

2016-2018 Supplemental Operating Budget Adjustment

2018 Operating Budget

Recommendation:

1. That the 2018 tax levy budget be revised by \$389,000 to reflect lower than budgeted tax revenue from assessment growth.
2. That amendments to the 2018 Operating Budget, as outlined in Attachment 2 of the April 10, 2018 Financial and Corporate Services report CR_5511, be approved resulting in the following 2018 Operating Budget:
 - a. Total tax supported operations with revenues of \$2,868,521,000 and expenditures of \$2,868,521,000 with the tax supported operations revenues of \$2,868,521,000 to include:
 - i. Revenue based on a total property and payment-in-lieu tax levy estimated to be \$1,573,588,000
 - ii. Estimated non-tax revenue of \$1,294,933,000.
 - b. The Community Revitalization Levies operating budget includes:
 - i. Belvedere Community Revitalization Levy with revenues of \$7,337,000 and expenditures of \$7,337,000.
 - ii. Capital City Downtown Community Revitalization Levy with revenues of \$20,985,000 and expenditures of \$20,985,000.
 - iii. The Quarters Downtown Community Revitalization Levy with revenues of \$4,987,000 and expenditures of \$5,224,000.
 - c. Non-cash budget adjustments for amortization of \$471,185,000.

Executive Summary

This report recommends adjustments to the 2018 operating budget resulting from updates to economic forecasts, Council direction and required administrative changes. In addition to the recommended adjustments, there are several other initiatives being brought forward for Council's consideration to be included as part of the 2018 operating budget. If the recommendations are approved the 2018 municipal property tax increase would be reduced from the December 7, 2017, approved tax rate increase of 3.2 percent to 3.1 percent.

Report

Since Council approved the 2016-2018 Operating Budget and subsequent adjustments to the 2018 Operating Budget on December 13, 2016, and December 7, 2017, assessment growth has been finalized for 2018. This report also recommends adjustments to the approved operating budgets to address changes that have occurred subsequent to the previous approvals.

Changes to Economic Forecasts

Final assessment figures have been calculated for 2017. The amount of assessment growth for 2018 is slightly less than the estimate in the budget approved by Council in December 2017. The decrease in tax revenue available from growth is \$389,000 less than what was approved in the 2018 interim budget.

The Community Revitalization Levy (CRL) Budgets have also been adjusted based on updated forecasts and assessment figures. The actual performance or growth in each of the CRLs was greater than what was forecasted due to higher than anticipated development in each of the areas.

An increase of \$772,000 in revenue has been included for the Edmonton Police Service for Grant funding from the Public Safety Canada Resiliency Fund and ALERT, as well as an increase in rates for the Police Headquarters Private Vehicle Parking. This is being offset by an increase of \$550,000 for related expenditures.

A decrease of \$1,700,000 related to a reduction in insurance claims has been included for Risk Management, based on an analysis of claims over the past five years.

Further details of these adjustments have been included in Attachments 2 and 3.

Council Directed Adjustment

An increase of \$115,000 to fund the administrative lease and warehouse operating costs on an ongoing basis has been included for the Edmonton Police Service as approved by Council on February 27, 2018.

Administrative Adjustments Requiring Council Approval

There are administrative budget adjustments that require Council approval. Although these adjustments impact the revenue and expenditure budgets, they will not impact the overall tax levy.

With the transfer of Drainage Services to EPCOR, the operating budgets for the Sanitary Servicing Strategy Fund (SSSF) of \$23,897,000 in revenue and \$23,897,000 in expenditures are included for City Planning.

An increase of \$2,677,000 in revenue and an increase of \$2,677,000 in expenditures are included for City Planning as a one-time increase to fund a development rebate.

With the finalization of the EPCOR Service Level Agreements, a decrease in revenue of \$98,000 is included for City Planning, which will be offset by a decrease in expenditures of \$98,000. An increase in revenue of \$864,000 is included for Open City and Technology and an increase in revenue of \$412,000 is included for Engagement. These increases in revenues are offset by a reduction in the Transfer fee required from the Financial Stabilization Reserve.

These adjustments have been included in Attachments 2 and 3.

Education Tax

The property tax bill includes a tax levy for municipal and provincial education requirements. The 2018 provincial education requirement for the City is lower than the 3.2 percent municipal tax increase approved by Council in December 2017. This has the effect of reducing the combined increase for all tax classes. The effect on each tax class depends on both the provincial requisition as well as the overall assessment change within that class. The combined rates are outlined in Attachment 4.

In the past, Council has increased the municipal tax draw to bring the combined rates into parity with the Council approved municipal increase. This is referred to as “moving into the education tax room”. Since 2003, Council has had an opportunity to move into education tax room in all but one of those years. Council only chose to move into this room on seven occasions.

