

# Capital and Operating Budget Priorities, Funding, and Tax Tolerance

May 9, 2022 City Council

Financial and Corporate Services  
FCS01206

# Agenda

- Set the context prior to June 2022
  - Capital Investment Outlook
  - Operating Investment Outlook
- Overview of Operating Budget
- Preliminary Operating Tax Tolerance Discussion
- Highlight Capital Funding Challenges

# Council Priorities - What We've Heard So Far

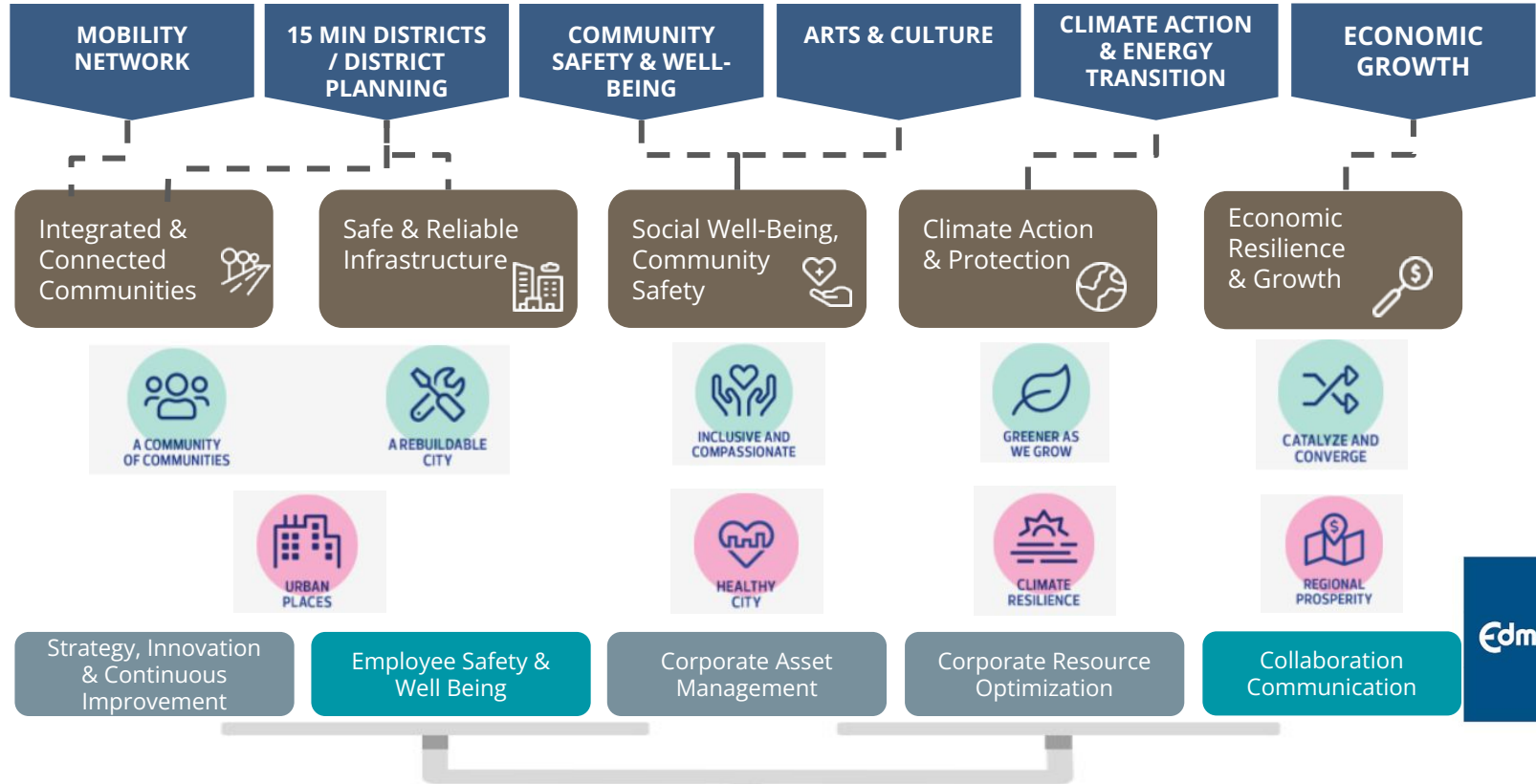
23-26  
Council  
Priorities

23-26 Budget  
Priorities -  
PBB

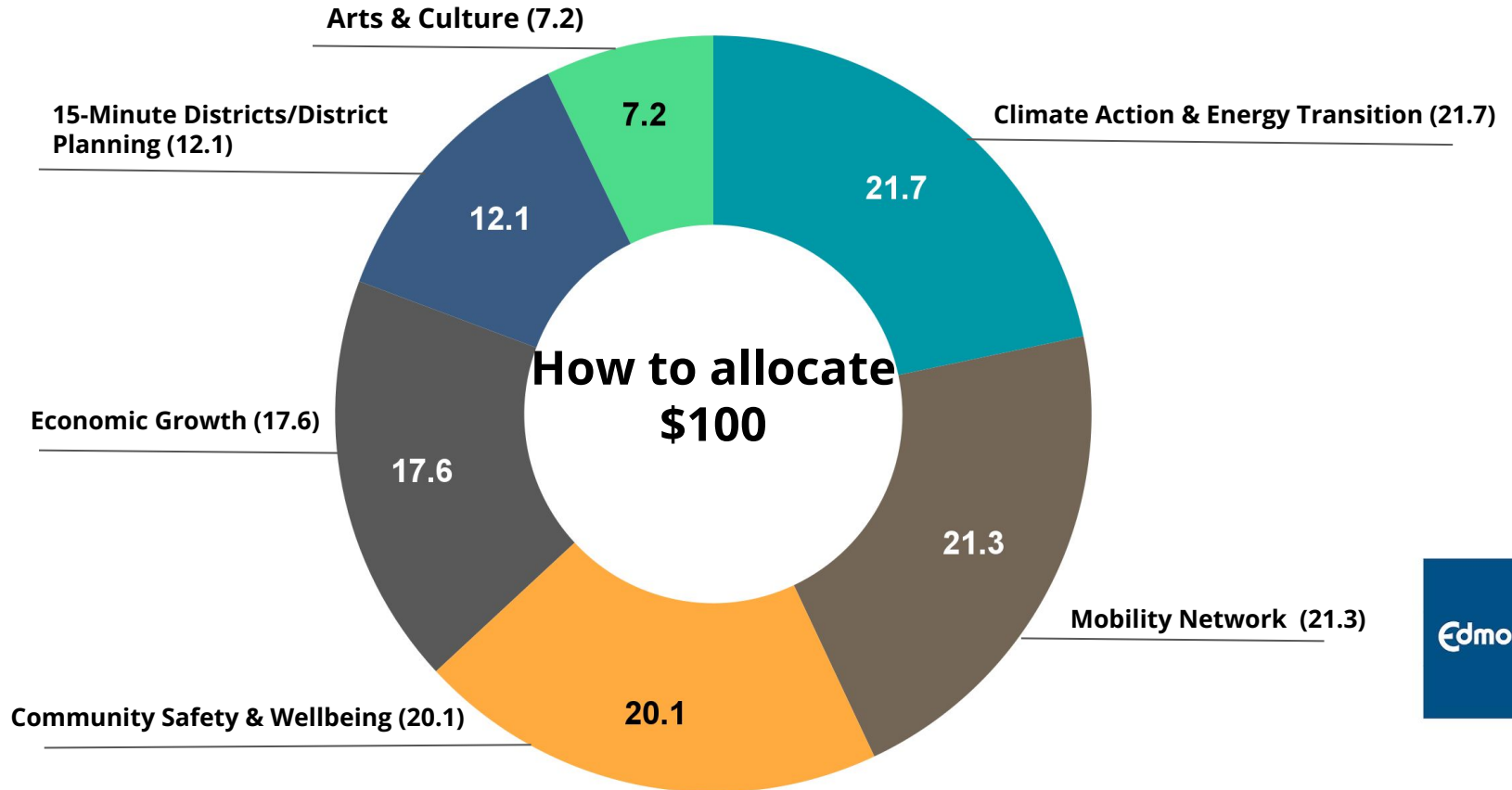
DELIVER  
EXCELLENT  
SERVICES

23 - 26 Budget  
