

Attachment 9 - Budget Pressures

The following schedule outlines budgetary pressures by program that Administration continues to monitor and for which corrective action may be required.

				Annual Impact (\$000s)			
Department - Branch	Budget Pressure	Description	Budget Type	2024 Exp	2024 Rev	2024 Net	2024 FTE
<i>Inflationary pressures</i>							
City Operations - Fleet and Facility Services	Transit Fleet Maintenance Parts Inflation	Parts inflation has increased significantly over the past years and is unavoidable without reducing service levels. Average parts inflation since the budget was set for Transit Fleet Services is 22.3% (Mar 2024).	Ongoing	4,699	0	4,699	0.0
Corporate Programs - Corporate Expenditures	Insurance Premiums / Claims	Significant inflation is impacting premiums due to various external events (e.g. severe weather). Efforts are ongoing to minimize impacts wherever possible, including ongoing review of risk management strategies. Budget shortfalls have historically been managed within the Corporate Expenditures Program.	Ongoing	2,000	0	2,000	0.0
City Operations - Fleet and Facility Services	Municipal Fleet Maintenance Parts Inflation	Parts inflation has increased significantly over the past years and is unavoidable without reducing service levels. Average parts inflation since the budget was set for Municipal Fleet Services is 16.1% (Mar 2024).	Ongoing	1,986	0	1,986	0.0
City Operations - Fleet and Facility Services	Contract Work Inflation	Inflation on maintenance costs and related construction costs are ~3.6% and cannot be avoided without reducing service levels.	Ongoing	1,000	0	1,000	0.0
City Operations - Fleet and Facility Services	Vendor cost inflation on Fleet tires	Inflationary pressures on tire contracts have increased significantly over the past 2 years and are unavoidable without reducing service levels.	Ongoing	900	0	900	0.0
City Operations - Fleet and Facility Services	FMS - contract increases	Cost increases for LRT custodial contracts.	Ongoing	500	0	500	0.0
City Operations - Fleet and Facility Services	FMS - CPI contract increase budget	Custodial contracts include unavoidable CPI increases that are unabsorbable beyond 2023.	Ongoing	120	0	120	0.0
Inflationary pressures Total				11,205	0	11,205	0.0

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Revenue shortfalls							
City Operations - Edmonton Transit Service	Transit Fare Revenue Shortfall	<p>There are several factors contributing to the ongoing pressures on transit fare revenue including growing demand for subsidized fare programs such as the low income transit pass program- Ride Transit, LRT and DATS ridership that has not recovered to pre-pandemic levels, changing travel patterns and related changes to fare buying behaviours.</p> <p>ETS has a plan to address these pressures, however full recovery of revenue is not anticipated within the 2023-2026 budget cycle. Investments in service improvements will increase ridership and contribute positively to fare revenue. Improvements in off peak service in particular will support growing demand for service during these time periods. LRT ridership and revenue growth will be supported through service improvements, the enhanced transit safety plan and improved rider communication around faring.</p>	Multi-Year	0	(5,120)	5,120	0.0
City Operations - Parks and Roads Services	OSCAM Revenues & Recoveries	<p>The OSCAM permit revenue budget has been unfavourable since the introduction of fees to the program on February 24, 2019. There are many reasons for the unfavorable revenue budget for OSCAM including:</p> <ul style="list-style-type: none"> - revenue budgets did not consider the full change in behaviour by industry due to the implementation of the daily OSCAM fee resulting in a ~ \$1.8M unfavorability; - delays in implementing the Lane Occupant Fee permit due to the pandemic and subsequent negative feedback from industry resulting in ~\$1M unfavourability; and - unrealized revenue of approximately \$2M due to not charging a fee for Temporary Crossing and Tree Protection permits due to potential cost impacts on infill projects. 	Ongoing	0	(4,800)	4,800	0.0

