

Fall 2021 Supplemental Budget Adjustment

City Council
November 29, 2021

Agenda

Budget Process

Budget Approach

Economic Update

COVID 2022- Financial Impacts and Funding Strategy

2022 Operating Adjustments (Fall 2021 SOBA)

2022 Capital Adjustments (Fall 2021 SCBA)

Carbon Accounting Framework Update

Next Steps

Overall Budget Process



2019-2022 BUDGETS

2022 COVID BUDGET STRATEGY
One-Time Adjustments

2022 OPERATING ADJUSTMENT
Ongoing Adjustments

2022 CAPITAL ADJUSTMENT

2023-2026 PLANNING

OPERATING INVESTMENT
OUTLOOK

CAPITAL INVESTMENT
OUTLOOK

CORPORATE BUSINESS
PLAN

2023-2026 BUDGETS

2023-2026 OPERATING
BUDGET

2023-2032 CAPITAL PLAN &
2023-2026 CAPITAL
BUDGET



2022 Operating Budget Approach



2022 COVID BUDGET STRATEGY *ONE-TIME BUDGET IMPACTS*

- **One-time** reductions to revenue resulting from COVID:
 - Transit
 - Recreation Facilities Revenue
 - Other Revenues
- **One-time** additional costs resulting from COVID
- **One-time** strategies to offset COVID-19 revenue and additional cost impacts
- **COVID 2022 Financial Impacts and Funding Strategy Adjustment**



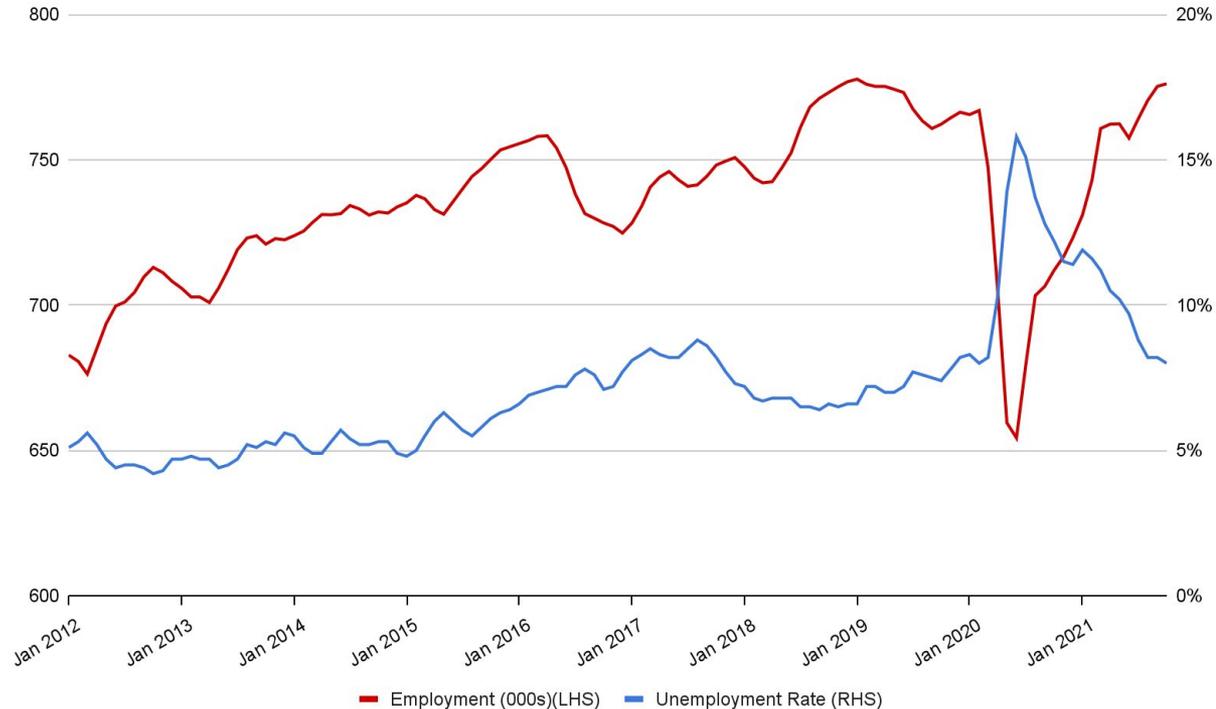
2022 TAX INCREASE - 1.8% *ONGOING BUDGET IMPACTS*

- **Ongoing**, permanent adjustments to the operating budget
- Proposed 1.8% tax increase
- **Fall 2021 Supplemental Operating Budget Adjustment**

Economic Update

CMA Employment & Unemployment Rate

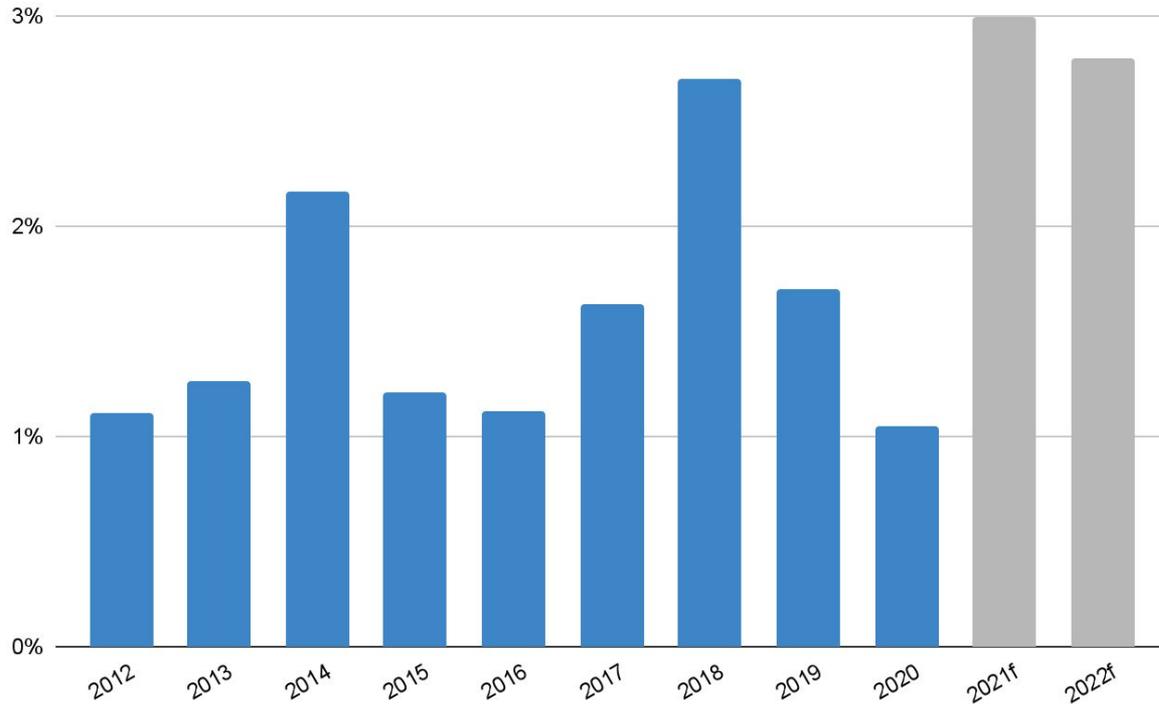
Labour market rebounded faster than expected



