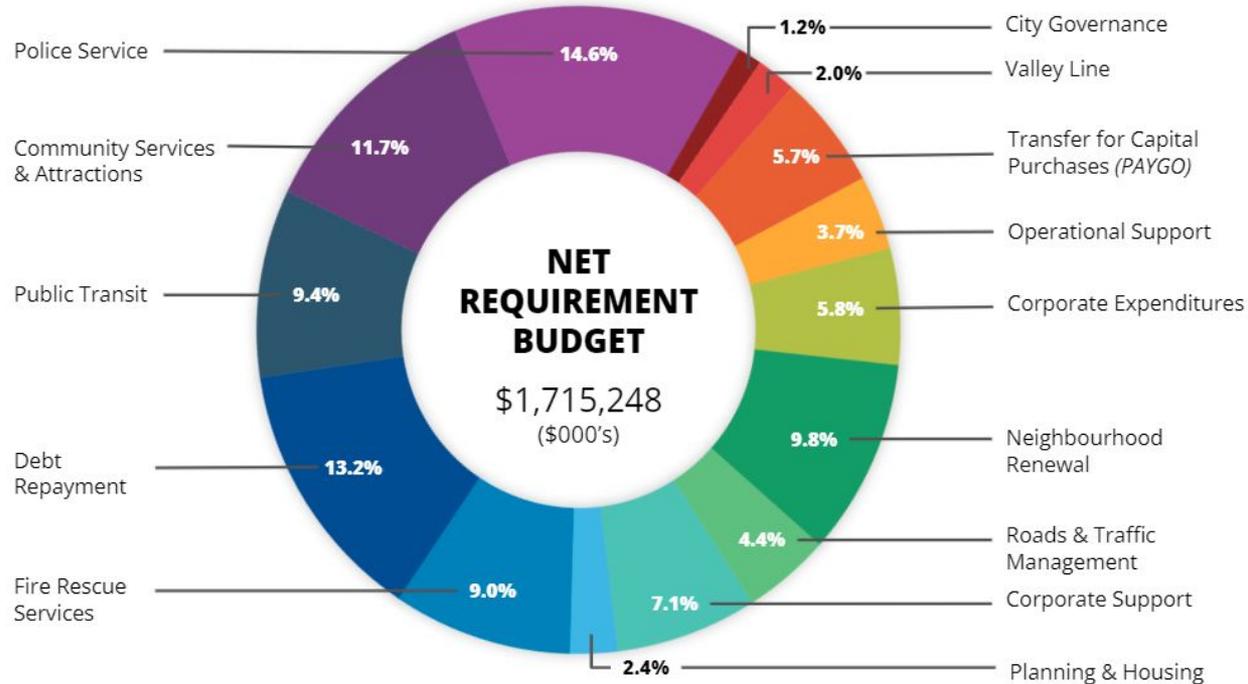
Operating Budget - Revenues

2021 REVENUES - Spring 2021 SOBA excluding COVID Adjustments



Budget - Net Requirement

2021 NET REQUIREMENT - Spring 2021 SOBA excluding COVID Adjustments



Budget - 2019-2022 Capital Budget (\$M's)

Tax-Supports Operations	2019 to 2022	2023 & Beyond	Total
Approved 2019 - 2022 Capital Budget	\$7,245	\$3,521	\$10,766
Waste Utility	2019 to 2022	2023 & Beyond	Total
Approved 2019 - 2022 Capital Budget	\$214	\$41	\$255
Blatchford and Downtown District Energy Utility	2019 to 2022	2023 & Beyond	Total
Approved 2019 - 2022 Capital Budget	\$49	\$5	\$54
TOTAL APPROVED CAPITAL BUDGET	\$7,508	\$3,567	\$11,075

Financial Sustainability

Financial Sustainability

Cities Have Clear Mandate From Citizens

- To provide programs, services, facilities and infrastructure

Cost of Fulfilling Mandate is Significant

- Limited tools need to be balanced to finance operating and capital obligations

Continued Financial Strength (“Sustainability”) Required

- To meet both current & future obligations in a way that limits:
 - Unexpected tax, utility rate or user fee increases
 - Unplanned cutbacks in program or service levels
 - Unjustified reductions in infrastructure investment
 - Compromising capacity to do same in the future

