

## OPERATING BUDGET AMENDMENT 12 UPDATE

### Update on progress and reallocation options in advance of Spring 2024 Supplemental Operating Budget Adjustment

#### Recommendation

1. That the January 30, 2024, Office of the City Manager report OCM02233, be received for information.
2. That Attachments 2 and 4 of the January 30, 2024, Office of the City Manager report OCM02233 remain private pursuant to sections 24 (advice from officials), 25 (disclosure harmful to the economic or other interests of a public body) and 27 (privileged information) of the *Freedom of Information and Protection of Privacy Act*.

<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.	N/A		
<b>City Plan Values</b>	N/A		
<b>City Plan Big City Move(s)</b>	N/A	<b>Relationship to Council's Strategic Priorities</b>	Conditions for service success
<b>Corporate Business Plan</b>	Managing the corporation		
<b>Council Policy, Program or Project Relationships</b>	<ul style="list-style-type: none"> <li>• Budget 2023-2026</li> <li>• Operating Budget Amendment 12</li> </ul>		
<b>Related Council Discussions</b>	<ul style="list-style-type: none"> <li>• January 25, 2023, City Council, OCM01628 - First Update to Operating Budget Amendment 12 - Verbal report</li> <li>• February 22/24, 2023, City Council, OCM01643 - Monthly Update on Operating Budget Amendment 12</li> <li>• May 16/17, 2023, City Council, OCM01819 - Monthly Update on Operating Budget Amendment 12</li> <li>• August 22/23, 2023, City Council, OCM02004 - Operating Budget Amendment 12 Update - Verbal report (laid over to September 12/13,</li> </ul>		

## OPERATING BUDGET AMENDMENT 12 - Update on progress and reallocation options in advance of Spring 2024 Supplemental Operating Budget Adjustment

2023, City Council)

- September 12/13, 2023, City Council, OCM02004 - Operating Budget Amendment 12 Update - Verbal report
- October 24/25, 2023, City Council, OCM02089 - Operating Budget Amendment 12 Update - Verbal report

### Previous Council/Committee Action

At the November 30, December 1/2/7/9/12/13/14/15 and 16, 2022, City Council - Budget meeting, the following amendment was made:

That the 2023-2026 operating budget be reduced by \$15,000,000 each year on a multi-year basis from 2023-2026 and returned to the tax levy as follows:

1. By Administration undertaking a City-wide comprehensive corporate review of all programs and services, equipment and infrastructure requirements, organizational structure, outcomes generated and guiding metrics, exercising hiring restraints into non-frontline vacant positions and reducing consultant use and fees, reviewing layers of accountability and internal facing services, without impacting front-line essential services with the requirement to reduce expenses each year by a minimum of \$15,000,000, for a total amount of \$60,000,000;
2. By Administration identifying an additional minimum \$240 million that City Council can transition to its directed priority areas of housing, climate change, public transit, and core services:
  - a. That Administration bring back to Council at the January 25, 2023, City Council Non-regular meeting, a draft scope of work for the review as outlined in part 1 and 2 and that the draft scope of work include the following at a minimum:
    - i. Exercise hiring restraints into non-frontline vacant positions based on finding efficiencies throughout the corporation with a focus on redundant and unfilled positions.
    - ii. Identify existing and new service lines that require additional resources and personnel to align with identified Council priorities.
    - iii. Focus on a reduction in consultant use and fees, review layers of accountability and opportunity to transition resources within internal facing services.
    - iv. Conducts a thorough review of potential new revenue areas throughout the City of Edmonton and that they are brought back to Council for consideration in second quarter 2023.
    - v. Recommendations to Council for the best ways the funds identified for reallocation can be used to leverage more funds from other orders of Government to focus on Council-designated priorities.

## **OPERATING BUDGET AMENDMENT 12 - Update on progress and reallocation options in advance of Spring 2024 Supplemental Operating Budget Adjustment**

vi. Review all budget related policies and processes and return with a report for Council consideration that outlines learnings from the 2023-2026 budget process, potential changes, and options to consider related to a return to zero based budgeting.

3. That Administration provide monthly updates at City Council meetings throughout the 2023-2026 budget cycle.

At the November 21/22/27/28/29, 2023 meeting of City Council, the following motion was 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.

### **Executive Summary**

- As part of the 2023-2026 budget deliberations, Council provided direction to remove \$60 million from the base budgets for 2023-2026 and identify \$240 million of expenses that could be re-allocated towards housing, climate change, public transit and core services. This motion is colloquially referred to as Operating Budget Amendment 12 or “OP12.”
- To implement this direction, Administration developed a seven stream project approach. This process included a review of past work, significant organizational structure changes and an idea generation process which engaged Council, union partners and employees. As ideas were reviewed, evaluated and prioritized, teams were tasked with considering guiding questions regarding the efficiency, effectiveness, value and relevance of various City services.
- With \$60 million already removed from the base budgets and select OP12 ideas already incorporated into the budget through the Fall 2023 Supplemental Operating Budget Adjustment, Administration identified \$240 million of options for Council to consider through the Spring 2024 Supplemental Operating Budget Adjustment.
- Administration will continue to exercise rigour related to expenditures and undertake regular reviews to ensure that City departments and branches are well structured and appropriately resourced to deliver results for Edmontonians in the context of the City’s financial constraints.