Source: Statistics Canada, 3-month moving average (3-mma) for Edmonton CMA

CMA Inflation Rate

Elevated pressures likely to persist in the near term



Source: Statistics Canada, City of Edmonton and Stokes Economics; forecast(f)

COVID 2022

Financial Impacts and Funding Strategy

Principles to Address the Financial Impacts of COVID



SAFETY - The public's safety is a top priority.



LONG RANGE FOCUS - Address the short term issues but be mindful of the impact on the municipal corporation's long-term financial sustainability.



LOCAL ECONOMY - Continue to support stabilization of the local economy.



HONOUR RELATIONSHIPS - Workforce strategies will be fair and respectful.



CITY BUILDING - Evaluate for 2020 and beyond to determine what advances.



DEMONSTRATE EMPATHY - Limit tax increases for Edmontonians.



COMBINATION OF TOOLS - Revenue reductions will be addressed with a combination one-time funding as well as and strategic decisions on spending/service reductions.

Looking Back - COVID Impacts 2020 and 2021

COVID-19 2020 & 2021 Impacts and Funding Strategies (One-Time Adjustments)		
(\$ millions)	2020	2021
Revenue Reductions	(\$143.2)	(\$121.5)
Additional COVID Costs	(\$9.7)	(\$30.5)
Total Impact	(\$152.9)	(\$152.0)
Funding Strategies:		
Municipal Operating Support Transfer	\$152.9	\$5.3
Expense management, reserves (including capital)	-	\$146.7
Total Funding Strategies	\$152.9	\$152.0
COVID-19 Funding Shortfall	-	-

Looking Forward - COVID 2022 Financial Assumptions

Service Levels and Duration

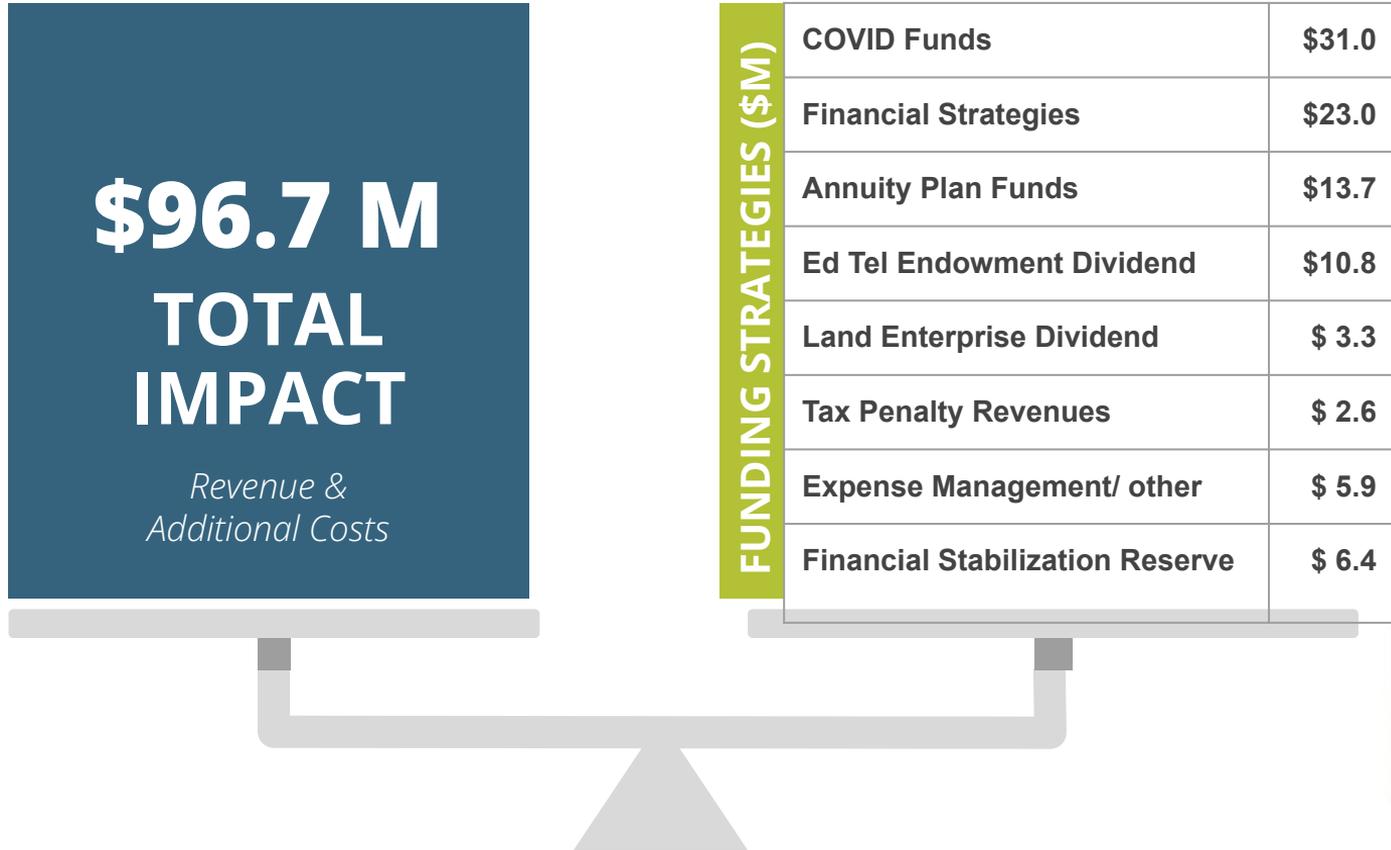
- Legacy impacts of the pandemic will exist for majority of 2022
- Full service levels in Recreation Facilities and Edmonton Transit
- Revenue reductions are mainly related to reduced demand for services

