

SPRING 2024 SUPPLEMENTAL OPERATING BUDGET ADJUSTMENT

2023-2026 OPERATING BUDGET

Recommendation

1. That adjustments to the 2024-2026 Operating Budget, as outlined in Attachment 1 of the April 23, 2024, Financial and Corporate Services report FCS02361, be approved.
2. That the proposed fee changes to Fort Edmonton Park, as outlined in Attachment 5 of the April 23, 2024, Financial and Corporate Services report FCS02361, be approved.
3. That \$2,700,000 be appropriated in the Financial Stabilization Reserve for the Sedona property (Dwayne's Home), as outlined in Attachment 6 of the April 23, 2024, Financial and Corporate Services report FCS02361.
4. That Attachment 8 of the April 23, 2024, Financial and Corporate Services report FCS02361 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 Action		Decision Required	
ConnectEdmonton's Guiding Principle		ConnectEdmonton Strategic Goals	
CONNECTED This unifies our work to achieve our strategic goals.		Healthy City	
City Plan Values	BELONG. LIVE. THRIVE. ACCESS. CREATE.		
City Plan Big City Move(s)	A community of communities Inclusive and compassionate Catalyze and converge	Relationship to Council's Strategic Priorities	Community safety and well-being Arts and culture Economic Growth Conditions for service success
Corporate Business Plan	Serving Edmontonians		

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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)• Financial Stabilization Reserve (C629)• The City Plan
Related Council Discussions	<ul style="list-style-type: none">• March 12/13, 2024, Financial and Corporate Service report FCS02350, Budget Process Update• February 21, 2024, Office of the City Manager report OCM02233, Operating Budget Amendment 12 Update• November 7, 2023, Financial and Corporate Services report FCS02052, Fall 2023 Supplemental Operating Budget Adjustment - 2023-2026 Operating Budget

Executive Summary

- The Spring 2024 Supplemental Operating Budget Adjustment (SOBA) finalizes the 2024 tax levy budget approved by Council in December 2023, prior to finalizing 2024 tax rates.
- Adjustments to the 2024-2026 approved budget are included in Attachment 1 and are related to changes in economic forecasts, external factors/legislative changes, Council directed changes and other operating adjustments proposed by Administration.
- The proposed tax increase is 8.7 per cent in 2024, 7.0 per cent in 2025 and 6.4 per cent in 2026.
- Factoring in changes to the provincial tax requisition, the combined tax increase is 7.2 per cent for residential properties and 8.2 per cent for non-residential properties.
- The 2024 property tax bylaws will be brought forward to City Council on April 30, 2024.

REPORT

The Supplemental Operating Budget Adjustment (SOBA) is part of the City Council approved multi-year budgeting approach to setting the 2023-2026 Operating Budget.

Guided by the City's Multi-year Budgeting Policy (C578), the supplemental budget adjustment process allows for adjustments arising from factors such as:

- Changes to economic forecasts;
- Provincial or federal government budgets;
- Changes imposed by legislation;
- Operating impacts of capital;
- Administrative adjustments requiring Council approval; and
- Council-directed changes to priorities, policies and programs.

Council approved amended tax increases as part of the Fall 2023 SOBA on November 28, 2023, as follows: 6.6 per cent in 2024, 5.3 per cent in 2025 and 4.7 per cent in 2026.

The recommendations in this report increase the tax change by:

- 2.1 percentage points in 2024 for a total of 8.7 per cent,
- 1.7 percentage points in 2025 for a total of 7.0 per cent, and

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- 1.7 percentage points in 2026 for a total of 6.4 per cent.

The Spring 2024 SOBA includes ongoing budget adjustments for the 2024 operating budget required to finalize the tax increase and establish property tax rates in advance of the property tax bylaws. Administration will return with the 2024 property tax bylaws on April 30, 2024, which establish the tax rates for 2024 based on the final tax increase approved in the SOBA.

The experience of 2023 and the reality of 2024 have shown the City of Edmonton, like most municipalities, faces two distinct paths for making financial choices. While the City's current financial position is sound, several financial pressures have emerged, including inflation and price volatility. Property tax increases are required to fund the services that Edmontonians rely on. Without addressing these pressures, service reductions would be required instead. Administration continues to seek a balance between delivering excellent services and keeping property taxes and user fees manageable, which is particularly challenging in an environment of high costs for the City and Edmontonians. The choices needed to achieve this balance are not easy; many Edmontonians value the City's services (though individuals differ in their priorities) and many services, such as transit or leisure access, make life more affordable for Edmontonians. Options to reduce taxes, and therefore service levels, can impact affordability and convenience for communities within Edmonton.