Priorities -  
PBB

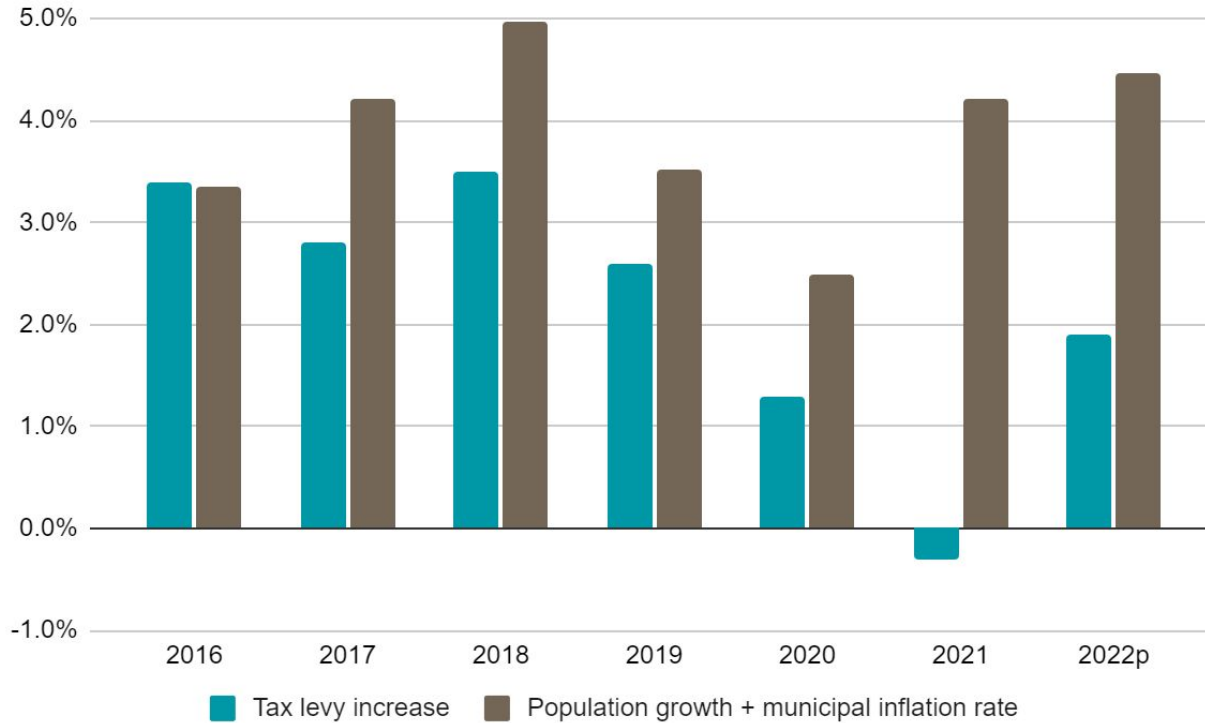
MANAGE THE  
CORPORATION



# 2023-26 Council Response - Priority Areas (April 2022)

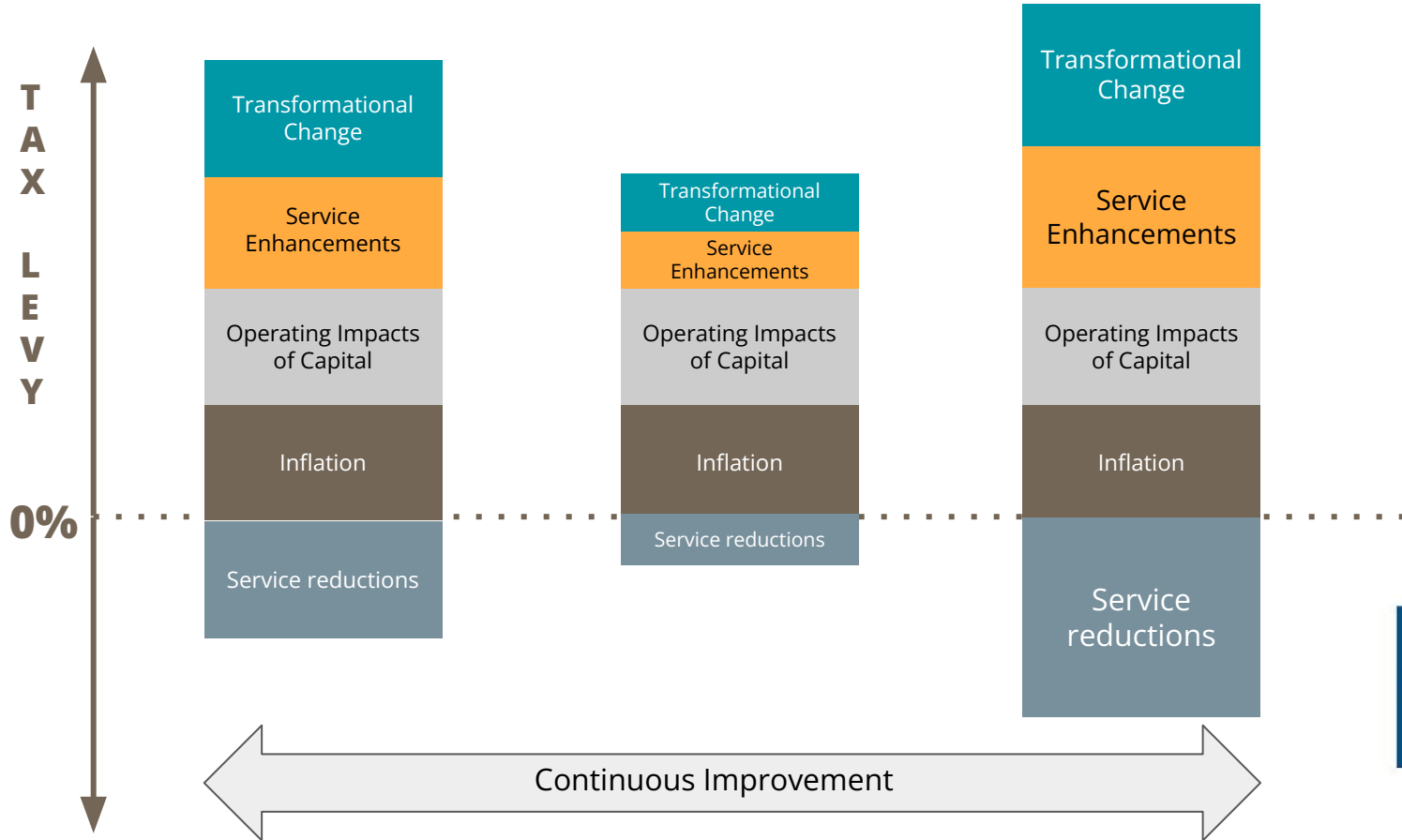


## 2016-2022 Gap Between Tax Levy vs Growth & Inflation



Source: Statistics Canada and City of Edmonton; projection (p)

