

## EXPLORE EDMONTON - FINANCIAL SUPPORT REQUESTS

### Recommendation

That the January 30, 2024, Financial and Corporate Services report FCS02331, be received for information.

<b>Requested Action</b>	Information only		
<b>ConnectEdmonton's Guiding Principle</b>	<b>ConnectEdmonton Strategic Goals</b>		
<b>CONNECTED</b> This unifies our work to achieve our strategic goals.	<b>Regional Prosperity</b>		
<b>City Plan Values</b>	THRIVE		
<b>City Plan Big City Move(s)</b>	Catalyze and converge	<b>Relationship to Council's Strategic Priorities</b>	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>Economic Action Plan</li> <li>Downtown Vibrancy Strategy</li> </ul>		
<b>Related Council Discussions</b>	<ul style="list-style-type: none"> <li>November 21/22/27/28/29, 2023, FCS02052, Fall 2023 Supplemental Operating Budget Adjustment - 2023-2026 Operating Budget</li> <li>February 7, 2024, FCS02219, Explore Edmonton Tax Forgiveness</li> </ul>		

### Executive Summary

- Explore Edmonton is seeking immediate financial assistance from the City of Edmonton for 2024.
- This report highlights the requests and includes an assessment of the budget impacts.

## EXPLORE EDMONTON - FINANCIAL SUPPORT REQUESTS

### REPORT

Explore Edmonton Corporation is an agency of the City of Edmonton with an independent board of directors appointed by City Council. The organization's purpose is to increase the economic impact of the visitor-based economy. Explore Edmonton focuses on three lines of business: destination development and marketing; venue management (Edmonton EXPO Centre and Edmonton Convention Centre); and signature events such as K-Days, Canadian Finals Rodeo and Farmfair International. Through collaboration with numerous partners and stakeholders such as hotels, attractions and businesses, the organization promotes Edmonton as a four-season destination of choice, delivering year-round transformational visitor and guest experiences. This work adds to the economic prosperity and quality of life for Edmonton residents.

#### Current Funding

Explore Edmonton's base budget was set at \$11.7 million beginning in 2021; however, additional one-time operating funding was approved as part of the operating budget with funding from the Financial Stabilization Reserve (FSR). The additional funding was required to support Explore Edmonton operations as they return to pre-pandemic conditions and to slowly transition to the intended base funding of \$11.7 million.

(\$000s)	2021	2022	2023	2024	2025	2026
Base Funding	\$11,743	\$11,743	\$11,743	\$11,743	\$11,743	\$11,743
Additional One-Time Budget	\$9,900	\$7,100	\$5,000	\$-	\$-	\$-
<b>Total Budget</b>	<b>\$21,643</b>	<b>\$18,843</b>	<b>\$16,743</b>	<b>\$11,743</b>	<b>\$11,743</b>	<b>\$11,743</b>

Explore Edmonton submitted an unfunded service package, 'Explore Edmonton - Increased Mandate and Scope Funding', requesting an increase of \$10.3 million during the Fall 2023 Supplemental Operating Budget Adjustment citing a significant increase in their mandate in the last four years. The funding request was not approved through the Fall 2023 Supplemental Operating Budget Adjustment. Explore Edmonton is now seeking additional immediate financial assistance.

#### Financial Support Requested by Explore Edmonton

Explore Edmonton requested the following immediate funding actions for 2024:

*1. Advancement of Q1 and Q2 operating support payments in the first week of January 2024:*

Explore Edmonton receives their annual net operating base funding in quarterly payments. Administration was able to accommodate this request by amending the funding agreement and has advanced the Q1 and Q2 payments in January 2024. The Q3 payment will be paid in April and the Q4 payment in July 2024.

## EXPLORE EDMONTON - FINANCIAL SUPPORT REQUESTS

### 2. Funding for payments due to the City in Q1 2024:

Explore Edmonton has requested that one-time funding be provided by the City to offset payments due to the City in the first quarter of the year. The payments are related to insurance, utilities, loan repayment and property taxes. The annual insurance payment is for insurance coverages such as property and general liability and the utility costs are related to the Expo Centre. The loan repayment is related to amounts borrowed by the City and loaned to Edmonton Economic Development for construction of Biotech Business Development Centre. The loan remained with Explore Edmonton after the organizational changes that resulted in a revised mandate for Explore Edmonton. The property taxes are owing on the Edmonton Convention Centre.

The one-time funding request for these payments is approximately \$1 million in 2024.