Financial Risk

The City of Edmonton is in stable financial condition. The consolidated financial statements are audited annually, the City's credit rating is AA and the City is managing debt in a prudent and responsible manner. The City has a robust set of financial policies, well-defined budget practices and a financial reporting process that ensures transparent disclosure of financial information. The City's commitment to financial sustainability requires focus on the financial challenges ahead; choices are required to ensure financial sustainability in the future.

The City of Edmonton, along with many municipalities across Canada, is navigating a changing economic and political environment. The City deals with many of the same financial challenges Edmontonians deal with in recovering from a high inflation period, resulting in increased costs to deliver the same level of service. As the demand for City services also increases, this puts additional pressure on the cost of delivering services.

Administration endeavors to provide accurate forecasts and address emerging issues within the budget, while being mindful of the financial impacts on Edmontonians, but uncertainties within the capital and operating budgets may have an impact on future budget adjustments, including but not limited to:

- Contract negotiations with multiple unions.
- Volatility in energy and fuel prices.
- Volatility resulting from supply-side constraints and demand fluctuations.
- Adjustments in contributions from other orders of government.
- 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.

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- The need to respond to the priorities of Edmontonians, including affordable housing, homelessness, downtown vibrancy and transit safety.
- Level of response to address the climate emergency and the housing emergency.

In response to the pandemic, the City took steps to limit tax increases. Post-pandemic, municipalities are dealing with increasing demands for services, as well as higher costs for service delivery from a prolonged period of high inflation. As financial pressures arise, Administration first seeks to mitigate impacts through developing strategies to address the issue or through finding efficiencies elsewhere to absorb the impacts. The accumulation of pressures has become impactful on the City's overall financial position, as indicated by the 2023 year-end deficit.

The proposed tax levy adjustments are a balance of mitigating the tax increase on Edmontonians and addressing the ongoing financial pressures.

Recommended Spring 2024 Operating Budget Adjustments

Budget adjustments are itemized in Attachment 1 on an incremental basis and discussed below.

Changes to Economic Forecasts

The following adjustments have been incorporated into the proposed budget adjustment and reflect changes to corporate estimates or economic forecasts, all under Corporate Expenditures and Revenues:

- Assessment growth for 2024 results in ongoing tax revenue \$4.0 million higher than the budget approved by Council in December 2023. Each year, new construction, property up-zoning, subdivisions and exemption changes affect the value of properties. These changes in value are termed "real growth" or "assessment growth" and are distinct from market value changes. Market value change between properties results from market forces (supply and demand). Assessment growth occurs when property changes physically (e.g., new construction, dividing one parcel into two parcels) or legally (e.g., tax exemption status, effective zoning). Assessment growth increases City tax revenues.
- Adjustment to lower the budget for grants in lieu of provincial taxes on an ongoing basis by \$3.5 million to align with actual results.
- Business licensing revenues are decreasing on an ongoing basis by \$1.7 million in 2024, increasing by \$0.1 million in 2025 and increasing another \$0.1 million in 2026. The 2024-2026 Business Licensing revenue budget is being adjusted downwards to reflect the impacts of Business Licence Bylaw 20002, which was approved in 2022. Although revenues were adjusted down when the new bylaw was approved, the impact has been a larger decrease than forecasted. The business friendly fee changes included a discounted two-year licence fee, reducing fees for on-time licence renewal and non-resident businesses, general fee reductions for some categories, and a single fee for licences regardless of the number of licence categories. These changes have led to lower revenues collected by the City. The adjustment also includes the impact of fee increases over the 2024-2026 budget.
- Tax-supported debt servicing costs are decreasing on a multi-year basis by \$9.4 million in 2024, \$16.9 million in 2025, and \$4.4 million in 2026 due to revised project cash flows. These

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amounts do not represent a decrease in debt servicing required, but rather a shift in the timing of the debt servicing.

