

## SPRING 2023 SUPPLEMENTAL CAPITAL BUDGET ADJUSTMENT

### 2023-2026 Capital Budget

#### RECOMMENDATION

1. That adjustments to the 2023-2026 Capital Budget, as outlined in Attachment 4 of the June 13, 2023, Financial and Corporate Services report FCS01658, be approved.
2. That the adjustment to the 2023-2026 Capital Budget, as outlined in Attachment 8 of the June 13, 2023, Financial and Corporate Services report FCS01658, be approved.
3. That Attachment 8 of the June 13, 2023, Financial and Corporate Services report FCS01658 remain private pursuant to section 29 (information that is or will be available to the public) of the *Freedom of Information and Protection of Privacy Act*.

|   |   |   |  |
|---|---|---|--|
| <b>Requested Council Action</b>   |   | Decision required                                     |  |
| <b>ConnectEdmonton's Guiding Principle</b>                                |   | <b>ConnectEdmonton Strategic Goals</b>                |  |
| <b>CONNECTED</b><br>This unifies our work to achieve our strategic goals. |   | <b>Urban Places</b>                                   |  |
| <b>City Plan Values</b>   | LIVE. THRIVE. ACCESS. PRESERVE.   |   |  |
| <b>City Plan Big City Move(s)</b>   | A community of communities<br>A rebuildable city<br>Greener as we grow  | <b>Relationship to Council's Strategic Priorities</b> | Mobility Network<br>15-minute communities<br>Economic Growth<br>Climate adaptation and energy transition<br>Conditions for service success |
| <b>Corporate Business Plan</b>  | Transforming for the future   |   |  |
| <b>Council Policy, Program or Project Relationships</b>                   | <ul style="list-style-type: none"> <li>• Multi-year Budgeting Policy (C578)</li> <li>• Neighbourhood Renewal Program Policy (C595A)</li> <li>• Debt Management Fiscal Policy (C203C)</li> </ul> |   |  |

### Related Council Discussions

- FCS01393, Proposed 2023-2026 Capital Budget, City Council, November 30, 2022

### Executive Summary

- The Supplemental Capital Budget Adjustment (SCBA) is an integral component of the City Council approved multi-year approach for the 2023-2026 Capital Budget. The SCBA allows Council to adjust the capital budget twice a year, in the spring and fall, to accommodate changes required as a result of the Capital Governance Policy C591 - Project Development and Delivery Model (PDDM), and in response to changing project needs, new funding opportunities and challenges, emerging issues and changing priorities.
- The SCBA supports the City's financial management outcome of ensuring a resilient financial position and enables both current and long-term service delivery and growth.
- Administration has recommended a number of adjustments as part of the SCBA resulting in a net increase to the 2023-2026 Capital Budget for tax-supported operations of \$25.7 million.
- The most significant adjustment to the capital budget is an addition of \$8.9 million in funding approved under the federal Active Transportation Fund program.
- City Council approves adjustments to the Waste Services and Blatchford Renewable Energy capital budgets in separate reports routed through Utility Committee.

### REPORT

On December 16, 2022, City Council approved the 2023-2026 Capital Budget in accordance with City Policy - C578 Multi-year Budgeting and City Policy - C591 Capital Project Governance, which requires all capital projects (infrastructure, fleet and equipment, information technology and land) follow the Project Development and Delivery Model (PDDM).

The majority of the adjustments brought forward within the spring and fall Supplemental Capital Budget Adjustment (SCBA) process are PDDM adjustments to transfer approved funding between composite and standalone capital profiles without increasing the overall capital budget. In addition, the SCBA allows Administration to bring forward other recommended adjustments to the capital budget for reasons such as:

- New funding opportunities and challenges;
- Emerging issues; and
- Changing priorities.

### 2023-2026 Capital Budget Approved to Date

Council has approved \$10.19 billion in capital spending as part of the 2023-2026 capital budget cycle prior to adjustments proposed in the Spring 2023 SCBA. The total includes \$9.45 billion of approved capital spending over the period of 2023-2026, and \$0.74 billion in 2027 and beyond. The approved capital budget is distributed across the City as follows:

- Tax-Supported Operations (\$9.95 billion);

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- Waste Services Utility (\$182 million);
- Blatchford District Energy Utility (\$38 million); and
- Downtown District Energy Utility (\$23 million).