Financial Sustainability for the City of Edmonton

Part of Municipal Sustainability Movement

- Leader in municipal infrastructure and asset management
- Business planning, budgeting, debt management, investments

Award Recipient

- Canadian Award for Financial Reporting: 27 consecutive years
- Distinguished Budget Presentation: 20 consecutive years
- Popular Annual Financial Reporting: 6 consecutive years

AA Credit Rating (S&P Global Ratings)

- Strong liquidity, prudent financial management, stringent City policies

City Still Faces Significant Financial Challenges

Financial Challenges for the City of Edmonton

1. Limited Revenue & Taxation Tools
2. Reliance on Provincial & Federal Grants
3. Evolving Responsibilities and Changing Demands
4. Shifting Economic Landscape

Financial Capacity

Sufficient Revenue to Support Programs, Services, Capital

Revenues (Diversified and Stabilized Mix)

- Taxes, user fees, franchise fees, EPCOR, investments, grants
- Property taxes balanced between residential & non-residential

Expenditures (Prioritize)

- Striving for financially sustainable, efficient, compact city
- City growing, large # of strategic objectives with limited dollars

Fiscal Policy for Revenue Generation

- Clear governing framework for allocating service and infrastructure costs:
Who pays for what, in what amount and why?

Asset Stewardship

Optimize life cycle & value for money of municipal assets

Infrastructure (Balance Renewal vs Growth)

- Asset Management Strategy - in progress
- Risk-based Infrastructure Management System (RIMS)
- 2019-2022 Budget comprised of 60% growth & 40% renewal

Investments (Maximize Returns at Prudent Risk Level)

- Ed Tel Endowment Fund established in 1995 (\$1 billion)
 - Principal is unallocated and held to earn income
- \$3.7 billion of assets at end of September 2021 (includes the \$1 billion above)

Financial Management and Flexibility

Sufficient reserves, working capital and debt capacity

Reserves

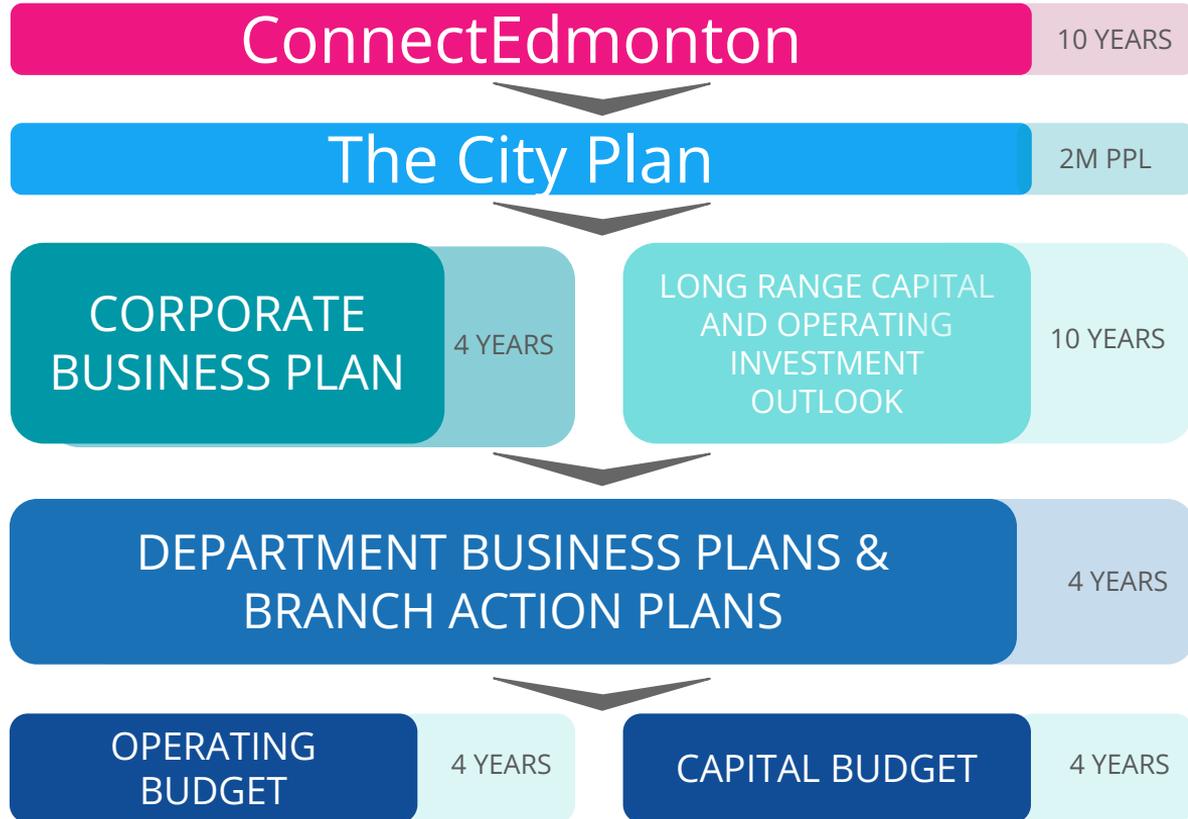
- Financial Stabilization Reserve (FSR)

