

FALL 2023 SUPPLEMENTAL CAPITAL BUDGET ADJUSTMENT

2023-2026 Capital Budget

Recommendation

1. That the adjustments to the 2023-2026 Capital Budget, as outlined in Attachment 6 of the November 7, 2023, Financial and Corporate Services report FCS02053, be approved.
2. That the adjustment to the 2023-2026 Capital Budget, as outlined in Attachment 10 of the November 7, 2023, Financial and Corporate Services report FCS02053, be approved.
3. That the exception for capital profile CM-20-0330 Active Transportation Implementation Acceleration - Approach 3, as outlined in Attachment 11 of the November 7, 2023, Financial and Corporate Services report FCS02053, be approved.
4. That Attachment 5 of the November 7, 2023, Financial and Corporate Services report FCS02053 remain private pursuant to section 27 (privileged information) of the *Freedom of Information and Protection of Privacy Act*.
5. That Attachment 10 of the November 7, 2023, Financial and Corporate Services report FCS02053 remain private pursuant to section 25 (disclosure harmful to economic and other interests of a public body) of the *Freedom of Information and Protection of Privacy Act*.

Requested Action		Council decision required	
ConnectEdmonton's Guiding Principle		ConnectEdmonton Strategic Goals	
CONNECTED This unifies our work to achieve our strategic goals.		Urban Places	
City Plan Values	LIVE. THRIVE. ACCESS. PRESERVE.		
City Plan Big City Move(s)	A community of communities A rebuildable city Greener as we grow	Relationship to Council's Strategic Priorities	Mobility Network 15-minute districts Economic Growth Climate adaptation and energy transition Conditions for service

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		success
Corporate Business Plan	Transforming for the future	
Council Policy, Program or Project Relationships	<ul style="list-style-type: none"> • C578 - Multi-year Budgeting Policy • C595A - Neighbourhood Renewal Program Policy • C203C - Debt Management Fiscal Policy 	
Related Council Discussions	<ul style="list-style-type: none"> • November 30, 2022, Financial and Corporate Services report FCS01393, Proposed 2023-2026 Capital Budget • June 13, 2023, Financial and Corporate Services report FCS01658, Spring 2023 Supplemental Capital Budget Adjustment - 2023-2026 Capital Budget 	

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 \$88.9 million, and a balance of \$12.4 million remaining in the corporate funding pool, including recommendations from in-private discussions. Administration recommends the balance be held to address future budget challenges, such as unfunded renewal projects and emergent funding needs.
- Administration is recommending that for profile CM-20-0330 Active Transportation Implementation Acceleration - Approach 3, an exception be approved that would allow all individual projects to be delivered within this composite profile.
- City Council approves adjustments to the Waste Services and Blatchford Renewable Energy utility budgets in separate reports routed through the 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 that 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

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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 \$10.29 billion in capital spending as part of the 2023-2026 capital budget cycle prior to adjustments proposed in the Fall 2023 SCBA. The total includes \$9.23 billion of approved capital spending over 2023-2026, and \$1.06 billion in 2027 and beyond. The approved capital budget is distributed across the City as follows:

- Tax-Supported Operations (\$9,974 million);
- Waste Services Utility (\$182 million);
- Blatchford District Energy Utility (\$100 million); and
- Downtown District Energy Utility (\$30 million).

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

Recommended Fall 2023 SCBA Adjustments by Category

Adjustments recommended in the Fall 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 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.

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- 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. A PDDM overview is provided in Attachment 2.

The recommendations in the Fall 2023 SCBA would result in an overall \$88.9 million increase to the approved capital budget. Excluding the in-private discussion item of \$8.0 million, the following table summarizes the total budget requests in the Fall 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	\$350.6	(\$326.8)	\$23.8
Scope Change - Increases	\$62.8	(\$5.0)	\$57.8
Recosting - Increases	\$6.1	(\$5.8)	\$0.3
Recosting - Decreases	(\$1.2)	-	(\$1.2)
Transfers from Operating to Capital	\$0.2	-	\$0.2
Total Fall 2023 SCBA Adjustments	\$418.5	(\$337.6)	\$80.9

Individual adjustments to the SCBA identified by category in the table above are summarized in Attachment 3.

The most significant adjustments within the overall \$80.9 million net impact to the capital budget are:

- To fund year two of profile 19-90-4100 Affordable Housing Land Acquisition & Site Development, a four-year requirement of \$91.70 million, \$22.93 million Pay-As-You-Go (PAYG).
- To fund new profile CM-12-0097 Facilities: Downtown Arena (Rogers Place) Renewal, \$13.61 million Rogers Place Arena Reserve.
- To fund the 2024 portion of renewal projects identified to have a risk score of nine, \$5.82 million PAYG. Risk score matrix included in Attachment 4. Information regarding this specific recommendation is in private Attachment 5.
- To fund the 2024 portion of renewal projects identified to have a risk score of eight, \$4.79 million PAYG.