Attachment 1 provides the currently approved 2023-2026 Capital Budget and the impacts of the recommended Spring 2023 SCBA adjustments.

### Recommended Spring 2023 SCBA Adjustments by Category

Adjustments recommended in the Spring 2023 SCBA are within the following categories:

- **New Profiles Recommended for Funding** - Adjustments where a new capital profile is being brought forward for Council approval. Most new profiles are related to the PDDM model for projects previously approved within composite capital profiles that have now reached Checkpoint 3 of the PDDM and require approval within their own standalone capital profile. All renewal projects greater than \$5 million and all growth projects greater than \$2 million require Council approval within a standalone capital profile.
- **Scope Change** - Adjustments where a new element or component is being recommended for addition to the originally approved capital profile. Scope changes can be funded with transfers from existing approved composite capital profiles or require a new funding source to proceed.
- **Recosting** - Adjustments required when an approved capital project is projected to be over or under budget, which can occur when tenders on capital projects differ from the originally approved budget. When new capital profiles are created at Checkpoint 3 of the PDDM, they are based on a cost estimate of -20/+30 per cent. Recosting adjustments reflect the variances in this range of estimate, and are mostly funds transferring between composite and standalone capital profiles.
- **Funding Source** - Adjustments where a previously approved source of funding is replaced with a different source of funding. Most funding source adjustments are approved administratively. The only ones brought to Council for approval are those involving a change to tax-supported debt or restricted reserves.
- **Transfers from Operating to Capital** - Adjustments where an item approved in the operating budget is transferred to the capital budget. These types of adjustments are only brought forward for Council approval when they involve restricted reserves.
- **PDDM** - Adjustments where capital profiles approved outside of the PDDM process are brought forward for cash flow changes so they are in alignment with the PDDM model. Detailed information related to the PDDM is provided in Attachment 2.

The following table summarizes the total budget requests in the Spring 2023 SCBA by category:

| Category (\$ millions)               | Total Budget Requests | Less: Funded with Transfers (from) / to Existing Profiles | Net Impact to Capital Budget |
|--------------------------------------|-----------------------|---|------------------------------|
| New Profiles Recommended for Funding | \$110.7               | (\$99.6)  | \$11.1                       |
| Scope Change - Increases             | \$38.9                | (\$35.2)  | \$3.7                        |
| Recosting - Increases                | \$24.1                | (\$12.0)  | \$12.1                       |

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|   |                |                  |               |
|---|----------------|------------------|---------------|
| Recosting - Decreases                     | (\$13.7)       | \$11.5           | (\$2.2)       |
| Transfers from Operating to Capital       | \$1.0          | -                | \$1.0         |
| <b>Total Spring 2023 SCBA Adjustments</b> | <b>\$161.2</b> | <b>(\$135.5)</b> | <b>\$25.7</b> |

The recommendations in the Spring 2023 SCBA would result in an overall \$25.7 million increase to the approved capital budget. Individual adjustments to the SCBA identified by category in the table above are summarized in Attachment 3.

The most significant adjustment within the overall \$25.7 million net impact to the capital budget is an addition of \$8.9 million in funding approved under the federal Active Transportation Fund program. The majority of this funding, \$8.7 million, was for growth components of the Imagine Jasper Avenue (114 Street to 124 Street) project. The remaining \$0.2 million was received for planning costs for missing sidewalks, missing links, 107 Avenue Revitalization and active transportation infrastructure projects.

The detailed adjustments for Council approval are in Attachment 4. The complete list of new profiles and the related capital profile reports recommended for approval are included in Attachment 5, as well as the following revised profiles:

- CM-12-0300 - Valley Zoo Animal Enclosure Renewal and Enhancement;
- 21-32-9101 - William Hawrelak Park Rehabilitation; and
- 21-12-0310 - Peter Hemingway Fitness & Leisure Centre Rehabilitation - Phase 1.