- As debt servicing reflects funding approved to support capital, the variance in tax-supported debt servicing costs that results from the delay in borrowing will be transferred to Pay-As-You-Go from 2024 to 2026 to help address the renewal deficit. This will result in a one-time increased transfer to PAYGo of \$66.6 million over 2024-2026, of which \$6.8 million will be used for Glenridding Heights Partnership (discussed below) and the remaining \$59.8 million will be used for capital renewal purposes.

External Factors/Changes to Legislation

The following adjustments are a result of external factors or changes in legislation, all reflected under Corporate Expenditures and Revenues:

- A reduction in employer contribution rates for Local Authorities Pension Plan (LAPP) reduces the budget on an ongoing basis by \$2.5 million in 2024, increases by \$0.1 million in 2025 and increases by \$0.1 million in 2026.
- An increase in WCB premiums increases the budget on an ongoing basis by \$7.4 million in 2024. WCB premiums are calculated based on several factors, but one of the main factors is how the City of Edmonton, as an employer, compares against the industry. For the first time since 2015, the City is now paying an additional surcharge in premiums due to exceeding the industry rate. Administration is currently developing a strategy to work with the areas within the City that have the largest impact on the premiums.

Council Directed Adjustments

As a result of Council direction, the Social Development branch will have an ongoing increase in expenses of \$0.3 million starting in 2025 for Safe and Inclusive Public Spaces, an Administration-led advisory committee that will work to create a 2SLGBTQIA+ Action Plan for the City to enhance support and services for the 2SLGBTQIA+ community by creating safe and inclusive public spaces. This presents an opportunity for the City to reinforce safety and foster inclusion within its policies and services to benefit all community members.

Funded Service Packages

Administration has brought forward two funded service packages, both of which have no net tax levy impact:

- A one time contribution of \$6.8 million in 2024 to the Glenridding Heights Partnership. This project has been prioritized as a result of the time sensitive nature of a request to partner with the Government of Alberta on enhancements to school construction that will provide recreation opportunities for residents south of Anthony Henday Drive. Funding is available through Pay-As-You-Go as a result of deferred tax-supported debt servicing costs as described earlier.
- \$0.1 million ongoing expenses starting in 2024, with incremental increases of \$46,000 in 2025, for a Sergeant-at-Arms position for City Hall, as described in the security recommendations following the January 23, 2024 security incident. This position will serve as the chief emergency

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officer to take the lead in the event of an emergency situation at City Hall, and will be funded from the OP12 reallocations held in financial strategies, which are discussed below.

Administrative Adjustments Requiring Council Approval

The following administrative budget adjustments require Council approval. Although administrative adjustments impact the overall revenue and expenditure budgets, they do not change the net amount required from tax revenue or the annual tax rate increase.

- The CSU 52 salary settlement from 2021 to 2024 represents a combined wage increase of 6.25 per cent, plus a one-time lump sum payment of \$1,000 for each CSU 52 staff member. This equates to a \$28.2 million increase required to the base budget starting in 2024 on an ongoing basis to fund the 6.25 per cent salary increase for CSU 52 members. Of the \$28.2 million increase, ongoing funding of \$27.6 million will be allocated to tax levy areas from existing funding within the Financial Strategies account to the respective civic departments and authorities, boards and agencies; the remaining \$0.6 million pertains to utilities, enterprises, and CRLs and will be managed within their respective funding sources. A one-time retro payment is required for CSU 52 staff for the salary settlement for the period 2021 to 2023. This is a one-time payment that will be paid in 2024 to catch up union members for salary they are owed for 2022 and 2023, based on salary increases of 1.25 per cent in 2022 and 2.0 percent in 2023. The total retro impact is a one-time payment of \$17.1 million. Total funding available for the CSU 52 retro payment within the Financial Strategies account is \$15.3 million. Therefore, the unfunded retro payment impact is a one-time cost of \$1.8 million. As part of this agreement, all current CSU 52 members will be receiving a one-time lump sum payment of \$1,000. The total estimate of CSU 52 members is 6,000, therefore, the unfunded lump sum costs equates to approximately a one-time payment owing in 2024 of \$6.0 million. The total unfunded one-time costs associated with the retro payment and lump sum payment of \$7.8 million are recommended to be funded from the Financial Stabilization Reserve (FSR). The Financial Stabilization Reserve is recommended for funding as it is intended to manage one-time, unexpected emergent financial needs. This will result in the FSR falling further below its minimum balance. The FSR balance is discussed in more detail later in the report.
- Governance of Agencies, Boards and Commissions is outside of City Manager and Administration's authority. Therefore, all funding decisions related to these agencies must be made by Council, including budget adjustments required to address collective bargaining agreements. The settlement of the Civic Service Union 52 collective bargaining agreement results in ongoing transfers starting in 2024 of \$5.0 million to Edmonton Police Service, \$2.1 million to Edmonton Public Library and \$0.2 million to Fort Edmonton Park. These transfers are offset by reductions in financial strategies, so result in no net tax increase.
- The settlement of the Edmonton Police Service Senior Officer Association collective bargaining agreement results in an ongoing transfer of \$0.7 million to Edmonton Police Service starting in 2024. This transfer is offset by a reduction in financial strategies, so results in no net tax increase.
- The Building Safer Communities Fund (BSCF) federal grant supports local projects that address the underlying social conditions that give rise to gun and gang violence. Through an initial

