

## CAPITAL AND OPERATING FUNDING SHORTFALL ANALYSIS

### Recommendation

That the October 9, 2024, Financial and Corporate Services report FCS02218, be received for information.

<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.	<b>Regional Prosperity</b>		
<b>City Plan Values</b>	LIVE. THRIVE. PRESERVE.		
<b>City Plan Big City Move(s)</b>	A community of communities A rebuildable city Catalyze and converge	<b>Relationship to Council's Strategic Priorities</b>	Economic Growth 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>• Fiscal Policy for Revenue Generation (C624)</li> <li>• Debt Management Fiscal Policy (C203C)</li> <li>• Financial Stabilization Reserve (C629)</li> <li>• The City Plan</li> </ul>		
<b>Related Council Discussions</b>	<ul style="list-style-type: none"> <li>• March 12/13, 2024, Financial and Corporate Service report FCS02350, Budget Process Update</li> <li>• June 19, 2024, Urban Planning and Economy report UPE01548, Industrial Investment Action Plan - 2024 Update</li> <li>• June 19, 2024, Financial and Corporate Service report FCS02483, Budget Update - Non-residential Tax Base Growth Challenges</li> </ul>		

### Previous Council/Committee Action

At the November 1, 2023, Executive Committee meeting, the following motion was made:

## CAPITAL AND OPERATING FUNDING SHORTFALL ANALYSIS

That Administration provide a report detailing the following:

The City of Edmonton capital funding shortfall, an assessment of the factors contributing to the shortfall including but not limited to the challenges of operating in a region, changing expectations, the evolution of responsibilities within municipal, provincial and federal jurisdictions, loss of funding sources, and future options to address the funding shortfall.

The City of Edmonton operating funding shortfall, an assessment of the factors contributing to the shortfall including the challenges of operating in a region, but not limited to changing expectations, the evolution of responsibilities within municipal, provincial and federal jurisdictions, and loss of funding sources, and future options to address the funding shortfall.

### Executive Summary

- The strength of the City's fiscal position is the foundation for its ability to deliver high-quality programs, services and infrastructure projects, and to build an attractive and globally competitive city.
- Like other big cities in Canada, the City of Edmonton is experiencing significant fiscal challenges on numerous fronts. Edmonton, like other municipalities, has limited tools and legislated authority to raise revenues; at the same time, it has experienced the highest population growth rates of large Canadian cities since the turn of the century, and expectations on service delivery are growing. On both an operating and capital basis, this has translated into the City's revenue-raising capacity persistently falling short of its expenditure needs. This difference, or shortfall, between revenue capacity and expenditure needs is defined in this report as the fiscal gap.
- Some factors leading to the City's fiscal gap are systemic and have been long-standing, such as limitations on revenue-raising powers. Some are due to more-recent shifts in economic, social and environmental factors well beyond the City's control, such as rapid population growth. Some are a consequence of actions and decisions made by higher-order governments, whereas others are internally driven from decisions made over multiple years. The City's fiscal gap is compounded by regional pressures, complexities and an interrelationship between contributing factors that makes it difficult to quantify into a single value.
- Attachment 1 Fiscal Gap: An Assessment of the Factors Contributing to the City of Edmonton's Operating and Capital Funding Shortfalls provides a discussion and analysis of the many factors contributing to the fiscal gap.

## REPORT

### The City of Edmonton's Fiscal Gap

Though the City has robust financial processes and is in stable financial condition, its fiscal pressures are immense. Like other big cities in Canada, the City of Edmonton is experiencing significant fiscal challenges on numerous fronts. Municipalities have limited tools and legislated authority to raise revenues; at the same time, municipalities are experiencing rapid population growth and higher service expectations. On both an operating and capital basis, this has translated into the City's revenue-raising capacity persistently falling short of its expenditure

## CAPITAL AND OPERATING FUNDING SHORTFALL ANALYSIS

needs. This difference, or shortfall, between revenue capacity and expenditure needs is defined in this report as the fiscal gap.