The first two profiles had previously been approved by Council, but had significant scope adjustments approved during the 2023-2026 Capital Budget deliberations. The profiles have been updated to reflect these changes. The third profile was also previously approved by Council, but has been updated to reflect the scope change to add phase 2 of the project, being proposed within Attachment 4. These three amended profiles are presented for information and do not require approval.

### Status of Available Capital Funding and Recommendations for Use

The City's corporate funding pool consists of the following capital funding sources:

- Municipal Sustainability Initiative (MSI) and Local Government Fiscal Framework (LGFF) provincial grant funding
- Pay-As-You-Go (PAYG)
- Canada Community-Building Fund (CCBF) grant funding

### Available Capital Funding Prior to Spring 2023 SCBA Recommendations

The following table outlines changes in available funding prior to the recommendations included in the 2023 Spring SCBA:

|  | Corporate Funding Pool Balance/(Deficit) (\$ million) |
|--|---|
| Funding Remaining after 2023-2026 Budget Deliberations | \$35.3  |

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|   |               |
|---|---------------|
| Adjustments to Funding Since Deliberations                          |               |
| 2022 Year-end adjustments and one-off Council approvals             | (\$7.1)       |
| <b>Funding Available Prior to Consideration of Spring 2023 SCBA</b> | <b>\$28.2</b> |

At the conclusion of the 2023-2026 Capital Budget deliberations, the corporate funding pool was in a positive balance of \$35.3 million. This balance consisted entirely of CCBF funding, held to offset the additional \$83.5 million of tax-supported debt approved at the Fall 2021 SCBA for the 50 Street CPR Grade Separation, and Coronation Park Sports and Recreation Centre projects.

Adjustments to the corporate pool since the 2023-2026 Capital Budget deliberations have resulted in a net reduction to the corporate pool of \$7.1 million, all to the PAYG portion that comprises the total pool. The result is a positive balance in the corporate funding pool of \$28.2 million prior to consideration of the recommendations in the Spring 2023 SCBA. An overview of Corporate Funding Pool balances are included in Attachment 6.

### Available Capital Funding Subsequent to Spring 2023 SCBA Recommendations

| <b>Corporate Funding Pool - Available Funding Subsequent to Proposals in the Spring 2022 SCBA (\$ millions)</b> | <b>Corporate Funding Pool Balance/(Deficit)</b> |
|---|---|
| Funding Available Prior to Consideration of Spring 2023 SCBA  | \$28.2  |
| Proposed use of Corporate Pool Funding:   |   |
| 1. Funding Swap (CCBF)<br><i>(50 Street grade separation)</i>   | (\$35.3)  |
| 2. Fund new items (PAYG)<br><i>(Scona Pool Demolition, Taxation and Assessment Collections System)</i>          | (\$3.0)   |
| <b>Funding Balance Subsequent to Spring 2023 SCBA Recommendations</b>   | <b>(\$10.1)</b>                                 |

Administration is recommending the use of \$38.3 million of corporate pool funding towards adjustments recommended in the Spring 2023 SCBA. This consists of applying the \$35.3 million of CCBF funding to the 50 Street CPR Grade Separation project to reduce the amount of debt approved for that project, and \$3.0 million of PAYG funding applied to the Scona Pool demolition, and Taxation and Assessment Collections System projects. The total corporate funding pool would be in a deficit balance of \$10.1 million after consideration of these recommendations, consisting entirely of PAYG.

### Funding Strategy - Corporate Pool Deficit

Administration will continue to monitor the \$10.1 million PAYG deficit balance over the remainder of the 2023 budget year. Additional PAYG may become available from positive investment earnings variances and releases from existing budgets as projects are completed. Overall, Administration considers the \$10.1 million deficit balance to be manageable over the four-year

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cycle. If additional funds are not realized, the deficit balance will be carried forward to the 2027-2030 budget cycle, limiting the total new funding available in that cycle.

