

## SPRING 2024 SUPPLEMENTAL CAPITAL BUDGET ADJUSTMENT

### 2023-2026 Capital Budget

#### Recommendation

1. That the adjustments to the 2023-2026 Capital Budget, as outlined in Attachment 7 of the June 11, 2024, Financial and Corporate Services report FCS02362, be approved.
2. That Attachment 6 of the June 11, 2024, Financial and Corporate Services report FCS02362 remain private pursuant to section 27 (privileged information) of the *Freedom of Information and Protection of Privacy Act*.

<b>Requested Action</b>	Council decision required		
<b>ConnectEdmonton's Guiding Principle</b>	<b>ConnectEdmonton Strategic Goals</b>		
<b>CONNECTED</b> This unifies our work to achieve our strategic goals.	<b>Urban Places</b>		
<b>City Plan Values</b>	LIVE. THRIVE. ACCESS. PRESERVE.		
<b>City Plan Big City Move(s)</b>	A community of communities A rebuildable city Greener as we grow	<b>Relationship to Council's Strategic Priorities</b>	Mobility Network 15-minute districts Economic Growth Climate adaptation and energy transition Conditions for service success
<b>Corporate Business Plan</b>	Transforming for the future		
<b>Council Policy, Program or Project Relationships</b>	<ul style="list-style-type: none"> <li>• C578 - Multi-year Budgeting Policy</li> <li>• C595A - Neighbourhood Renewal Program Policy</li> <li>• C203D - Debt Management Fiscal Policy</li> <li>• C591 - Capital Governance Policy</li> </ul>		

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### Related Council Discussions

- 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
- November 7, 2023, Financial and Corporate Services report FCS02053, Fall 2023 Supplemental Capital Budget Adjustment - 2023-2026 Capital Budget
- April 23, 2024, Financial and Corporate Services report FCS02361, Spring 2024 Supplemental Operating Budget Adjustment - 2023-2026 Operating 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 \$262.6 million.

### 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).

After approval of the multi-year budget, the majority of recommended changes 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 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 \$10.37 billion in capital spending as part of the 2023-2026 capital budget cycle prior to adjustments proposed in the Spring 2024 SCBA. The total includes \$9.31 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 (\$10,078 million);

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- Waste Services Utility (\$163 million);
- Blatchford District Energy Utility (\$99 million); and
- Downtown District Energy Utility (\$30 million).

Attachment 1 provides the currently approved 2023-2026 Capital Budget and the impacts of the recommended Spring 2024 SCBA Adjustments.

### Recommended Fall 2023 SCBA Adjustments by Category

Adjustments recommended in the Spring 2024 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 as a 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.
- 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 Spring 2024 SCBA would result in an overall \$262.6 million increase to the approved capital budget. The following table summarizes the total budget requests in the Spring 2024 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	\$282.5	(\$111.0)	\$171.5

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Scope Change - Increases	\$130.0	-	\$130.0
Recosting - Increases	\$40.0	(\$18.0)	\$22.0
Recosting - Decreases	(\$60.9)	-	(\$60.9)
Transfers from Operating to Capital	\$	-	\$
<b>Total Fall 2024 SCBA Adjustments</b>	<b>\$391.6</b>	<b>(\$129.0)</b>	<b>\$262.6</b>

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

The most significant adjustments within the overall \$262.6 million net impact to the capital budget are:

Adjustment Category	Description	Funding Source	Impact to Capital Budget - \$ millions
New Profile	Fund new profile CM-90-1000 Housing Accelerator Fund Initiatives and Related Projects, Housing Accelerator Fund. For more information please see Housing Accelerator Fund Plan Attachment 4	Housing Accelerator Fund	\$170.7
Scope Change	Partially fund the 2024 and 2025 portion of renewal projects identified to have a risk score of seven. Risk score matrix included in Attachment 5	PAYG	\$69.2
	Increase funding to profile CM-25-0000 Transportation: Neighbourhoods - Renewal, due to budget redistribution and pre-commitment of 2027 and beyond funding.	Neighborhood Renewal Reserve	\$16.9
	Fund the 2024 to 2026 portion of renewal projects identified to have a risk score of eight	PAYG	\$16.7
	Fund the 2024 to 2026 portion of renewal projects identified to have a risk score of nine or ten. Information regarding this specific recommendation is in private Attachment 6	PAYG	\$9.6
	Increase funding to profile 21-50-9100 103A Avenue Pedway, recosting.	Local Improvements Property Share	\$5.6
	Increase funding to profile CM-20-2020 Transportation: Planning and Design Growth, Glenridding school site road and servicing	PAYG	\$5.0
Recosting - Increase	Increase funding to profile 23-22-9704 Imagine Jasper Avenue (114 Street - 124 Street), recosting	Partnership funding	\$7.0
		PAYG	\$8.0
Recosting - Decrease	Funding release from profile 15-21-6600 TELUS World of Science	Partnership Funding	(\$28.0)