COVID-19 2022 - Financial Impacts

COVID-19 2022 Impacts (Estimate) as of August 31, 2021

(\$ millions)	2022
Reduction in revenues:	
Transit fares/non-fare	53.7
Recreation facility admissions & memberships	13.0
Parking	8.6
Automated enforcement revenues	2.6
Tag, fine revenues, other	2.7
Total Revenue Reduction	80.6
Net Additional COVID Costs	
(cleaning/PPE, isolation, security, washroom/homeless response, tax appeals, IT - remote work, redeployment)	16.1
Total Impact	96.7

COVID-19 2022 - Funding Strategy



Fall 2021 Supplemental Operating Budget Adjustment

Operating Budget

December 2018

Approval of the original 2019-2022 budget

Today

Adjustments to the previously approved 2022 budget

Fall 2021 SOBA

Change in economic forecasts

External factors/changes in legislation

Operating impacts of capital

Council directed changes

Other priority items

Requires Council approval

Attachment 1: Recommended Adjustments

2022 1.8% Tax Increase

Incremental Changes <i>(all figures subject to final costing)</i>	\$ Millions	Tax Increase (%)
Tax Increase (Spring 2021 SOBA) - Approved		1.8%
Required Changes:		
Assessment Growth Decrease	15.0	
Operating impacts of capital (Windermere Fire Station, Fleet growth, South Edmonton Hazmat Unit, SAP licensing costs, Valley Line South East LRT delay)	8.5	
Council directed items (Cost savings, Tree bylaw compliance, business license fees, payments to civic agencies)	2.7	
Regulatory changes (insurance premiums, peace officer levelling, pension adjustment)	1.9	
Franchise Fees increase (Gas, Water and Power)	(14.8)	
Debt Servicing reduction - capital project cash flows	(11.5)	
Fire Hydrant services - tax-levy to utility rates	(9.3)	
Local Authorities Pension Plan - contribution decreases (employer portion)	(7.5)	
Forecasted Tax Increase after Required Changes		0.9%
Operational service needs	4.7	0.3%
Adjustment to Financial Strategies	10.4	0.6%
Tax Increase (Fall 2021 SOBA) - Proposed		1.8%

2022 Operational Service Requirements

Service Requirements <i>(all figures subject to final costing)</i>	\$ Millions	Tax Increase (%)
Service Requirements - Improved Services to Edmontonians (ongoing)		
EPCOR - Drainage stranded costs	1.9	
Legal Services - prior budget commitments not met	0.8	
Employee Family Assistance Program	0.6	
City Hall Security and Support Model	0.4	
EPM benchmarking and measurement tool, strategic plan updates	0.3	
EPS Services Subsidy - Signature and Foundational Events	0.2	
Disability Management and OHS resources	0.2	
AKSIS support - Edmonton's Aboriginal Business & Professional Association	0.2	
Human Capital Management Sustainment Model resource	0.1	
Total - Service Requirements	\$4.7	0.3%

2022 Council Considerations

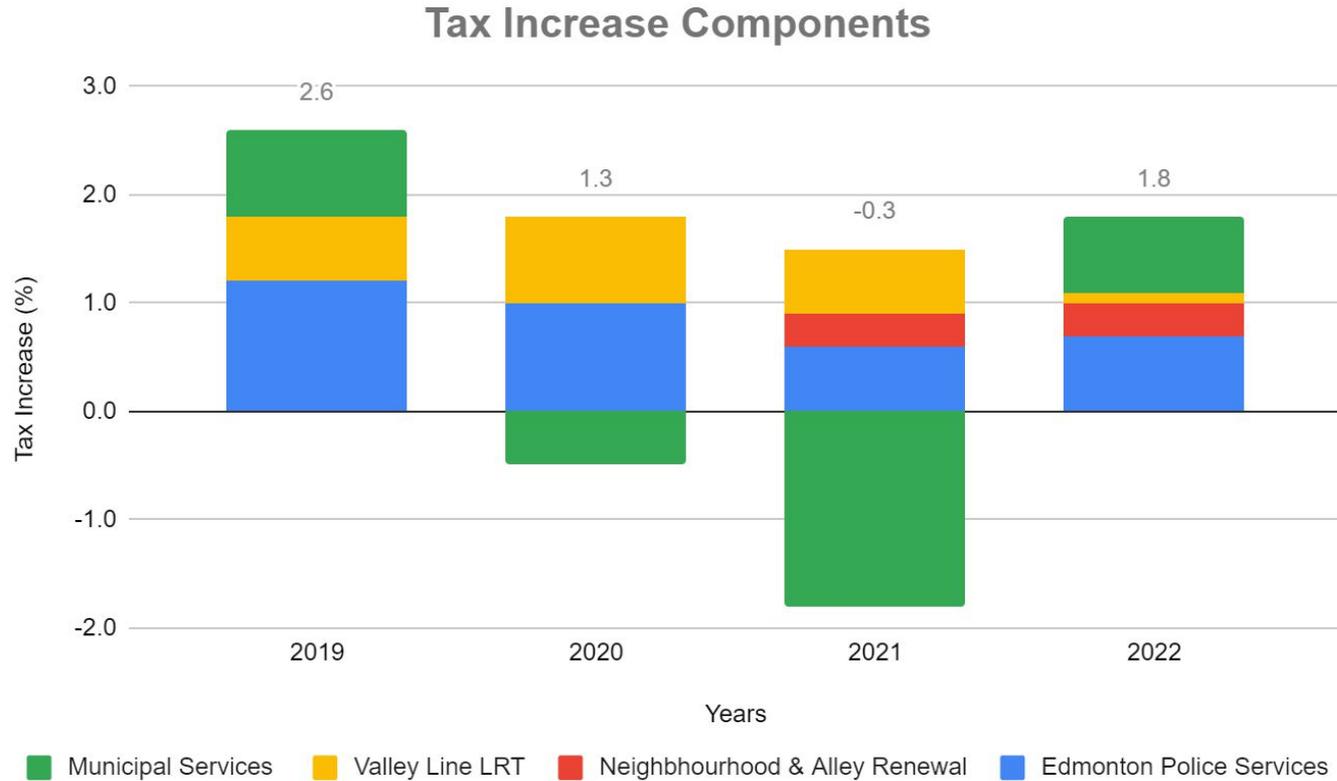
	\$ Millions	Tax Increase (%)
Council Considerations		
Social development operating subsidy	3.8	
Reinstatement of weed program to 2020 levels	1.1	
EndPovertyEdmonton/Edmonton Community Development Company funding	1.0	
Extension of Basketball Canada & Basketball Alberta Sponsorship Agreement	0.5	
Major event funding	0.5	
RECOVER Urban Wellbeing operating funding	0.3	
Total - Council Considerations	\$7.2	0.4%

- These items were requested to be brought back to Council for consideration during budget deliberations.
- Reflected as unfunded service packages in Attachment 2.

