

Financial Sustainability: Addressing Budget and Growth Challenges

August 14, 2024 Executive Committee

Council Motion

At the April 23, 2024, City Council meeting, the following motion was passed:

That Administration provide a report with an action plan and recommendations on how to respond to structural budget issues and growth challenges over the next three supplemental budget adjustments while ensuring the long-term financial sustainability of the Corporation.

Context Setting

\$97
MILLION

Limiting tax
increases during
pandemic



Inflationary
Pressures



Population
Growth



Evolving
Service
Needs

Edmonton

Structural Budget Variances - Pre-covid

Ref #	Item Name	Annual Net Variance \$000s Favourable/ (Unfavourable)	Tax Levy Impact
A1-11	OSCAM Revenues & Recoveries	(4,800)	0.22%
A1-12	Pet licensing fees	(700)	0.03%
A1-13	Moving Permits	(350)	0.02%
A1-14	Developer Signs	(175)	0.01%
A1-23	The Orange Hub Operating Expenses	(320)	0.01%
A1-25	SNIC Sand Removal	(2,408)	0.11%
A1-26	Encampment Response	(2,112)	0.10%
A2-7	[Private]	(650)	0.03%
Total		(11,515)	0.53%

8 items
\$11.5 million

Structural Budget Variances - Post-covid

Ref #	Item Name	Annual Net Variance \$000s	Tax Levy Impact
A1-1	Fuel price inflation	(6,940)	0.32%
A1-2	Transit Fleet Maintenance - Parts Inflation	(4,455)	0.21%
A1-3	Municipal Fleet Maintenance - Parts Inflation	(3,254)	0.15%
A1-4	Facility Maintenance Services - Contract Work Inflation	(2,796)	0.13%
A1-5	Software Licensing and Maintenance	(2,700)	0.13%
A1-6	Facility Maintenance Services - Materials Inflation & Volume	(2,300)	0.11%
A1-10	Transit Fare Revenue	(12,990)	0.61%
A1-15	Fire Rescue Services Overtime	(6,160)	0.29%
A1-16	Transit Operator Overtime	(4,500)	0.21%
A1-17	Cost of Insured Claims and Settlements	(2,000)	0.09%
A1-18	Impacts of an aging fleet and electric bus experience	(1,776)	0.08%
A1-19	WCB Premiums	(1,500)	0.07%
A1-27	Spring Sweep - leased equipment	(1,700)	0.08%
A1-28	Rent Revenue / Operating Costs	(1,265)	0.07%
A1-29	Truth & Reconciliation Statutory Pay	(1,100)	0.05%
Numerous	Others < \$1 million each	(5,262)	0.25%
A2-1 to A2-6	[Private]	(15,897)	0.76%
Total		(76,595)	3.61%

36 items
\$76.6 million

Structural Budget Variances

Annual net budget variance \$000s favourable/(unfavourable)	Attach 1 (Public)	Attach 2 (Private)	Total	Tax levy impact
Inflationary	(23,931)	0	(23,931)	1.1%
Revenue Shortfalls	(19,015)	(159)	(19,174)	0.9%
External Factors	(18,198)	(3,170)	(21,368)	1.0%
Administration or Council directed	(10,419)	(13,218)	(23,637)	1.1%
Total	(71,563)	(16,547)	(88,110)	4.1%