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	Funding release from profile 12-60-1376 Northwest Campus	PAYG	(\$12.8)
		Tax-supported Debt	(\$2.3)

The detailed adjustments for Council approval are in Attachment 7. The complete list of new profiles and the related capital profile reports recommended for approval are included in Attachment 8.

### Status of Available Capital Funding and Recommendations for Use

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

- Municipal Sustainability Initiative (MSI) and Local Government Fiscal Framework (LGFF) provincial grant funding
- Canada Community-Building Fund (CCBF) grant funding
- Pay-As-You-Go (PAYG)

### Available Capital Funding Prior to Spring 2024 SCBA Recommendations

The following table outlines changes in available funding prior to the recommendations included in the Spring 2024 SCBA:

	Corporate Funding Pool Balance/(Deficit) (\$ million)
Funding Remaining after Fall 2023 SCBA Deliberations	\$11.4
Adjustments to Funding Since Fall 2023 Deliberations	
2023 year-end adjustments	\$23.9
Forecast updates	\$4.8
Legal settlement	\$12.8
Tax-Supported debt servicing costs deferral	\$59.8
<b>Funding Available Prior to Consideration of Spring 2024 SCBA</b>	<b>\$112.7</b>

At the conclusion of the Fall 2023 SCBA deliberations, the corporate funding pool was in a positive balance of \$11.4 million. This balance consisted entirely of PAYG. 2023 year-end adjustments include:

- increases to the 2024 and 2025 provincial allocations of LGFF of \$1.5 million and \$14.2 million respectively,
- a CCBF allocation increase of \$1.5 million for 2023 and CCBF investment earnings of \$5.7 million,
- PAYG net increase of \$1.0 million due to various year end adjustments

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Forecast updates include a 2024 investment earnings forecast decrease of \$3.1 million and an increase to the forecasted 2026 LGFF allocation of \$7.9 million. In addition, PAYG was increased by \$12.8 million due to a legal settlement, for more information please see private report, January 17, 2024, Employee and Legal Services Report ELS02252, and \$59.8 million due to Tax-Supported Debt servicing costs deferral as approved during the Spring 2024 Supplemental Operating Budget Adjustment. The result is a positive balance in the corporate funding pool of \$112.7 million prior to consideration of the recommendations in the Spring 2024 SCBA. The overview of Corporate Funding Pool balances are included in Attachment 9.

### Available Capital Funding Subsequent to Spring 2024 Recommendations

The following table outlines the available corporate funding pool balance and the Spring 2024 SCBA recommendations:

<b>Corporate Funding Pool - Available Funding Subsequent to Proposals in the Spring 2024 SCBA (\$ millions)</b>	<b>Corporate Funding Pool Balance/(Deficit)</b>
Funding Available Prior to Consideration of Spring 2024 SCBA	\$112.7
Proposed use of corporate pool funding:	
<ul style="list-style-type: none"> <li>Partial funding of unfunded renewal projects with a risk score of seven, ETS conventional buses</li> </ul>	(\$37.9)
<ul style="list-style-type: none"> <li>Unfunded renewal projects with a risk score of seven, 2024 and 2025 budgets, excluding ETS conventional buses</li> </ul>	(\$31.3)
<ul style="list-style-type: none"> <li>Unfunded renewal projects with a risk score of eight, 2024 to 2026 budgets</li> </ul>	(\$16.7)
<ul style="list-style-type: none"> <li>Unfunded renewal projects with a risk score of nine or ten, 2024 to 2026 budgets</li> </ul>	(\$9.6)
<ul style="list-style-type: none"> <li>Imagine Jasper Avenue</li> </ul>	(\$8.0)
<ul style="list-style-type: none"> <li>Glenridding school site road and servicing</li> </ul>	(\$5.0)
<ul style="list-style-type: none"> <li>New school sites base level planning and design</li> </ul>	(\$2.6)
<ul style="list-style-type: none"> <li>Holyrood Golden Homes demolition</li> </ul>	(\$1.5)
<ul style="list-style-type: none"> <li>Satellite Garage service package capital requirement</li> </ul>	(\$0.1)
<b>Corporate Funding Pool Balance Subsequent to Spring 2024 SCBA Recommendations</b>	<b>\$ -</b>