### **REPORT**

Operating Budget Amendment 12 (OP12) directed Administration to remove \$60 million from the base budgets for 2023-2026 and identify \$240 million of expenses that could be re-allocated towards housing, climate change, public transit and core services. Council has confirmed that the calculation of the \$240 million is the cumulative total for reallocation (absolute value) and can be achieved through a combination of one-time and ongoing initiatives with at least \$60 million achieved on an ongoing basis.

## **OPERATING BUDGET AMENDMENT 12 - Update on progress and reallocation options in advance of Spring 2024 Supplemental Operating Budget Adjustment**

As Administration considered how to implement this direction, seven principles emerged:

1. Safety - Employee and public safety is a top priority.
2. Outcomes-Based Approach - Administration will consider risk and opportunity and take a strategic approach to achieve intended outcomes.
3. Long Range Focus - Reductions and reallocations will be mindful of the long term impacts.
4. Honour Relationships - Relationships with communities, stakeholders, employees and unions will be transparent, fair and respectful.
5. Demonstrate Commitment - Administration is committed to the work of truth and reconciliation, anti-racism and community safety and well-being.
6. City Building - The City Plan will guide the choices the City makes to be a healthy, urban, climate resilient city that supports a prosperous region.
7. Continuous Improvement - Administration will continually evaluate its efforts in order to be agile and responsive to changing and complex needs of the community.

A project plan, reviewed with Council at the January 25, 2023, City Council meeting through OCM01628, identified seven interdependent streams of work as follows:

- Stream 1 - Review past work
- Stream 2 - Review organizational structure
- Stream 3 - Answer key questions
- Stream 4 - Define core services
- Stream 5 - Confirm the scope
- Stream 6 - Solicit ideas from Council, unions and staff
- Stream 7 - Introduce restraint measures

The next seven sections of this report will summarize the results of Administration's efforts.

### **Stream #1 - Review past work**

Since 2015, Administration has embarked on a series of impactful corporate initiatives, yielding substantial savings amounting to \$345 million, contributing to a cumulative value of \$1.9 billion.

In 2015 and at the direction of Council, Administration undertook the "two per cent initiative." This initiative required Administration to find branch-by-branch reductions of two per cent from the base budget. This resulted in a 1.24 per cent reduction to the 2015 tax levy.

From 2016 to 2021 and at the direction of Council, Administration initiated a review of all City of Edmonton services. Leveraging the Municipal Reference Model<sup>1</sup>, the Program and Service Review<sup>2</sup> established the City of Edmonton service listing, and provided recommendations on how City services could be adjusted to enhance their value to Edmontonians and employees. The Program and Service Review recommendations were validated by challenge panels. The challenge panels included diverse participants including internal subject matter experts and relevant community

---

<sup>1</sup> Municipal Reference Model -

[https://www.misa-asim.ca/members/group\\_content\\_view.asp?group=135372&id=376455](https://www.misa-asim.ca/members/group_content_view.asp?group=135372&id=376455)

<sup>2</sup> Program and Service Review Overview -

[https://www.edmonton.ca/city\\_government/program-and-service-review](https://www.edmonton.ca/city_government/program-and-service-review)

## **OPERATING BUDGET AMENDMENT 12 - Update on progress and reallocation options in advance of Spring 2024 Supplemental Operating Budget Adjustment**

stakeholders. Previous iterations of the City's Executive Leadership Team reviewed the recommendations, implementing what was deemed feasible at that time and brought forward ideas outside of the City Manager's authority to Council for decision.

In 2019 and at the direction of Council, Administration brought forward a list of budget reduction options<sup>3</sup> that Council could consider to reduce the tax levy by four, three, two and one per cent. These options were considered during the Fall 2019 Supplemental Operating Budget Adjustment deliberations and some options (e.g. a reduction of service hours for the 311 contact centre) were incorporated into the ongoing budget. One of the options approved by Council (outsourcing bus cleaning) was later rescinded prior to implementation without the full restoration of the relevant budgets.

In 2020, the REIMAGINE initiative<sup>4</sup> reviewed Edmonton's new reality, both economic and social, to help choose the path forward for the corporation and inform COVID-19 recovery action. The final report provided 29 recommendations in the categories of reimagined city building, reimagined services, modernizing the workforce, relationship-based city and financial viability. Many of the recommendations were implemented, including that of reducing the City's employee positions, reviewing Council Initiatives and supporting a flexible and agile workforce.

The City continues to optimize service delivery but the cost of goods and services rises steadily over time, making it increasingly challenging to maintain existing services and infrastructure with the same budget. The cumulative impact of high inflation resulted in budget pressures of \$26 million in 2024.

Through prudent expense management and program adjustments, Administration absorbed the full financial pressures within the existing budgets. Inflationary pressures in recent years have strained Administration's ability to absorb those pressures within its existing budget without service erosion. The OP12 amendment, which involves the removal of \$15 million annually over 2023-2026, and the strategic management of \$26 million in pressures within the existing budget further highlight Administration's commitment to fiscal responsibility and optimization.