The fiscal gap threatens the City's fiscal sustainability, the programs and services Edmontonians rely on, and the City's ability to invest in infrastructure that makes Edmonton attractive, globally competitive, and improves quality of life for residents. There are many short-term and long-term implications from having a persistent and large fiscal gap, and left unaddressed will result in:

- Service level erosion,
- A deterioration of infrastructure,
- The inability to advance the City's strategic objectives, and
- Outsized tax increases.

The City of Edmonton operates in a larger and continually evolving intergovernmental context. As the higher-orders of government redefine their roles in spaces which have historically been theirs to deliver, the City feels pressure to invest in areas of unmet need that have a direct opportunity or challenge to Edmonton's safety, sustainability and/or prosperity. As an additional pressure, government grant programs are increasingly tied to other qualifying requirements (e.g. the interconnection of housing and transit) which means that immediate municipal investments are required to secure long-term provincial and federal support to achieve the objectives of The City Plan.

While many factors contributing to the fiscal gap are not caused by the City, the conclusion focuses on the levers, actions and decisions within the City's control that can help it narrow its fiscal gap.

### Causes of the Fiscal Gap

This report aims to provide a comprehensive discussion of the underlying factors contributing to the City's fiscal gap, which include a confluence of factors related to revenues, spending, the City's strategic goals, its infrastructure assets and its tax base. Many of the key factors are summarized below.

### LIMITATIONS OF PROPERTY TAXATION Sections 4-6

- As a consequence of the municipality-enabling legislation in Alberta, which does not enable a diversity of municipal tax tools, the City of Edmonton is heavily reliant on property tax.
- This heavy reliance on property tax has increased in the past 24 years, as property tax comprised 46 per cent of revenues in 2000, but has grown to 59 per cent in 2024.
- While property tax has beneficial characteristics, the heavy reliance on this singular tax tool presents some challenges for the City. There are some equity and economic concerns with property tax, as well as impediments to raising property tax, such as the visibility of the tax and limitations on tax tolerance.
- The property tax burden of a typical Edmonton household has increased. City property taxes increased in share of each dollar paid in taxes to all three orders of government from 3.8 cents in 2000 to 6.8 cents in 2021. The City forecasts this tax share to increase to 7.6 cents in 2024,

## **CAPITAL AND OPERATING FUNDING SHORTFALL ANALYSIS**

with municipal waste utility fees comprising 1.4 cents; total payments to the City of Edmonton are forecast to grow to 9 cents of every tax dollar paid to the government sector by a typical Edmonton household in 2024.

### **INFRASTRUCTURE FUNDING CHALLENGES** Sections 7-9

- The City is dependent on other orders of government for funding to deliver its infrastructure program. A lack of funding certainty makes long-term capital planning challenging for the City. The transfer funding model can create cash flow challenges for the City. A perennial challenge with this model is that capital funding is always at risk of fiscal belt-tightening, changing federal and provincial priorities, and changes in government. Municipal transfers have historically been one of the first budget items identified for reductions when federal and provincial budgets are constrained.
- The City has received historically high capital transfers in recent years, but these have been largely for project-specific funding (e.g., LRT network expansion). Unconstrained funding, which can be used more flexibly for a variety of renewal and growth projects, has undergone significant reductions. Apart from a few large-scale, major growth projects, such as Yellowhead Freeway Conversion, and various LRT projects, the rest of the City's capital plan has been severely constrained in two ways: reduced unconstrained capital transfers and limited available debt room.
- Unconstrained capital funding from the province has declined significantly in recent years. The provincial unconstrained capital transfer programs are Municipal Sustainability Initiative (MSI), which ended in 2023, and Local Government Fiscal Framework (LGFF), which is current. MSI funding per capita was in the \$333 to \$414 range from 2010 to 2018 (2023 inflation-adjusted dollars). LGFF funding per-capita is projected to average \$134 annually over 2024 to 2026, 68 per cent below the 2010 peak. This reduction significantly constrains the City's capital program, particularly its ability to fund its capital renewal program.
- The City's large inventory of capital assets means it has extensive renewal responsibilities to keep all its infrastructure in working order (total asset replacement value of \$34.7 billion). Only 57.5 per cent of the City's ideal renewal need is funded in the 2023 to 2026 budget cycle. Inadequate levels of capital asset renewal can quickly deteriorate the City's infrastructure condition, and the backlog of renewal and maintenance needs can quickly escalate creating significant future challenges.

