



Edmonton

# Operating Investment Outlook (OIO)

## Capital Investment Outlook (CIO)

City Council - June 7

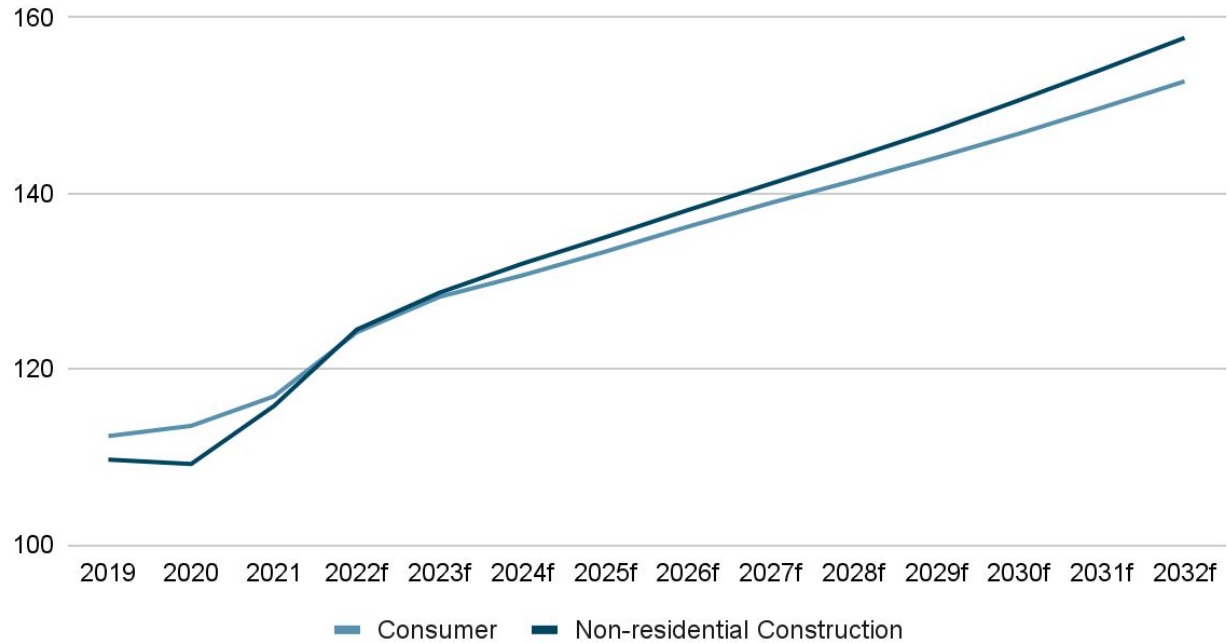
# Today's Agenda

- Context
- Research Insights
- Overview of Operating Investment Outlook (OIO)
- Overview of Capital Investment Outlook (CIO)