Debt Capacity (Debt Management Fiscal Policy)

- Debt for large capital projects; not operating expenditures
- Internal limits for debt more conservative than MGA limit

Budget Process

Budget and Corporate Strategy



Operating Budget

Operating Budget - Process 2023-2026

10 Year Operating Investment Outlook
(Developed now until May 2022)



4 Year Proposed Operating Budget for Council debate & approval
(November to December 2022)



Supplemental Budget Adjustments
(Occur twice per year in 4 year cycle)



Fall SOBA (Nov): adjustments before approving annual budget



Spring SOBA (Apr): finalization of tax increase (minimal adjustments)

WE ARE
HERE

Key Operating Budget Terms

Key Budget Terms:

- **Budget Adjustment** - amendment to the already approved budget
- **Service Package** - method to request new or enhanced services, growth on existing services, or increases resulting from impacts of Capital, that require funds
- **One-time** - expenditures that are temporary (typically one year).
- **Ongoing** - expenditures that are permanent once approved.

Key Budget Principle:

- Ongoing expenditures require ongoing funding sources.

Operating Budget Approach



2022 COVID BUDGET STRATEGY
ONE-TIME BUDGET REDUCTIONS IN 2022



2022 TAX INCREASE - 1.8%
ONGOING ADJUSTMENTS STARTING IN 2022



2023 & BEYOND
LONGER TERM STRATEGIES



Components of Municipal Property Tax Increase

	2021	2022
Municipal Services	(1.8)	0.4
Edmonton Police Services	0.6	0.7
Valley Line LRT	0.6	0.4
Alley Renewal	0.3	0.3
Tax Increase	(0.3)%	1.8%

Figures based on Spring 2021 Supplemental Budget Adjustment

Property Tax

The Role of Property Tax

- Property Tax = ~57% of overall operating revenue
- Tax Levy Requirement = Total Municipal Expenditures - Non-Property Tax Revenues

1. Tax Rate Formula (budget-based)

$$\frac{\text{Levy Requirement}}{\text{Assessment Base}} = \text{Tax Rate}$$

2. Individual Property Tax Formula

$$\text{Property Assessment} \times \text{Tax Rate} = \text{Property Tax}$$

- Property tax ensures the City always collects what it requires - no more and no less (the City cannot budget for operating deficits).
- Council determines the tax levy requirement. Assessors determine the assessment values.
- Tax levy increases have a positive impact on the tax rate. Assessment value changes have an inverse relationship to the tax rate.
- The impact of a tax increase is unique to each property owner.

Tax Classes and Subclasses

	Residential	Other Residential	Non-Residential
Total Revenue	54%		46%
Total Assessment	77%		23%
Tax Rate Ratio	1	1.15	2.8

***Decreases in taxes to one group mean increases in taxes to another**

Other Tax Topics

- Tax Classes and Subclasses
- Equalization and Provincial Education Tax
- Local Improvement Levies and Special Taxes
- Community Revitalization Levies (CRLs)
- Property Tax Exemptions
- Business Improvement Area Taxes (BIAs)
- Assessment Appeal Process
- Monthly Payment Options
- Tax Enforcement Action and Tax Sale
- Approaches to Assessment Valuation
- Assessment Growth
- Regulated Property Assessment

Capital Budget

Capital Budget - Process 2023-2026

10 Year Capital Investment Outlook
(Developed now until May 2022)



4 Year Proposed Budget & 10 Year Capital Plan for Council debate & approval
(November to December 2022)



Supplemental Budget Adjustments
(Occur twice per year in 4 year cycle)