The following table demonstrates the financial impact of these effectiveness, efficiency and value-for-dollars exercises, contributing to the City's ongoing financial position:

---

<sup>3</sup> December 5, 2019, Financial and Corporate Services report CR\_7747 - Available at <https://pub-edmonton.escribemeetings.com/Meeting.aspx?Id=5516d8ad-bbb4-4115-8242-0c0b62fcc91e&genda=PostMinutes&lang=English#79376> as Item 5.1

<sup>4</sup> Reimagine Final Report - [https://www.edmonton.ca/sites/default/files/public-files/documents/Reimagine\\_Final\\_Report-Attachment\\_1.PDF](https://www.edmonton.ca/sites/default/files/public-files/documents/Reimagine_Final_Report-Attachment_1.PDF)

## OPERATING BUDGET AMENDMENT 12 - Update on progress and reallocation options in advance of Spring 2024 Supplemental Operating Budget Adjustment

ANNUAL (\$ millions)	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
2% Initiative	\$16	\$46	\$80	\$127	\$127	\$127	\$127	\$127	\$127	\$127	\$1,031
2019-2022 Budget Reductions	0	0	0	0	21	31	35	38	38	38	202
4/3/2/1% (2019-2022)	0	0	0	0	13	18	30	43	43	43	189
2020 Budget Reductions	0	0	0	0	0	30	34	37	37	37	174
2021 Budget Reductions	0	0	0	0	0	0	50	59	59	59	228
2023-2026 Budget OP-12 Amendment	0	0	0	0	0	0	0	0	15	15	30
Known pressures - unbudgeted	0	0	0	0	0	0	0	0	23	26	49
<b>Total</b>	<b>\$16</b>	<b>\$46</b>	<b>\$80</b>	<b>\$127</b>	<b>\$162</b>	<b>\$206</b>	<b>\$276</b>	<b>\$304</b>	<b>\$342</b>	<b>\$345</b>	<b>\$1,904</b>
<b>Tax Increase Equivalent</b>	<b>1.24%</b>	<b>2.17%</b>	<b>2.34%</b>	<b>3.01%</b>	<b>2.15%</b>	<b>2.66%</b>	<b>4.07%</b>	<b>1.62%</b>	<b>2.12%</b>	<b>0.13%</b>	<b>21.51%</b>

### Stream #2 - Review organizational structure

Edmonton's population grew from around 700,000 residents in 2002 to almost 1.1 million residents in 2022<sup>5</sup>, equating to almost 56 per cent growth over the last 20 years. The community continues to grow, requiring a corresponding increase in services such as fire stations, roads, recreation centres, waste, transit and other services, which require additional maintenance and operations. Edmontonians also expect new and enhanced services and continue to expect these services from the City and, regardless of the economic climate, there is an expectation of high service levels.

Despite the growth in population and scope of services, the City of Edmonton, as an organization, constrained the growth of its workforce resulting in a downward trend in the number of employees compared to population. The net effect of Administration's actions to reduce supervisory positions is that the City's frontline employee to leadership ratio was restored to nearly the 2018 ratio. This means that there are increasingly more frontline employees delivering services for each individual frontline, middle and senior leadership position.

As a result of the OP12 Stream #2 approach, major structural adjustments occurred in June 2023.

First, the Communications and Engagement department was collapsed in favour of a decentralized model as follows:

1. A specialized group of professionals (including web and digital services, creative services, strategic communications, corporate research and engagement standards and practice) formed the Chief Communications Officer branch.
2. The majority of communications and engagement professionals transferred into the five departments to improve connectivity between supporting and frontline services.
3. Intergovernmental Affairs moved to the Office of the City Manager, allowing for closer connection with Council and the Executive Leadership Team.
4. External Relations, Protocol and Council Communications Services moved to the Office of the City Clerk to integrate with their colleagues in the Councillors Office Liaison Team.
5. The 311 Contact Centre and Edmonton Service Centre shifted to the Service Innovation and Performance branch. This consolidates 311, and the significant volumes of service insights that

<sup>5</sup> Government of Alberta Population Dashboard - <https://regionaldashboard.alberta.ca/region/edmonton/population/#/?from=2018&to=2022>



## **OPERATING BUDGET AMENDMENT 12 - Update on progress and reallocation options in advance of Spring 2024 Supplemental Operating Budget Adjustment**

the contact and service centres receive, with the teams that work alongside operational teams to enhance Edmontonians' service experience.

Through this change, Administration avoided filling one Deputy City Manager role, two of the three Branch Manager roles (the third became the Chief Communications Officer) and one Director role (which was repurposed into two frontline positions).

Next, the former Employee Services department was streamlined (four branches down to three branches) and amalgamated with the Legal Services branch to form the Employee and Legal Services Division. This consolidated the role of Chief People Officer and City Solicitor. As a result of this change, Administration avoided filling a second Deputy City Manager role by repurposing the vacated Branch Manager role into the new Chief People Officer and City Solicitor.

Finally, two critical perspectives — anti-racism and reconciliation and climate leadership — were elevated to the City's Executive Leadership Team. The Chief of Staff's role was expanded to be the Chief of Staff and Corporate Lead for Anti-Racism and Reconciliation, and Administration is currently recruiting a Chief Climate Officer. The Chief Climate Officer is a senior leader role reallocated from the former Employee Services department and is an example of focusing on the climate change priority.

Ensuring the City has the appropriate workforce to deliver its evolving portfolio of services requires ongoing review and alignment. Through continuous improvement, Administration has, and will continue to, identify opportunities to best align resources and employees towards priority activities and core services for Edmontonians.