Administration is recommending fully allocating the \$112.7 million as noted above. Projects with risk scores of seven were identified to have substantial impact and be very likely; this is defined as an externally noticeable negative impact on operations, though in non-critical areas and likely to occur at some time within one year. To fund all unfunded renewal projects with a risk score of seven for 2024 to 2026 would require \$299.3 million. Administration is recommending funding the 2024 and 2025 portions of unfunded renewal projects with risk scores of seven totaling \$31.3 million, excluding Edmonton Transit (ETS) conventional buses. With the remaining corporate

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funding pool balance of \$37.9 million, after considering all other items in the table above, Administration is recommending partially funding ETS buses' 2025 request of \$160 million.

### **Renewal Investment**

In the originally approved 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 Spring 2024 SCBA, Administration identified unfunded renewal projects with significant risks. Risk was measured in terms of impact and probability. Attachment 5, includes the complete risk matrix and its definitions. The risk impact of each project 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 Spring 2024 SCBA recommends funding the 2024 to 2026 portion of renewal projects with a risk score of eight, nine or ten and partially funding the 2024 and 2025 portions of renewal projects with risk scores of seven. The total recommended funding for renewal is \$95.1 million; these adjustments are part of the recommended scope changes in Attachment 3. To fully fund the 2025 portion of unfunded renewal projects with a risk score of seven, an additional \$122.1 million would be required by ETS for conventional buses. To fund the 2026 portion of all projects with risk scores of seven would require an additional \$108.0 million.

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.

### **Emerging Items**

The 'Emerging Items' attachment in each SCBA includes projects Council has previously approved and funded, but may require additional funding within the 2023-2026 cycle and new projects requiring funding in the future to address an urgent need. Amounts represent Administration's best estimate at the time of the SCBA.

Currently, two emerging items are being presented for Council's information, school sites base level development and the Windermere District Park. These items have not been funded and will require funding in the future. The estimated funding requirement for these emerging items in 2025 to 2026 would be \$15.9 million and \$24.2 million in 2027 and beyond. Attachment 10 contains details about these emerging items.

### **Ambleside Update**

During the 2021 Fall Supplemental Capital Budget Adjustment, Council approved the funding for the planning, design and delivery of the Ambleside Integrated Site Phase 1, capital profile 19-10-1013, for a total budget of \$81.8 million and project completion by end of 2026. The project

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has reached the Project Development and Delivery Model (PDDM) Checkpoint 3 and is ready to move into delivery, including commitment to the contractor for the construction contract.

- The project is being managed to budget by adjusting the functional program that will be delivered on site. Based on the development of the project to PDDM Checkpoint 3, the profile description is updated to the following:

This project includes the first phase of development of the maintenance and operation facility and yard for the integrated City Operations Department integrated site. It will serve department business lines including Parks and Roads Services (Snow and Ice Control, Mobility Network Maintenance, Forestry, Auxiliary Structures, Playspaces and Integrated Pest Management) and Fleet and Facility Services (Municipal Fleet Maintenance). It is meant to accommodate growth in services until the year 2035.

The four-hectare integrated site is being designed to accommodate an operational service and storage yard, heavy equipment and light duty parking, a sand and salt storage structure and a two-storey operations building. The building will contain workbays and fleet repair space along with shared amenities such as locker rooms, lunch area, touchdown workstations and meeting rooms.

The updated timeline for project completion is Q4 2026 with an in-service date of Q1 2027, therefore the estimated completion date of the approved capital profile will be updated to April 2027.

### Community Insight

The October 31, 2022 City Council report CE01489 provided details on the extensive engagement Administration conducted on the 2023-2026 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:

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- 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.

The complexity of these results illustrate that there is no single combination of 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+ report is commonly initiated during the planning and design phases of a project. GBA+ work 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 Spring 2024 SCBA Recommendations
4. Housing Accelerator Fund Plan
5. Risk Matrix
6. (PRIVATE) Funding Recommendation Legal Advice
7. Spring 2024 SCBA Detailed Budget Adjustment Requests
8. New and Amended Profiles Recommended for Funding

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- 9. Corporate Funding Pool Balances - 2023-2026 Capital Budget Cycle (\$millions)
- 10. Emerging Items - Spring 2024 (Unfunded)