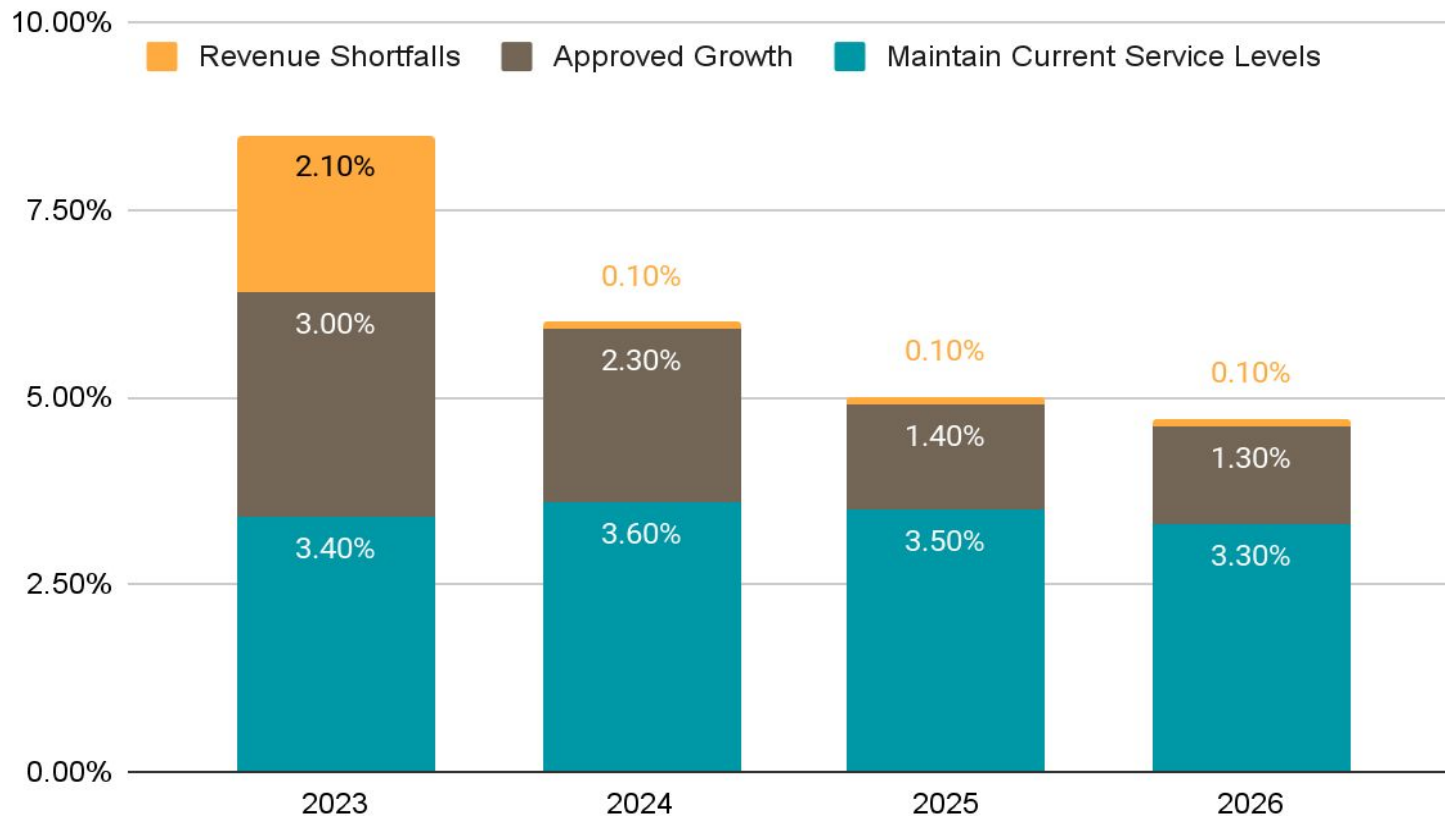
# 2023-2026 Tax Increase and Tax Tolerance



# 2023-26 Estimated Tax Increase to Maintain Services and Approved Growth

	2023	2024	2025	2026
<b>Maintain Existing Services</b>	<b>3.4%</b>	<b>3.6%</b>	<b>3.5%</b>	<b>3.3%</b>
Debt Servicing Charges	1.7%	1.7%	0.8%	0.6%
Operating Impacts of Approved Capital	0.8%	0.5%	0.5%	0.6%
Alley Renewal	0.4%	0.0%	0.0%	0.0%
Contributed Assets	0.1%	0.1%	0.1%	0.1%
<b>Approved Growth</b>	<b>6.4%</b>	<b>5.9%</b>	<b>4.9%</b>	<b>4.6%</b>
Transit Revenue Shortfall due to COVID impacts (Required to Maintain)	1.0%	0%	0%	0%
Automated Enforcement Revenue Shortfall (Required to Maintain)	1.1%	0.1%	0.1%	0.1%
<b>Total to Maintain</b>	<b>8.5%</b>	<b>6.0%</b>	<b>5.0%</b>	<b>4.7%</b>