Ongoing work to ensure the City's organizational structure is fit-for-purpose includes:

- Conducting service reviews to maximize service delivery efficiency,
- Reviewing vacancies and any potential new positions; and
- Completing targeted organization design initiatives with departments and branches to streamline efficiencies and maximize value for Edmontonians and employees.

This type of ongoing work continues to ensure balance between the City's frontline workforce and the supervisory leaders (which includes senior, middle and frontline leadership). More specifically, between 2020 to 2023 the City reduced its overall supervisory leaders by 96 full time equivalents (FTEs). This accounts for a 5.5% decrease in overall supervisors between this period with almost two-thirds of the positions being non-unionized leaders. During this same period, the City's frontline staff grew by approximately 367 FTEs between 2020 to 2023. The concurrent increase in frontline staff, combined with the decrease in overall supervisors has resulted in more frontline employees per supervisor across the City.

## OPERATING BUDGET AMENDMENT 12 - Update on progress and reallocation options in advance of Spring 2024 Supplemental Operating Budget Adjustment

### Stream #3 - Answer key questions

To guide the OP12 effort, the Executive Leadership Team developed fundamental questions that were asked of senior leaders as the core/non-core service determination occurred:

1. Are there efficiencies within this service?
2. Are the services being delivered at the desired standard or level? (For instance, in some cases the City may be delivering a service to a higher standard than what is/was required)
3. Could the delivery model be adjusted to increase cost effectiveness?
4. Are there revenue opportunities with the service?
5. If the service is considered non-core, should this be a service the City continues to deliver?

These guiding questions were integral to deliver other streams of work, specifically Streams #4 (define core services) and #6 (solicit ideas from Council, unions and staff).

### Stream #4 - Define core services

The service listing, first developed through the Program and Service Review, then incorporated into Corporate Business Planning and then utilized for Priority Based Budgeting, provided the necessary foundation for the core and non-core service analysis. The service and sub-service analysis considered what was legally required, what was practically necessary and what services were Council priorities. The following bullets describe these categories:

- Legally Required - The City's services must align with relevant legislation. For example, this legislation includes acts such as the *Municipal Government Act*, the *Occupational Health and Safety Act* and the *Emergency Management Act*. Ensuring compliance with legal mandates both safeguards the well-being of our residents and also helps maintain transparency and accountability in service offerings.
- Practically Necessary - The City's services were reviewed to confirm that they address fundamental needs within the community. This criterion helps Administration distinguish between services that are crucial for Edmonton's basic functioning and those that may be more discretionary. This is the 'need to have' versus 'nice to have' distinction.
- Council Priorities - The City's service determination should align with the priorities set by Council. For example, Arts and Culture, Community Safety and Well-being and Economic Resilience and Growth are identified as three of the six key Council priorities. Services which directly contribute to these areas are classified as core.

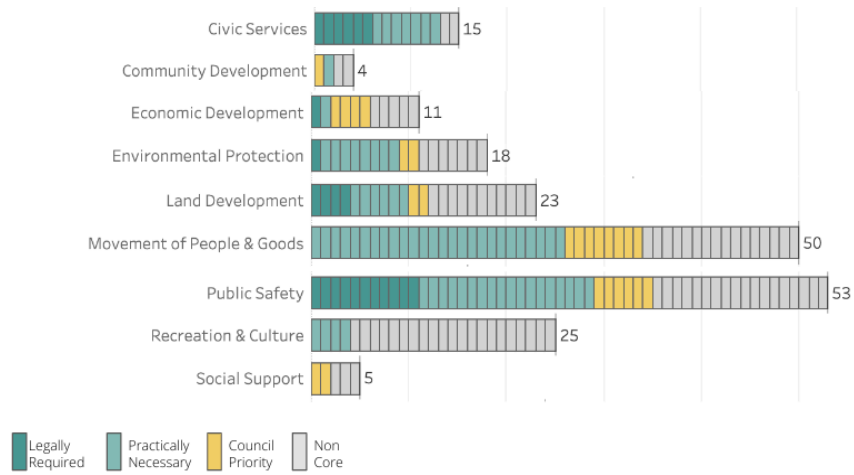
Due to the complex nature of City services, some major services and sub-services were split into individual service components, for a total of 378 service units.

The following tables show those service units sorted by public services and supporting services, and further classified into legally required, practically necessary, Council priority and non-core (services that did not meet any of the other categories). Council was provided a link to the interactive core/non-core service dashboard via Council report OCM02004 - Core and Non Core Services Dashboard Attachment 1.