### **NON-TAX REVENUE CHALLENGES** Sections 10-15

- While some non-tax revenue streams are outside of the City's control, the streams within its control have not been adequately protected. Non-tax revenues have consequently fallen behind, resulting in the City's heavy reliance on property tax significantly increasing: in 2000, property tax funded 46 per cent of the operating budget, with non-tax revenues funding 54 per cent. By 2024, property tax comprised 59 per cent of operating revenues, with non-tax revenues diminishing in share to 41 per cent.

## CAPITAL AND OPERATING FUNDING SHORTFALL ANALYSIS

- User fees revenues enable the City to deliver services beyond its budget constraint, as the revenues from fees enables the City to leverage public dollars with the private dollars of residents who demand the service and are willing to pay for it. This enables a higher overall expenditure budget and level of service.
- ETS own-source revenues per capita in 2023 (\$85) diminished by 54 per cent from their peak 2013 level of \$187 (inflation-adjusted 2023 dollars). Own-source revenues include fare and non-fare revenues. While COVID-19 had significant effects on all transit systems across North America, the downward movement of ETS revenues per capita began in 2014, long before any impacts of COVID-19. ETS experienced a 23 per cent reduction in revenues per capita in the six-year period from 2013 to 2019. There has been a diverging trend between ETS operating expenditures and revenues since 2013. ETS's cost recovery levels were 23 per cent in 2023, significantly below 2013 levels (42 per cent).
- For recreation centres, 2023 inflation-adjusted per-capita user fee revenues (\$25) were 33 per cent below the 2015 peak (\$37). Recreation centre cost recovery levels were 69 per cent at their peak in 2015, declining to 55 per cent in 2019 prior to any COVID-19 impacts. Cost recovery reached all-time lows during the COVID-19 pandemic due to social distancing mandates, at 29 per cent in 2020 and 2021. The ratio has recovered to 52 per cent in 2023, but is still 25 per cent lower than the 2015 peak. As one of the City's largest non-tax revenue sources, user fees, including ETS and recreation, are a critical revenue stream to support service delivery while easing pressure on the tax levy. The reductions in cost recovery for ETS and recreation places strain on the tax levy, at a time when the property tax burden is projected to steadily increase in tax share for Edmontonians.

## TAX BASE PRESSURES Sections 16-21

- As outlined in the June 19, 2024 Financial and Corporate Services report FCS02483, Budget Update - Non-residential Tax Base Growth Challenges, non-residential properties are a critical component of the City's tax base, as they pay higher tax rates, but tend to cost the City significantly less in service and infrastructure costs. The City's non-residential tax base has not been growing adequately. This is a critical fiscal sustainability challenge for the City.
- The EMRB region has \$87.2 billion of taxable non-residential and M&E assessment. Of this, Edmonton has only \$41.8 billion (48 per cent) of taxable assessment, whereas the municipalities surrounding Edmonton have \$45.5 billion (52 per cent), despite being only 27 per cent of the metropolitan population.
- Edmonton's non-residential tax base per capita (\$37,584) is 51 per cent below the region's average (\$76,631). When adding in M&E assessment, which the City does not tax, nor does it expend resources to re-assess, the City's tax base per capita (\$38,384) is 65 per cent below the region's average (\$109,835).
- Edmonton has greater expenditure responsibilities than smaller regional municipalities, which has meant that tax rates on Edmonton's non-residential properties have been significantly higher than neighbouring municipalities to compensate for the City's relatively low tax base, at

## CAPITAL AND OPERATING FUNDING SHORTFALL ANALYSIS

2.3 times the average regional rate. These comparatively high tax rates weaken the City's competitive position for attracting non-residential development. The analysis indicates that businesses have disproportionately located in the region, while still benefiting from the urban services and economic attributes supported by the large centre city, such as access to global markets and a high concentration of skilled workers.