# Context Setting

# Economic Context

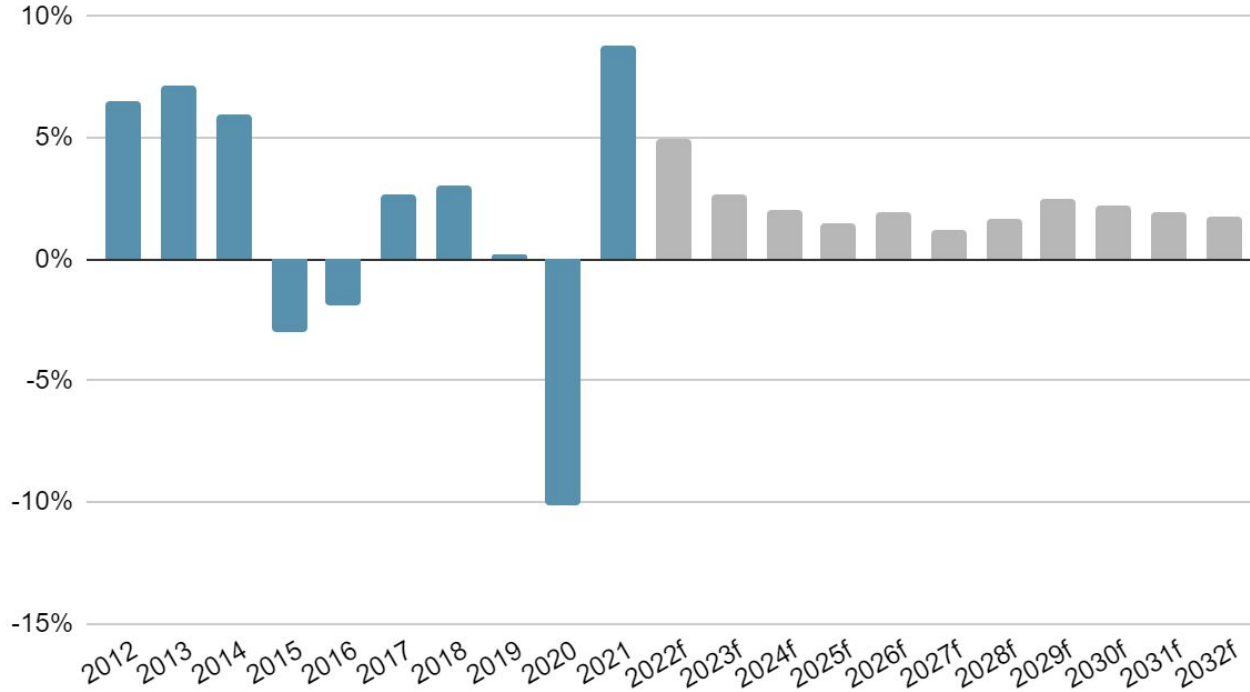
## Price Index Forecast



Source: Statistics Canada and Stokes Economics; forecast (f); 2012=100

# Economic Context

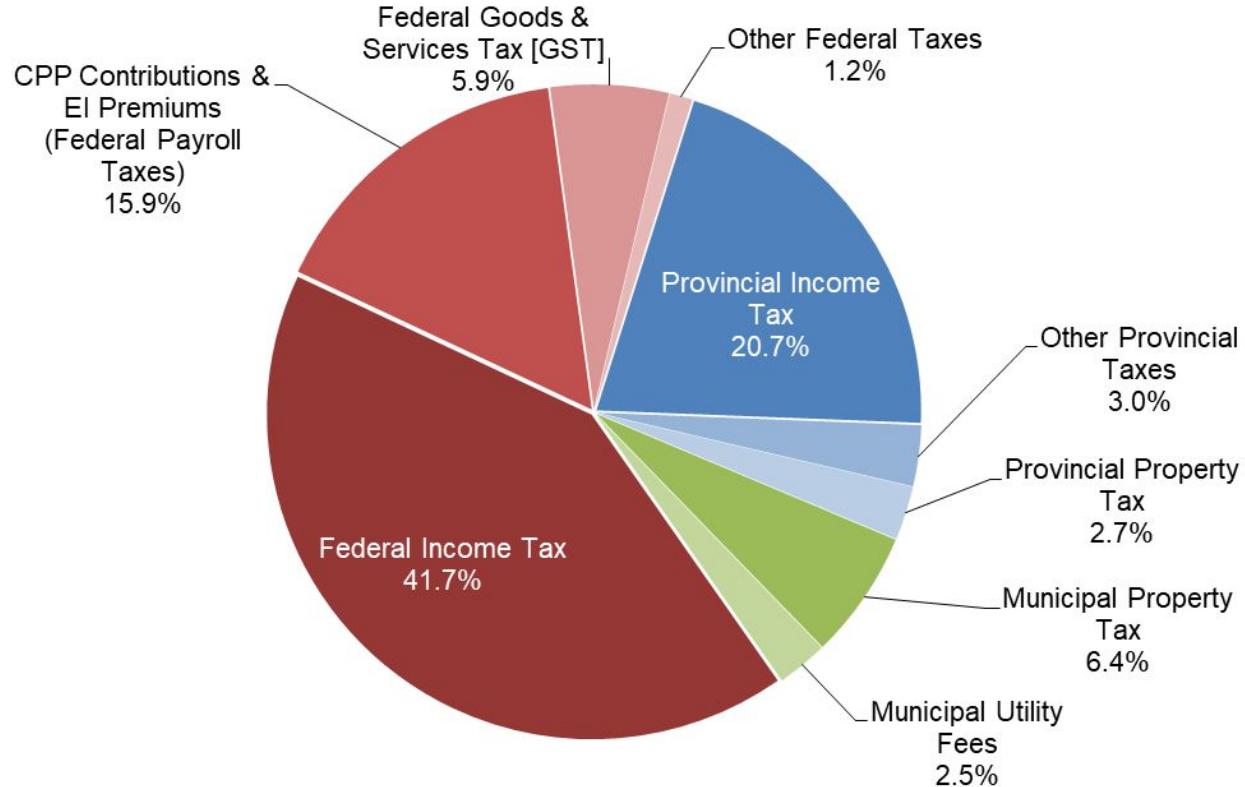
Real GDP Growth, Edmonton



Source: Stokes Economics; forecast (f)

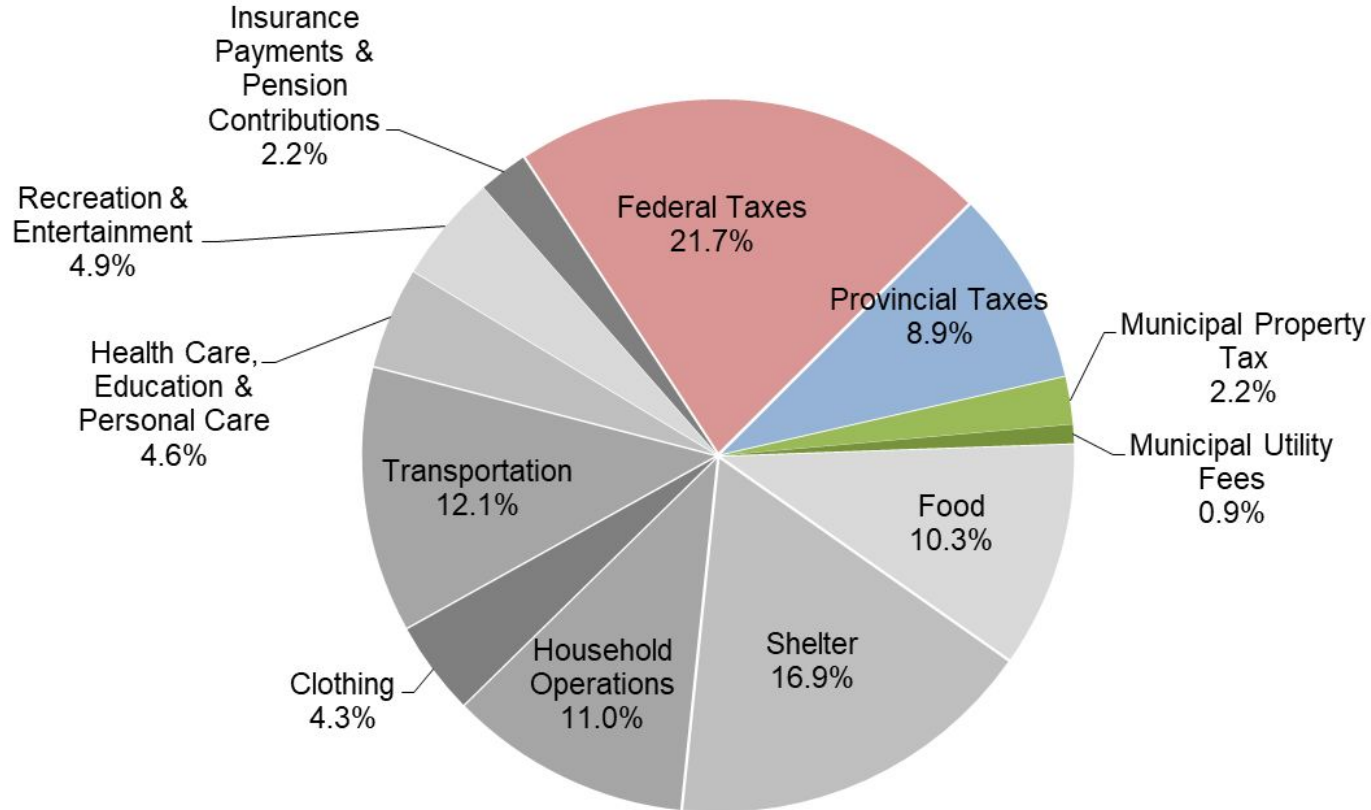
# Share of Each Dollar Paid to the Government Sector\*

For a Typical Two-Income, Owner-Occupied Edmonton Household



# Average Annual Household Spending\*

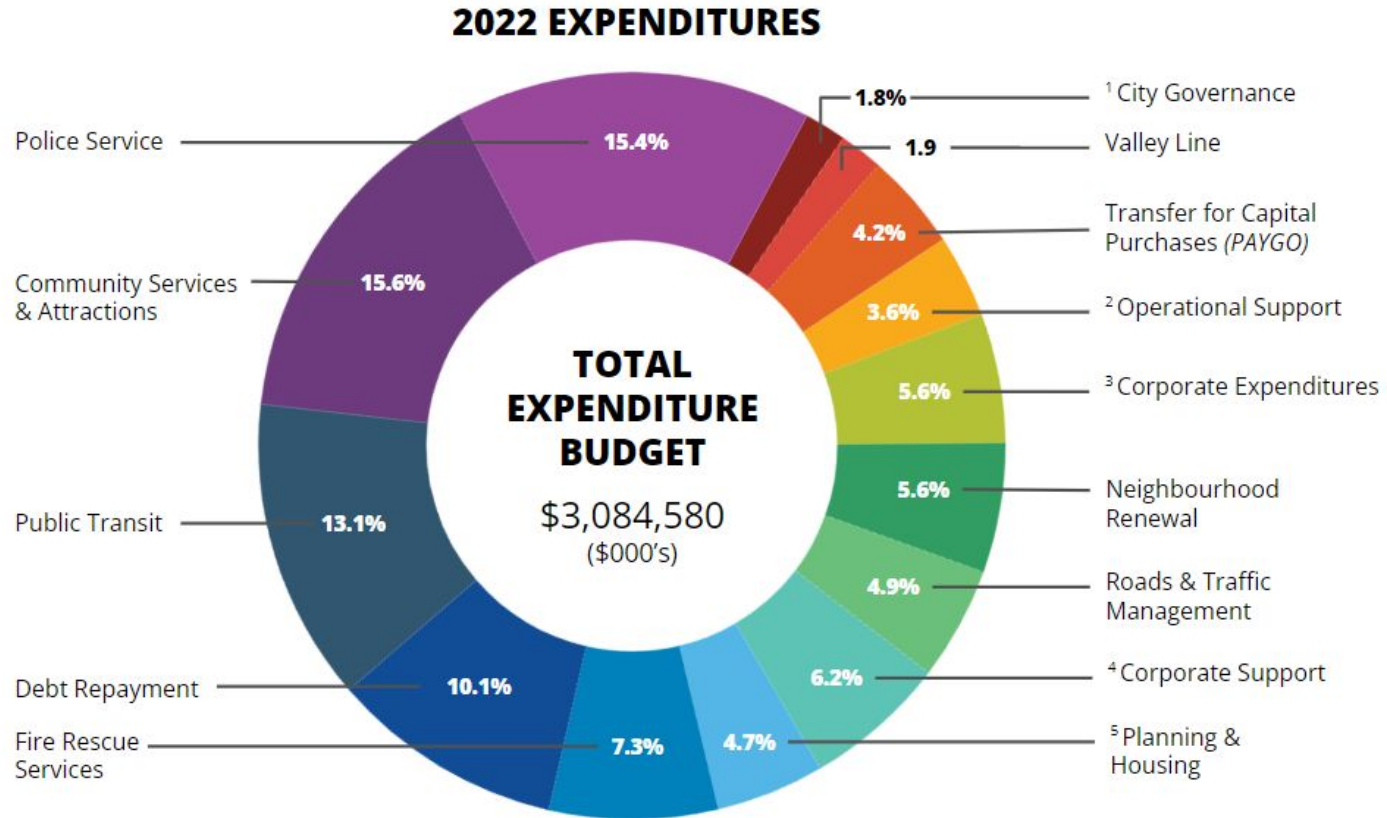
For a Typical Two-Income, Owner-Occupied Edmonton Household