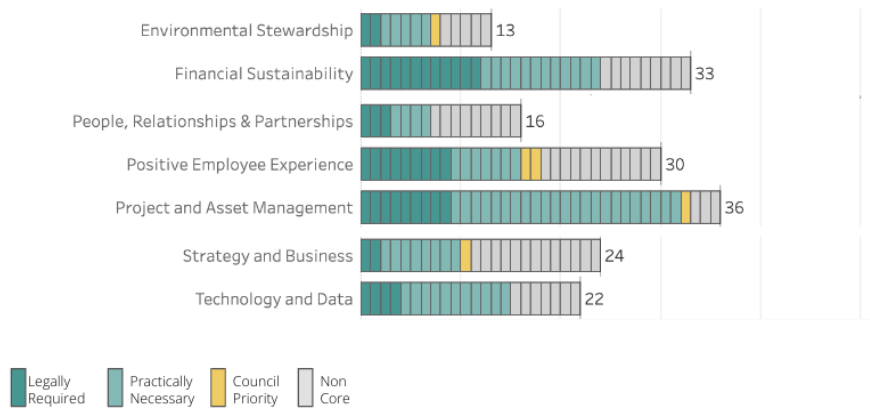


# OPERATING BUDGET AMENDMENT 12 - Update on progress and reallocation options in advance of Spring 2024 Supplemental Operating Budget Adjustment

## Classification of Public Services



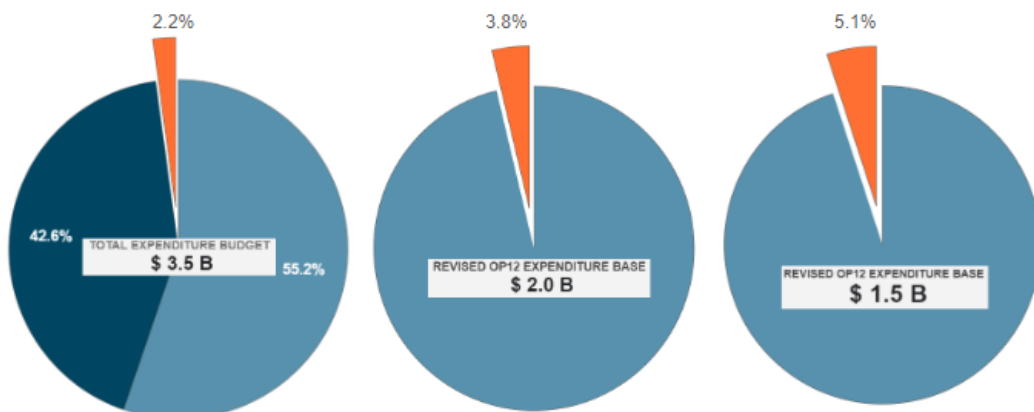
## Classification of Supporting Service



5

## Stream #5 - Confirm the scope

The impact of the OP12 effort was magnified as the scope of the exercise was clarified.



## **OPERATING BUDGET AMENDMENT 12 - Update on progress and reallocation options in advance of Spring 2024 Supplemental Operating Budget Adjustment**

To describe the pie charts on the previous page, applying the OP12 effort of \$75 million annually (\$15 million reduction annually plus \$60 million reallocation annually for a \$240 million absolute value) to the entire expenditure budget of \$3.5 billion would result in a 2.2 per cent reallocation. However, when focusing on the expenditure budget, we need to consider costs with little or no flexibility for reallocation. These costs include debt repayment, fixed corporate expenditures (such as Automated Enforcement, Council Contingencies, Risk Mitigation Strategies, Corporate Revenues and Valley Line LRT), and agencies, boards, and commissions (including entities like the Edmonton Public Library, Edmonton Police Service, Explore Edmonton and more). Once removed the total of expenses available for reallocation decreases by 42.6 per cent as illustrated in the first pie chart.

The second pie chart illustrates the impact when considering the remaining 55.2 per cent or \$2.0 billion available for reallocation, the reallocation becomes 3.8 per cent of the available budget.

The final chart illustrates a further refinement to the scope to exclude expenses related to climate change, housing and transit, as outlined as priorities in the OP12 amendment which further reduces the expenses available for reallocation to \$1.5 billion. This further reduction results in a 5.1 per cent reallocation for OP12.

What these pie charts are meant to illustrate is, as additional constraints are introduced, pushing certain ideas out of scope, the expenses available for reallocation continue to decrease, and the overall percentage of reallocation pressure exceeds the 5.1 per cent estimate. As the scope of expenses available for reallocation decreases, it becomes more challenging to find viable options for reallocation, forcing Administration and Council to make even more difficult decisions.

In order to achieve the targeted \$240 million, Administration needed to contemplate significant service adjustments, involving the discontinuation of specific services, lines of business and the adoption of substantially different resourcing and delivery models.

Reflecting recent Council discussions as part of budget adjustments and other matters, Administration understands that Council does not wish to consider the following focus areas as part of the reallocation process:

- Stopping or slowing down work related to the active transportation network.
- Reducing funding for the Edmonton Police Service (as this was set through a funding formula).
- Reducing the scope or pace of the Neighbourhood Renewal program.

If Council desires these ideas to be included back into the costing and analysis process to inform decision making, Administration would require direction via motion to do so.

### **Stream #6 - Solicit ideas from Council, unions and staff**

The idea collection process was robust and insightful. The first step was to collect ideas from Council, Branch Managers, employees and the City's union partners. The high level of participation, during a period of several months, represents a shared organizational commitment to improvement and evolution. After all ideas were received through the formal idea generation

## OPERATING BUDGET AMENDMENT 12 - Update on progress and reallocation options in advance of Spring 2024 Supplemental Operating Budget Adjustment

processes, Administration consolidated previous reduction ideas from other budget exercises so that all possible opportunities could be considered.