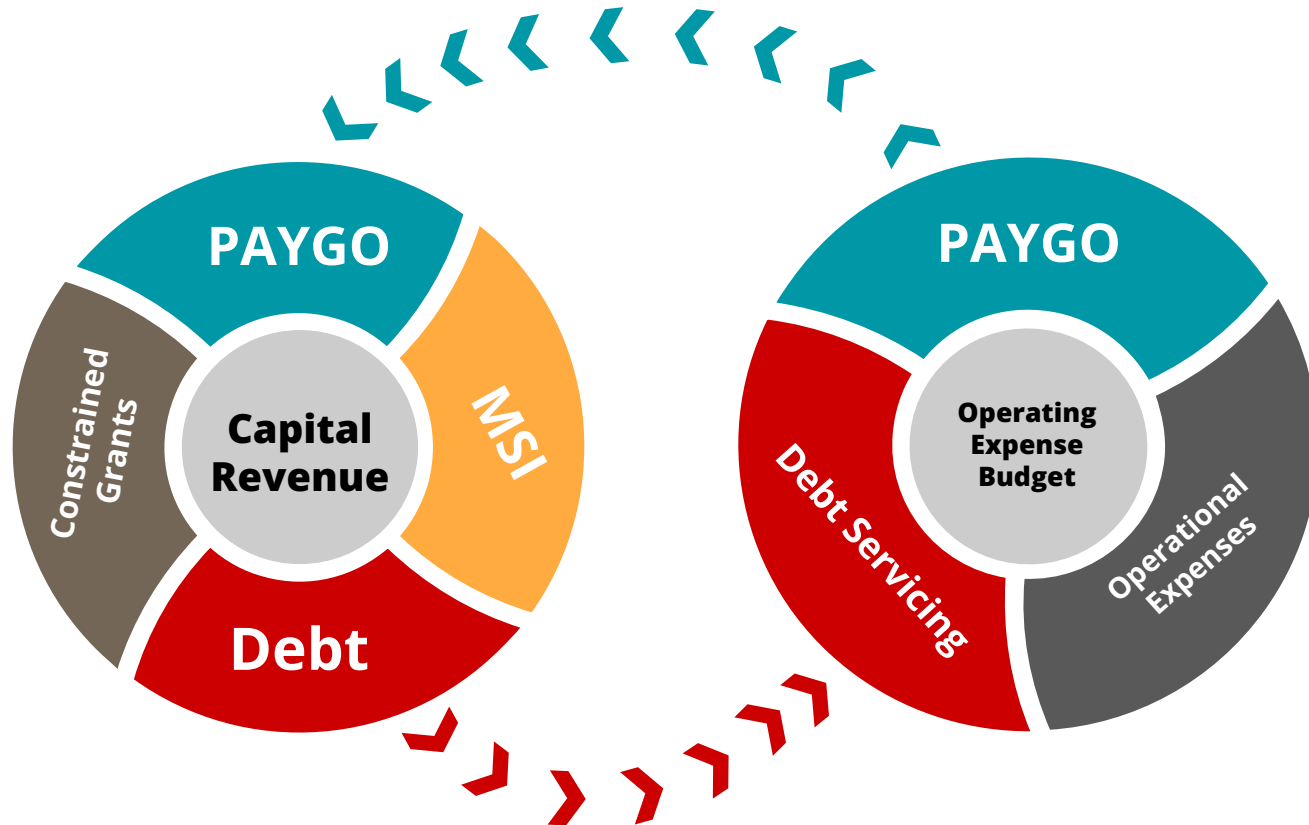
# 2023-26 Estimated Tax Increase to Maintain Services and Approved Growth





# Capital Budget

# Capital and Operating Financial Relationship



# Capital Budget - Terms & Definitions

## Types of Funding:

**Unconstrained Funding:** Funding that is available, at Council's discretion and with no restrictions, for a variety of infrastructure needs.

**Constrained Funding:** Funding that is dedicated (for various reasons) to specific types of infrastructure or projects. Constrained funding is often tied to grants from other levels of government, developer and partner contributions, or a dedicated tax levy such as the Neighbourhood Renewal Program.

# Capital Budget - Terms & Definitions

## Projects/Programs

### **Renewal Projects**

Investments in existing infrastructure to restore it to its former condition and extend its service life.