Edmonton

\*Based on 2016

# Allocation of CoE Tax Dollars





# Guiding Documents



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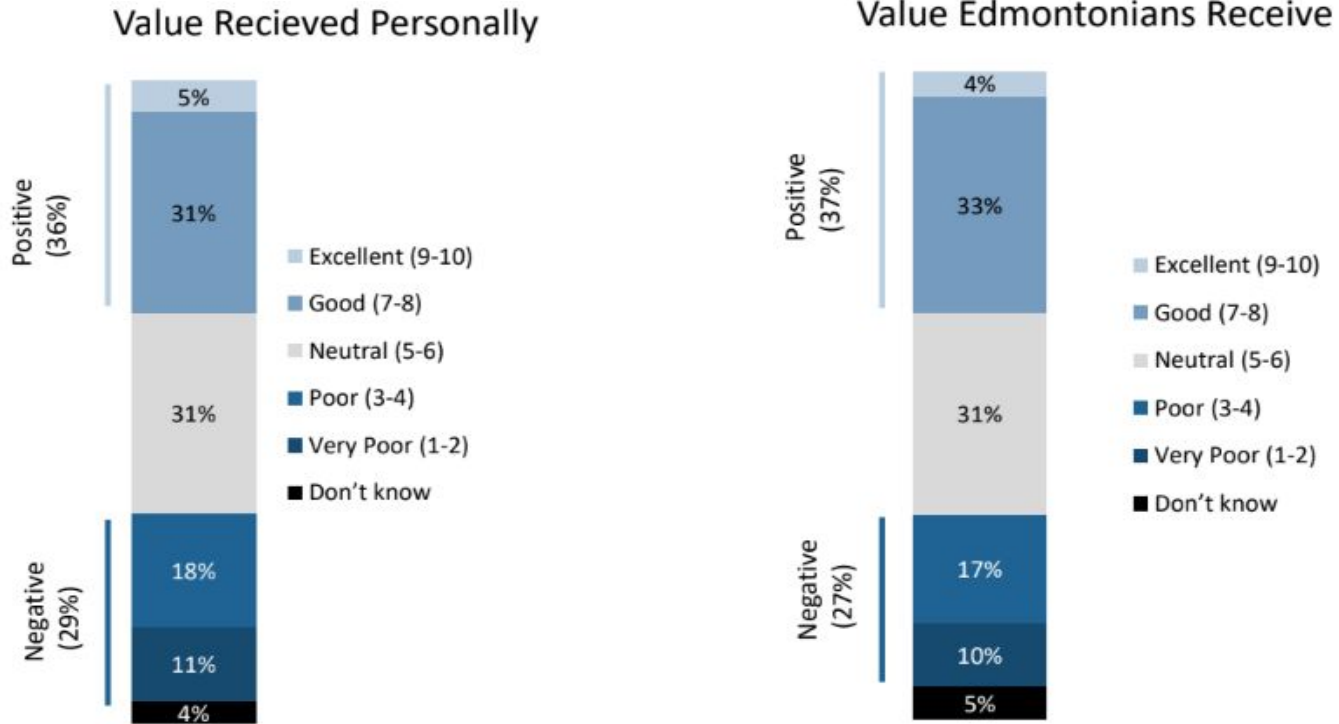
# Listening to Edmontonians

