

## PROPOSED 2023-2026 OPERATING BUDGET

### RECOMMENDATION

That the 2023-2026 Operating Budget motion as outlined in Attachment 1 of the November 14, 2022, Financial and Corporate Services report FCS01394, be approved.

<b>Requested Council Action</b>	Decision required		
<b>ConnectEdmonton's Guiding Principle</b>	<b>ConnectEdmonton Strategic Goals</b>		
<b>CONNECTED</b> This unifies our work to achieve our strategic goals.	<b>Healthy City</b>		
<b>City Plan Values</b>	BELONG. LIVE. THRIVE. ACCESS. CREATE.		
<b>City Plan Big City Move(s)</b>	A community of communities  Inclusive and compassionate  Catalyze and converge	<b>Relationship to Council's Strategic Priorities</b>	Community safety and well-being  Arts and culture  Economic Growth  Conditions for service success
<b>Corporate Business Plan</b>	Serving Edmontonians		
<b>Council Policy, Program or Project Relationships</b>	<ul style="list-style-type: none"> <li>Multi-year Budgeting Policy (C578)</li> <li>Fiscal Policy for Revenue Generation (C624)</li> <li>Debt Management Fiscal Policy (C203C)</li> </ul>		
<b>Related Council Discussions</b>	<ul style="list-style-type: none"> <li>FCS01168, City Council, June 7, 2022</li> <li>FCS01461, City Council, September 14, 2022</li> </ul>		

### Executive Summary

- The proposed 2023-2026 operating budget balances the needs and aspirations of Edmontonians within the economic realities and pandemic recovery.

## PROPOSED 2023-2026 OPERATING BUDGET

- The City of Edmonton's operating budget helps maintain the roads, pathways and public transit that move people; support Edmontonians' safety and well-being through bylaw enforcement, fire rescue services, police and social programs; and fund attractions, leisure activities and parks that make Edmonton a great place to live, work and visit.
- The proposed 2023-2026 operating budget focuses on maintaining the excellent services that Edmontonians expect while delivering the transformational projects that will help the City to achieve the ConnectEdmonton and The City Plan vision within the context of the community's tax and fee tolerances.
- The proposed operating budget results in a household paying approximately \$718 dollars in municipal property taxes for every \$100,000 of their assessed home value in 2023, an increase of \$27 compared to 2022.

## REPORT

Administration has prepared the Proposed 2023-2026 Operating Budget (Attachment 2) in accordance with the Council Policy C578 - Multi-year Budgeting Policy. Policy C578 was approved on September 9, 2014 and directs the City to undertake a multi-year approach to budgeting for operating and capital programs and services with the end of the term of the multi-year budget to align with the calendar year end of the year after the year in which a new Council is elected. The most recent multi-year capital and operating budgets were approved by Council for the four-year period 2019 to 2022.

The proposed 2023-2026 operating budget balances the needs and aspirations of Edmontonians within the economic realities and pandemic recovery. The operating budget focuses on maintaining the excellent services that Edmontonians expect while delivering the transformational projects that will help the City to achieve the strategic goals of ConnectEdmonton and The City Plan.

ConnectEdmonton sets the direction for Edmonton's future and outlines where the City needs to change today to achieve the vision for the city in 2050. It has four 10-year goals that will be revisited in 2028, meaning over the course of building out a city of two million people, there will be at least three strategic plans. The City Plan outlines the choices Council, Administration and Edmontonians need to make to realize the goal of a vibrant, healthy, sustainable city of two million people.

With every four-year budget Administration develops operating and capital investment outlooks that provide a 10-year forecast from the point the budgets start development. The 10-year outlooks for development of the 2023-2026 budgets were presented to Council on June 7, 2022 (Financial and Corporate Services reports FCS01168 and FCS01169).

The operating and capital investment outlooks inform the decisions and actions necessary to allocate the City's resources through the four-year planning and budget cycle — essentially the pace that resources are allocated to achieve the strategic goals of ConnectEdmonton and the Big City Moves of The City Plan. ConnectEdmonton and The City Plan represent goals, for a community of two million people, to be achieved by 2050. There are a number of budget cycles in Edmonton's journey, and each allows for progress on the goals over time, but it is not necessary

## PROPOSED 2023-2026 OPERATING BUDGET

or feasible to implement everything in a single cycle. The 2023-2026 Operating Budget is the first step in a strategic approach to achieve the vision of the future, balancing the need for transformational change with the economic constraints navigated by the City and Edmontonians.

