

## Comparison Analysis of Previous and Replacement Formula

### Replacement Funding Formula

$$A = [B + C + D] \quad [1]$$

Where

- A* is the total tax-supported funding for Edmonton Police Service for the applicable fiscal year
- B* is the total tax-supported funding for Edmonton Police Service for the previous fiscal year
- C* is the Edmonton Police Service Funding Formula as calculated by this policy
- D* is the Edmonton Police Service salary settlements, which are held corporately and calculated and allocated separately after the ratification of a Collective Bargaining Agreement

$$C = [(F \times G) + (H \times I)] \quad [2]$$

Where

- C* is the Edmonton Police Service Funding Formula as calculated by this policy
- F* is the personnel net expenditure budget for the applicable fiscal year, prior to any salary settlements for that fiscal year
- G* is the population growth rate for Edmonton for the applicable fiscal year
- H* is the non-personnel net expenditure budget for the applicable fiscal year
- I* is the Non-Personnel Inflation Calculator (NPIC) for the applicable fiscal year

### Previous Funding Formula

Net Operating Requirement = Base Budget \* (1 + Population Change % + Police Price Index % - Efficiency Factor %) . The Net Operating Requirement at the end of the first year becomes the Base Budget for the calculation in the second year, and so forth.

## Attachment 4

### Projection Based on Replacement Formula (\$Millions)

		Current Year	Formula Projection			Adjustment
		2023	2024	2025	2026	2026
Total Tax-Supported Funding for Current Year	[A]	422.9	437.4	451.5	465.2	455.4
Total Tax-Supported Funding from Previous Year	[B]		422.9	437.4	451.5	451.5
Total Tax-Supported Funding for 2023 (Prior to Settlements)		415.4				
Funding Formula	[C]		10.7	10.2	9.9	0.0
Salary Settlements (Held Corporately) <sup>1</sup>	[D]	3.8	3.8	3.8	3.9	3.9
Salary Settlements - Retroactive for 2022 (Held Corporately) <sup>2</sup>	[D]	3.7				
Incremental Funding Growth From Formula			10.7	10.2	9.9	0.0
Total Incremental Funding Growth (incl. Settlements)			14.5	14.1	13.7	3.9
Tax Increase (%)			0.8	0.7	0.6	0.2
EPS Total Revenue <sup>3</sup>		79.7	76.1	76.1	76.1	76.1
EPS Total Expenditure (Prior to Formula and Settlements)	[F + H]	495.1	502.6	517.1	531.1	531.1
EPS Personnel Expenditure - Opening Balance	[F]	404.7	412.2	425.2	437.5	437.5
EPS Personnel Expenditure - Closing Balance	[F + (F x G) + D]	412.2	425.2	437.5	449.4	441.4
EPS Non-Personnel Expenditure - Opening Balance	[H]	90.3	90.3	91.9	93.6	93.6
EPS Non-Personnel Expenditure - Closing Balance	[H + (H x I)]	90.3	91.9	93.6	95.4	93.6
Growth Increment	[F x G]		9.2	8.5	8.1	0.0
Inflation Increment	[H x I]		1.6	1.7	1.8	0.0
Population Growth Rate	[G]		2.22%	2.00%	1.85%	1.85%
Non-Personnel Inflation Calculator (NPIC)	[I]		1.74%	1.87%	1.90%	1.90%
Ratio <sup>4</sup>		28.9%	29.7%	29.3%	30.5%	30.0%
Civic Departments Expenditure <sup>5</sup>		1737.6	1743.4	1809.9	1786.0	1786.0

<sup>1</sup> Assumes 1 per cent salary settlements for all years, for illustrative purposes only. Actual salary settlements and financial impacts may vary from what is presented here.

<sup>2</sup> Salary settlements for 2022 are assumed to be retroactively ratified in 2023, for illustrative purposes only.

<sup>3</sup> Source: 2023-2026 Approved Operating Budget.

<sup>4</sup> Ratio exceeds 30 per cent in 2026. Formula is adjusted downwards.

<sup>5</sup> Source: 2023-2026 Approved Operating Budget, as of spring 2023. Civic department expenditures for 2024 through 2026 are subject to change through supplementary operating budget adjustments.