Given that the education requirement is lower than the approved municipal tax increase in 2018, Council has options. If Council approves the recommendations in this report, the result would be a 2.1 percent combined municipal and education property tax increase. Alternatively, another \$20.9 million (\$11.2 million from residential and \$9.7 million from non-residential) expenditure increase could be approved and a 3.1 percent combined municipal and education tax increase would be achieved.

A further breakdown of the municipal and education property tax rates for 2018 is outlined in Attachment 4.

Service Packages

During Committee or Council meetings, Administration was directed to bring forward certain unfunded service packages for Council's consideration. These unfunded service packages are included in Attachment 5 for Council's reference:

- EPS Annexation
- Suicide Prevention Implementation Plan
- Cannabis Legalization
- Youth 12 and Under - Free Transit When Accompanied by Fare Paying Adult
- Labour Relations and Compensation Support
- Mayor and Councillors Budget Adjustment

The service package provided for Cannabis Legalization has been put forward which only includes the cost impacts Administration believes are required to facilitate the opening of businesses that will retail Cannabis, municipal enforcement and EPS training. The net costs identified for 2018 of \$4.3 million are less than the ongoing costs of \$9 million believed to be required for the City to have all the resourcing required to enforce regulations, manage complaints and other impacts anticipated as a result of the legalization of cannabis. Through the recent provincial budget and subsequent discussions with provincial officials it has been made clear that any provincial revenue from legalization would be minimal and not likely to be shared with municipalities at this time. More detail on the impacts of legalization of cannabis can be found in the unfunded service package included in Attachment 5.

Regional Airport Transit Services - Integrated Option with Airport Accord Council Report CR_5389 will be brought to Community and Public Services Committee on April 18, 2018 and therefore has not been included in Attachment 5 as an unfunded service package for Council consideration.

Public Engagement

In summer and fall 2015, a public engagement program was launched throughout the City related to the proposed 2016-2018 Operating Budget. Administration attended many different events and festivals held in the City during this period in an effort to inform and engage with citizens on the change to a multi-year budget process. The purpose was also to document and address issues or concerns about the City's budget and specifically the 2016-2018 Operating Budget. At the same time, the City continued to develop yegcitybudget.ca, an accessible, user-friendly website that informs citizens on key aspects of the budget and explains how their tax dollars fund programs and services that residents use every day. Administration also reached out to residents through the Insight Community and conducted a survey to obtain input on those programs and services residents believe the City should invest more or less of

their tax dollars into. As well, Open Budget, part of the City's Open City initiative, was developed that provided citizens with instant access to all budget information. Similar to other years, citizens could speak directly to Council at the November 23, 2015, Non-Statutory Public Hearing on the proposed operating budget.

Additional Non-Statutory Public Hearings were held on December 8, 2016, for the 2017 Operating Budget and on December 6, 2017, for the 2018 Operating Budget. These dates provided another opportunity for citizens to address City Council directly on concerns or questions regarding the multi-year budget or the proposed adjustments.

Budget/Financial Implications

With the approval of the recommendations including adjustments in Attachment 2, the average percentage increase of the combined municipal and education residential property tax for 2018 would be reduced from the December 7, 2017, approved tax rate increase of 3.2 percent to 3.1 percent (1.1 percent increase for services, 1.4 percent increase for Neighbourhood Renewal and 0.6 percent increase for Valley Line LRT). Approval of the adjustments will result in operating budgets for tax-supported operations having revenues and expenditures of \$2,868,521,000 in 2018.

Corporate Outcomes and Performance Management

Corporate Outcome(s): Current Corporate Outcomes			
Outcome(s)	Measure(s)	Result(s)	Target(s)
The City of Edmonton has a resilient financial position.	Adjustments to the approved Operating Budget are balanced, within policy, and results in the same or lower approved tax rate increase.	Council approves the proposed adjustments.	Not applicable.

Risk Assessment

This report falls under a list of report types that, due to their nature, do not require a risk assessment and, as such, there is no risk assessment in this report.

Attachments

1. Previous Council/Committee Action
2. 2018 Operating Budget Recommendations
3. 2018 Operating Budget Changes
4. 2018 Tax Requirement
5. Unfunded Service Packages

Others Reviewing this Report

- C. Campbell, Deputy City Manager, Communications and Engagement
- G. Cebryk, Acting Deputy City Manager, City Operations
- R. G. Klassen, Deputy City Manager, Regional and Economic Development
- A. Laughlin, Deputy City Manager, Integrated Infrastructure Services
- L. McCarthy, Deputy City Manager, Urban Form and Corporate Strategic Development
- R. Smyth, Deputy City Manager, Citizen Services