The detailed adjustments for Council approval are in Attachment 6. The complete list of new profiles and the related capital profile reports recommended for approval are included in Attachment 7.

Status of Available Capital Funding and Recommendations for Use

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

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- 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 Fall 2023 SCBA Recommendations

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

	Corporate Funding Pool Balance/(Deficit) (\$ million)
Funding Remaining after 2023-2026 Budget Deliberations	\$35.3
Adjustments to Funding Since Deliberations	
2022 Year-end adjustments and one-off Council approvals	(\$7.1)
Spring 2023 SCBA	(\$38.3)
2023 Q2 investment earnings update	\$61.4
Funding Available Prior to Consideration of Fall 2023 SCBA	\$51.3

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. The Spring 2023 SCBA applied 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 was applied to various projects. 2023 Q2 results identified an increase in investment earnings of \$61.4 million from 2024 to 2026. The result is a positive balance in the corporate funding pool of \$51.3 million prior to consideration of the recommendations in the Fall 2023 SCBA. An overview of Corporate Funding Pool balances is included in Attachment 8.

Available Capital Funding Subsequent to Fall 2023 SCBA Recommendations

The following table outlines the available corporate funding pool balance with the recommended Fall 2023 SCBA:

Corporate Funding Pool - Available Funding Subsequent to Proposals in the Fall 2023 SCBA (\$ millions)	Corporate Funding Pool Balance/(Deficit)
Funding Available Prior to Consideration of Fall 2023 SCBA	\$51.3

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Fall 2023 SCBA additions to corporate funding pool:	
<ul style="list-style-type: none"> Library PAYG adjustment 	\$12.3
<ul style="list-style-type: none"> Heritage Valley District Park project release 	\$1.0
Updated Available Corporate Funding Pool	\$64.6
Proposed use of corporate pool funding:	
<ul style="list-style-type: none"> Affordable Housing Land Acquisition & Site Development 	(\$22.9)
<ul style="list-style-type: none"> Unfunded renewal projects with a risk score of eight or nine 	(\$10.6)
<ul style="list-style-type: none"> In-private discussion 	(\$8.0)
<ul style="list-style-type: none"> Petrolia Housing Complex demolition 	(\$5.9)
<ul style="list-style-type: none"> School sites development and design 	(\$4.8)
Corporate Funding Pool Balance Subsequent to Fall 2023 SCBA Recommendations	\$12.4

Fall 2023 SCBA adjustments would increase available corporate funding pool by \$13.3 million due to a Library PAYG adjustment and Heritage Valley District Park project funding release. Updated corporate funding pool available would be \$64.5 million. Administration is recommending \$52.2 million of corporate pool funding be used for school sites development and design, Petrolia Housing Complex demolition, unfunded renewal projects with a risk score of eight or nine, addition to the Affordable Housing Land Acquisition and Site Development capital profile, and the in-private discussion. After consideration of these recommendations, the total corporate funding pool would be in a balance of \$12.4 million, consisting entirely of PAYG. Administration recommends the balance be held to address future budget challenges, such as unfunded renewal projects, and funding needs.

Emerging Items

No new emergent items were identified as part of the Fall 2023 SCBA.

Renewal Investment

In the 2023-2026 Capital Budget, the ideal renewal investment was identified as \$3.5 billion; however, funding available 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.

For the Fall 2023 SCBA, Administration identified unfunded renewal projects with significant risks. Risk was measured in terms of impact and probability. Attachment 4, includes the complete risk matrix and its definitions. The risk impact was assessed based on its magnitude, internal and external implications, safety and severity. Probability of the risk was measured in time, with risks being imminent or likely to occur within one, two or four years. The Fall 2023 SCBA recommends funding the 2024 portion of renewal projects with a risk score of eight or nine. The total recommended funding is \$15.3 million, with \$10.6 million from the corporate funding pool and

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\$4.7 million from the LRT reserve; these adjustments are part of the recommended scope changes in Attachment 3. This recommendation only funds 2024 requirements, to fund the 2025 and 2026 portion of these items would require an additional \$16.2 million. In addition, this recommendation does not include various items that had a high risk score with direct impacts on service delivery and have a probability of occurring during the 2023 to 2026 capital budget cycle.