Fall SCBA (Nov): adjustments before approving annual budget



Spring SCBA (Apr): prior to construction season



Sustaining our Existing Assets

Over **6.7 million** individually identified assets with a total replacement value of **\$29.9 billion**

11,310 Lane km of Roads and Alleys

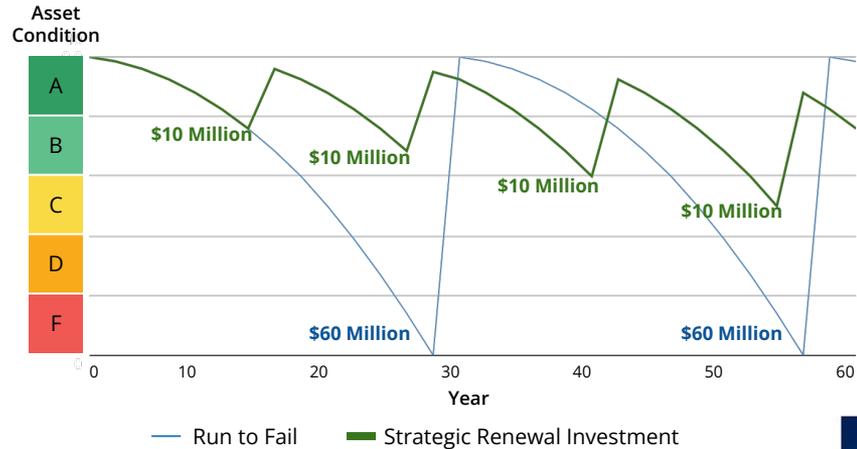
5,568 km of Sidewalks

623 km of Trails

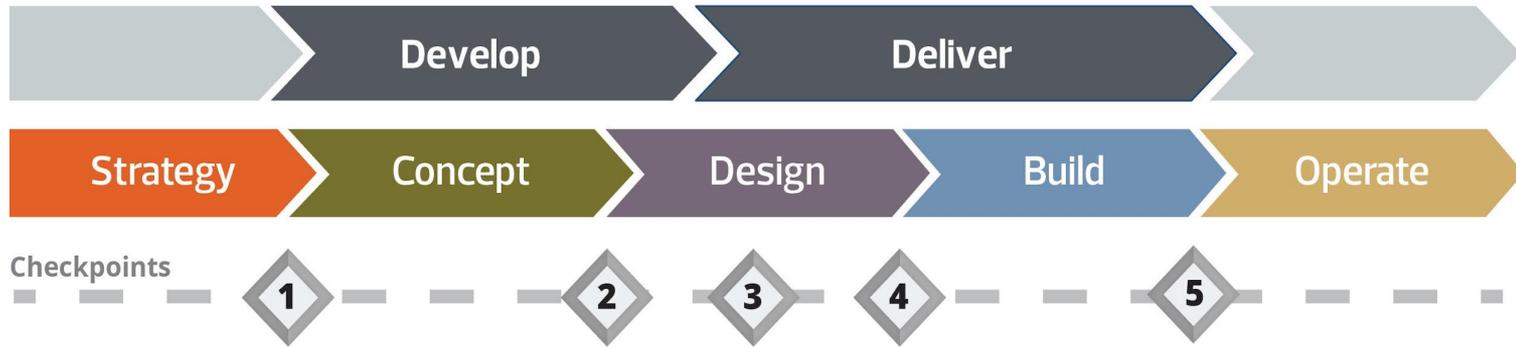
94 Light Rail Vehicles

957 Buildings

Approximately **\$500 million** in capital funding is spent each year to renew these assets



Capital Project Governance Policy (C591): Project Development & Delivery Model (PDDM)



Project Develop & Deliver Model (PDDM)

- **Checkpoint 1 - Project Initiation (-50%/+100%)**
- Checkpoint 2 - Authorization for Design Expenditure (-30%/+50%)
- **Checkpoint 3 - Capital Budget Approval (-20%/+30%)**
- Checkpoint 4 - Authorization to Construct (-10%/+15%)
- Checkpoint 5 - Authorization for Project Closeout

Key Improvements to Budget Process

- **Priority Based Budgeting**
 - Process to rationalize allocation of limited resources to services, programs and projects based on their alignment with Council's goals and objectives.
- **Carbon Accounting Framework**
 - Integrated into 2023-2026 operating and capital budgets
 - Provides estimate of GHG emissions associated with services, programs and projects.
 - Ensures that the decision-makers are aware that approving services, programs and projects that increase emissions will mean they must deduct those emissions from the city's carbon budget.