# Four-year budget research and engagement



We are here

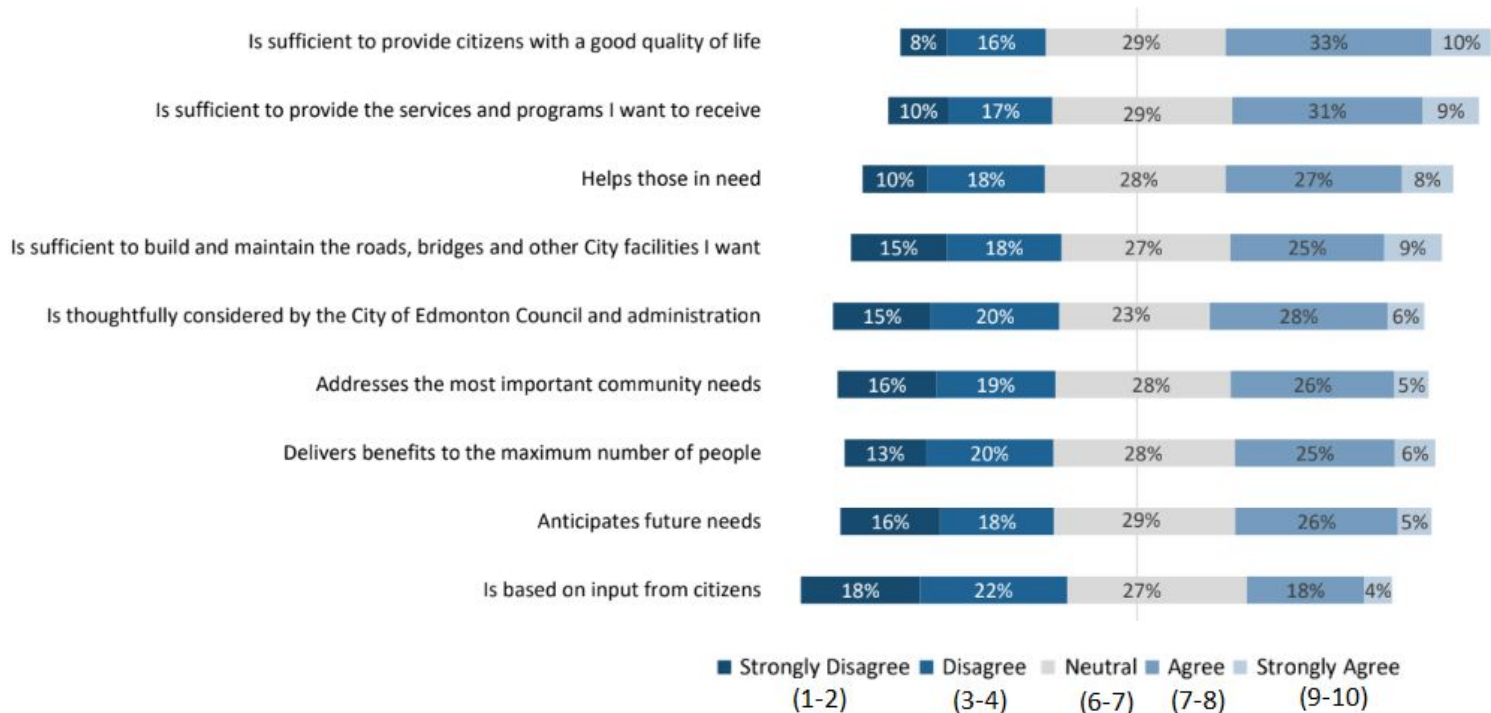
# Perceptions of value for tax dollars



Source: Survey respondents (n=1,006)

# Perceptions of Spending

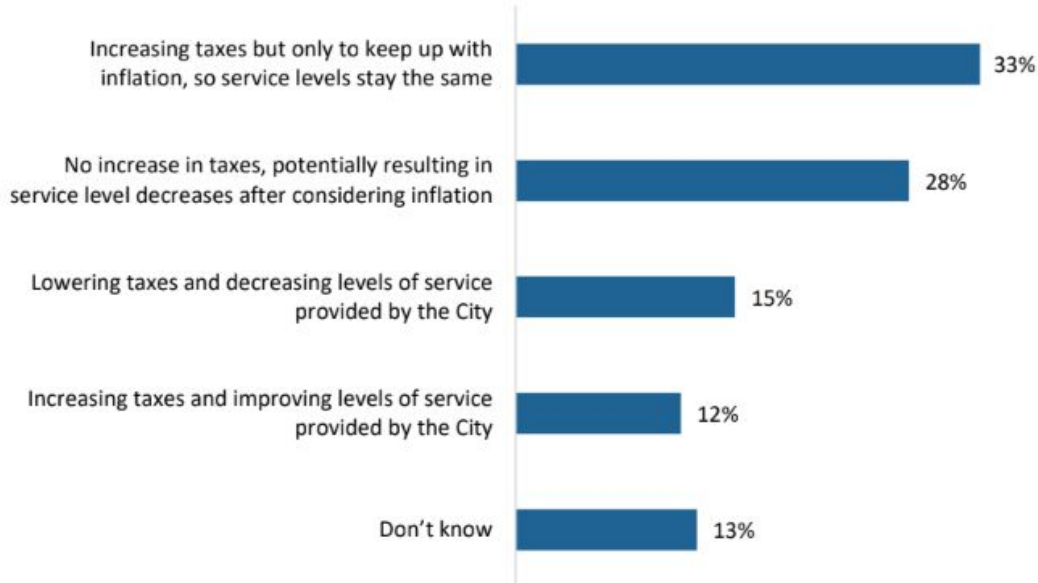
The amount of money that the City of Edmonton spends:



Source: Survey respondents (n=1,006)

# Tax Tolerance

## Desired Taxatation Increases



The mean perceived as typical change in the past few years for municipal taxes is

**4.8 %**

The mean believed reasonable change in municipal taxes per year is

**1.9 %**

## Summary

- Large number of positive and neutral perspectives on the value Edmontonians receive for their tax dollars
- Belief that the budget provides Edmontonians with a good quality of life and the services they need
- A third of Edmontians feel less positive.
- During the engagement conversations, we will learn more about residents' spending priorities

# Capital Investment Outlook



## 2023-32 Capital Investment Outlook: Purpose

Provides a longer-term view of the City's capital program taking into account the following:

- Council's strategic vision and goals as outlined in The City Plan and ConnectEdmonton,
- The City's growth forecast and other key economic indicators,
- Projects and initiatives that have been committed to beyond 2023,
- Ongoing investment required in existing infrastructure,
- New infrastructure to support a growing community, and
- Projected available capital funding and debt capacity.

# 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.

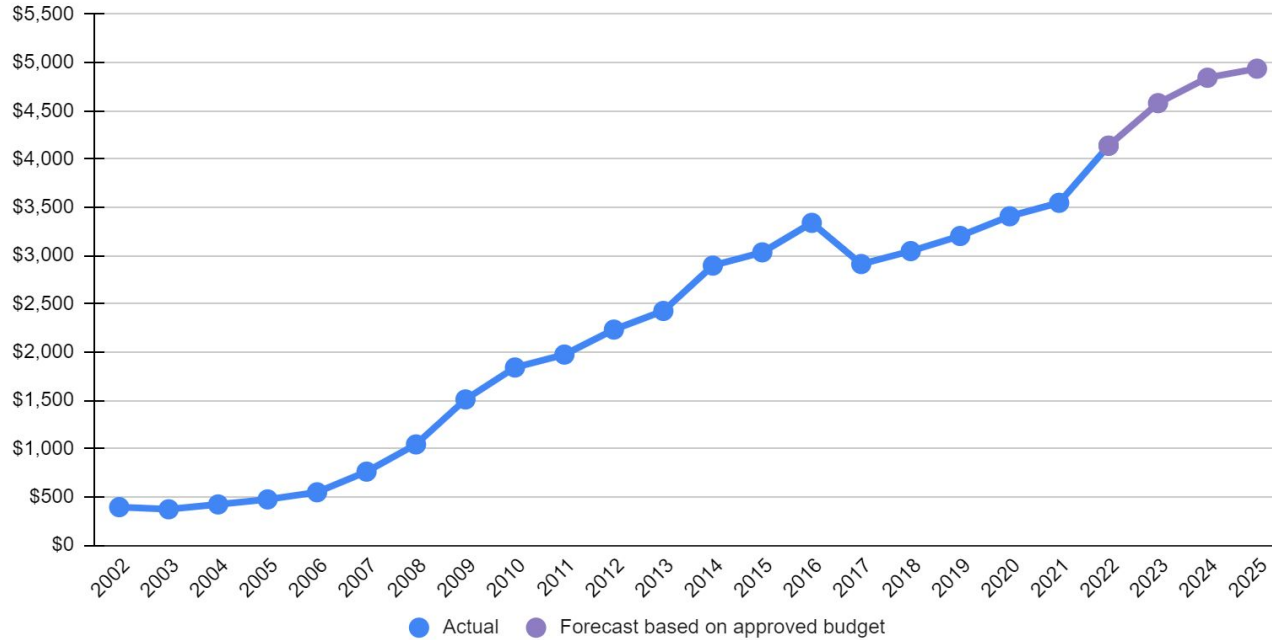
## Capital Budget Approved in Future Years

Approved Projects (\$millions)	2023	2024	2025	2026	Total 2023-2026 (4 Years)	Total 2027-2032 (6 Years)	Total 2023-2032 (10 Years)
Growth	1,320	1,160	849	500	<b>3,829</b>	244	<b>4,073</b>
Renewal	134	62	11	-	<b>207</b>	-	<b>207</b>
<b>Total Funding</b>	<b>1,454</b>	<b>1,222</b>	<b>860</b>	<b>500</b>	<b>4,036</b>	<b>244</b>	<b>4,280</b>