While the approved capital budget made the most of available funding, this level of funding is not sufficient and can create asset sustainability issues 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. Attachment 3 of the Supplemental Operating Budget Adjustment - 2023-2026 Operating Budget Council report addresses options for a new dedicated renewal fund.

Unfunded Capital Profiles or Projects

New or Council directed unfunded capital profiles or projects can be found in Attachment 9. In-private discussion, Attachment 10, is being recommended for funding.

Carbon Budget

Administration continues to expand the carbon accounting framework throughout the organization, ensuring its continuous growth and development. As the process matures, there will be opportunities to refine the carbon budgeting process. The City is committed to integrating carbon budgeting into its internal operations and decision-making processes, such as implementing carbon checkpoints throughout project lifecycles. A key element in maturing the process will be ongoing training and education to build internal capacity and capabilities. Refer to the November 7, 2023 Financial and Corporate Services report FCS02055 - Fall Carbon Budget Update - 2023-2026 Carbon Budget for more information.

Exception for Active Transportation Acceleration Composite Growth Profile

In the 2023-2026 Capital Budget, Council approved the \$100 million growth composite profile CM-20-0330 Active Transportation Implementation Acceleration - Approach 3. The expectation is this infrastructure would be delivered on an accelerated schedule. As per current administrative practice, growth composite profile projects greater than \$2 million require Council approval to be broken out into a standalone capital profile. It is currently estimated that there could be 20 to 30 projects delivered under this growth composite profile that would meet this criteria. There would be efficiencies to delivering these projects within their existing composite profile such as timely project tendering, flexibility around project location grouping and delivery methods, and reduced administrative work for SCBA adjustments and borrowing bylaw amendments. As per Attachment 11, administration is recommending that for profile CM-20-0330 Active Transportation Implementation Acceleration - Approach 3, an exception be approved that would allow all individual projects to be delivered within this composite profile. Enhanced project reporting during performance reporting could be provided to keep Council informed on the projects being delivered.

Community Insight

Attachment 1 of the October 31, 2022 Communications and Engagement report CE01489 provides details on the extensive engagement Administration conducted on the 2023-2026 Capital and Operating Budgets during the summer of 2022. Knowing that the capital budget would need to focus on renewing current infrastructure for the four-year cycle and that the City would need to make some tough choices about which infrastructure to keep and maintain, Administration asked engagement participants to share their level of comfort with the following options:

Adding tax-supported debt to fund more new capital projects

- Among online participants, 20 per cent were comfortable or very comfortable and 64 per cent of participants were uncomfortable or very uncomfortable adding tax-supported debt to fund new capital projects (e.g., new lane on a bridge, or building a new fire hall or library).
- In workshops with community organizations and partners, 36 per cent were comfortable or very comfortable, and 40 per cent were uncomfortable or very uncomfortable.

Adding a tax levy for high-priority infrastructure renewal

- Among online participants, 27 per cent were comfortable or very comfortable adding a tax levy and 57 per cent were uncomfortable or very uncomfortable.
- In workshops with community organizations and partners, 56 per cent were comfortable or very comfortable, and 16 per cent of participants indicated that they are uncomfortable or very uncomfortable.

Closing aging facilities

- Among online participants, 72 per cent are comfortable or very comfortable with closing or selling smaller, aging facilities that are not used as much and 13 per cent uncomfortable or very uncomfortable.
- In workshops with community organizations and partners, 75 per cent were comfortable or very comfortable and 21 per cent were uncomfortable.

To understand Edmontonians' perspectives on the overall budget, Administration engaged with the general public, organizations and community groups and individuals with limited access to technology, 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.

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The complexity of these results illustrate that there is no single combination of service priorities that will satisfy all Edmontonians.

GBA+

The 2023-2026 Capital Budget incorporated input from the public engagement activities described above. This engagement applied a GBA+ approach to do targeted outreach and ensure the City captured input from Edmontonians 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 demographic profiles, 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 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. Capital Budget Summary
2. Project Development and Delivery Model Overview
3. Summary of Fall 2023 SCBA Recommendations
4. Risk Matrix
5. (PRIVATE) Funding Recommendation Legal Advice
6. Fall 2023 SCBA Detailed Budget Adjustment Requests

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7. New and Amended Profiles Recommended for Funding
8. Corporate Funding Pool Balances - 2023-2026 Capital Budget Cycle
9. Unfunded Capital Profiles or Projects
10. (PRIVATE) In-Private Discussion
11. Project Development and Delivery Model Profile Exception for CM-20-0330 Active
Transportation Implementation Acceleration - Approach 3