The ideas were categorized as follows:

Source	Revenue Opportunity	Expenditure Reduction	Organizational Structure	Efficiencies	Other	Total
Council	6	18	5	18	5	52
Branch Managers	8	17	16	18	3	62
Employees	27	103	19	80	51	280
Union Partners	4	16	19	10	1	50
Previous Ideas	8	38	2	12	3	63
Totals	53	192	61	138	63	507

Through a refinement process, approximately 70 of the 507 ideas were duplicative, contradicted recent Council direction (discussed in Stream 5 above), non-specific and/or already completed. To focus Administration's activities, these ideas were removed from the analysis.

Additional reviews confirmed the feasibility of the ~437 ideas, which assisted with focusing Administration's efforts. Finally, the ideas were prioritized first to focus on revenue and expenditure opportunities that could produce harvestable expense reductions for reallocation; and next to ensure that items that may be of high interest to Council were analysed and incorporated into this report.

The ideas that Administration understands are of low interest to Council did not receive immediate analysis, but could be researched if Council desires, or if Administration requires additional options to achieve the reallocation targets. Attachment 1 (public) and Attachment 2 (private) provide the ideas which did not receive immediate analysis but remain in consideration as part of the reallocation efforts.

There were several ideas put forward that suggested the City generate revenue through increased fines for bylaw enforcement (including snow and ice control, unleashed dogs, etc.); however, generating revenue through fines is not consistent with the City's four E's approach (engaging, educating, encouraging and enforcing<sup>6</sup>) which leverage fines as a last recourse to drive sustained pro-social behaviour changes. In many of the increased enforcement-related ideas, increased staffing would be required without the surety that the fines collected would offset the increased investment. Furthermore a program designed to change behaviour, if successful, would result in declining fine revenues as outcomes are achieved. Without sustained funding that

<sup>6</sup> CS02050 - Edmonton Enforcement Staffing (A. Knack) Council Inquiry - December 4, 2023 Community and Public Services Committee

## **OPERATING BUDGET AMENDMENT 12 - Update on progress and reallocation options in advance of Spring 2024 Supplemental Operating Budget Adjustment**

could be harvested for Council priorities a program of this nature may create additional financial pressures in the longer term.

### **Stream #7 - Introduce restraint measures**

Although Administration has always exercised rigour related to expenditures, additional measures reinforced the need for cautious and prudent spending.

Updates to the hiring process require hiring managers to describe how a proposed recruitment is legally required, practically necessary or relates to a Council priority. Although the responsibility for approving recruitments resides with the department and division leaders, the City Manager receives weekly reporting which allows for additional oversight.

Business travel continues to be limited, with all travel within Alberta requiring approval by a department or division leader, and all out-of-province travel requiring approval by the City Manager. Out-of-province travel is intensively scrutinized and is typically only authorized based on a mandated requirement, a strategic priority or sponsorship through an external party (e.g. a funded speaking opportunity at a conference).

Consultant use is carefully considered and used only when the work cannot be performed, either due to specialized skill set or time-limited requirements, by City of Edmonton employees. As an example of reduced consultant use, the public engagement process for the Public Spaces Bylaw was done entirely by City of Edmonton employees. This resulted in a smaller project scope, but a more focused effort to meaningfully engage Edmontonians with lived experience.

Finally, in 2023, Administration was able to reduce total overtime expenditures by 51,383 hours compared to 2022. Most notably reductions in overtime occurred in three of the largest City branches (Fire Rescue Services, Community Recreation and Culture, and Parks and Roads Services). Although this does not yield funds available for re-allocation (as overtime is a budget pressure), this is significant as these efforts contributed to Administration's ability to address the substantial deficit from the 2023 budget year.

### **Results incorporated into the Fall 2023 Supplemental Operating Budget Adjustments**

To provide context for the results, the OP12 amendment encompassed two key components:

1. An annual reduction of \$15 million totalling \$60 million over a span of four years was promptly incorporated into the 2023-2026 budget.
2. The identification of \$240 million of options where resources could be shifted to four areas of investment: housing, climate change, public transit and core services. There are several early ideas generated through the OP12 process that were incorporated into the Fall 2023 Supplemental Budget Adjustment.

## OPERATING BUDGET AMENDMENT 12 - Update on progress and reallocation options in advance of Spring 2024 Supplemental Operating Budget Adjustment

The subsequent tables offer an overview of the identified funds to date and their allocation in alignment with Council's priorities:

### \$60 Million Reduction

Savings (annual dollars - millions)		2023	2024	2025	2026	Total	Status
COVID Revenue Shortfalls	Ongoing ▾	5.0	5.0	5.0	5.0	<b>\$20.0</b>	Complete ▾
Assessment Growth	Ongoing ▾	4.5	4.5	4.5	4.5	<b>\$18.0</b>	Complete ▾
Senior Leadership Personnel	Ongoing ▾	0.0	1.0	1.0	1.0	<b>\$3.0</b>	Complete ▾
Adjustment to Fuel & Utilities	Multi-Year ▾	0.2	0.9	0.2	(0.5)	<b>\$0.8</b>	Complete ▾
Modified Encampment Response	One Time ▾	2.0	0.0	0.0	0.0	<b>\$2.0</b>	Complete ▾
Merit adjustment (2023 only)	One Time ▾	1.3	0.0	0.0	0.0	<b>\$1.3</b>	Complete ▾
<b>Achieved towards \$60 Million Reduction</b>		<b>13.0</b>	<b>11.4</b>	<b>10.7</b>	<b>10.0</b>	<b>\$45.0</b>	
Further Planned Restraint Measures			5.0	5.0	5.0	<b>\$15.0</b>	In-Progress ▾
<b>Total Projected to 2026</b>		<b>13.0</b>	<b>16.4</b>	<b>15.7</b>	<b>15.0</b>	<b>60.0</b>	

Out of the overall \$60 million requirement, a total of \$45.0 million has been identified thus far. Ongoing efforts in 2024 will persist in seeking the remaining \$15.0 million.