### **Growth Projects**

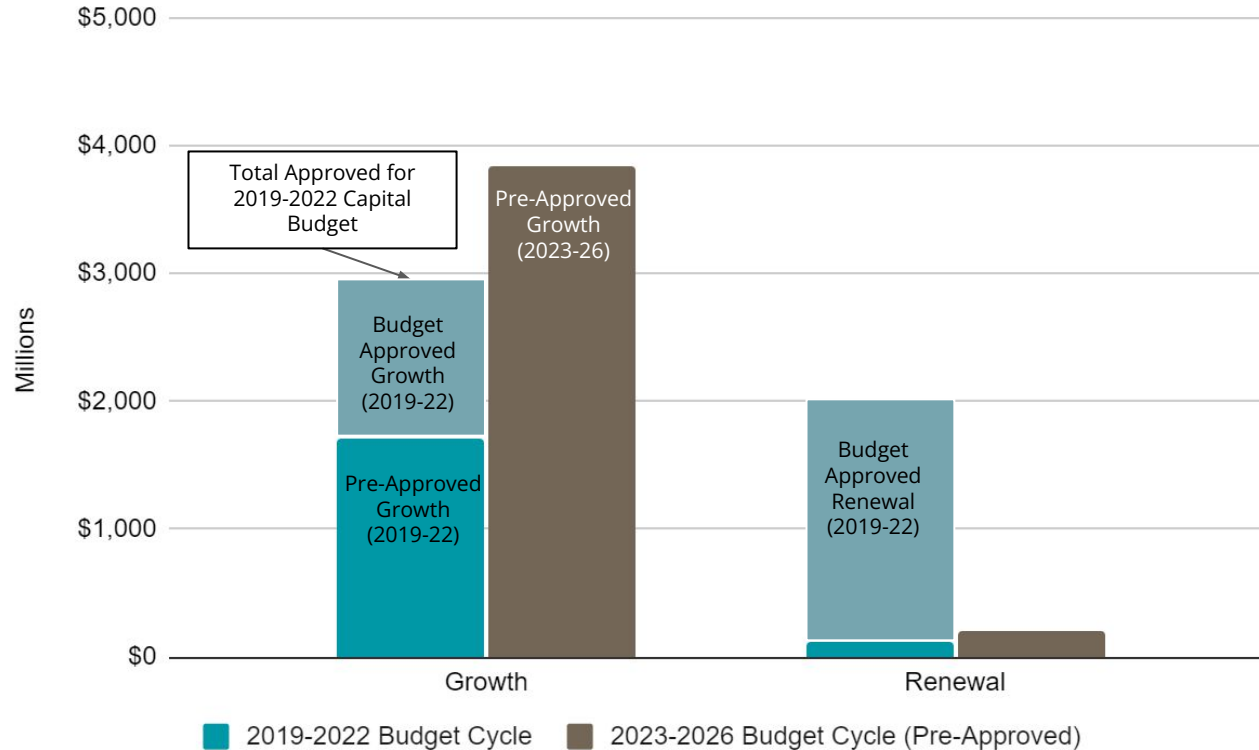
Investments in new assets and projects that add to or enhance components of existing infrastructure assets that improves the type of service provided and/or improves functionality.

### **Renewal Program Ideal Investment**

Combination of:

- A. Renewal investment required to bring City assets to their target physical performance levels.
- B. Growth investment recommend for renewal projects to address demand, capacity, and functionality deficiencies to align assets with approved strategies, policies, standards, and public expectations.

# Pre-approved Capital Budget: Comparison to 2019-2022



# Renewal Program Unconstrained Funding Challenges

\$millions	2023 - 2026 (4 years)	2027 - 2032 (6 Years)	Total
<b>New Unconstrained Funding (forecast)</b>	<b>\$ 1,192</b>	<b>\$ 2,199</b>	<b>\$3,391</b>
<b>Less:</b>			
Pre-committed to approved projects	(166)	-	(166)
Pay-As-You-Go used to address COVID-19	(47)	-	(47)
<b>Unconstrained Funding Remaining for Allocation</b>	<b>\$ 979</b>	<b>\$ 2,199</b>	<b>\$ 3,178</b>
<b>Less:</b>			
Renewal Program Ideal Investment Seeking Unconstrained Funding	(2,350)	(5,677)	(8,027)
<b>Unconstrained Funding (Shortfall) Prior to Consideration of Growth Projects</b>	<b>\$ (1,371)</b>	<b>\$ (3,478)</b>	<b>\$ (4,849)</b>

# Unconstrained Funding Shortfall - Factoring in Growth

(\$millions)	Total 2023-2032
<b>Renewal Program Ideal Investment Funding Shortfall (from previous slide)</b>	<b>\$ (4,849)</b>
<b>Less:</b>	
Delivery Funding Required for Growth Projects with Previously Approved Design Funding	(1,844)
<b>Total Funding Shortfall before Consideration of Additional Growth Initiatives</b>	<b>\$ (6,693)</b>

Other Growth Initiatives Ongoing (not included above):