(\$000s)	Insurance	Utilities	Loan Repayment (debt servicing)	Property taxes	Total
Payments due in Quarter 1	\$426	\$425	\$102	\$38	<b>\$991</b>

### 3. Inflationary adjustment to Explore Edmonton's annual base funding:

To limit the overall property tax increase, direction was provided to all civic departments and boards and agencies to manage inflationary pressures within their existing budgets. As such, Explore Edmonton's base budget of \$11.7 million has not been adjusted for inflation since 2021 when it was first established.

Explore Edmonton is requesting a one-time increase in funding to reflect an adjustment to their base budget for inflationary impacts from 2021 to 2024. Adjusting the base funding of \$11.7 million for inflation from 2021 to 2024 would result in a cumulative funding increase to the 2024 budget of \$2.02 million, and bringing the 2024 base budget to \$13.8 million thereby allowing Explore Edmonton to address inflationary pressures at the City-owned venues they operate currently. Any future adjustments to the base funding would be considered in future budget discussions.

(\$000s)	Base Funding	*Inflationary Adjustment (%/\$)	Cumulative Inflationary Adjustment (\$)	Revised Base Funding
2021	\$11,743	3.4% / \$399	\$399	\$12,142
2022	\$11,743	6.8% / \$826	\$1,225	\$12,968
2023	\$11,743	3.62% / \$469	\$1,694	\$13,437
2024	\$11,743	2.43% / \$326	<b>\$2,020</b>	\$13,763

\*International Monetary Fund, World Economic Outlook Database October 2023, Canada Region, 1987-2022

## EXPLORE EDMONTON - FINANCIAL SUPPORT REQUESTS

Explore Edmonton calculated inflationary increases using data from the International Monetary Fund, World Economic Outlook Database October 2023, Canada Region, 1987-2022. However, changes in Statistics Canada's Consumer Price Index (CPI) for the Edmonton census metropolitan area would be more representative of local inflationary pressures. Using the CPI from Statistics Canada results in an inflationary adjustment over the same time period of approximately \$1.74 million, a difference of \$0.28 million compared to the inflationary impact calculated by Explore Edmonton.

### Budget/Financial Implications

If Council chooses to provide funding for Explore Edmonton's request, a one-time funding source would need to be identified and a grant agreement established between the City and Explore Edmonton for the purpose and use of the funding. The following motion could be considered by Council:

1. That 2024 operating budget for Explore Edmonton be increased by \$3,011,000 on a one-time basis, with funding from the Financial Stabilization Reserve, as follows:
  - \$991,000 to fund insurance, utilities, loan repayments and property taxes due to the City of Edmonton in Q1 2024, and
  - \$2,020,000 to fund the base operations of Explore Edmonton in 2024.
2. That the City of Edmonton enter a grant funding agreement, not to exceed \$3,011,000, between the City of Edmonton and Explore Edmonton with terms and conditions acceptable to the City Manager.

If Council approves the increase to Explore Edmonton's budget, Administration intends to amend the grant agreement to require Explore Edmonton to provide a revised annual business plan to Administration identifying requirements to operate from 2024 - 2026 prior to additional funding being discussed for Explore Edmonton during the upcoming 2024 Spring Supplemental Operating Budget discussion.

As reported in the December 12, 2023, Financial and Corporate Services report FCS02066, Operating Financial Update - September 30, 2023, tax-supported operations are expected to end the year in a deficit position of \$52.0 million. As a result the projected balance of the Financial Stabilization Reserve is \$88.0 million in 2024, \$35.5 million below its minimum balance. In accordance with City Policy C629 - Financial Stabilization Reserve, if the unappropriated FSR balance falls below the minimum, a strategy must be adopted to achieve the minimum balance over a period not to exceed three years, starting with the subsequent year's operating budget.

During the Fall 2023 Supplemental Operating Budget Adjustment deliberations, Council made the following motion:

That Administration bring forward an unfunded service package for consideration by Council during the Spring 2024 Supplemental Operating Budget Adjustment to increase tax-supported operations funding for Explore Edmonton by \$6,000,000 in 2024, along with the results of an operational review of the Expo Centre that considers the following:

## **EXPLORE EDMONTON - FINANCIAL SUPPORT REQUESTS**

- a. potential permanent integration of sports activities in Halls A, B and C as generally described in the “Expo Centre for Sports Excellence Business Case”.

### **Community Insight**

This report was created at the request of Explore Edmonton who would be best positioned to describe any stakeholder or public consultation that may have informed their request for financial support.

### **GBA+**

GBA+ was not completed for this report.