

BUDGET PROCESS UPDATE

Spring 2024 Supplemental Operating Budget Adjustment

RECOMMENDATION

1. That Administration incorporate Option(s) ___ into the Spring Supplemental Operating Budget Adjustment by moving the budgets identified into Financial Strategies, as detailed in Attachment 2.
2. That Administration incorporate Option(s) ___ into the Spring Supplemental Operating Budget Adjustment by moving the budgets identified into Financial Strategies, as detailed in Attachment 3.
3. That Attachment 3 of the March 12/13, 2024 Financial and Corporate Services report FCS02350 remain private pursuant to sections 24 (advice from officials), 25 (disclosure harmful to economic and other interests of a public body) and 27 (privileged information) of the *Freedom of Information and Protection of Privacy Act*.

Requested Council Action		Decision	
ConnectEdmonton's Guiding Principle		ConnectEdmonton Strategic Goals	
CONNECTED This unifies our work to achieve our strategic goals.		N/A	
City Plan Values	N/A		
City Plan Big City Move(s)	N/A	Relationship to Council's Strategic Priorities	Conditions for service success
Corporate Business Plan	Managing the corporation		
Council Policy, Program or Project Relationships	<ul style="list-style-type: none"> • Multi-year Budgeting Policy (C578) • Fiscal Policy for Revenue Generation (C624) • Debt Management Fiscal Policy (C203C) • The City Plan 		
Related Council Discussions	<ul style="list-style-type: none"> • FCS02052 - Fall 2023 Supplemental Operating Budget Adjustment - 2023-2026 Operating Budget, City Council, November 7, 2023 • OCM02233 Operating Budget Amendment 12 Update, February 21, 2024 		

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Previous Council/Committee Action

At the November 21/22/27/28/29, 2023 meeting of City Council, the following two motions were made:

That Administration, as part of the 2023-2026 Operating Budget Amendment 12 work, prior to the Spring 2024 Supplemental Operating Budget deliberations, provide a report outlining options for an ongoing \$10,000,000 from the \$240,000,000 in Operating Budget Amendment 12 savings to be used to either reduce the mill rate or fund services prioritized by Council.

That Administration as part of its regular Operating Budget Amendment 12 updates, include information on program, budget and service delivery, and planning with the intent to provide insight to improve the budget process ahead of the Fall 2024 Supplemental Operating and Capital Budget Adjustments.

Executive Summary

- Due to administrative and legislative constraints, to ensure tax notices can be produced, printed and mailed for a June 30 payment deadline, the tax rate bylaw must be passed by April 30, 2024.
- In order for Administration to bring the tax rate bylaws to the April 30, 2024 City Council meeting, the Spring 2024 Supplemental Operating Budget Adjustment (SOBA) must be passed at the April 23, 2024 City Council meeting. The April 23, 2024 meeting is the only opportunity to adjust the budget, otherwise the tax rate bylaw will be drafted on what was approved in the Fall 2023 SOBA.
- Attachments 2 (public) and 3 (private) provide the list of reduction options presented to Council at the February 21/23, 2024 City Council meeting through OCM02233 Operating Budget Amendment 12 Update. If the recommendation is approved, Administration will transfer the budgets to Financial Strategies and incorporate OP12 reductions into the Spring 2024 SOBA Report. This focuses the April 23, 2024 SOBA discussion to any Council-desired re-allocations.
- Administration is exploring additional mechanisms to support Council in the Spring 2024 SOBA decision making process. Additional attachments may be added to this report as this work progresses.

REPORT

Budget Process

As guided by City Policy C578 Multi-Year Budgeting Policy, the City of Edmonton develops four-year capital and operating budgets. There is a staggered approach to schedule multi-year budgets against the election cycles. Council is elected and the first year in office provides an opportunity for the incoming Council to establish priorities, outcomes and longer-term funding needs before passing a multi-year budget in the second year of their term. The budget then extends one year past the term, allowing the subsequent Council to lead the same process.

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Following the 2021 election, Administration brought forward a series of reports to support the development and decisions on the 2023-2026 Capital and Operating Budgets, as outlined in Attachment 1.

After Council approves the capital and operating budgets, two processes provide Council with current financial information and opportunities to adjust the budget to reflect evolving needs and opportunities:

1. Administration provides reports with operating and capital financial updates three times a year, for a total of six reports each year. These reports compare projected results against the approved operating and capital budgets.
2. The City's general budgeting practice allows for adjustments twice annually: in the Spring and in the Fall, for a total of four reports each year.

Additional details on budget adjustments

In accordance with City Policy C578 Multi-year Budgeting Policy, an approved multi-year operating budget would only be adjusted when circumstances warrant and would be limited to certain circumstances, including:

- External factors such as provincial or federal budgets, or changes imposed by legislation;
- Adjustments to reflect operating impacts related to the implementation and completion of capital projects;
- Unforeseen changes to economic forecasts affecting costs, service demand volumes, or revenue projections;
- Council directed changes to priorities, policies and programs.

Spring 2024 Supplemental Operating Budget Adjustment

In November 2023, City Council approved the Fall SOBA (FCS02052 - Fall 2023 Supplemental Operating Budget Adjustment - 2023-2026 Operating Budget, City Council, November 7, 2023), resulting in municipal tax increases of 6.6 per cent for 2024, 5.3 per cent for 2025 and 4.7 per cent for 2026.