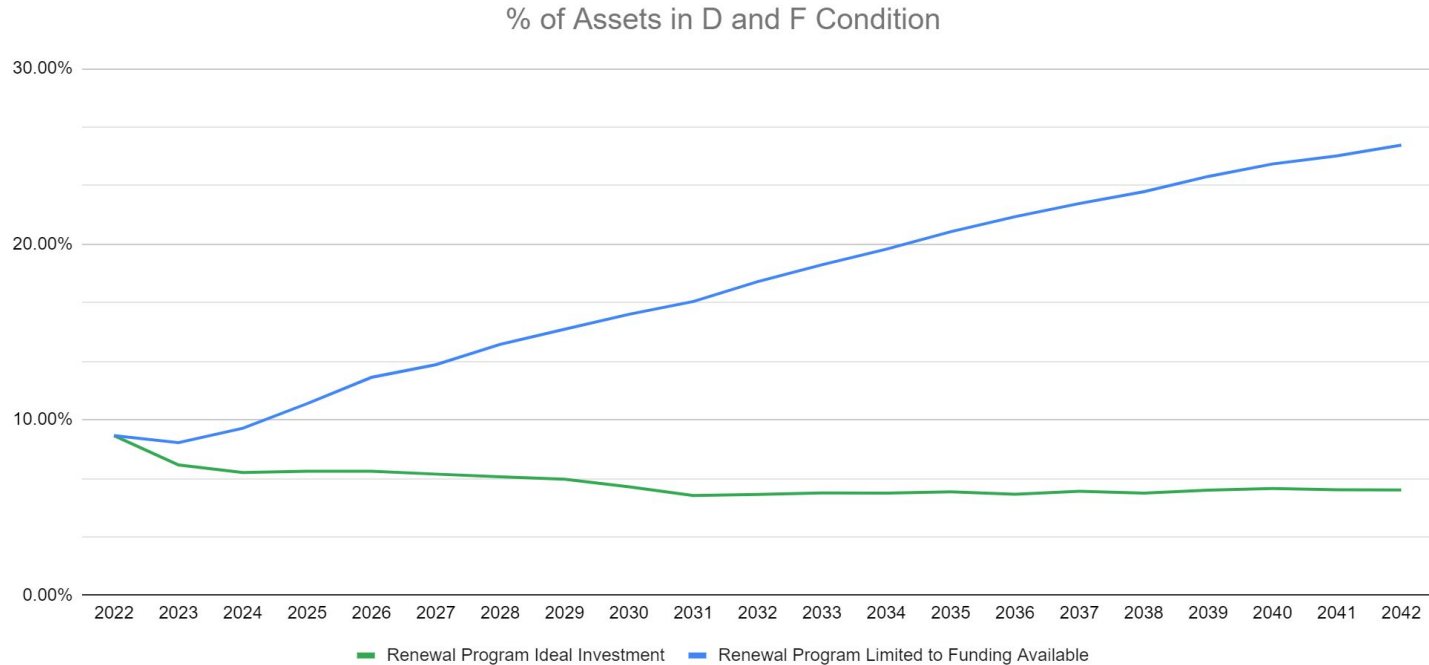
- Remainder of Edmonton Transit Service Fleet Storage, Operations and Maintenance Facility Strategy
- Energy Transition Strategy and Action Plan
- Mass Transit Plan
- Light Rail Vehicle Replacement and Growth Units

# Options to Address the Funding Gap

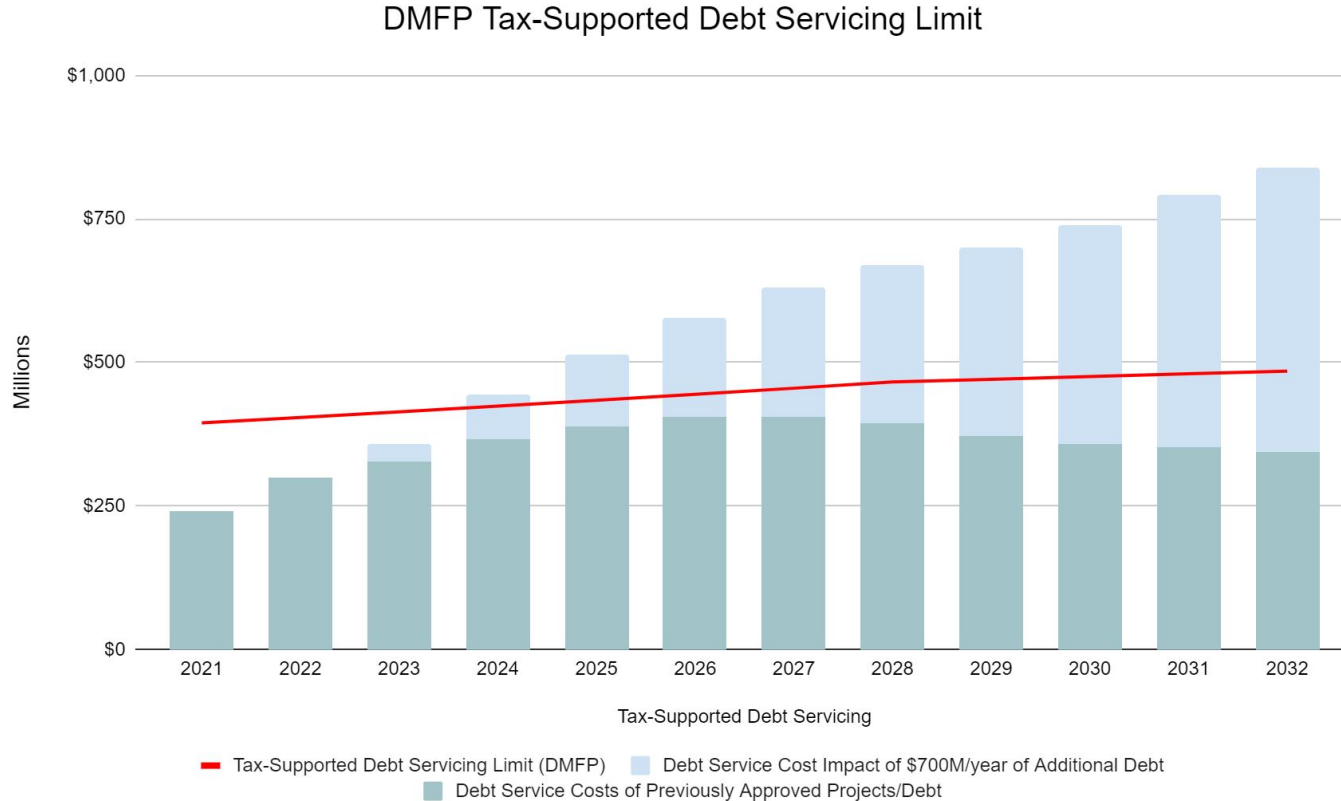
- Dispose of Assets not aligned with The City Plan or with meeting current service levels
- Fund Renewal Program Well Below Ideal Investment
- Use of Tax-Supported Debt
- Create a New Dedicated Tax Levy Program to Fund Future Renewal (similar to Neighbourhood Renewal)