- Over the 14-year period from 2008 to 2022, Edmonton's non-residential assessment base declined from 72 per cent of the EMRB non-residential base, to 60 per cent. This is in large part due to insufficient real growth of the non-residential tax base. There was an estimated \$29.9 billion in non-residential real growth in the region from 2010 to 2022, of which the City absorbed only 41 per cent, whereas surrounding municipalities absorbed 59 per cent (inflation-adjusted 2022 dollars). Ideal real growth absorption should be somewhat proximate to the City's population share (72.8 per cent), as population is one of the primary drivers of the City's expenditure responsibilities.
- The growth of retail e-commerce is also hampering the growth of Edmonton's non-residential tax base. Retail is the second largest property type within the City's non-residential tax base, comprising 29 per cent of taxable non-residential assessment. As e-commerce continues to proliferate, brick and mortar retail growth will slow, and real growth of the non-residential tax base will also slow, placing additional burden on all other taxable properties.
- As a regional hub and provincial capital, Edmonton has a higher-than-average share of properties that are exempt from taxation. These include institutional, healthcare, education, religious, and non-profit owned or operated properties. The City still services these properties, but does not collect any tax to do so; the annual estimated tax these properties would otherwise pay is approximately \$312 million.
- There is long-standing practice of both the federal and provincial governments to compensate municipalities by paying a grant in lieu of property tax on some of the properties they own (this does not apply to healthcare or education facilities). Each order of government pays this in amounts of their own discretion. The federal government's grant in lieu of taxes in 2022 was \$5 million, and the government of Alberta's grant was \$19.9 million. From 2019 to 2020 the province cut its grant to Edmonton by 50 per cent.

## EXPENDITURE PRESSURES Sections 22-32

- From 2001 to 2023, Edmonton's population grew by 65 per cent, from 0.7 million to 1.1 million, the fastest-growing large city in the country. Rapid, above-average population growth for extended lengths of time places immense strain on City finances, as virtually all aspects of the City's expenditure budget grows in response to population pressures (e.g., police, fire, recreation, transit, roads, etc.).
- Inflation exacerbated the fiscal pressures from rapid population growth. The Municipal Price Index (MPI), which represents the mix of goods and services purchased by municipalities, was 4.4 per cent in 2022, more than double the 15-year historical average. The relatively high inflation experienced by the City in 2022 placed significant pressure on its expenditure budget,

## CAPITAL AND OPERATING FUNDING SHORTFALL ANALYSIS

significantly driving up City operating costs and reducing the City's purchasing power within a relatively short time period.

- Edmonton has unique policing needs compared to most municipalities in the Edmonton region and most large cities in Canada. Edmonton has the highest crime rates, and the highest or second-highest crime severity rates of large Canadian cities. The Edmonton region is also home to eight incarceration/detention facilities with a total inmate capacity of 3,405, which is a very high concentration relative to other large cities in Canada, with one of the highest rates of correctional institutions per capita in the country. These unique community pressures, which are beyond the City's control, drive demand for policing resources. Edmonton Police Service is the City's largest tax-supported public service, comprising 15.4 per cent (\$537 million) of the City's operating expenditure budget in 2024.
- Much of The City Plan is intended to make our city more globally-competitive and sustainable for future generations. While The City Plan hopes to transform land use and mobility patterns to make growth more financially sustainable in the future, it also contains many expansive strategic goals beyond the scope of the Municipal Development Plan (MDP) and Transportation Master Plan (TMP), which puts upward pressures on City expenditures beyond its revenue-raising capacity, ultimately contributing to and widening the fiscal gap.
- There is a relationship between Edmonton's urban form and the City's fiscal position. There are several types of linear infrastructure assets the City provides, where costs are driven by distances or length, such as roads, sidewalks and street lighting. Factors such as density, urban design and geographic footprint can influence municipalities' expenditure obligations to both build and maintain these linear infrastructure assets. Analysis suggests that Edmonton's urban form drives City expenditures. A more compact urban form is estimated to reduce capital growth requirements by 10 per cent, and increase annual operating requirements by 2 per cent. While a more compact urban form is predicted to reduce the City's fiscal gap, city building is a long-term process, and any significant improvement to financial efficiency through neighbourhood design and redevelopment are expected to be realized over the long term through The City Plan implementation.
- Operating in a multi-municipal region produces various demand pressures on City services from regional residents who do not pay property taxes in Edmonton and this places demands on transit, recreational, cultural, policing/enforcement and social services funded mostly from Edmonton's taxes.
- When capital planning, the two most influential drivers of capital cost are the number of facilities/buildings required, and the functional program (scope of services) of each facility. Recreation service levels drive capital requirements beyond revenue capacity.
- The City's current engagement process preempts the capital project prioritization process. Early engagement with the public on capital projects before any capital project prioritization has been undertaken, or funding sources identified, creates public expectations that inflate capital spending requirements and advance projects out of alignment with strategic goals and The City Plan. While public engagement is necessary when developing a strategy, early engagement results in elevated capital project costs, or increased capital budget expenditures.

