

BUDGET PLANNING UPDATE

Recommendation

That the October 2, 2024, Financial and Corporate Services report FCS02484, be received for information.

Requested Action	Information only		
ConnectEdmonton's Guiding Principle	ConnectEdmonton Strategic Goals		
CONNECTED This unifies our work to achieve our strategic goals.	N/A		
City Plan Values	N/A		
City Plan Big City Move(s)	N/A	Relationship to Council's Strategic Priorities	Conditions for service success
Corporate Business Plan	Managing the corporation		
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) • The City Plan 		
Related Council Discussions	<ul style="list-style-type: none"> • November 7, 2023, Financial and Corporate Services report FCS02052, Fall 2023 Supplemental Operating Budget Adjustment - 2023-2026 Operating Budget • April 23, 2024, Financial and Corporate Services report FCS02361, Spring 2024 Supplemental Operating Budget Adjustment • April 30, 2024, Financial and Corporate Services report FCS02220 Bylaw 20706 - 2024 Property Tax and Supplementary Property Tax Bylaw 		

Executive Summary

- This report formalizes the reduction in the scope of the spring supplemental operating budget adjustment (SOBA) from a budget adjustment to a municipal tax levy finalization, effectively requiring all tax levy decisions to be made at the fall SOBA.

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- This change will help the City meet legislated and process timelines for tax notifications.

REPORT

As guided by City Policy C578 - Multi-Year Budgeting Policy, the City of Edmonton develops four-year capital and operating budgets. In accordance with the policy, an approved multi-year operating budget would only be adjusted when circumstances warrant and would be limited to certain circumstances, including:

- External factors such as provincial or federal budgets, or changes imposed by legislation;
- Adjustments to reflect operating impacts related to the implementation and completion of capital projects;
- Unforeseen changes to economic forecasts affecting costs, service demand volumes, or revenue projections;
- Council-directed changes to priorities, policies and programs.

Budget Process

The City's general budgeting practice allows for adjustments twice annually: in the spring and in the fall.

- The fall supplemental operating budget adjustment (SOBA) process has several days allocated for deliberation to allow Council to make funding adjustments to programs and services as needed for the coming year.
- In contrast, the spring SOBA process has one day allocated for discussion, as it is intended to respond to significant emerging items, such as effects of the provincial and federal budgets, and not to reopen debate on the budget.

Subsequent to the spring SOBA, the tax rate bylaws will follow one week later, which establish the municipal tax rates for the year along with supplementary property tax levies, payment-in-lieu levies, and the provincial education tax requisition. The tax bylaw reflects the final budget for the year, as set during the spring SOBA. Administration requires a week between these reports to perform complex calculations, testing, verification, and to update the report and bylaw materials. Council dates cannot be added into the calendar to increase discussion time, in order to meet the tax notice mail out dates and required minimum notification time under the *Municipal Government Act*, and to align monthly payment calculations.

Tax Levy versus Tax Rate

Council ultimately determines the tax levy requirement - referred to as the "tax increase"; the assessment area is responsible for determining assessment values. This means that, while Council is responsible for determining how much revenue is collected, the distribution of the tax levy is determined through the assessment process.

Tax Levy

The City collects the amount of property tax, or tax levy, required to balance the budget after all other revenue sources are considered. Examples of non tax levy revenues include user fees for services like transit or recreation facilities, franchise fees, licensing fees, and fines. The tax levy

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requirement is equal to the total municipal expenditures less all other City revenues. During the SOBA, there are numerous changes in the expenditures and non-tax levy revenues that impact the overall tax levy requirement.

Property taxes allow the City to balance the budget, and collect what it needs to operate, no more and no less. The tax-levy requirement, or property taxes required to balance the budget, is what Council approves through the operating budget process.

Tax Rate

Once the total levy requirement is determined by Council, the Assessment and Taxation Branch in Administration provides the total taxable assessment base. This number is effectively a sum total of all taxable property values in the City for that tax class. Reassessments on all properties in Edmonton are performed annually and are released in January of each year for property owners to review. With the total tax levy requirement and total taxable assessment base, a tax rate can be established, which is then applied to individual property owners based on their property assessment.

The assessment change experienced by each property owner each year is unique to that property. This means the ultimate tax impact to a specific property owner in a given year is dependent not only on the overall change in the tax levy but also on the way their assessment changed relative to others.

Municipal Tax Levy Confirmation

Moving forward, the scope of the spring SOBA will be reduced to finalizing the municipal tax levy and only account for changes from provincial or federal funding decisions. Any final adjustments to assessment growth will be added to the Financial Strategies item in the City budget to manage in-year pressures or fund one-time initiatives, with permanent solutions addressed during the following fall SOBA.

Effectively, this requires Council to make all tax levy decisions for the upcoming year during the fall SOBA process, incorporating any changes to priorities, policies and programs during this time.

The operating budget will have one opportunity to be adjusted by Council during the budget year, at the fall SOBA. To formalize this change, the spring SOBA will be renamed to "Municipal Tax Levy Confirmation" to reflect that Council-directed budget adjustments are no longer part of the process. This will help to improve predictability for property owners in terms of expected tax changes, as what Council establishes in the fall will likely hold true for the year, barring any significant impacts from the provincial or federal budgets, which are released in the spring. Additionally, there will be internal efficiencies as less resources will be required to complete the Municipal Tax Levy Confirmation compared to a spring SOBA.

2025 Operating Budget

To provide clarity on what this change means for the 2025 operating budget:

- *Fall Supplemental Operating Budget Adjustment Process - November/December 2024:*
Establishes the tax levy and tax change for 2025 and 2026 based on Council decisions related to: changes to priorities, policies and programs, external factors such as changes imposed by

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legislation, adjustments to reflect operating impacts related to the implementation and completion of capital projects, and unforeseen changes to economic forecasts affecting costs, service demand volumes, or revenue projections.

- *Municipal Tax Levy Confirmation* - Third week of April 2025: Confirms the 2025 tax levy, taking into account changes for provincial and federal budget decisions in the spring.
- *Property Tax and Supplementary Property Tax Bylaw* - Fourth week of April 2025: Finalizes the 2025 property tax rates for each of the assessment classes and subclasses to raise revenue to offset budgeted municipal expenditures and the provincial education tax requisition, incorporating the assessed value of each property.
- *Tax notices mailout* - End of May 2025: Informs property owners of their property tax requirement for the 2025 year, based on property tax levy set by Council and distributed based on assessed property value.

Budget Risk Items

Included as Attachment 1 is a list of unquantified items that could become a budget risk as mentioned during the Executive Committee's discussion of the August 14, 2024, Financial and Corporate Services report FCS02478 Financial Stability: Addressing Budget and Growth Challenges.

Community Insight

Extensive public engagement is conducted for development of each four-year budget. Property owners are notified of their assessments in January, and of their tax requirement in May of each year, following the finalization of the municipal tax levy in April. Public input was not sought for this Municipal Tax Levy Confirmation process change.

GBA+

There are no expected GBA+ implications related to formalizing the spring budget report as the City's finalization of the year's tax levy.

Attachment

1. Unquantified Budget Risk Items