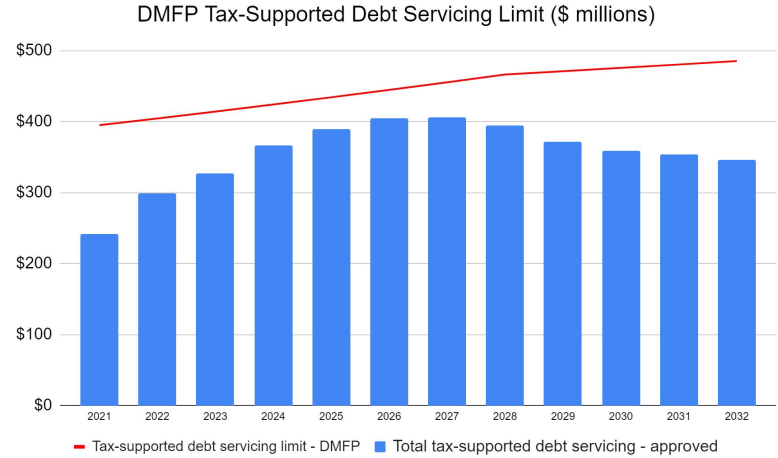
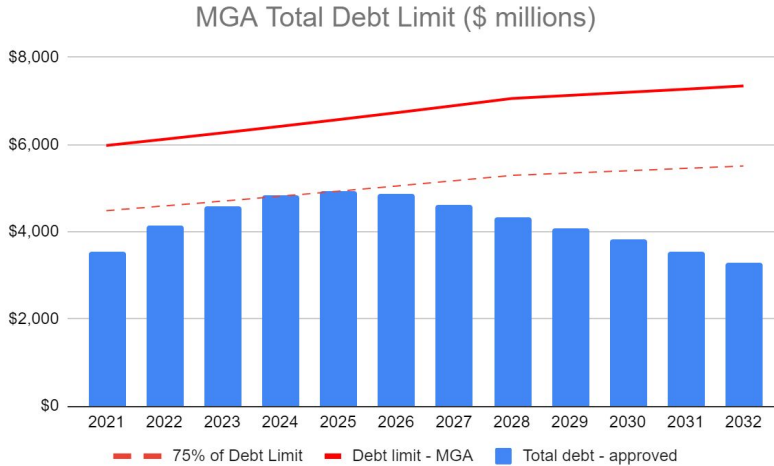
## Total Funding Available

Funding Sources (\$millions)	2023	2024	2025	2026	Total 2023-2026 (4 Years)	Total 2027-2032 (6 Years)	Total 2023-2032 (10 Years)
Constrained Funding	1,612	1,447	1,142	795	<b>4,996</b>	2,190	<b>7,186</b>
Unconstrained Funding	302	347	353	358	<b>1,360</b>	2,246	<b>3,606</b>
<b>Total Funding</b>	<b>1,914</b>	<b>1,794</b>	<b>1,495</b>	<b>1,153</b>	<b>6,356</b>	<b>4,436</b>	<b>10,792</b>
<i>Less: Funding already committed</i>	<i>(1,544)</i>	<i>(1,266)</i>	<i>(904)</i>	<i>(545)</i>	<b><i>(4,259)</i></b>	<i>(320)</i>	<b><i>(4,579)</i></b>
<b>Total Funding Available</b>	<b>370</b>	<b>528</b>	<b>591</b>	<b>608</b>	<b>2,097</b>	<b>4,116</b>	<b>6,213</b>
<b>Available Constrained</b>							<b>3,113</b>
<b>Available Unconstrained</b>							<b>3,100</b>

# Total Debt (\$ millions)



# Debt Capacity - Maximum Borrowing Remaining

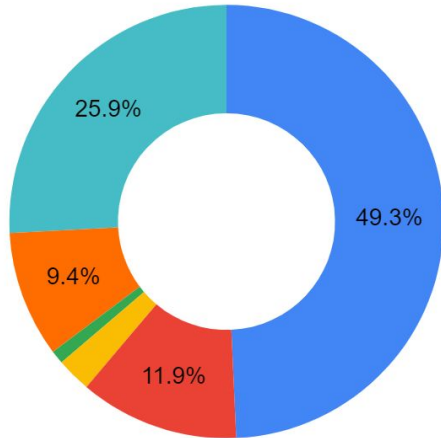


Maximum Borrowing Capacity Remaining (\$millions)	2023-2026 (4 Years)	2027-2032 (6 Years)	Total 2023-2032 (10 Years)
MGA Debt Limit	2,035	2,726	4,761
MGA Debt Servicing Limit	11,230	2,275	13,505
DMFP Total Debt Servicing Limit	4,020	1,990	6,010
DMFP Tax-Supported Debt Servicing Limit	621	1,364	1,986



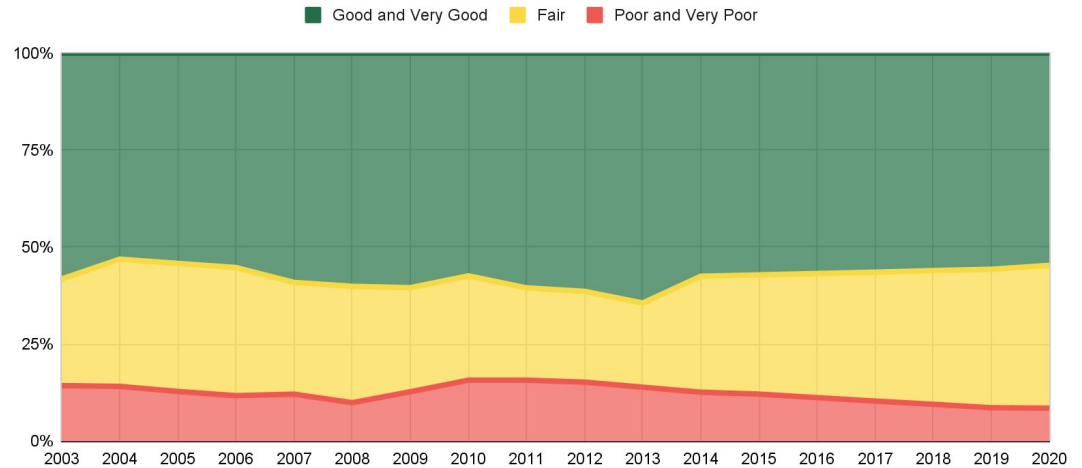
# Asset Inventory and Renewal

Current Asset Value Distribution  
Replacement Value: \$31.6 Billion



- Goods and People Movement
- Open Space
- Service Delivery
- Utilities
- Ancillary Infrastructure
- Facilities