## **CAPITAL AND OPERATING FUNDING SHORTFALL ANALYSIS**

- Another cost driver in Edmonton is its economic environment for building infrastructure. Due to Alberta's prominent energy sector, the prices of construction building inputs have been historically elevated compared to other cities in Canada. Municipal infrastructure construction costs in Edmonton were on average 3 per cent higher than the Canadian big city average, and 8 per cent higher than the Canadian average from 2007 to 2024. Given that City capital budgets are constrained, and funding programs from higher-order governments do not compensate for construction cost differences, the cost differential of construction inputs (labour, materials and equipment) suggests that municipal infrastructure dollars in Edmonton have had reduced purchasing power, and have acquired and rehabilitated fewer capital assets than if those dollars were spent on infrastructure in a different province.
- Municipal responsibilities have expanded into nontraditional service areas without corresponding adjustments to fiscal frameworks. The lines drawn between the responsibilities of orders of government are blurring for many public services as large cities like Edmonton seek to respond to the demands of local residents, as well as urgent social issues that concentrate in urban centres. The growth in responsibilities has meant increased expenditure responsibilities for big cities like Edmonton and limited tools with which to respond.
- The report identifies five ways that municipal roles and responsibilities can increase: downloading, reduced transfer funding, municipalities stepping into provincial or federal domains, evolving resident expectation and municipalities filling gaps in service. The first two are initiated by policies of higher-order governments, the next two are initiated by municipalities of their own accord, and the last is initiated by both, though is still considered discretionary as no formal requirement to deliver services is made.

### **DEBT SERVICING PRESSURES** Sections 33-34

- The City borrows only for infrastructure projects, unlike provincial and federal governments, which can borrow for both operating and capital expenditures. Debt financing is a critical component of the City's capital program, and essential for advancing large capital projects (growth and renewal).
- The City is projected to reach 68 per cent of its tax-supported debt servicing limit (18 per cent limit) by the end of 2024, and is projected to reach its peak debt servicing level in 2028, at 89 per cent of the tax-supported debt servicing limit. The constraints on borrowing are putting pressure on the City's capital program for the next four to five years. Limited available debt servicing room constrains the City's capacity for advancing major capital projects, which contributes towards the City's fiscal gap. Although some room is available, if the City were to reach the 18 per cent limit, it would no longer be able to advance projects that are fully financed using tax-supported debt. The City does not borrow for operating expenditures, but only as a financing tool for infrastructure.

### **Strategies To Narrow The Fiscal Gap**

There is no single solution that can address the City's fiscal gap. Addressing it requires many changes that produce a material financial difference towards reducing the gap. The report

## CAPITAL AND OPERATING FUNDING SHORTFALL ANALYSIS

demonstrates how not all contributing factors to the fiscal gap are caused by the City, or are within the City's control. Many are consequences of shifts in economic, social and environmental factors, or of actions and decisions made by higher-order governments. However, many are also internally-driven from decisions made over multiple years, and are within the City's control to influence. The City must take measures to reduce the fiscal gap in areas which it has control over.