### Renewal Investment

In the 2023-2026 Capital Budget, the ideal renewal investment was identified as \$3.5 billion; however, the available funding for renewal was only 54 per cent of this ideal requirement. Once renewal programs with constrained funding (e.g., Neighbourhood renewal) and bridges (which are funded to their ideal level to mitigate for increased risk of failure) were considered, the remainder of the renewal program was funded at only 30.7 per cent of its ideal investment. While the capital budget made the most of available funding, this level of funding is not sufficient and can create issues of sustainability in the long term. Continued underinvestment in renewal will impact the condition of the City's assets, and could shorten asset lifespans, cause service disruptions and create more urgent maintenance needs in the future.

### Tax-Supported Debt

Three of the items noted earlier in this report would result in changes to tax-supported debt. These projects are summarized in the table below.

| Adjustments with Debt Implications (\$ millions)           | Change to Tax-Supported Debt |
|--|------------------------------|
| Iron Works Building Rehabilitation - Recosting Increase    | \$5.1                        |
| 50 Street CPR Grade Separation - Funding Source Adjustment | (\$66.1)                     |
| Stadium LRT Station Upgrade - Funding Source Adjustment    | (\$3.5)                      |
| <b>Total Reduction to Tax-Supported Debt</b>               | <b>(\$64.5)</b>              |

The total decrease to the City's tax-supported debt for the three adjustments noted in the table above is \$64.5 million. The estimated debt servicing savings per year for these adjustments approximates \$5.0 million per year, phased in over the period of 2024 to 2027. The total estimated tax levy impact of this decrease is 0.24 per cent, phased in over the same period. If Council approves these amendments, adjustments to debt servicing related to the 2023-2026 period would be brought forward at the Fall 2023 Supplemental Operating Budget Adjustment.

### Edmonton Coliseum Demolition - Repayment of Land Fund Retained Earnings

At the November 30, 2022 City Council Budget Deliberations meeting, the following motion was passed:

That capital profile CM-99-9000 Infrastructure Delivery - Growth, as outlined on page 669 in Appendix E of the October 31, 2022, Financial and Corporate Services report FCS10393, be increased by \$35,000,000 planning, design and delivery of the Edmonton Coliseum Demolition as follows:

- \$15,750,000 (\$2,250,000 in 2025, \$7,200,000 in 2026, \$5,400,000 in 2027 and \$900,000 in 2028) from Pay-As-You-Go;

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- \$19,250,000 (\$2,750,000 in 2025, \$8,800,000 in 2026, \$6,600,000 in 2027 and \$1,100,000 in 2028) interim financed from Land Enterprise Retained Earnings; and

That Administration return in the Spring 2023 Supplemental Capital Budget Adjustment with a plan to repay Land Enterprise Retained Earnings over a period not to exceed five years.

As outlined in the April 14, 2023, Financial and Corporate Services report FCS01094, Land Development Policy C511 - Recommended Updates, Administration considered allocating a portion of the increased land enterprise dividend as part of the repayment strategy for the demolition of the Coliseum. Administration is now recommending this approach for the following reasons:

- Results in no increase to the 2024 to 2026 tax levy.
- Results in no reductions required to previously approved capital projects.
- Ability to repay Land Enterprise Retained Earnings within the five-year time frame.

Administration will bring forward the recommendations required to recognize the increase and redirection of the land enterprise dividend to repay the interim Land Enterprise Retained Earnings used to finance the demolition of the Coliseum as part of the Fall 2023 Supplemental Operating Budget Adjustment.

### **Carbon Budget**

Administration continues to expand the carbon accounting framework throughout the organization, ensuring its continuous growth and development. As the corporation matures, there will be opportunities to refine the carbon budgeting process. The City is committed to evolving into an organization that integrates carbon budgeting into its internal operations and decision-making processes, such as implementing carbon checkpoints throughout project lifecycles. A key element in maturing the organization will be ongoing training and education to build internal capacity and capabilities. In fall 2023, an updated Carbon Budget will be presented, including revised emissions forecast, along with the supplemental operating and capital budget adjustments.

### **Emerging Items**

The 'Emerging Items' attachment in each SCBA includes projects Council has previously approved and funded, but may require additional funding within the 2023-2026 cycle. The category also includes projects requiring funding in the future to address an urgent need. Amounts represent Administration's best estimate at the time of the SCBA.