### Economic Context

Just as many Edmontonians are dealing with financial pressures, so is the City. Persistent price acceleration has prompted the Bank of Canada to aggressively increase its policy interest rate target to bring consumer inflation back to its target of two per cent. While higher interest rates may help to ease price pressures coming from domestic sources, they may be less effective at addressing underlying inflationary pressures coming from global factors, like price volatility for certain commodities. Price acceleration and rising interest rates have an impact on the operating budget in higher fuel, natural gas and utility costs, and higher debt servicing costs for recently approved debt-financed projects and previously approved projects under construction.

There is a great deal of uncertainty surrounding inflation forecasts as the pace and scale of price pressures easing are unclear. Because economic conditions are changing rapidly, as soon as it is released and understood, current economic data are influencing future expectations more than usual. A prudent operating budget would not over-extend the City's financial commitments given the current economic context.

### Proposed 2023-2026 Operating Budget

The Budget in Brief section of the budget provides an overview of the existing budget, growth in services, new or enhanced services, operating impacts of capital, funding for Edmonton Police Service and Community Safety and Wellbeing.

If the proposed four-year budget is passed, annual property tax rate increases of 3.9 per cent are required each year in the 2023-2026 cycle. In the draft recommended operating budget, these increases are a result of:

- Identified pressures in the existing budget including personnel increases for wage progression;
- Higher debt servicing costs as a result of new debt financed capital projects and rising interest rates for debt-financed projects that are currently under construction or yet to commence;
- Operating impacts of capital related to new capital;
- Higher energy prices, which increased natural gas and utility costs;
- Higher fuel costs resulting increased program costs from operating vehicles;
- Mitigation of the continuing impact of the pandemic on certain revenue streams through the use of reserves in the early years of the budget allowing time for transit and recreation facilities revenue to return to pre-pandemic levels; and,
- Funding for the Edmonton Police Service through an updated formula for 2023

## PROPOSED 2023-2026 OPERATING BUDGET

Between 2023 and 2026, Administration proposes to spend a total of \$92.8 million for new or enhanced services, including:

- Safe Mobility Program Funding
- Downtown Vibrancy Strategy
- Corporate Integrated Data Solution
- Safety Compliance of Legislated Heating Plants
- Arts Habitat for Ortona Armoury and Service Agreement
- Chinatown Strategy Implementation Continuation

The Budget Building Blocks section of Attachment 2 outlines Administration's approach to developing the proposed operating budget including:

Ensuring alignment to ConnectEdmonton and The City Plan as the vision and direction that underlie the budget development.

- Balancing City Council's priorities, which are well-aligned with the vision articulated in ConnectEdmonton and The City Plan.
- Understanding the impact the budget will have on Edmontonians through an understanding the economic context of the City, the City's COVID-19 pandemic recovery and the pressures facing Edmontonians.
- Finding out what is important to Edmontonians, how they experience City services and where they would like to see increased or decreased investment through research, engagement and surveys.
- Considering the workforce implications of any budgetary decision.
- Understanding and considering the carbon impacts within the budget.
- Identifying integrated insights to ensure that the Corporation is moving forward in alignment with the City's strategic plans.
- Applying priority based budgeting to evaluate and assess services and subservices to aid in the prioritization of the budget.
- Working with Agencies, Boards and Commissions to understand their priorities and needs.

Learning from the research and engagement completed to inform the development of the 2023-2026 operating budget, there is no precise complement of services desired by all Edmontonians. Instead, the proposed operating budget reflects investments in equitable and inclusive day-to-day services, with some transformational enhancements, which position the City for strong implementation of ConnectEdmonton and The City Plan.

The proposed 2023-2026 operating budget reflects Administration's prudence related to the unpredictability of inflation and market forces outside of the City's immediate influence and control. Should additional service packages be considered without a desire to increase the 3.9 per cent tax levy increase that is contemplated in the proposed 2023-2026 operating budget,

## **PROPOSED 2023-2026 OPERATING BUDGET**

Administration is prepared to support Council's conversations on benefits and trade-offs of investments and service adjustments during the deliberation process.

## **COMMUNITY INSIGHT**

Perspectives from Edmontonians regarding 2023-2026 budget priorities are outlined in the October 31, 2022, Communications and Engagement report CE01489 - Budget 2023-2026 Community Insights.

## **GBA+**

As part of the development of the 2023-2026 Proposed Operating Plans and Budget, departments and GBA+ Centres of Excellence participated in a partial GBA+ process, and identified differential impacts that new initiatives proposed for the next four years might have on Edmontonians. For example, would a proposed program impact single parents one way, and seniors another way.

This information was used as a factor to help determine which initiatives to advance. The GBA+ process will be applied to initiatives that are approved as part of the 2023-2026 operating budget decisions and will identify measures to address differential impacts as the program or project is implemented.

## **ATTACHMENTS**

1. Recommended Operating Budget Motion
2. Proposed 2023-2026 Operating Budget