Financial Reporting

Financial Updates

Operating Financial Updates Provide:

- Current year-to-date operating results
- Projected year-end results compared to the approved operating budget
- Explanation of variances
- Projected balances for significant reserves

Reported **quarterly** to Council and monthly at the **branch** level.

Capital Financial Updates provide:

- Status of significant capital projects compared to the approved capital budget and schedule (**red**, **yellow**, or **green** status)
- Overall results against the approved capital budget
- Update on debt status compared to Provincial and City Policy limits

Reported **quarterly** by **Significant Capital Profile** and **Debt Limit**

Building Edmonton

99 Street: 34 Avenue to Whitemud Drive Rehabilitation

-  Budget - The project is currently on budget.
-  Schedule - The project is currently on schedule.
-  Scope - The project is within the scope approved in the project charter.

Description:

The rehabilitation of 99 Street from 34 Avenue to Whitemud Drive includes reconstruction of the roadway base, paving, curbs, gutters, sidewalks, streetlights and signals if necessary.

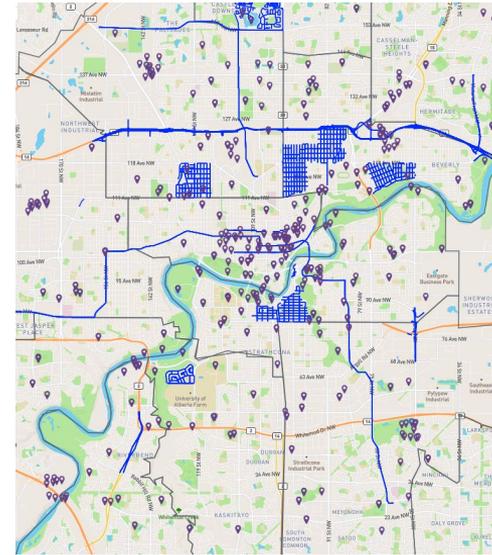
Latest Update:

Construction began in Q2 of 2021 and will finish in Q4 of 2021.

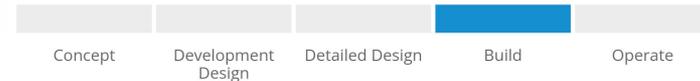


Approved Schedule Forecasted Schedule
October, 2021 **October, 2021**

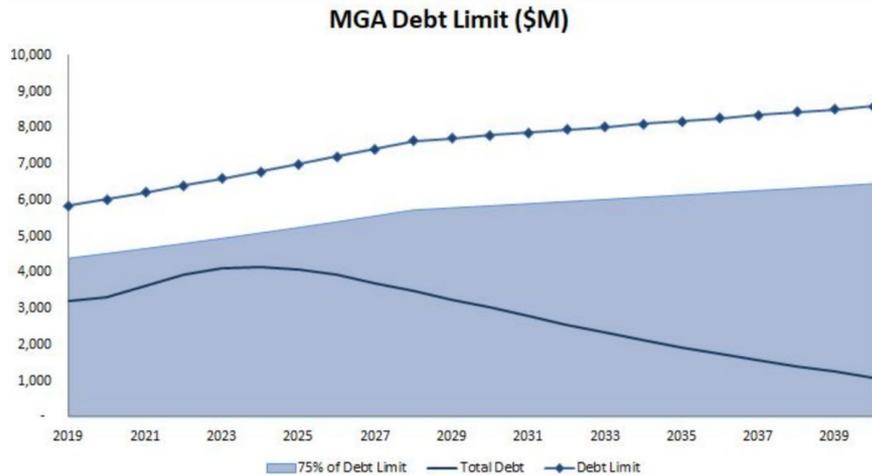
Approved Budget Forecasted Budget
\$6.88 million **\$6.88 million**