## Attachment 4

### Projection Based on Previous Formula (\$Millions)

	Current Year - Replacement Formula in Place	Formula Projection		
	2023	2024	2025	2026
Net Operating Requirement for 2023 (Prior to Settlements)	415.4			
Salary Settlements - For 2023 (Held Corporately) <sup>6</sup>	3.8			
Salary Settlements - Retroactive for 2022 (Held Corporately) <sup>7</sup>	3.7			
Net Operating Requirement <sup>8</sup>	422.9	437.0	450.6	464.0
Base Budget		422.9	437.0	450.6
Incremental Funding Growth from Formula		14.0	13.6	13.4
Tax Increase (%)		0.7	0.7	0.6
Population Growth Rate		2.22%	2.00%	1.85%
Police Price Index (PPI) <sup>9</sup>		1.10%	1.12%	1.12%
Efficiency Factor <sup>10</sup>		0.00%	0.00%	0.00%

<sup>6</sup> The replacement funding formula is in place for 2023 only. Salary settlements are calculated outside of the formula in 2023 and held corporately. Settlements are assumed to be 1 per cent for 2023 for illustrative purposes only. Actual salary settlements and financial impacts may vary from what is presented here.

<sup>7</sup> Salary settlements for 2022 are assumed to be retroactively ratified in 2023. Assumes 1 per cent settlements, for illustrative purposes only.

<sup>8</sup> The Funding Formula is in place for 2023 only - previous formula applied for 2024-2026.

<sup>9</sup> Salary settlements are embedded within the PPI calculation - assumed to be 1 per cent for all years, for illustrative purposes only. Actual salary settlements and financial impacts may vary from what is presented here.

<sup>10</sup> Efficiency Factor assumed to be 0 per cent for all years.

## Attachment 4

### Retroactive Analysis of Replacement Formula (\$Millions)

		Retroactive Calculation <sup>11</sup>				
		2018	2019	2020	2021	2022
Total Tax-Supported Funding for Current Year	[A]	337.0	351.0	363.3	371.2	388.5
Total Tax-Supported Funding from Previous Year	[B]		337.0	351.0	363.3	371.2
Funding Formula	[C]		9.7	8.1	7.9	13.5
Salary Settlements (Held Corporately) <sup>12</sup>	[D]		4.2	4.2	0.0	3.7
Incremental Funding Growth From Formula			9.7	8.1	7.9	13.5
Total Incremental Funding Growth (incl. Settlements)			14.0	12.4	7.9	17.2
EPS Total Revenue <sup>13</sup>		93.8	93.8	93.8	93.8	93.8
EPS Total Expenditure (Prior to Formula and Settlements)	[F + H]	430.8	430.8	444.8	457.1	465.0
EPS Personnel Expenditure - Opening Balance	[F]	360.3	360.3	373.2	385.3	388.8
EPS Personnel Expenditure - Closing Balance	[F + (F x G) + D]	360.3	373.2	385.3	388.8	402.6
EPS Non-Personnel Expenditure - Opening Balance	[H]	70.5	70.5	71.6	71.8	76.3
EPS Non-Personnel Expenditure - Closing Balance	[H + (H x I)]	70.5	71.6	71.8	76.3	79.7
Growth Increment	[F x G]		8.6	7.8	3.5	10.1
Inflation Increment	[H x I]		1.1	0.3	4.4	3.4
Population Growth Rate	[G]		2.4%	2.1%	0.9%	2.6%
Non-Personnel Inflation Calculator (NPIC)	[I]		1.52%	0.37%	6.17%	4.47%

<sup>11</sup> Retroactive application of the replacement formula is based on hypothetically calculating the impacts from 2019 to 2022, using budget information as at 2018. The historical population growth rates and NPIC applied for these years are best estimates as of May 2023.

<sup>12</sup> At the time of this report, not all settlements have been ratified for 2021 and 2022. For illustrative purposes only, all settlements are assumed to be 0 per cent in 2021 and 1 per cent in 2022. Actual salary settlements and financial impacts may vary from what is presented here.

<sup>13</sup> EPS revenues are held constant from 2019 to 2022 for illustrative purposes.

## Attachment 4

### Retroactive Analysis of Previous Formula (\$Millions)

	Retroactive Calculation <sup>14</sup>				
	2018	2019	2020	2021	2022
Net Operating Requirement	337.0	348.8	359.5	365.7	380.6
Base Budget		337.0	348.8	359.5	365.7
Incremental Funding Growth from Formula		11.8	10.6	6.2	14.9
Population Growth Rate		2.4%	2.1%	0.9%	2.6%
Police Price Index (PPI) <sup>15</sup>		1.10%	0.95%	0.83%	1.47%
Efficiency Factor <sup>16</sup>		0.0%	0.0%	0.0%	0.0%

<sup>14</sup> Retroactive application of the previous formula is based on hypothetically calculating the impacts from 2019 to 2022, using budget information as at 2018. The historical population growth rates and PPI applied for these years are best estimates as of May 2023.

<sup>15</sup> Salary settlements are embedded within the PPI calculation. At the time of this report, not all settlements have been ratified for 2021 and 2022. For illustrative purposes only, all settlements are assumed to be 0 per cent in 2021 and 1 per cent in 2022. Actual salary settlements and financial impacts may vary from what is presented here.

<sup>16</sup> Efficiency Factor assumed to be 0 per cent for all years.