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City Operations - Parks and Roads Services	Utility Cut Program Reduction - Asphalt Restoration (ARE) and Concrete Restoration (CRE)	<p>Until the spring of 2020, two programs in PARS were responsible for utility cut restoration work; Asphalt Restoration (ARE) and Concrete Restoration (CRE). These programs also supported the Asphalt Road Maintenance (ARM), Sidewalk Maintenance (WLK), and the SNIC programs. Associated labourer, materials, supplies, contracts, and equipment costs. were funded by third party revenues.</p> <p>In 2020 Utility cut restoration work was paused due to COVID, and in 2021 the decision to cease all restoration work was made permanent. Variable costs were reduced completely through the cancellation of contractors, seasonal recall hiring and leased unit orders. Fixed costs including proportion of 26 Permanent FTEs, which also worked on pothole and sidewalk maintenance and repair work in the summer and delivered Snow and Ice Control (SNIC) in the winter, and 17 owned fleet and equipment were reassigned to Sidewalk Maintenance (WLK), and Asphalt Road Maintenance (ARM) programs in PARS. Eliminating these positions would negatively impact service levels and potentially resulting in increased 311 notifications, Councillor inquiries, and claims.</p>	Ongoing	1,600	0	1,600	0.0
City Operations - Parks and Roads Services	Detour Revenues & Recoveries	As part of the pandemic, Traffic Operations (TO) shifted from providing temporary traffic control devices for fully recoverable IIS capital projects to providing these same resources to other safe mobility and corporate projects (not fully recoverable). This shift resulted in a budget pressure on branch IDB recoveries. Although TO has re-established the relationship with IIS to obtain more capital work, it will not be able to close the unfavourable recovery variance due to the number and scope of the capital projects. The recovery projections related to this work is dependent on the scale of the overall capital program. External revenues are also expected to contribute to the unfavourability as TO is working on less external recoverable work with the shift.	Ongoing	0	(700)	700	0.0

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Office of the City Manager - Fire Rescue Services	Enoch	Revisions to the funding model of Enoch has resulted in a reduction in revenue, adding to unfavourable revenue variance.	Ongoing	0	(159)	159	0.0
Revenue shortfalls Total				1,600	(10,779)	12,379	0.0
External factors							
City Operations - Fleet and Facility Services	Vandalism Costs	City assets have seen a significant increase in vandalism related costs, especially in transit related infrastructure.	Ongoing	2,950	0	2,950	0.0
City Operations - Edmonton Transit Service	Inspectors joining ATU 569	Inspectors joined ATU 569 and are now in-scope. Wage impacts related to collective agreement entitlements (overtime and wage steps) cannot be absorbed.	Ongoing	1,158	0	1,158	0.0
External factors Total				4,108	0	4,108	0.0
Administration or Council directed							
City Operations - Fleet and Facility Services	Retained units - unbudgeted maintenance costs (Municipal Fleet)	Across various areas in the organization, fleet vehicles are retained instead of being disposed of, resulting in unbudgeted maintenance costs for retained units. Fleet vehicles must be maintained in order to stay compliant with legislation and road worthy; maintenance costs escalate with advancing life cycle years. The three primary reasons for retaining units are: 1. Procurement delays, requiring vehicles to be held until new units are available; 2. Meeting increasing service demands within the constraints in the capital budget for growth; and 3. Keeping the unit as a "spare" for specialty units that are hard to rent.	Ongoing	3,200	0	3,200	0.0

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City Operations - Edmonton Transit Service	Transit Security Guards	Supporting the Enhanced Transit Safety Plan, there has been an increase in use of security guards over the last several years. Since 2021, use of security guards has increased to provide 24/7 coverage and double up guards at some locations. In 2023, ELT approved additional unbudgeted spending of \$1.2M of security guard costs, however, due to various safety concerns in the year, the actual spend was higher.	Ongoing	3,100	0	3,100	0.0
City Operations - Parks and Roads Services	SNIC Sand Removal	The Sand Recycle Program audit was completed in 2016. Recommendation #4 of the audit was ensuring that adequate program management procedures are in place. Administration's response to the audit recommendation included a process and contract for proper disposal and recycling of contaminated sand. A contract has been put in place and awarded to AB Gill Trucking without an operating budget for the work. The contract cost was funded by SNIC budget which negatively impacted the program's ability to fill necessary positions for SNIC removal and clean-up work. The funds are required for ongoing removal and recycling of contaminated sand. Not having a budget for this ongoing work will impact SNIC program delivery and service levels.	Ongoing	1,852	0	1,852	0.0
City Operations - Edmonton Transit Service / Fleet and Facility Services	Bus cleaners	In the fall 2020 SOBA, Council approved to outsource bus cleaning which would realize savings of \$1.2M for the City. This decision reduced the bus cleaning personnel budget by \$1.2M. In October 2021, Council advised against outsourcing bus cleaning services due to the impact on 61 FTE, therefore, the decision to outsource bus cleaning services was reversed, however, the budget of \$1.2M was not reinstated. The \$1.2M additional cost to provide bus cleaning services internally was to be absorbed by the Fleet & Facility Services (\$500K) and Edmonton Transit Service (\$723K) branches. Due to rising contract and inflationary costs, and unrealized savings, the branches have not been able to absorb the \$1.2M bus cleaning service costs.	Ongoing	1,200	0	1,200	