### \$240 Million Reallocation

Within the overall \$240 million requirement, a cumulative sum of \$130.8 million has been identified as of report publication.

As detailed in the table on the following page, this breakdown includes:

- A cumulative total of \$59.6 million over 2023-2026 from ongoing commitments,
- \$50.8 million allocated for one-time expenditures,
- \$8.1 million for multi-year projects, and
- \$12.3 million in one-time funding earmarked for capital initiatives.

Note that ongoing amounts are listed in incremental, and the green highlighted column shows the total 2023-2026 amount. For example, "Social Development - various" shows \$0 in 2023, \$3.3 in 2024, \$0.5 in 2025 and \$0.5 in 2026. Each number shows the change from prior year. So in 2024, \$3.3 is added. Then in 2025, an additional \$0.5 is added, making a total of \$3.8 for 2025 (\$3.3 from 2024 plus \$0.5 from 2025). In 2026, an additional \$0.5 is added, so the total for 2026 is \$4.3 (\$3.3 from 2024 plus \$0.5 from 2025 plus \$0.5 from 2026). Adding each year up (\$3.3 from 2024, plus \$3.8 from 2025, plus \$4.3 from 2026) equals a total of \$11.4 over 2023-2026.

## OPERATING BUDGET AMENDMENT 12 - Update on progress and reallocation options in advance of Spring 2024 Supplemental Operating Budget Adjustment

Ideas and Status (\$ millions)	Funding Source:	Incremental				Total Released 2023-2026	Reallocated by Admin	Reallocated by Council	Released to Tax Levy	Unallocated
		2023	2024	2025	2026					
Community Sandboxes Service Level Adjustment	Ongoing	0.8	-	-	-	3.2	3.2			
Frontline Seasonal Staff Temporary to Permanent	Ongoing	1.8	-	-	-	7.3	7.3			
Scona Pool Operational Savings	Ongoing	-	0.5	-	-	1.5		1.5		
Review of insurance program (Legal Services)	Ongoing	-	1.0	-	-	3.0		3.0		
Transition Branch Manager position to Climate Action	Ongoing	0.1	0.1	-	-	0.7	0.7			
Adjustment to Merit (2023 - Off-Set \$15M Reduction)	Ongoing	-	1.9	0.1	(0.4)	5.5	1.3	5.5		
On-Demand Bus Fuel Saving	Ongoing	-	0.2	0.1	-	0.7		0.7		
Social Development - various	Ongoing	-	3.3	0.5	0.5	11.4	5.1	6.3		
Development Incentive Program Grant	Ongoing	-	0.8	-	-	2.3		2.3		
EPCOR Dividend	Ongoing	-	8.0	-	-	24.0		13.0	11.0	
Valley Line Southeast Savings (Reserve)	One time	34.0	(34.0)	-	-	34.0		30.3		3.7
A1 Soccer (Release to FSR)	One time	-	5.0	(5.0)	-	5.0		5.0		
Restraint Measures	One time	11.8	(11.8)	-	-	11.8	11.8			
Renewable Energy Credits (2024-2025)	Multi-Year	-	3.3	-	(6.6)	6.6		6.6		
Reduction of funding for internal corporate initiatives	Multi-Year	-	0.5	-	-	1.5	1.5			
Edmonton Public Library funding duplication	Capital	12.3	(12.3)	-	-	12.3		1.0		11.3
<b>Total (as of January 2024)</b>		<b>60.8</b>	<b>(33.5)</b>	<b>(4.3)</b>	<b>(6.5)</b>	<b>130.8</b>	<b>30.9</b>	<b>75.2</b>	<b>11.0</b>	<b>15.0</b>

Out of the identified \$130.8 million, \$117.1 million has been allocated. Administration has reinvested \$30.9 million back into programs to sustain service levels and to offset a portion of the 2023 deficit. Additionally, Council has reallocated \$75.2 million towards their specified priorities, and \$11.0 million has been released to the tax levy as outlined on the table below.