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research and scanning phase, the City worked with community partners to identify four local priority areas of focus: community granting, community education, community coordination and youth Indigenous mentorship. This work aligns with the City's Community Safety and Well-being Strategy aiming to tackle root causes of crime and safety concerns. \$0.3 million of the total \$4.3 million awarded to the City was spent on eligible costs in 2023; the remainder of the expenses and grant funding is being added to the budget in this adjustment. The expenses for the Social Development branch increase by \$2.1 million in 2024, decrease by \$0.5 million in 2025, decrease by \$1.3 million in 2026, and will be fully removed from the budget in 2027; these costs are fully offset by the multi-year federal grant funding.

- The federal government's Housing Accelerator Fund (HAF) aims to address the severe shortage of homes reducing availability and affordability of housing in Canada by providing incentive funding to local governments for initiatives that will help increase housing supply. It also supports the development of complete, low-carbon and climate-resilient communities, which are affordable, inclusive, equitable and diverse. The City of Edmonton was awarded \$175.2 million in funding through HAF, which will be used for operating and capital costs of 11 HAF Action Plan initiatives to create an estimated 5,236 new units of housing by November 2027. Initial funding of \$1.5 million per year in 2024, 2025 and 2026 for Social Development is required to fund FTEs, consulting for technical studies, engagement and advertising, and subsidies to assist in the development of scalable affordable housing models. The remainder of the HAF will be added to the budget as part of the Spring Supplemental Capital Budget Adjustment in June.

Other Adjustments (for information)

These adjustments are presented for Council's information; however, approval is not required as the Police Commission approves adjustments that have no impact to tax levy, per the *Police Act*.

- The Urban Strategy Grant is a new grant provided by Alberta Mental Health and Addiction for the purposes related to Urban Strategy - Edmonton Police Service initiatives. The costs associated with Enhancing Harm Reduction and Recovery Outreach, and Detainee Management Unit with Health Supports initiatives will be funded by the multi-year provincial grant, increasing the offsetting expenses and revenues for EPS by \$6.0 million in 2024, decreasing by \$1.2 million in 2025 and decreasing by \$4.8 million in 2026.
- Gun and Gang Violence Action Fund grant is a multi-year provincial grant that funds EPS expenses of \$1.1 million in 2024, and decreases by \$0.1 million in 2025 related to the costs associated with prevention of membership or enabling exit from gangs and gang activity.
- In fall 2023, Alberta Law Enforcement Response Teams (ALERT) announced additional funding to EPS for the Firearms Investigative, Gang Suppression and Human Trafficking units. This resulted in 7.0 new positions added. The ongoing expenses of \$1.1 million in 2024 and minor increases in 2025 and 2026 are fully offset by increased revenue from ALERT for the secondment of these positions.

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Adjustments to Financial Strategies

The financial strategies budget provides flexibility for unknown amounts over the four-year budget cycle. Multi-year budgeting requires the City to make estimates for fuel, utilities, contractual agreements, inflationary pressures, and interest rates in advance of amounts being known. The amount of funding for the financial strategies budget is based on a risk assessment of potential impacts to the City's operating budget and management estimates using the best available information at the timing of budgeting. The financial strategies budget provides a mechanism to manage fluctuation within the operating budget over the four-year cycle. Financial strategies funding is held within the Corporate Expenditure budget until the amounts are known, at which time funding is released to the appropriate program budget. Increases in financial strategies are the result of changes in estimates required to address inflationary pressures. The net impact is an increase of \$35.5 million in 2024, \$34.9 million in 2025 and \$35.9 million in 2026.