2022 Municipal Property Tax Components

	2022 Approved	Fall 2021 SOBA	2022 Proposed
Municipal Services	0.4	0.3	0.7
Valley Line LRT	0.4	(0.3)	0.1
Edmonton Police Services	0.7	-	0.7
Alley Renewal	0.3	-	0.3
Tax Increase	1.8%	-	1.8%

Tax Increase Trend



Impact of 2022 Tax Increase Residential Homeowner

(Annual Property Taxes per \$100,000 of assessment value)

	2021 Budget	2022 Budget	Annual Impact
Municipal Services	\$450	\$459	\$9
Police Services	\$157	\$160	\$3
Alley Renewal	\$69	\$70	\$1
Valley Line LRT	\$24	\$25	\$1
Total Property Tax Bill	\$700	\$714	\$14

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)

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

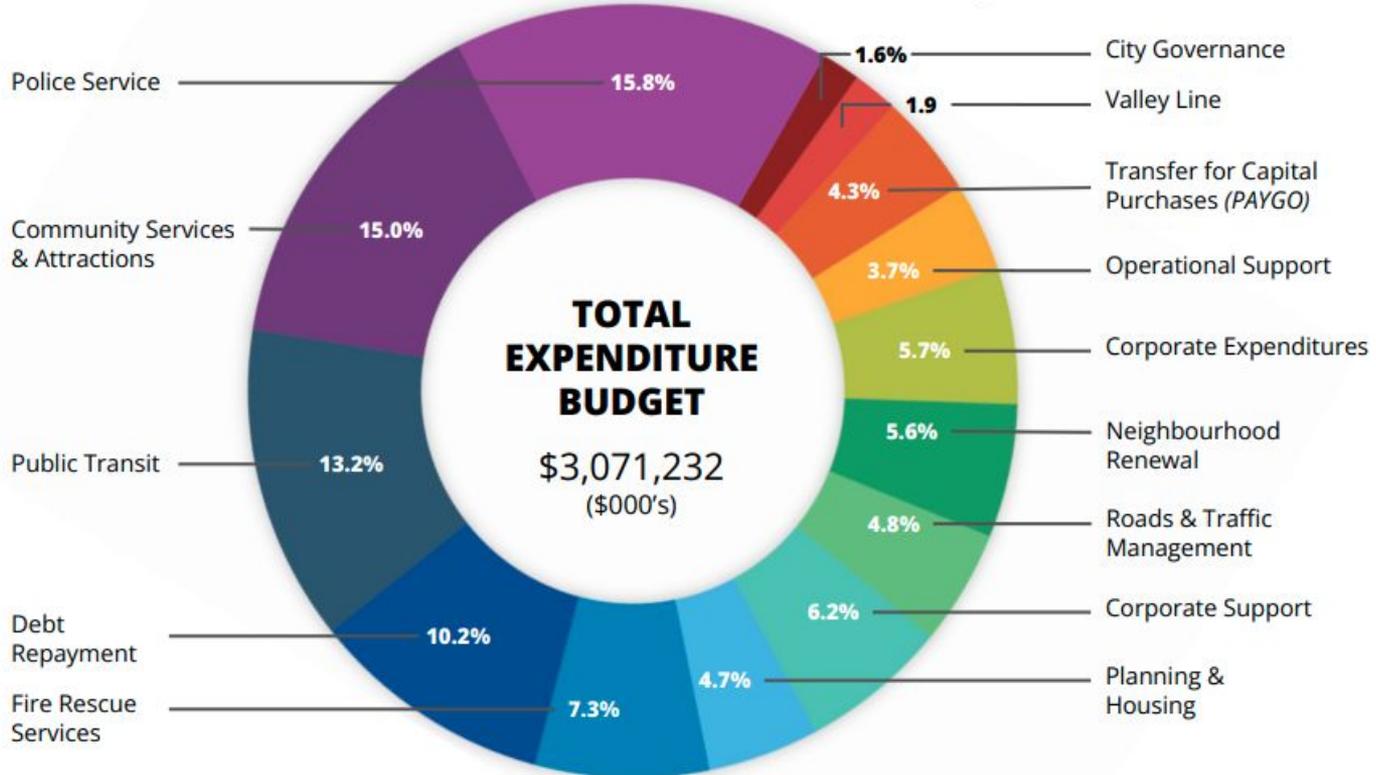
2. Individual Property Tax Formula

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

- 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.