City of Edmonton Historical Asset Condition Distribution





# Renewal Targets

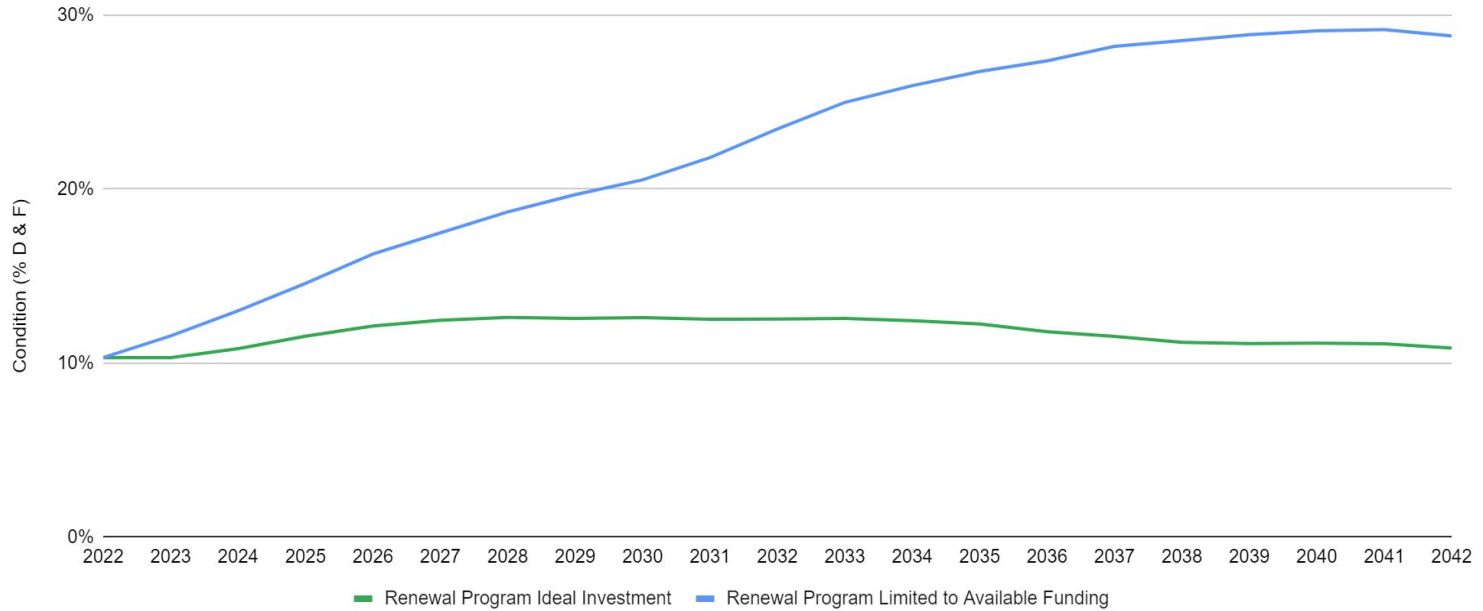
Importance Level	Average Condition Index	Severity	% of Assets in D&F	% of Assets in F	Examples
High	3.5	200	1%	0%	River Crossing Bridges, Self Contained Breathing Apparatus
Medium-High	3	200	5%	2%	LRT Track Structure
Medium	2.75	200	10%	5%	Police Marked Vehicles
Medium-Low	2.5	200	20%	7%	Bus Shelters
Low	2.25	200	40%	10%	Signage, Furniture and Audio-Visual Equipment

# Asset Inventory and Renewal

Ideal Investment in Renewal Program (\$millions)	2023	2024	2025	2026	Total 2023-2026 (4 years)	Total 2027-2032 (6 years)	Total 2023-2032 (10 years)
Ideal Investment - Renewal Portion	665	750	836	824	3,075	6,051	9,126
Ideal Investment - Growth Portion	86	98	107	109	400	817	1,217
<b>Total Ideal Investment</b>	<b>751</b>	<b>848</b>	<b>943</b>	<b>933</b>	<b>3,475</b>	<b>6,868</b>	<b>10,343</b>
Less:							
Constrained Renewal Funding	(166)	(214)	(243)	(222)	(845)	(1,447)	(2,292)
Renewal Projects Pre-approved	(134)	(62)	(11)	0	(207)	0	(207)
<b>Total Additional Funding Required for Ideal Investment</b>	<b>451</b>	<b>572</b>	<b>689</b>	<b>711</b>	<b>2,423</b>	<b>5,421</b>	<b>7,844</b>

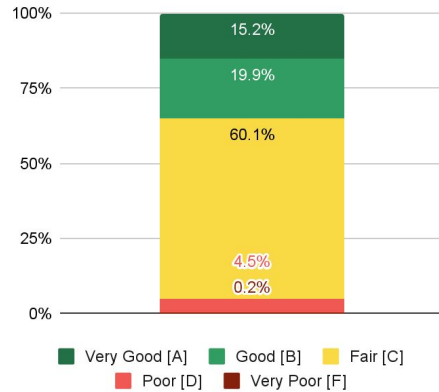
# Renewal of Assets

Effect of Budget on % for D and F for City Tax Supported Assets

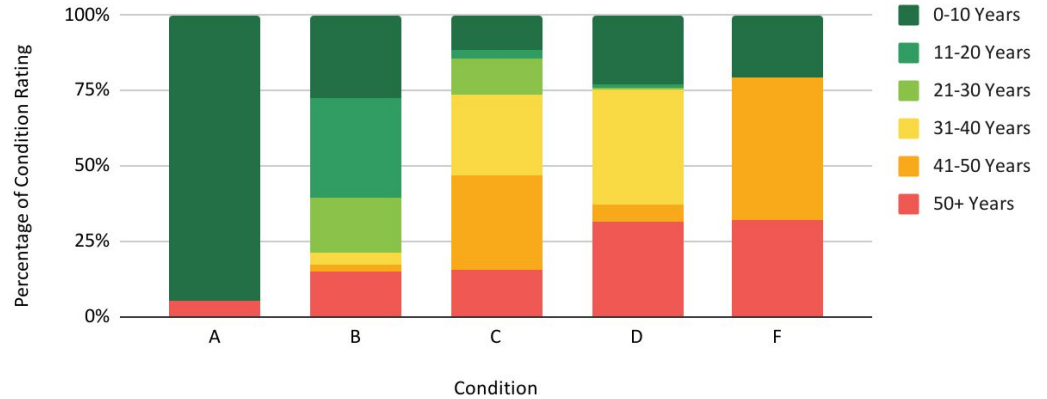


# A Closer Look: Facility Renewal Challenges

### Distribution of Facility Condition Ratings



### Distribution of Facility Age by Condition Rating



# Investments in New Growth (\$millions)

## Growth Projects Designed in Prior Cycles

Service Area	Number of Projects	Estimated Delivery Costs
Facilities	10	1,148
Transportation	22	469
Parks and Open Spaces	27	353
<b>Total</b>	<b>59</b>	<b>1,970</b>

## Other New Growth Initiatives

- Remainder of Edmonton Transit Service Fleet Storage, Operations and Maintenance Facility Strategy (\$728 million)
- Energy Transition Strategy and Action Plan (\$3.0 Billion)
- Mass Transit Plan (\$1.8 billion)
- Bike Lane Implementation Guide (\$191 million)
- Edmonton Exhibition Lands Implementation Strategy
- Affordable Housing
- Edmonton Police Service Growth Initiatives
- Edmonton Public Library Growth Initiatives
- Open City Technology Growth Initiatives

# Budget Motions - Capital

Artificial turf: Bryan Anderson Athletic Grounds to checkpoint 1

\$



Windermere Transit Centre Park and Ride - Design and Delivery

\$\$\$\$\$



Balwin/Belvedere Revitalization

\$\$\$\$\$



Land Acquisition: Metro-line NW LRT: Blatchford to Castledowns

\$\$\$\$\$



Advance PDDM of semi-exclusive routes B1 and B2 from The City Plan Mass transit network