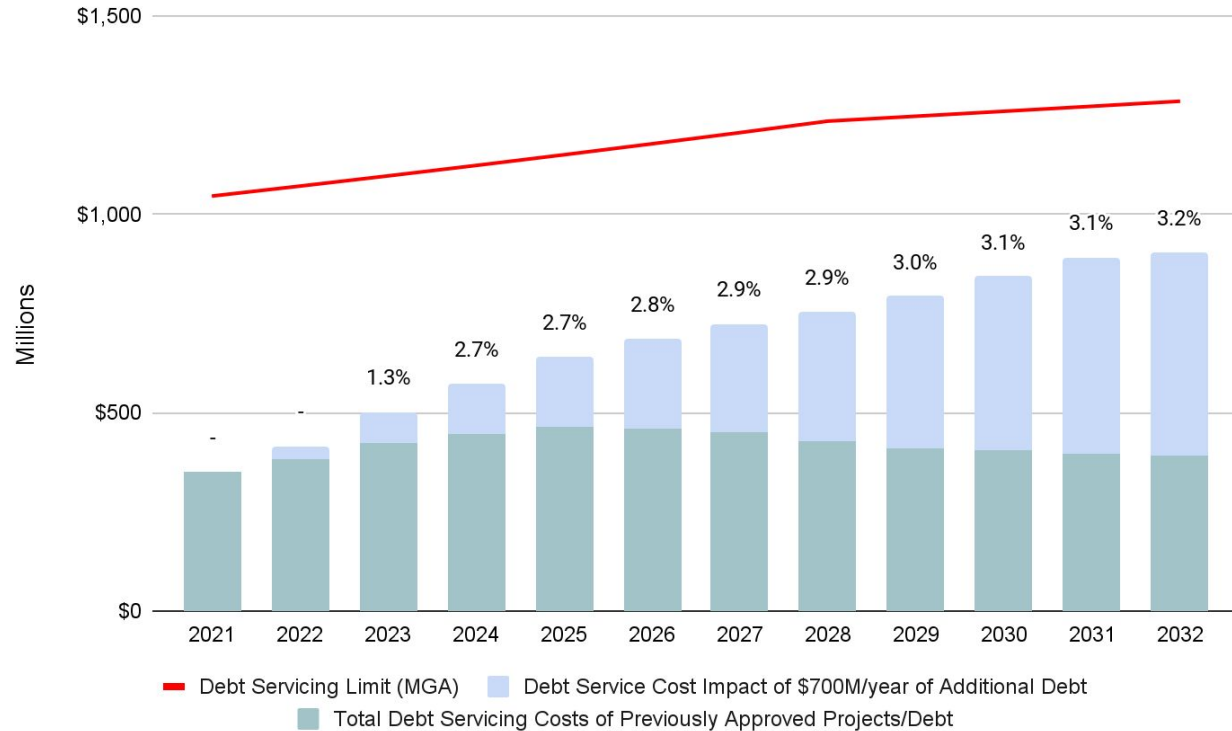
# Renewal Program Outcomes if Limited to Funding Currently Available



# Tax-Supported Debt



# Total Debt Serving - MGA Limits



← Tax Levy Increase  
Equivalent of  
\$700M/year  
Additional Debt

## Next Steps

- May 16: Council Survey on 2023-26 Capital Budget
- May/June: One-on-One Meetings with Council
- June:
  - Spring 2022 Supplemental Capital Budget Adjustment
  - Operating Investment Outlook
  - Capital Investment Outlook
- Final Council Survey
  - Operating
  - Capital

**Thank you**  
Questions?