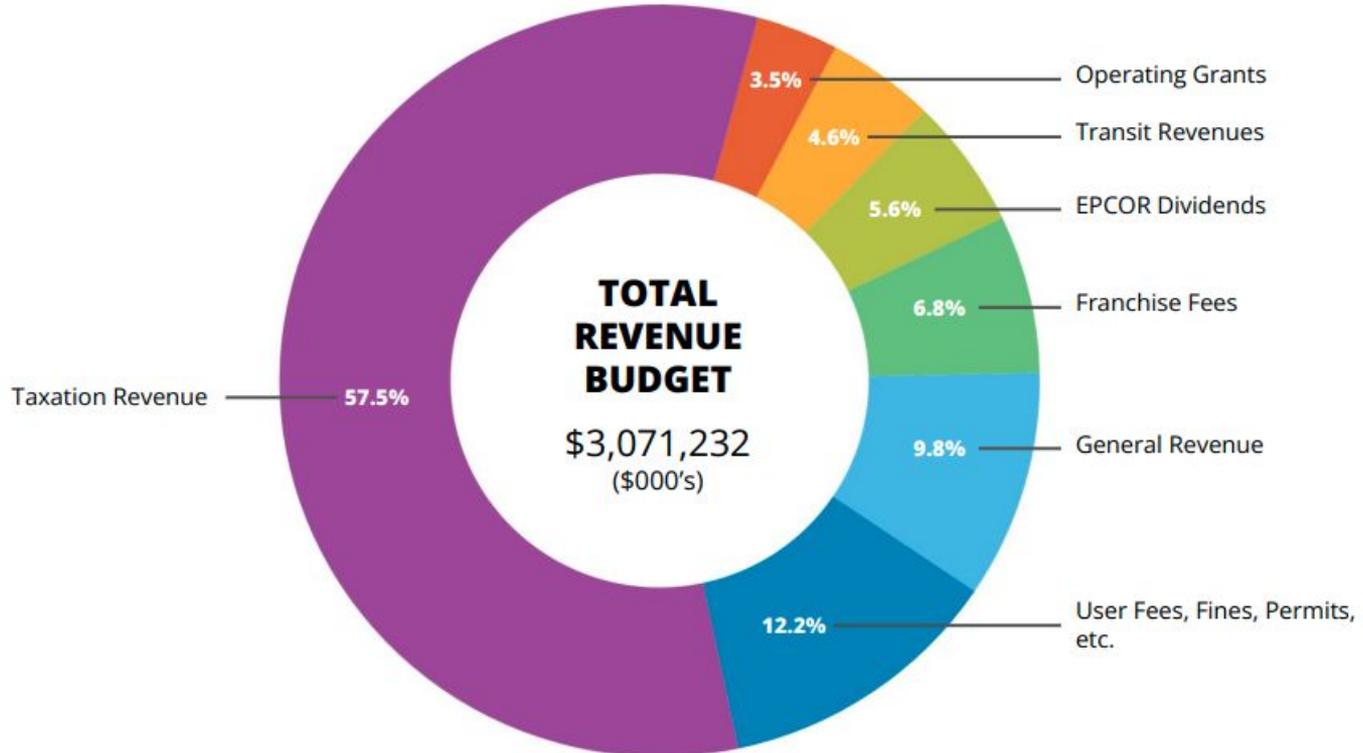
Operating Budget - Expenditures

2022 EXPENDITURES - Fall 2021 SOBA (Proposed)



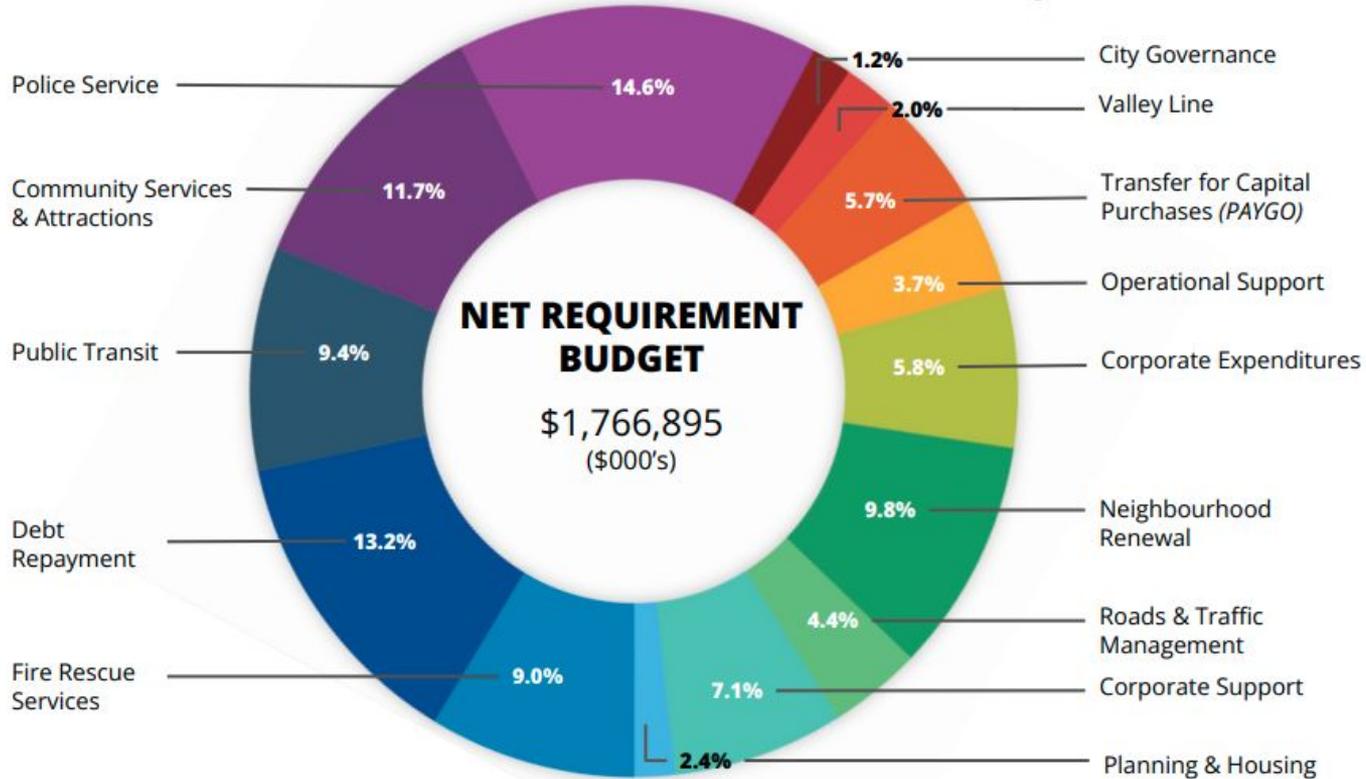
Operating Budget - Revenues

2022 REVENUES - Fall 2021 SOBA (Proposed)



Operating Budget - Net Operating Requirement

2022 NET REQUIREMENT - Fall 2021 SOBA (Proposed)



Fall 2021 Supplemental Capital Budget Adjustment

Capital Budget

December 2018

Approval of the original 2019-2022 budget

Today

Adjustments to the previously approved 2022 budget

Fall 2021 SCBA

New Profiles (16)

Recosting Adjustments (13)

Scope Changes (15)

Funding Source Adjustments (2)

Transfers Between Profiles (4)

Requires Council approval/decision

Attachment 3: recommended adjustments
(requires Council approval)