Community Revitalization Levy Adjustments

Community Revitalization Levy budgets have also been adjusted based on updated assessment figures and revised forecasts, including changes to debt servicing. The details of the adjustments are included in Attachment 1.

Service Packages

Service packages reflect new or enhanced services, growth on existing services or increases resulting from impacts of capital.

Service packages are included in Attachment 2 for Council consideration; unfunded service packages would require an approved Council motion to add to the budget. Unfunded service packages have been evaluated in a manner consistent with analysis of core services contemplated in Administration's work on Operating Amendment 12 (OP12, described further below) to determine if they are legally required, practically necessary or have a direct impact on Council priorities.

Unfunded service packages motioned by Council include:

- Explore Edmonton - Funding for Mandate and Scope
- Aligning Turf and Horticulture Resources/Service Levels
- Event Attraction Program
- Proactive Enforcement Services
- Transit Community Action Teams and/or Community Outreach Transit Teams

Unfunded service packages that result from motions made after March 1, 2024 will be included as an addendum to the Spring SOBA.

2024 Tax Requirement and Education Tax Impact

The City collects the Education Property Tax on behalf of the Province, this is included in the bill that taxpayers receive. Municipal taxes and provincial taxes are listed separately, but there is one overall total to be paid which is the combination of municipal and provincial property taxes.

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Municipal taxes reflect an 8.7 per cent increase for 2024 if the recommendations in this report are approved. The Government of Alberta’s Education Property Tax requisition will result in an increase in provincial education taxes of 2.7 per cent for residential and 5.4 per cent for non-residential properties. The municipal and provincial education taxes will result in a combined tax increase of 7.2 per cent for residential properties and 8.2 per cent for non-residential properties, as shown in the table below:

	Municipal Tax Levy Increase (%)	Education Property Tax Increase** (Decrease) (%)	Combined Tax Increase (%)
Residential*	8.7%	2.7%	7.2%
Non-residential	8.7%	5.4%	8.2%

*Reflects a combined residential tax rate for residential, Other Residential and Derelict properties.

**includes the requisition allowance levy

The municipal contribution from the non-residential and residential sectors is 55.2 per cent and 44.8 per cent, respectively.

Administration is routinely asked how much municipal taxes could be raised during the Spring SOBA to achieve a combined tax increase equal to the planned municipal tax levy increase, an action referred to as “moving into the education tax room.” Refer to Attachment 3 for details regarding “Education Tax Room.”

Operational Review of the Expo Centre

At the November 21, 2023 City Council meeting the following motion was passed:

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:

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

At the February 12, 2024 Special City Council meeting, a motion to increase the 2024 operating budget for Explore Edmonton by \$6.0 million on a one-time basis with funding from the Financial Stabilization Reserve was approved. In response to the first part of the November 12, 2023 Council motion, Attachment 2 includes an unfunded service package request of \$6.0 million on an ongoing basis beginning in 2025. In response to the second part of the motion, Explore Edmonton has provided a summary in Attachment 4 that outlines the proposal for the integration of sports halls is no longer viable and provides the rationale for the decision.

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Proposed Fee Changes to Fort Edmonton Park

Fort Edmonton Management Company (FEMCo) is proposing to revise admission fees to address lower than budgeted revenues, escalating cost pressures and a larger park scope due to the Fort Edmonton Park enhancement project. Should Council approve the admissions fee increase, FEMCo will implement the new fee structure for the 2024 general admission season to start in May. There is no impact to the budgeted revenues for Fort Edmonton Park as these changes are intended to help achieve budgeted revenues. Current and proposed fees for Fort Edmonton Park are included in Attachment 5.

Demolition of the Sedona Property (Dwayne's Home)

The City of Edmonton is seeking to proceed with the demolition of 10209 - 100 Avenue NW (formerly known as Dwayne's Home) as a result of non-compliance of the property owner, Sedona Keys Developments Ltd (Sedona), with the orders to eliminate dangers by securing the property and to remove or demolish the structures and level the site.