Allocated to: (\$ millions)	Funding went to:	2023	2024	2025	2026	Absolute Value Reallocated	Admin Allocation	Council Allocation	
Snow and Ice Control	Ongoing	0.8	-	-	-	3.2	3.2		
Frontline Seasonal Staff Temporary to Permanent	Ongoing	1.8	-	-	-	7.3	7.3		
Transition Branch Manager position to Climate Action	Ongoing	0.1	0.2	-	-	0.7	0.7		
Merit to Offset \$15M Budget Reduction	Ongoing	1.3	-	-	-	1.3	1.3		
Admin Reallocation TBD (Social Development)	Ongoing	-	1.7	-	-	5.1	5.1		
Off-set the 2023 Deficit	One time	11.8	(11.8)	-	-	11.8	11.8		
Fund Administrative Housing Task Force to expedite the delivery of affordable housing	Multi-Year	-	0.5	-	-	1.5	1.5		
Redeploy VLSE Hours/Bus Service	Ongoing	-	4.7	0.5	0.0	15.2		15.2	
Satellite Garage and Transit Service Growth	Ongoing	-	0.4	6.1	0.8	14.4		14.4	
CSN - 50% Core Encampment	Ongoing	-	2.0	0.2	(0.0)	5.6		5.6	
PARS - 50% Core Encampment	Ongoing	-	1.0	0.1	0.1	2.9		2.9	
EPL - Heritage Valley Expansion	Ongoing	-	-	0.4	0.0	0.9		0.9	
LRT Tunnel Cell Service	Capital	-	4.7	(4.7)	-	4.7		4.7	
Oct 24 - SNIC - Motion 1 - SNIC Program	Multi-Year	2.1	(0.1)	(1.2)	(0.9)	5.1		5.1	
Profile 24-61-3623 - Growth Buses (LRT/Capital)	Capital	-	-	15.8	(15.8)	15.8		15.8	
ETS - Permanent Enhanced Cleaning	Multi-Year	-	1.8	0.5	(2.3)	4.2		4.2	
PARS - 50% Center City Optimization	One time	-	1.5	(1.5)	-	1.5		1.5	
Allocation to Financial Stabilization Reserve	One time	-	5.0	(5.0)	-	0.0		5.0	
Release to Tax Levy	Ongoing	-	9.0	3.0	(1.1)	11.0		11.0	
<b>Total</b>			<b>17.9</b>	<b>20.8</b>	<b>14.4</b>	<b>(19.1)</b>	<b>112.1</b>	<b>30.9</b>	<b>86.2</b>

This leaves a total of \$15.0 million available for future reallocation, with \$3.7 million available on a one-time basis and \$11.3 million specifically earmarked for capital initiatives.



## OPERATING BUDGET AMENDMENT 12 - Update on progress and reallocation options in advance of Spring 2024 Supplemental Operating Budget Adjustment

### Options to consider to reallocate \$240 million

Building upon the results discussed in the previous section, Attachments 3 and 4 provide the next items that Council could consider as part of the \$240 million reallocation. Attachment 3 provides the ideas that are appropriate for public discussion. Attachment 4 provides the ideas that should be discussed in private due to contractual or labour relations considerations. The combined attachments yield \$139.9 million of savings, with previous findings of \$130.8 million plus \$3.4 million in progress, the \$240 million target is exceeded. It is important to note that of the total identified below, \$29.0 million includes items that are high risk in achieving the full amount of savings identified; these are all outlined in Attachment 4, and could result in significant service level changes if all are implemented.

The table below demonstrates that the \$240 million target has been achieved:

<b>\$240 million reallocation (\$millions)</b>				
	<b>Ongoing</b>	<b>Multi-Year</b>	<b>One-Time</b>	<b>Total</b>
Progress to Date	59.6	8.1	63.1	<b>130.8</b>
In Progress	3.4	0.0	0.0	<b>3.4</b>
Attachment 3	18.1	0.0	0.9	<b>19.0</b>
Attachment 4	56.1	0.0	35.8	<b>91.9</b>
High Risk (Included in Attach 4)	15.0	0.0	14.0	<b>29.0</b>
<b>Total</b>	<b>152.2</b>	<b>8.1</b>	<b>113.8</b>	<b>274.1</b>

### Next steps

With \$60 million removed from the 2023-2026 Operating Budget and \$240 million of options provided to support potential reallocations as part of the Spring SOBA, this report fully implements the formal direction from Operating Budget Amendment 12. At the March 12/13, 2024 City Council meeting, Administration will seek direction as to which ideas Council would like to see fully integrated to achieve the immediate \$10 million for either reallocation or reduction for the tax levy and the ideas that Council would like brought forward for consideration as part of the Spring 2024 Supplemental Operating Budget Adjustment (SOBA).

### Budget/Financial, Legal and GBA+ Implications

To assist Council with full understanding of the implications of any particular OP12 reallocation option, individual “service reduction package” documents will be brought forward as part of the Spring 2024 Supplemental Operating Budget Adjustment. Council can then incorporate these service reduction packages into the budget by adjustment. Should Council require additional context related to intergovernmental, economic/contractual, workforce or legal implications, Administration can answer those questions in private subject to the appropriate sections of the *Freedom of Information and Protection of Privacy Act*.

## **OPERATING BUDGET AMENDMENT 12 - Update on progress and reallocation options in advance of Spring 2024 Supplemental Operating Budget Adjustment**

### **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. To understand opportunities for reallocation, 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.<sup>7</sup>

Many of the City programs and services that are being 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. As reallocation efforts are contemplated to focus on key priorities and identify funds for reallocation, implementation will be completed in alignment with a commitment to relationships.

### **Attachments**

1. Review of low priority analysis options
2. PRIVATE Review of low priority analysis options
3. Options for re-allocation
4. PRIVATE Options for re-allocation

---

<sup>7</sup> City of Edmonton Service Satisfaction Survey - <https://www.edmonton.ca/sites/default/files/public-files/ServiceSatisfactionSurvey2023-ServiceReport.pdf?c=1705172384>