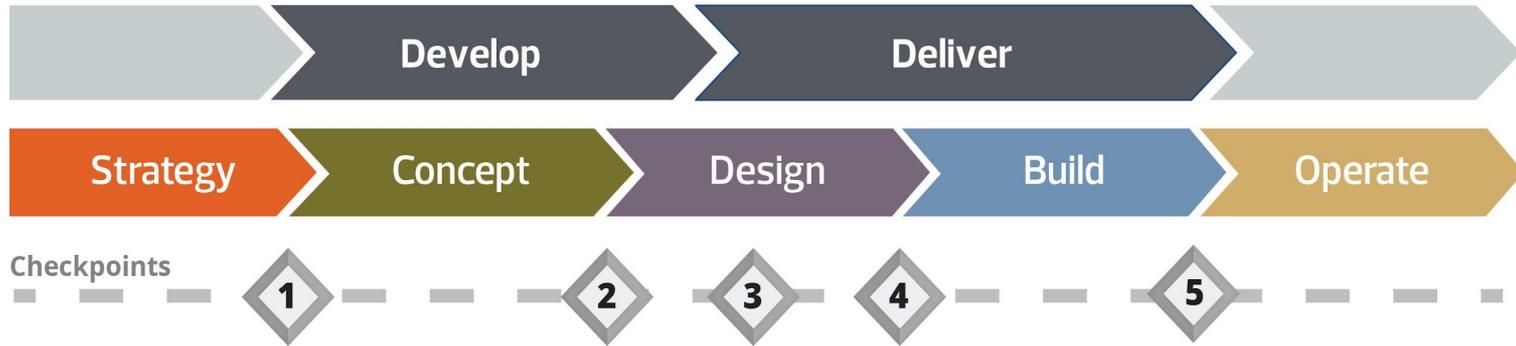
Attachment 6: Coronation Recreation Centre
(requires Council decision)

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

Tax-Supported Operations	2019 to 2022	2023 & Beyond	Total
Approved 2019 - 2022 Capital Budget	\$7,239	\$3,528	\$10,767
Waste Utility	2019 to 2022	2023 & Beyond	Total
Approved 2019 - 2022 Capital Budget	\$214	\$18	\$232
Blatchford and Downtown District Energy Utility	2019 to 2022	2023 & Beyond	Total
Approved 2019 - 2022 Capital Budget	\$48	\$5	\$53
Total approved Capital Budget	\$7,501	\$3,551	\$11,052

Capital Project Governance Policy (C591):

Project Development & Delivery 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

Fall 2021 SCBA - High-Level Impact Summary (\$M's)

Category	Total Net Budget Requests	Less: Funded with Transfers to/(from) Existing Budgets	Net Impact to Approved Capital Budget	Projects
New Profiles (New Funding)	\$4.0	-	\$4.0	<i>Relocation of Staff from City Centre West & Real Estate Transportation Legacy Land Acquisition</i>
New Profiles (Pre-approval of 2023-2026/ PDDM Checkpoint 3)	213.2	(84.8)	128.4	<i>Edmonton Expo Centre, Edmonton Convention Centre, Kinsmen, EPS Headquarters, Latta Bridge</i>
New Profiles (PDDM Checkpoint 3)	94.5	(93.9)	0.6	<i>Fire Station #8, Orange Hub Phase II, Peter Hemingway, other</i>
Sub-Total - New Profiles	\$311.7	(\$178.7)	\$133.0	
Scope Change Increases	19.2	(11.3)	7.9	<i>Major Event update, Kihciy Askiy, Nursery improvements, other</i>
Recosting - Increases	98.8	(2.8)	96.0	<i>50 Street CPR, Neighbourhood Renewal Funding Adjustment</i>
Recosting - Decreases	(26.5)	6.4	(20.1)	<i>Various</i>
Transfers Between Profiles	43.8	(43.8)	-	<i>Various</i>
Grand Total	\$447.0	\$(230.2)	\$216.8	

Main Items Contributing to \$216.8M Increase

Item Resulting in Net Increase to Budget	Amount (\$millions)	Details
Pre-approval of 2023-2026 Capital Funding for Projects	\$128.4	<i>Rehabilitation work for Edmonton EXPO Centre, Edmonton Convention Centre, Kinsmen Sports Centre Facility, EPS Police Headquarters, Latta Bridge Replacement</i>
Neighbourhood Renewal Program Funding Adjustment	\$54.2	<i>Realignment of funding and expenditures (no increase in capital plans or scope of work)</i>
50 Street CPR Grade Separation	\$42.4	<i>Increased scope</i>

Coronation Park Sports and Recreation Centre

- Council directed Administration to proceed to Checkpoint 4 (ready to tender) under the build to program/scope option
- Requires +\$41.1M to proceed for delivery (currently approved \$112.3M)
- Council direction required to proceed (Attachment 6):

Option 1 - Fund and Proceed to Delivery

- \$41.1M Budget Increase (Tax-Supported Debt)
- Estimated Completion Date of June 2026

Option 2 - Defer Project and Release Funding

- Project remains at Checkpoint 4 of PDDM
- Considered for delivery within 23-26 Capital Budget
- Release funding

Tax-Supported Debt Implications (\$M's)

Project	Amount	Funding Recommendation
50 Street CPR Grade Separation (Attachment 3 Recommendation)	\$42.4	<i>Tax-Supported Debt</i> <i>Continue to advocate for federal funding</i>
Coronation Park Sports and Recreation Centre (Attachment 6 Council direction required)	\$41.1	If Council decides to build: <i>Federal Gas Tax + Tax-Supported Debt</i>

- Total possible tax-supported debt - \$83.5M
- Administration will leverage federal funding to reduce overall debt requirement

Corporate Funding Pool

- The Corporate Funding Pool is comprised of the following Funding Sources:
 - Pay-As-You-Go
 - Municipal Sustainability Initiative (MSI)
 - Federal Gas Tax
- Funds are held to address future budget needs and manage emerging items
- Target is to maintain a positive balance

Status of Available Capital Funding (\$M's)

	Total
Funding after Spring 2021 SCBA	\$ (6.4)
<i>Funding adjustments since Spring 2021 SCBA:</i>	
170 Street Pedestrian Bridge (Gas Tax)	(7.5)
Air Services Opportunity Fund (PAYG)	(3.5)
Other adjustments	1.1
Funding before Fall 2021 SCBA	\$ (16.3)

Status of Available Capital Funding (\$M's)