This site has a significant history with City services including Fire Rescue Services, Edmonton Police Service and Bylaw enforcement. Between 2021 and 2023, bylaw enforcement officers responded to 32 bylaw complaints regarding minimum maintenance concerns with the vacant building. Prior to August 2022, when the City issued an order to Sedona to take certain steps to secure the property, Fire Rescue Services reported 20 fires, including two deaths due to the fires and 79 calls for police service. To date this structure continues to pose a significant fire risk with a threat to public safety, the safety of first responders and trespassers who gain unlawful entry. Due to ongoing breaches, safety concerns, and a confirmation that Sedona was no longer in compliance with security requirements, Fire Rescue Services made the determination in September 2023 to enforce the order and re-secure the property.

Unpaid taxes to date, costs incurred by the City to secure the site and eventual demolition costs are being added to the tax roll and are estimated to be \$5.3 million (higher range). It is unknown if the property owner will pay the amount owing on the taxes, or if, given the high cost of demolition, the property proceeds on a tax sale would be sufficient to recover the costs. The 2024 assessed value of the property is \$2.7 million. If costs are not fully recovered from the property owner or through tax sale, the City will need to expense the excess amount as a write-off in the year the amount is deemed unrecoverable.

Based on the financial risk exposure, it is recommended that \$2.7 million be appropriated in the FSR (total estimated costs of \$5.3 million, less estimated proceeds through tax sale) to offset the risk associated with the Sedona property (Dwayne's Home). This would result in the FSR dropping further below its minimum balance. The FSR balance is discussed in more detail later in the report. Further details on the Sedona property are outlined in Attachment 6.

Financial Stabilization Reserve

The balance of the unappropriated Financial Stabilization Reserve (FSR) is \$79.2 million as of March 31, 2024.

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This report provides two recommendations for use of the FSR to fund one-time costs, as no other one-time funding sources are available:

- \$7.8 million - CSU52 salary settlement one-time cost related to retropayment and lump sum payment.
- \$2.7 million - manage financial risk associated with the Sedona property (Dwayne's Home).

This would decrease the balance of the FSR by \$10.5 million resulting in a revised FSR balance of \$68.7 million, which is \$65.1 million below the minimum balance of \$133.8 million. In accordance with Council Policy C629, Financial Stabilization Reserve, in the event the unappropriated FSR balance falls below the minimum, a strategy will be adopted to achieve the minimum balance over a period not to exceed three years, starting with the subsequent year's operating budget. Council will need to approve a strategy in 2024 to restore the FSR to its minimum balance over a period not exceeding three years, starting in 2025. If required, this strategy will be discussed through the Fall 2024 Supplemental Operating Budget Adjustment process. For reference, repayment of a \$65.1 million shortfall within the FSR through a tax levy increase would require a 1.1 per cent tax increase in 2025 to be held for a three-year period.

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 Operating Budget Amendment 12 Update - Update on progress and reallocation options in advance of Spring 2024 Supplemental Operating Budget Adjustment provided options exceeding the \$240 million requirement and a plan to achieve the \$60 million reduction by the end of the 2023-2026 budget cycle.

While Administration has identified options that satisfy the OP12 amendment, implementation of ideas and further analysis of "to be determined items" transitions to part of the regular budget process and forms part of the organization's continuous improvement work.

The OP12 ideas presented to Council as part of the March 12/13, 2024, Financial and Corporate Services report FCS02350 Budget Process Update indicated when ideas would be brought back for Council consideration as part of future SOBAs:

- Items identified for the Spring 2024 SOBA received Council approval on March 13 to incorporate for the Spring SOBA by removing the budget for those items and moving the \$8.2 million in 2024 to financial strategies, enabling Council to redirect the savings or reduce the tax levy during the Spring SOBA as desired. Administration recommends keeping the funds in financial strategies to mitigate financial risks.
- Items identified for Council consideration as part of the Fall 2024 SOBA are options that do not have financial impacts in 2024, and in some cases, additional information and analysis is required (financial impact was identified as "to be determined").

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- Lastly, there were revenue options presented that could be implemented in 2024, however budget impacts will not be incorporated until future years, as indicated by the column “Future SOBAs,” when implementation is complete and adjustments can be made to align with actual revenues realized. Council would need to make a motion for revenue options to be implemented. At this time, Administration is not recommending implementing revenue options that require investment in ongoing expenses, due to the risk in not achieving the revenues after the investment is made. The revenue options are included in Attachment 7 (public) and Attachment 8 (private).

The options identified as part of the OP12 exercise will remain available for Council consideration throughout the budget cycle as a mechanism to help balance service delivery, financial risks and property tax impacts.