Action Plans



Program reviews



Cost of service studies



Exploring methods to increase revenues

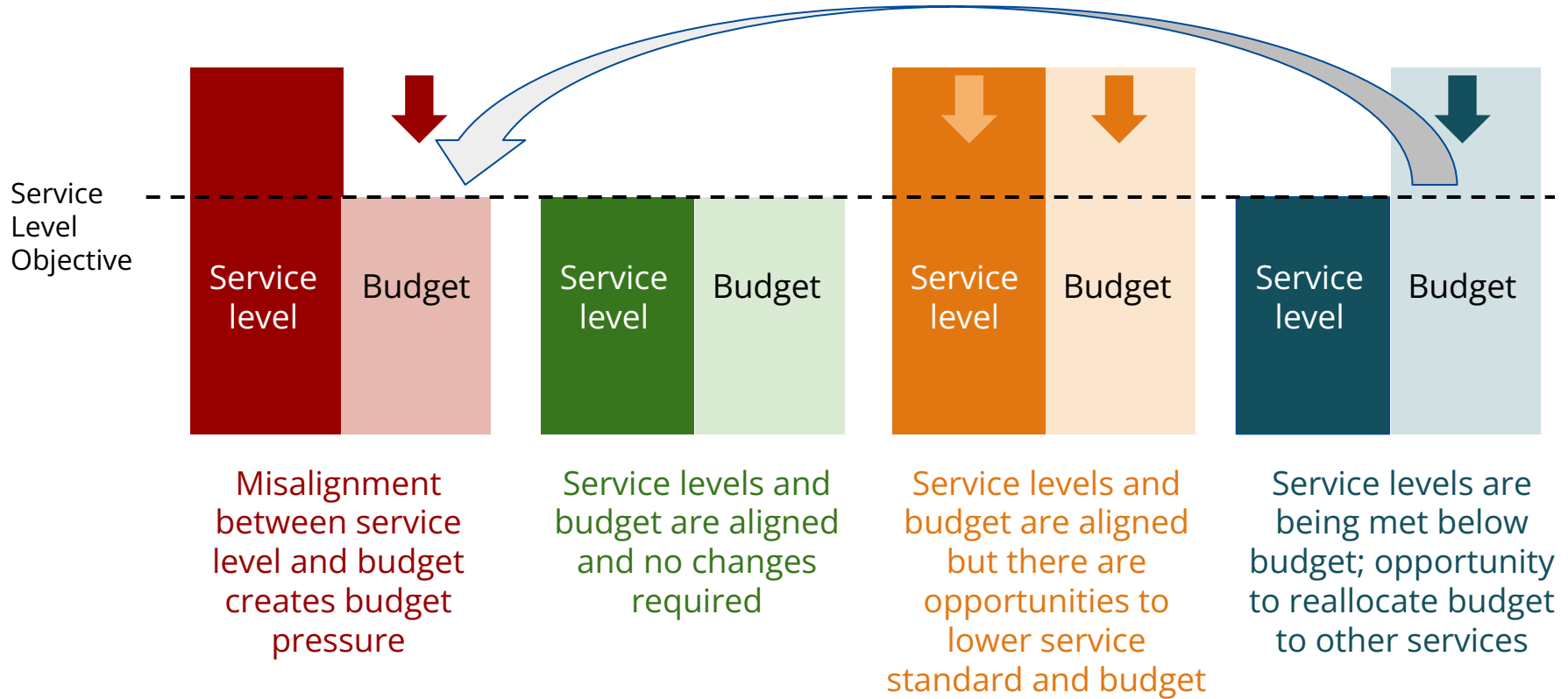


Examining service delivery options



Aligning service levels to budget

Service Levels and Budget



Two Approaches

Start with Service Level
Define the Service Level



- People - how many?
- Time - how much?
- Equipment - what pieces?

**Budget required to
deliver the service
defined.**

Start with Budget
How much \$ do we have?



- People - how many?
- Time - how much?
- Equipment - what pieces?

**Service level
delivered within the
defined budget.**

Economic adjustment required

Ref #	Item Name	Annual Net Variance \$000s Favourable/ (Unfavourable)	Tax Levy Impact
A1-1	Fuel price inflation	(6,940)	0.3%
A1-2	Transit Fleet Maintenance - Parts Inflation	(4,455)	0.2%
A1-3	Municipal Fleet Maintenance - Parts & Tire Inflation	(3,254)	0.2%
A1-4	Facility Maintenance Services - Contract Work Inflation	(2,796)	0.1%
A1-6	Facility Maintenance Services - Materials Inflation & Volume	(2,300)	0.1%
Total		(19,745)	0.9%

Adjustment required for corporate wide inflationary impacts for fuel, parts and tire inflation, and facility maintenance. Without adequate funding:

- there would be imminent grounding of some fleet, including a significant impact to transit
- Existing legislated and scheduled preventative maintenance levels cannot be sustained, leading to imminent and significant service disruptions
- regulatory standards would not be met, compromising safety and operational integrity of some facilities and infrastructure assets

Preliminary Estimate - 2025 Tax Levy Increase

	2025 Tax Levy Increase %	\$000s
Starting point (Council Approved as of Spring 2024 SOBA)	7.0%	
FSR Repayment Plan	1.8%	
Structural budget variances	4.1%	88,110
Council directed - Citadel Theatre	0.1%	1,360
Estimated 2025 Tax Levy Increase	13.0%	
Less: Actions to address Inflationary pressures	-0.2%	(4,186)
Less: Actions to address revenue shortfalls	-0.9%	(19,174)
Less: Actions to address external factors	-1.0%	(21,368)
Less: Actions to address Admin/Council variances	-1.1%	(23,784)
Less: Reduction in other service areas to cover required economic adjustment	-0.9%	(19,745)
Less: Transfer from OP12 funds in Financial Strategies to cover Citadel Theatre	-0.1%	(1,360)
Preliminary Estimate - 2025 Tax Levy Increase	8.8%	

Past Reductions

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	\$1031
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 OP-12 Budget Amendment	0	0	0	0	0	0	0	0	15	15	30
Total	\$16	\$46	\$80	\$127	\$162	\$206	\$276	\$304	\$319	\$319	\$1854
Tax Increase Equivalent	1.2%	2.2%	2.3%	3.0%							

Addressing Long Term Growth Challenges

Identifying
total cost of
ownership

Refresh
Integrated
Infrastructure
Management
Planning

Industrial
Investment
Action Plan

Cost of
growth in
future growth
areas

City Plan
development
pattern

Next Steps

Addressing Budget & Growth Challenges
Aug 14

Budget Process Update
Oct 2

Capital and Operating Funding Shortfall Analysis
Oct 9

Fall 2024 SOBA @ Council
Nov/Dec

Fall 2025 SOBA @ Council
Nov/Dec

Addressing Budget & Growth Challenges

Presents action plans to address structural budget issues

Budget Process Update

Process report for mill rate finalization

Capital and Operating Funding Shortfall Analysis

Identification of municipal funding gaps

Fall 2024 SOBA/SCBA

Adjustments for 2025 and 2026

Fall 2025 SOBA/SCBA

Adjustments for 2026

Q2 Financial Update

Edmonton

IMPLEMENTATION OF ACTION PLANS TO ADDRESS STRUCTURAL BUDGET VARIANCES

Questions?