	Total
Funding before Fall 2021 SCBA	\$ (16.3)
<i>Recommendations in Fall 2021 SCBA:</i>	
Pay-As-You-Go - Staff relocation, Major Event Funding, Kihciy Askiy, Other Adjustments	(8.9)
Federal gas tax - 50 Street Grade Separation & other (Hold)	(30.3)
Funding after Fall 2021 SCBA	\$ (55.5)
<i>Deficit Funding Strategies to be address through:</i>	
Pre-commitment of 2023 Pay-As-You-Go (previously approved)	46.5
2021 investment earnings - portion of forecasted increase (year-end process)	9.0
Funding Balance	\$ -

Pre-committed 23-26 Funding (\$M's)

Corporate Funding Pool	2023	2024 - 2026	Total 2023-2026
Previously Approved Projects <i>(Affordable Housing, Yellowhead Trail, LRT)</i>	\$9.7	\$27.5	\$37.2
Pre-committed 2023 PAYG (COVID-19)	46.5	-	46.5
Pre-approval of 2023-2026 Capital Funding for Projects (Fall 2021 SCBA Recommendation) <i>(Edmonton Expo Centre, Edmonton Convention Centre, Kinsmen, EPS Headquarters, Latta Bridge)</i>	67.5	60.9	128.4
Total	\$123.7	\$88.4	\$212.1

Based on early forecasts this equates to approximately a 20% pre-commitment of the 2023-2026 corporate funding pool

Other Budget Items

The following items have been requested to be brought forward for Council consideration (not reflected in original budget documents):

Items from Committee	Cost	Committee Date
<i>Operating</i>		
A1 Indoor Soccer Facility	\$5M (one-time)	Executive - Nov 16
Office of the City Auditor resourcing	\$230K (ongoing)	Audit - Dec 3
<i>Capital</i>		
Lewis Farms Facility and Park	\$15M (estimate)	Community & Public Services - Nov 15

What we are hearing

- Public washroom program - \$2.3M (incremental)
- Cultural Industry Recovery Support - \$1.2M
- Free Play for Kids - \$0.6 - \$1M
- Not included as recommendations in Fall 2021 supplemental budget reports

Carbon Accounting Framework

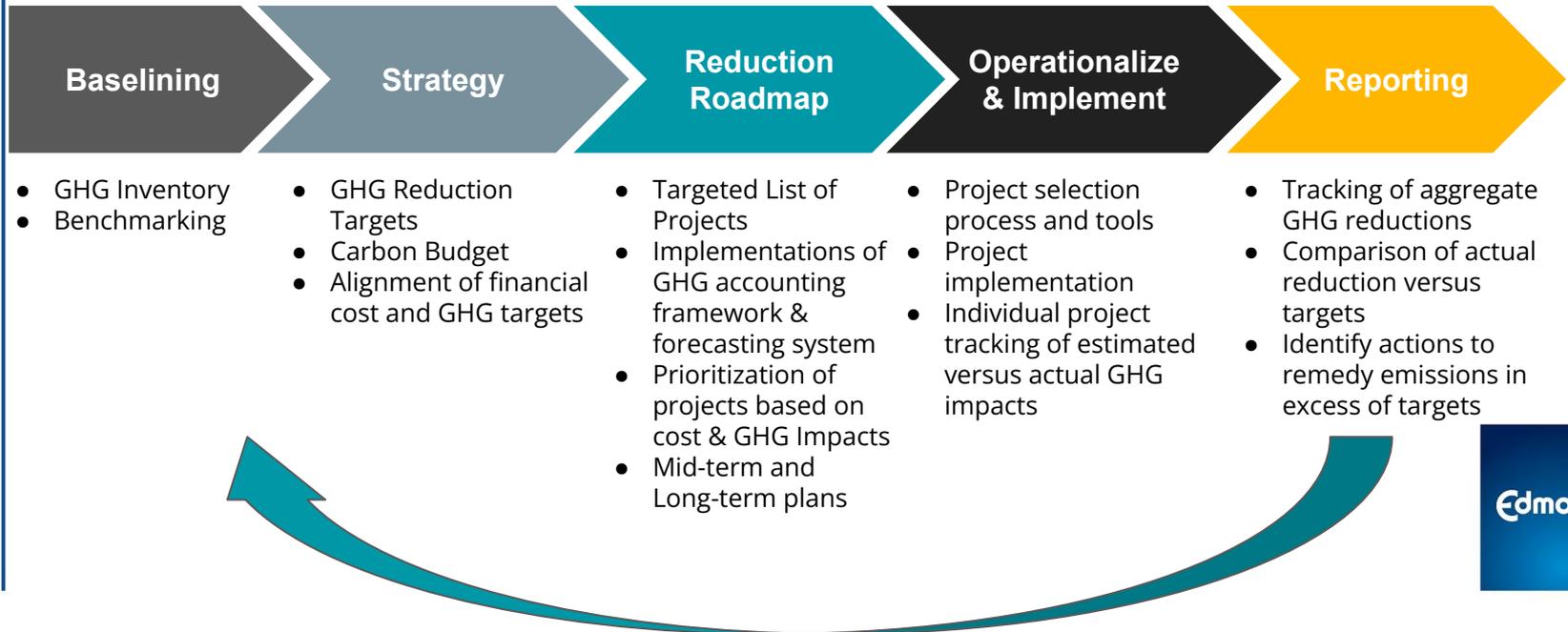
Update

Why Carbon Accounting?

To remain informed and assess progress towards a low carbon future the City is implementing a Carbon Accounting Framework to integrate greenhouse gas (GHG) reductions into the City budgeting and prioritization processes.