\$\$\$\$\$



Rollie Miles Athletic Field District Park Renewal & Rollie Miles Leisure Centre

\$\$\$\$\$



\$: <\$1M

\$\$: \$1-3M

\$\$\$: \$3-5M

\$\$\$\$: \$5-10M

\$\$\$\$\$: >\$10M

## Funding Shortfall

(\$millions)	Total 2023-2026 (4 Years)	Total 2027-2032 (6 Years)	Total 2023-2032 (10 Years)
Funding Available	2,097	4,116	6,213
Less:			
Constrained Funding	(1,166)	(1,947)	(3,113)
RIMS Ideal Investment	(2,423)	(5,421)	(7,844)
Growth - New Investment - Already Designed	(788)	(1,182)	(1,970)
<b>Total Unconstrained Funding Shortfall</b>	<b>(2,280)</b>	<b>(4,434)</b>	<b>(6,714)</b>

Projected \$6.7 billion funding gap before consideration of other new growth initiatives listed on previous slide

## Addressing the Funding Gap

- Nearly all unconstrained funding needs to be directed to the renewal program, and even then additional strategies are required:
  - A right-sizing of the current number of assets
  - A new dedicated tax-levy to fund the renewal program
- Remaining debt room must be reserved and used to access and match future grant programs
- Investment in new assets will be limited to:
  - Projects already approved (\$3.8B over 2023-2026)
  - Projects mandated by legislation, have high safety impacts, or are high priority and eligible to receive funding from partners and other orders of government
  - Projects funded with constrained funding (eg: CRL's)



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# Operating Investment Outlook

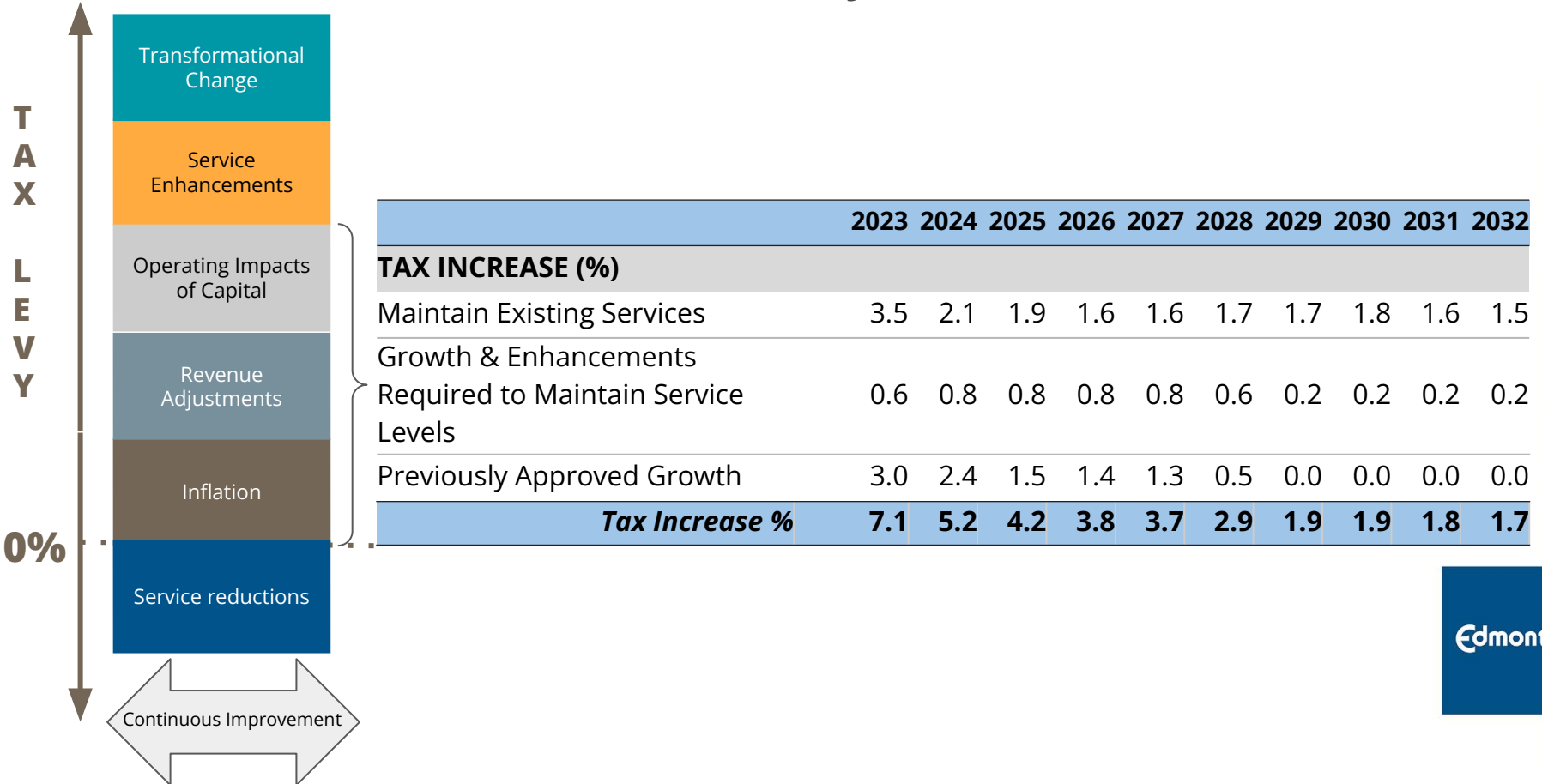
## 2023-32 Operating Investment Outlook: Purpose

- 10-year forecast of incremental changes to the City's operating revenues and expenditures for all tax supported services
- Provide longer-term view of operating budget impacts
  - Inflationary pressures, including wage settlements
  - Cost pressures to maintain service levels
  - Previously approved growth impacts
  - Economic impacts
  - Impacts of Federal/Provincial policies
  - Growth pressures
  - COVID-19 Impacts
- Help prepare for 2023-26 budget deliberations

## 2023-32 Operating Investment Outlook: Overview


- Baseline Scenario, partitioned into three categories:
  1. Maintain Existing Services
  2. Growth and Enhancements Required to Maintain Service Levels
  3. Previously Approved Growth
- Strategies to Reduce Net Operating Requirements
- Tax Tolerance Benchmarking
- Risk Summary