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Office of the City Manager - Fire Rescue Services	Truth & Reconciliation Statutory Pay	No additional budget was assigned to EFRS when this stat day was adopted by the City. In 2023, it contributed to an unfavourable personnel variance. While steps are being taken to continue to reduce overtime costs to try to mitigate this variance in 2024, the combined added personnel costs without additional budget have made it unmanageable to fully mitigate.	Ongoing	1,100	0	1,100	0.0
Office of the City Manager - Fire Rescue Services	Outreach & Recruitment	Outreach and Recruitment teams are a corporate priority, but do not have allocated FTEs. Costs could not be absorbed and contributed to an unfavourable variance in 2023. While steps are being taken to continue to reduce overtime costs to try to mitigate this variance in 2024, the combined added personnel costs without additional budget have made it unmanageable to fully mitigate.	Multi-Year	1,028	0	1,028	0.0
City Operations - Edmonton Transit Service	Ten long term temporary LRV cleaners unfunded	Prior to 2019, Administration added 10 temporary LRV cleaners as an unbudgeted negative variance. These positions have never been permanently funded. These positions have been identified through the Temporary and Seasonal Workforce Review. Converting these positions to permanent would require funding for 10 FTEs.	Ongoing	650	0	650	10.0
City Operations - Parks and Roads Services	Unfunded Enhanced Special Waste Operations	For the past three years, Infrastructure Operations has been directed to provide enhanced special waste clean-up without budget. The gap in funding includes staff, equipment and materials used to clean up biohazards, litter, and needles in the downtown core. One-time funding approved by Council in 2023 Fall SOBA offsets the deficit for 2024. Without additional or ongoing funding, the expected 2025 impact would be \$1.2M.	Ongoing	600	0	600	0.0

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City Operations - Parks and Roads Services	Unfunded Tree Lighting and Other Park Lighting Services	Forestry had a budget reduction in tree lighting materials a few years ago (\$100K in 2021 & \$100K in 2022) as part of a corporate savings initiative although they still require those supplies (\$250,000 demonstrated by a negative variance of \$256K in 2023 in Forestry Pruning Direct Materials). Forestry lights Candy Cane Lane at no charge for this community event (cost in 2023 was \$172,139). Infrastructure Operations has been paying for other park light standard repairs as lights poles, security lights, and lighting power boxes in parks do not currently have a formal steward in the City or budget assigned to this work (cost in 2023 was \$107,052). Combined these costs are \$500K annually.	Ongoing	500	0	500	0.0
Office of the City Manager - Fire Rescue Services	Communications Positions	Decentralized 3 FTE Corporate Communications positions without corresponding budget transfer, contributing to an unfavourable personnel variance. While steps are being taken to continue to reduce overtime costs to try to mitigate this variance in 2024, the combined added personnel costs without additional budget have made it unmanageable to fully mitigate.	Ongoing	327	0	327	3.0
Administration or Council directed Total				13,557	0	13,557	13.0
Inflationary Pressures				11,205	0	11,205	0.0
Revenue Shortfalls				1,600	(10,779)	12,379	0.0
External Factors				4,108	0	4,108	0.0
Administration or Council directed				13,557	0	13,557	13.0
Total Existing Budget Pressures				30,470	(10,779)	41,249	13.0