Phase



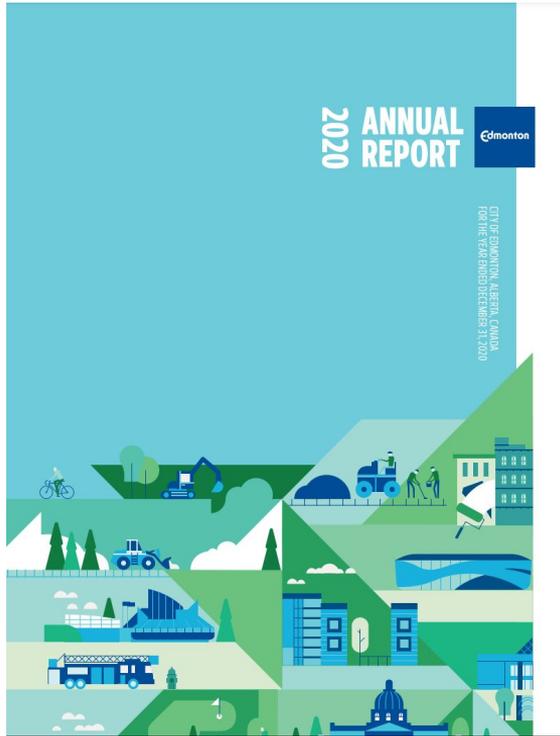
Capital Financial Update - Debt



Value to City Council:

- Includes an update on debt with respect to the debt limits and a 20 year debt forecast to show the City's projected debt position.
- Understand the City's debt including commitments made and financial constraints/capacities

Annual Report



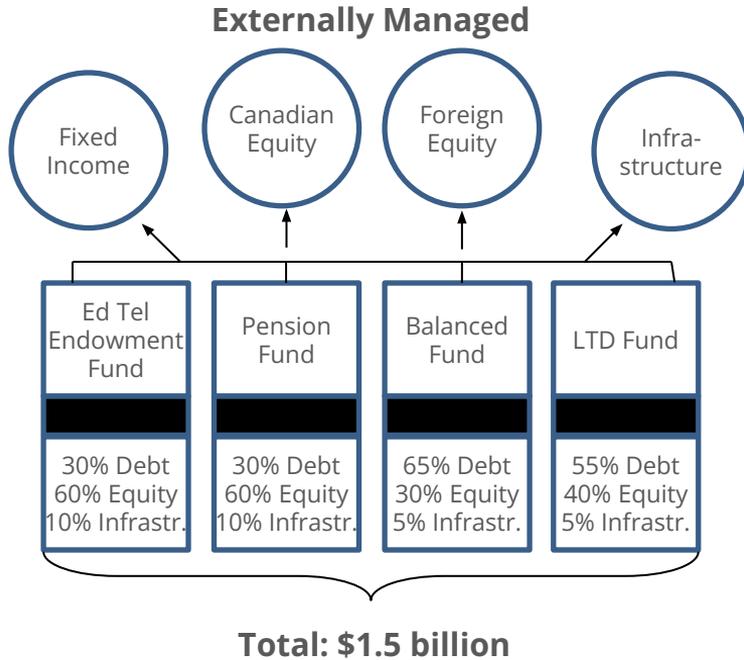
Serves as an opportunity to communicate with citizens, stakeholders and others regarding the City's financial performance and to provide related information regarding significant financial policies, strategies and events.

- Includes Consolidated Financial Statements
- Audited by KPMG LLP
- Presented annually to Audit Committee for review and Council for approval

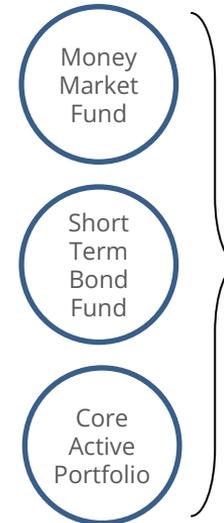
Investments

Investment Fund Structure

Total: \$3.7 billion managed



Internally Managed



**Total:
\$2.2 billion**

Investment Committee Terms of Reference

Investment Committee	Deputy City Manager and Chief Financial Officer	City Manager	City Council
Advises on Policy, Strategic, Investment & Operational Issues Monitors Performance & Compliance	Implements Policy, Strategic, Investment & Operational Issues Evaluates Performance Reports on Compliance	Recommends the Investment Policy Establishes Investment Committee Approves Terms of Reference Monitors Compliance	Approves Investment Policy Reviews Annual Report

Questions?