# OIO Baseline Scenario - Summary Table




# Budget Motions - Operating


Community-Specific Heritage work  
\$ 


Community League Operating Grant  
\$\$\$ 


Bus Network Expansion Opportunities  
\$\$\$\$ 

Heritage Resource Management Strategy  
\$ 


Implementation Program for City-owned Historic Resources  
\$\$\$ 

Snow and Ice Control Program  
\$\$\$\$\$ 


Festival Support and Growth  
\$ 


Indigenous-led Shelters, Housing & Programming  
\$\$\$ 


Affordable Housing Investment Plan  
\$\$\$ 


River Valley Planning Modernization  
\$ 

Missing and Murdered Indigenous Women and Girls Action Plan  
\$\$\$ 

Rezoning Priority Areas  
\$\$ 

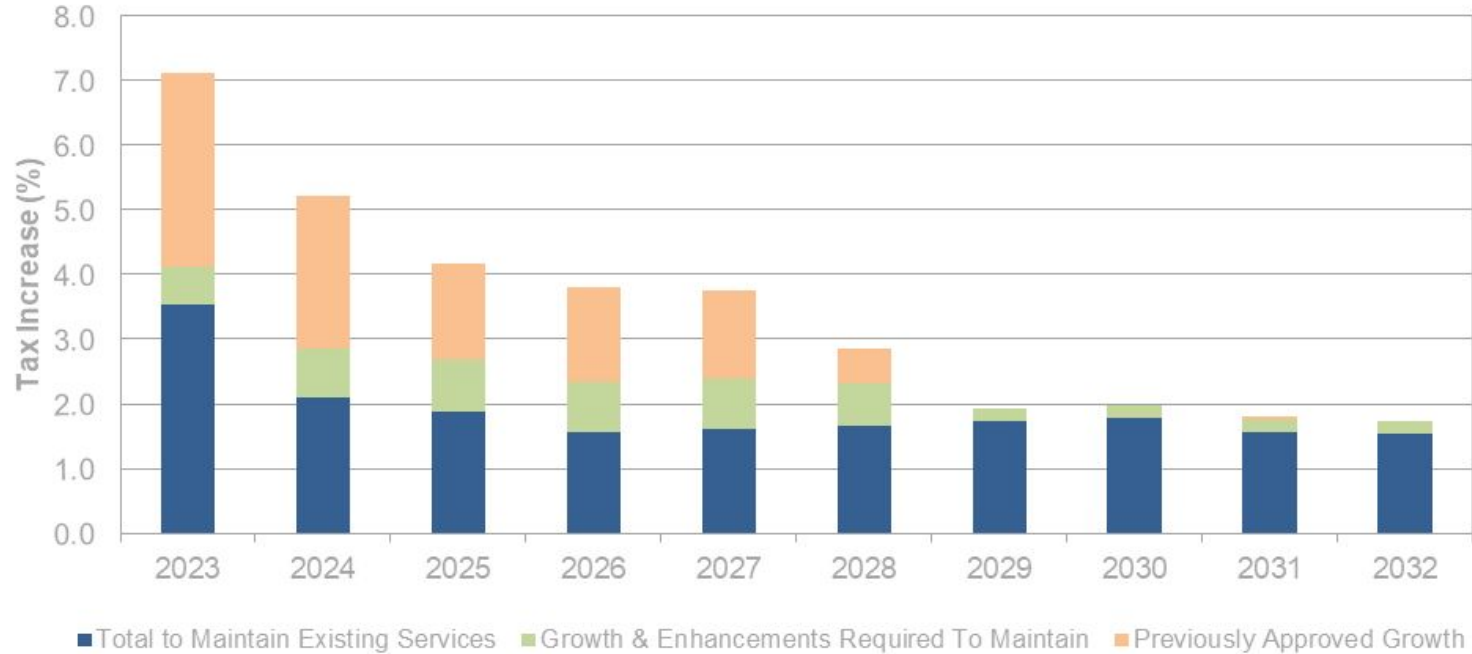
Problem Properties Initiative Update  
\$\$\$ 

Natural and Agricultural Land Protections  
TBD 

Livable Community Streets & Safe Crossings Initiative  
TBD 

\$: <\$1M  
 \$\$: \$1-3M  
 \$\$\$: \$3-5M  
 \$\$\$\$: \$5-10M  
 \$\$\$\$\$: >\$10M

# OIO Baseline Scenario



# Strategies to Reduce Net Operating Requirements

## Maintain Existing Services

- Rate increases on user fees and fines
- Service level reductions
- Elimination of services

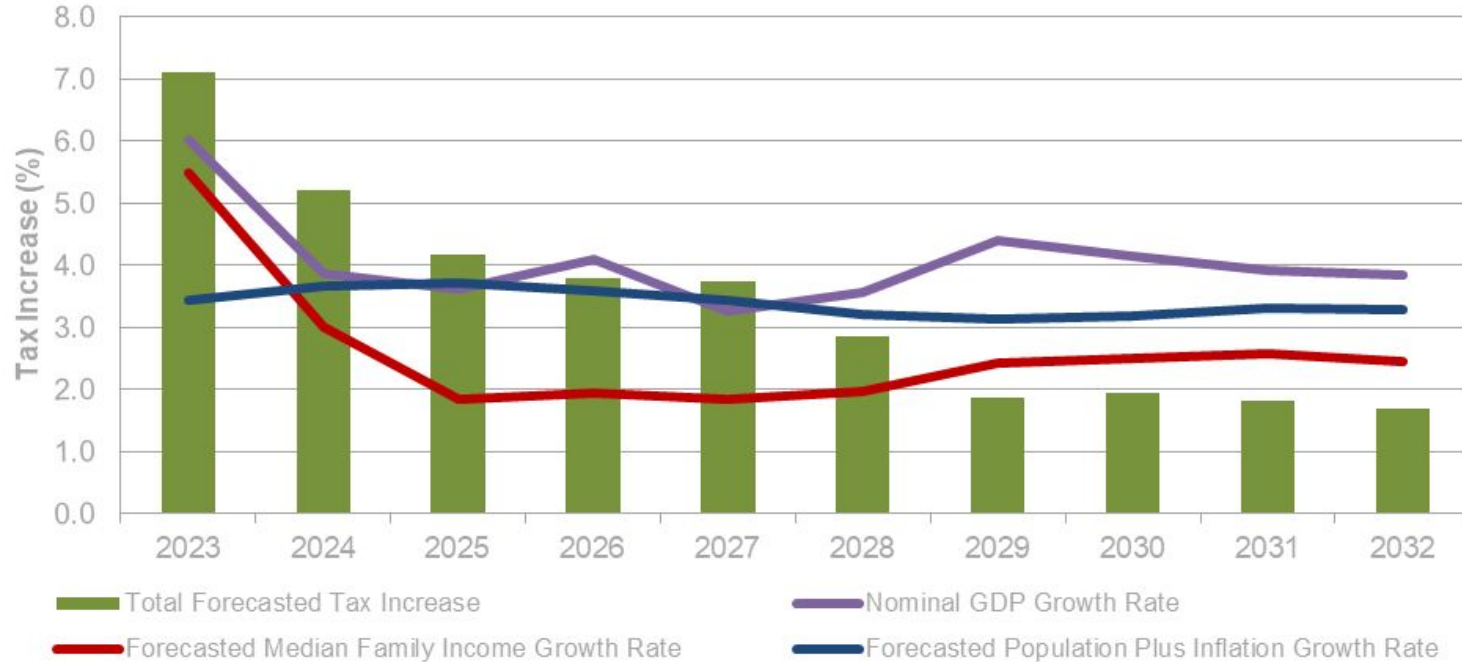
## Growth/Enhancements Required to Maintain Service Levels

- Scale back or do not approve the growth and enhancements required to maintain service levels and achieve current service level targets.
  - This will result in reductions to ETS and SNIC service levels over the forecast term.

## Previously Approved Growth

- Reduce or eliminate the \$6.8 million top-up to the Alley Renewal Program

# Tax Tolerance Benchmarks





# Risk Summary

- Federal and Provincial Policy Changes
- Provincial Operating Grants
- Inflation
- FIFA Impacts
- Debt Limits
- Impacts of Capital from Previous Approved Growth
- Transit COVID-Impacts
- ETS Fleet Storage, Operations and Maintenance Facility Strategy
- Capital Renewal
- Service Growth & Enhancements
- Capital Growth Debt Impacts
- Capital Growth Operating Impacts of Capital

## Addressing Risks Post-Pandemic



Financial Stabilization Reserve - risk based reserve to manage emerging items and risk on a one-time basis.



Financial Strategies - risk management quantified and held centrally in the corporate budget (ex. fuel and utility price risk)



Monthly variance reporting monitored internally by Administration  
June, September and December variance reporting to City Council

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Questions?