The GHG Reduction Pathway

An iterative approach relies on estimating GHG impacts and costs, comparing actual results, and adjusting actions to align with targets & goals



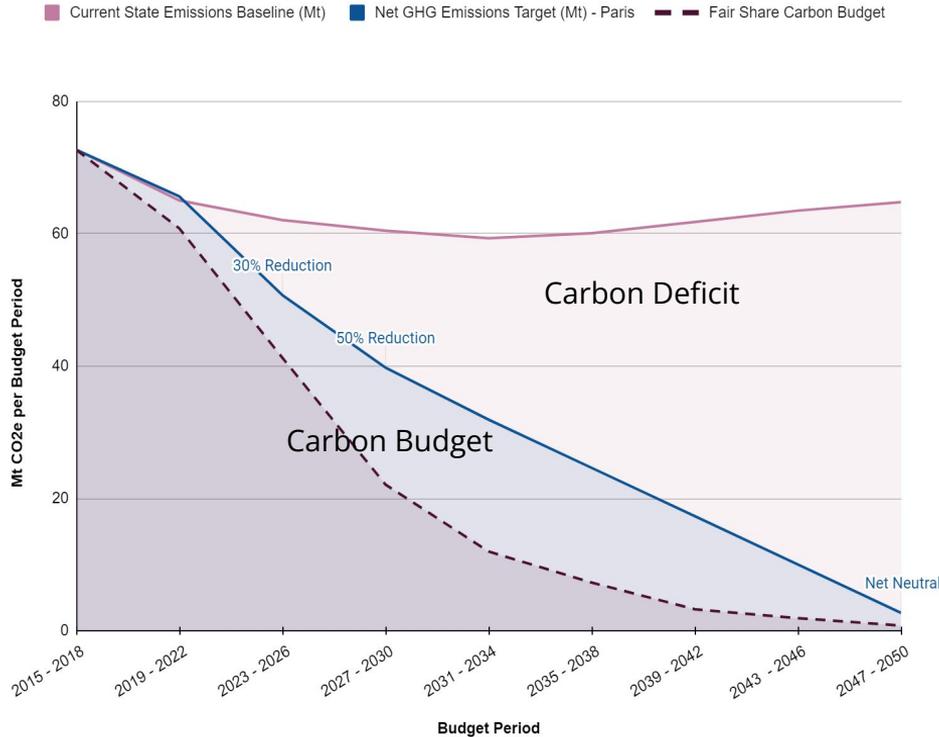
Key Terminology

Carbon Budget	GHG emissions permitted based on emission targets as outlined by the Paris Accord
Carbon Fair Share Budget	GHG emissions permitted based on C40's methodology to assign a "fair" proportion of the global carbon budgets to C40 cities
Current State Baseline	GHG emissions actuals (2015-2020), plus long term carbon forecast amount (2021-2050)
Carbon Deficit/Surplus	The gap between the GHG emissions and the emission targets. A deficit implies that emissions are greater than the target emissions
Community Carbon Budget	The Carbon Target Budget for Edmonton (within City boundaries)
Corporate Carbon Budget	The Carbon Target Budget for the City of Edmonton owned and operated assets (corporation)

Assumptions

- Baseline emissions - based on most current information and are subject to change
- Emissions targets - reductions necessary to limit the increase of global temperature to 1.5 degrees celsius by 2050 (Paris Agreement)
- Target emissions trajectory - declining balance percent reduction between target years to achieve the required emissions reduction
- Baseline emissions or target emissions trajectory do not include impacts of future investments to reduce GHG emissions

Community Carbon Budget



Target Year

Carbon Deficit
Cumulative
(compared to Paris
targets)

2025 - 35%
reduction

6.5Mt

2030 - 50%
reduction

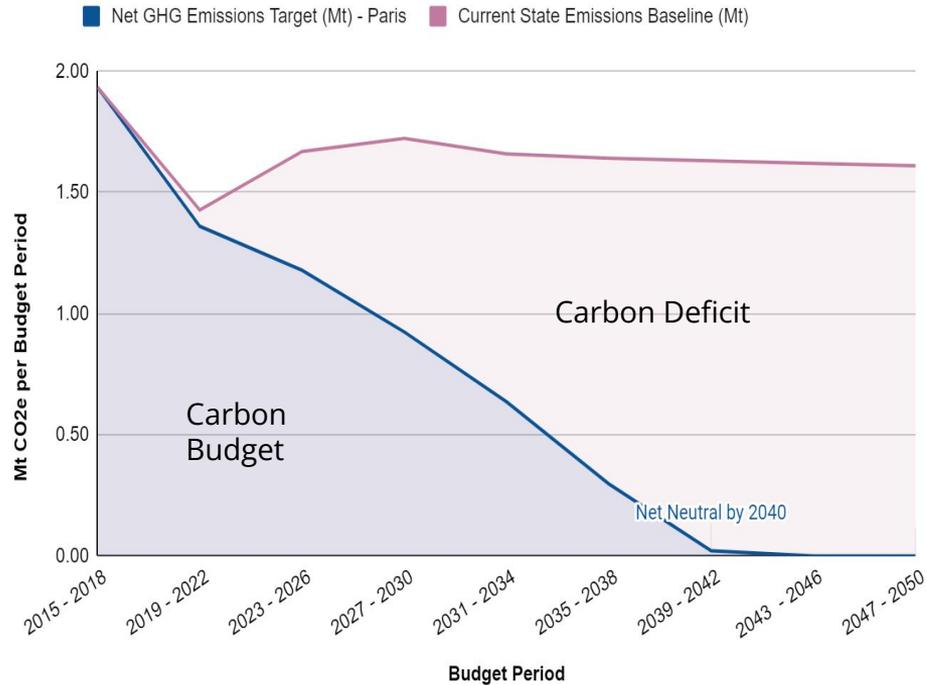
31.4Mt

2050 - net
neutral

254.3Mt

To achieve community
targets: GHG emission
targets must be reduced
by 254.3Mt by 2050

Corporate Carbon Budget



Target Year	Carbon Deficit Cumulative (compared to Paris targets)
2040 - net neutral	4.5Mt

To achieve corporate targets: GHG emission must be reduced by 4.5Mt by 2040

Carbon Accounting - What's Next

Q1 - 2022	City Plan Interim Targets - level of investment to achieve targets (how much and how fast)
Q2 - 2022	Annual Climate Update - climate investment scenarios
Q2 2022	Carbon Accounting Framework/Tool - Implementation of Carbon Budgeting accounting tool to provide integration of a carbon lens with budgeting, prioritization and reporting processes.
Q4 2022	Proposed Capital / Operating Budgets - Use of the Carbon Budgeting and Accounting framework to help support capital and operating investment decisions that help achieve emissions targets or reduce the carbon deficit.
2023 and beyond	Ongoing Training, Education, Capacity

Next Steps

November 29	Budget Public Hearing (remainder of today)
Nov 30 (half day) December 1 (full day) December 8 (half day) December 10 (half day) December 14 (full day) December 15 (full day) December 17 (full day)	Budget Deliberations: <ul style="list-style-type: none">• COVID 2022 Financial Impacts and Funding Strategy• Fall 2021 Supplemental Capital Budget Adjustment• Fall 2021 Supplemental Operating Budget Adjustment

Thank You