Budget Risk

With every proposed budget, Administration reviews the financial pressures by program with the goal to address financial pressure through continuous improvement or adjusting the way services are delivered to enhance efficiency. Attachment 9 outlines existing budget pressures that Administration will be challenged to manage internally. These pressures increase the risk of deficit and Administration will continue to monitor these items and work to mitigate these pressures, which may impact future budgets.

Shigella Response

One example of a budget pressure is the Shigella response. This instance is not included in Attachment 9 due to its one-time nature, however, will impact the year-end financial results as it is currently being operated without a funding source.

On August 29, 2022, the first case of Shigella, a disease commonly associated with diarrhea, fever and nausea, was diagnosed in Edmonton. By September 8, Alberta Health Services (AHS) had declared a Shigella outbreak and a task force was convened on October 17 to coordinate a response. The task force included representatives from AHS, the City of Edmonton, the Government of Alberta, and various social agencies.

On December 15, 2022, AHS formally requested the City to provide hygiene resources as a preventative measure related to the Shigella outbreak. On March 1, 2024, AHS requested continued operation of the City of Edmonton’s hygiene resources to the end of December 31, 2024. The hygiene resources and preventative measures support the prevention of Shigella and other infectious communicable diseases, and provide crucial support for individuals experiencing homelessness/living rough to access new and clean clothing, take-away hygiene kits, clean drinking water, health information and referrals for testing and treatment.

The City of Edmonton has, on multiple occasions, made formal requests to AHS to provide funding for the mobile hygiene assets. AHS has informed Administration that they are unable to provide any funding to support the mobile hygiene assets.

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The City of Edmonton provided the shigella response in 2023 at a cost of \$2.2 million, which contributed towards the year-end tax-supported deficit in 2023. The estimated cost of continuing these services in 2024 is \$1.2 million. Currently no budget exists for this item, and Administration will continue to provide these services unless directed otherwise by Council.

Ride Transit Program

The Ride Transit Program provides greater access to Edmonton Transit Service (ETS) by reducing financial barriers for individuals and families in Edmonton. Through a partnership with the Government of Alberta, this program provides monthly passes to eligible Edmontonians at a subsidized rate. Annually the City receives funding from the province to support this program. The 2024 operating budget includes \$4.7 million in provincial funding to support the Ride Transit Program. Through recent discussions with the province and review of the 2024 provincial budget, Administration has not yet been able to confirm the level of provincial funding support for 2024. If provincial funding is not maintained at its current level, there would be a shortfall in the Ride Transit Program.

Community Insight

The October 31, 2022 Communications and Engagement report CE01489 Budget 2023-2026 Community Insights provided details on the extensive engagement Administration conducted on the 2023-26 Capital and Operating Budgets during the summer of 2022. The City engaged with the general public, organizations and community groups, and 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.

GBA+

The four-year 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.

SPRING 2024 SUPPLEMENTAL OPERATING BUDGET ADJUSTMENT - 2023-2026 OPERATING BUDGET

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 was used as a factor to help determine which initiatives to advance. The GBA+ process will be applied to initiatives that are approved as part of the 2023-2026 operating budget decisions and will identify measures to address differential impacts as the program or project is implemented.

GBA+ for Fort Edmonton Park proposed fee changes

Additional revenues from increased admissions fees will enable FEMCo to continue to support the growth of heritage programming and will make Fort Edmonton Park accessible to a broad and diverse audience. FEMCo recognizes the critical importance of engaging with school programs and curricula, Indigenous communities and artisans, which they will accomplish by sharing Edmonton's rich and diverse history through authentic and immersive public interpretation and storytelling. Programs geared towards accessibility to the Park - such as the Fort Edmonton Foundation Cares program - a program designed to provide access to students that do not have the financial means to attend a program at the park, access for the Indigenous community and MOU partners, and acceptance of the City's Leisure Access Pass will continue.

Attachments

1. 2024-2026 Operating Budget Changes
2. Summary of Services Packages - Funded
3. Education Tax Room
4. Explore Edmonton's Response to Expo Centre for Sports Excellence Model
5. Proposed Fee Changes to Fort Edmonton Park
6. Demolition of the Sedona Property (Dwayne's Home)
7. Revenue Options (Public)
8. Revenue Options (Private)
9. Budget Pressures