Currently, one item, school site base level development, is discussed as an emergent item in Attachment 7. Private Attachment 8 outlines an adjustment related to a federal grant program.

## **COMMUNITY INSIGHT**

The October 31, 2022 City Council report CE01489 provided details on the extensive engagement Administration conducted on the 2023-2026 Capital and Operating Budgets during the summer of 2022. The City engaged with the general public, organizations and community groups and



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harder-to-reach communities, tailoring the engagement approach to each group. Themes that emerged included:

- Coming out of the pandemic there is a need to focus on improving community safety.
- The cost of living is going up and Edmontonians are facing increased financial pressures.
- Transit safety and connectivity are important.
- Participants want to connect with each other and celebrate Edmonton.
- Long-term solutions to climate challenges are needed.
- Participants are concerned about the overlapping nature of federal, provincial and municipal responsibilities.
- An overall sentiment of empathy among participants, who expressed an understanding that some individuals may be impacted by service reductions or fee increases more than others, including vulnerable populations and those on low and fixed incomes.

To prepare for the capital and operating financial outlooks (Financial and Corporate Services reports FCS01168 and FCS01169, June 7, 2022), Administration hosted five focus groups with Edmontonians including homeowners, renters and multigenerational home residents, newcomers, business owners and commercial property owners. Using the input from these discussions, Administration then conducted a survey of 1,006 participants using an online panel.

In the survey, the largest group of respondents (33 per cent) expressed a preference of limiting tax increases to the amount needed to account for inflation with services staying at the same level. The next largest group (28 per cent) opted to hold tax at the same level with the understanding that services would be reduced. The survey also asked participants what a reasonable annual tax increase would be and their suggestions averaged to 1.9 per cent.

### GBA+

The 2023-2026 Capital Budget incorporated input from the public engagement activities described above. This engagement applied a GBA+ lens to do targeted outreach and ensure the City captured input from residents experiencing unique barriers and challenges and those whose voices are heard less often. Administration conducted targeted outreach and engagement with 2SLGBTQ+ community members, non-English speakers, youth, seniors, racialized community members, women, people with disabilities, Edmontonians experiencing or at risk of homelessness, and people experiencing mental health and addiction challenges.

While the overall proposed budget was developed with equity principles in mind, the adjustments recommended in this report also reflect the priorities of ConnectEdmonton and The City Plan, which were developed after hearing from a diverse and representative sample of Edmontonians. The GBA+ approach was applied to ensure over 10,000 Edmontonians, including a variety of identity intersectionalities (such as income, education, housing, family dynamics) were able to participate.

In the context of capital infrastructure planning, design and delivery, the following provides some examples of GBA+ application:

- In planning and design, Administration and consultants endeavor to research and address three fundamental GBA+ questions within their designs: Who is excluded or differentially



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impacted? What contributes to this exclusion or impact? What will be done about possible exclusion?

- Designs are reviewed from multiple perspectives including but not limited to race, colour, place of origin, ethnicity, immigration status, language, religious beliefs, gender, gender identity, and gender expression, appearance, physical and mental disability, political viewpoint, marital and family status, occupation, source of income, employment status, sexual orientation, age, poverty and homelessness.
- For renewal work, a detailed GBA+ analysis is commonly initiated during the planning and design phases of a project. GBA+ analysis is conducted to identify stakeholders through the development of public engagement plans and identify meaningful ways of connecting with those stakeholders to gather input that will help shape the plans. The process supports Administration in identifying any stakeholders who may be interested or impacted by the project and those who may be less likely to participate in traditional engagement methods.

## **ATTACHMENTS**

1. Impact Summary
2. Project Development and Delivery Model Overview
3. Summary of Spring 2023 SCBA Recommendations
4. Spring 2023 SCBA Detailed Budget Adjustment Requests
5. New and Amended Profiles Recommended for Funding
6. Corporate Funding Pool Balances - 2023-2026 Capital Budget Cycle
7. Emerging Items - Spring 2023 (Unfunded)
8. Private Budget Adjustment (PRIVATE)