The 2024 Spring SOBA is part of the City Council approved multi-year budgeting approach to setting the 2023-2026 Operating Budget. The intention of the spring supplemental budget adjustments is to respond to significant emerging items, such as effects of the provincial and federal budgets, and not to reopen debate on the budget; only one day is allocated for operating deliberations. This is in contrast to the Fall SOBA, which usually has several days allocated for deliberation to allow the Council to make funding adjustments to programs and services as needed for the coming year.

After the Spring SOBA on April 23, 2024, the tax rate bylaws will follow one week later at the April 30, 2024 City Council Non-Regular Meeting. Administration requires a week between these reports to perform complex calculations, testing, verification, and to update the report and bylaw materials. Council dates cannot be added into the calendar to increase discussion time. The timelines are critical to do this work as any additional time will prevent the City from sending tax notices prior to the end of May, pushing the collection of property taxes back to the end of July. Delaying tax notices would also significantly impact the monthly payment calculations for over

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145,000 property tax payers. If the Spring SOBA is not approved by April 23, 2024, Administration must move forward with the tax rate bylaws based on the results of the Fall 2023 SOBA, plus any other motions or small changes that Council passes would need to be incorporated. Moving forward is necessary to meet the tax notice mail out dates and required minimum notification time under the *Municipal Government Act*, and to align monthly payment calculations.

2023-2026 Operating Budget Amendment 12

Operating Amendment 12 (OP12), passed by motion during 2023-2026 budget deliberations, reduced operating expenses by \$15 million each year (for a total of \$60 million) and directed Administration to identify a total of \$240 million within the 2023-2026 budget for reallocation to the priority areas of housing, climate change, public transit and core services. The February 21, 2024 Office of the City Manager report OCM02233 provides the complete OP12 motion text, options exceeding the \$240 million requirement and a plan to achieve the \$60 million reduction by the end of the 2023-2026 budget cycle.

OP12 introduces complexity to the timing of the budget process and Administration is working to align the work of OP12 and the decisions required with the budget process.

Incorporating options identified through the OP12 process may result in a longer deliberation process for the Spring SOBA than was contemplated at the time Council's calendar was set. Administration seeks Council's direction on the OP12 reduction options to be incorporated in the Spring SOBA. Obtaining this direction on March 12, 2024 expedites decision-making as Administration can incorporate Council's decisions into the draft Spring 2024 SOBA. The budgets from the reductions will be held in Financial Strategies, enabling Council to redirect the savings or reduce the tax levy during the Spring SOBA as desired.

Related to OP12, Administration is exploring additional mechanisms to support Council in the Spring 2024 SOBA decision making process. Additional attachments may be added to this report as this work progresses.

Financial Risk

The City of Edmonton, along with many municipalities across Canada, is navigating a changing economic and political environment. While Administration endeavors to provide accurate forecasts and address emerging issues within the budget, while being mindful of the financial impacts on Edmontonians, there are uncertainties within the capital and operating budgets that may have an impact on future budget adjustments, including but not limited to:

- Contract negotiations with a number of unions
- Volatility in energy and fuel prices
- Volatility resulting from supply-side constraints and demand fluctuations
- Financial pressure resulting from the 2023 budget deficit including the identification of structural budget issues in certain services and a policy requirement to return the Financial Stabilization Reserve to its minimum balance within three years.
- The need to respond to the priorities of Edmontonians, including affordable housing, homelessness, downtown vibrancy, and transit safety

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- Level of response to address the climate emergency and the housing emergency

Administration will continue to monitor the financial pressures and report any updates to City Council as part of the quarterly financial updates and SOBA reports.

Community Insight

Edmontonians are looking for the City to evolve its services to see increasingly value-added core services and investments in housing, transit and climate resilience without additional financial burdens resulting from tax levy increases. As the OP12 work progressed, Administration sought input from Council, the City's union partners and employees to understand opportunities to improve efficiency, effectiveness and value for Edmontonians and employees. A 2023 service satisfaction survey was also conducted to capture Edmontonian's perceptions relating to quality of life and service satisfaction.¹

Many of the City programs and services discussed through the OP12 process are valued by Edmontonians and employees, both in terms of program and sentiment. However, the City of Edmonton is over-extended and working in some spaces the City cannot scale to support a population of two million people within existing budgets. The City's commitment to relationships will guide the implementation of any OP12 options incorporated into the Spring 2024 SOBA.

GBA+

The four-year budget incorporated input from the public engagement activities. This engagement applied a GBA+ approach 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.

GBA+ is applied on the project, service or profile that make up each of the budget adjustments. 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 developed during Budget 2023-2026 will be used as a factor to help determine the impacts of identified reductions and ensure these impacts are weighed as part of the implementation process.

Attachments

1. Reports for Budget 2023-2026 Development
2. Options for re-allocation (Public)

¹ City of Edmonton Service Satisfaction Survey
edmonton.ca/sites/default/files/public-files/ServiceSatisfactionSurvey2023-ServiceReport.pdf?cb=1705172384

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3. Options for re-allocation (Private)