Legislation does not permit the City to budget for deficits. Consequently, the City's fiscal gap materializes as reduced service levels, deteriorating infrastructure, above-average tax increases and the inability to advance its strategic goals. In contrast, because higher-order governments can incur budget deficits, their gaps between spending needs and revenue generation often materialize in the form of budget deficits, where spending is higher than revenues.

The fiscal gap is the difference between the City's expenditure needs and its revenue capacity, for both capital and operating. At a very high level, there are two broad fiscal shifts the City must make in order to narrow or close the gap: grow its revenues where possible, and reduce its expenditure needs.

Some strategies that can help achieve these goals include:

- 1. Grow non-residential tax base:** Take actions to address the City's declining share of non-residential tax base in the region, and the insufficient levels of real non-residential assessment growth. On June 19, 2024 Administration presented FCS02483 Non-Residential Tax Base Growth Challenges and UPE01548 Industrial Investment Action Plan.
- 2. Evaluate all city-controlled revenue streams:** Evaluate all City-controlled revenue streams for opportunities to grow non-tax revenues, including opportunities to introduce fees for services where no or limited cost is recovered from end users or beneficiaries. Administration has developed actions plans to address structural budget issues which include an examination of revenue opportunities within service areas. Initial work in this area includes CO02505 Ride Transit Program Funding Gap. Presented to Executive Committee on August 28, 2024 this report identified a funding gap for the ride transit program and included options to adjust revenue.
- 3. Assess capital requirements and determine the appropriate allocation for renewal and growth:** With limited financial resources the City will need to assess the allocation of funding for growth and renewal, balancing the City's need to address an expanding growing renewal deficit with growth as the City welcomes its next one million residents. The Capital Investment Outlook, completed in advance of each four year budget, is a 10-year look ahead meant to inform the capital budget. Administration presented the 2023-2032 Capital Investment Outlook to City Council on June 7, 2022. In response to a motion of Council, Administration will return in 2025 with a report that outlines the impact of increasing funding for renewal vs growth funding projects before commencing development of the 2027-2030 Capital budget.
- 4. Evaluate funding mechanisms to address the renewal deficit:** Evaluate funding options to address the City's growing renewal deficit, including the potential for a dedicated tax levy. On October 17, 2022 Administration presented IIS01330 Neighbourhood Renewal Funds and IIS01338 Options for a New Dedicated Tax Levy. The Neighbourhood Renewal Funds report provided an overview of the program as well as reduction scenarios and opportunities for renewal of other infrastructure assets. Options for a New Dedicated Tax Levy outlined options

## CAPITAL AND OPERATING FUNDING SHORTFALL ANALYSIS

to create a dedicated renewal fund mirroring the success of the Neighbourhood Renewal Program including a facilities renewal fund, Bridges and Auxiliary Structures renewal fund and a Transit Service renewal fund. Administration will return in the fall of 2024 with further updates.

- 5. Continued focus on divestiture and diligence in acquisition:** Continue to explore divestiture opportunities for City capital assets. Maintaining the City's asset base requires more financial resources than the City has revenue capacity to fulfill. Diligence in asset acquisition will be necessary to ensure growth does not add pressure to this asset base.
- 6. Comprehensive prioritization of capital growth and renewal:** With an overall reduced capital funding envelope, the City needs a comprehensive prioritization of growth infrastructure and capital renewal, and a refocusing of capital spending within a narrower suite of projects. This work will be addressed in the 2027-2036 Capital Investment Outlook. Work will commence in late 2025 once work is complete on a potential renewal policy.
- 7. Service prioritization:** With the fiscal constraints the City is experiencing, it needs to undergo comprehensive service prioritization, with a focus on traditional municipal services that are most necessary to maintain Edmontonians' quality of life. Administration continues build on the work of previous budget reduction exercise and OP-12. Administration has advanced action plans to address structural budget variances and is current evaluating and prioritizing department and branch budgets as part of the fall supplementary operating budget adjustment process.
- 8. Advocacy and engagement:** Continued advocacy and engagement efforts with higher orders government on modernized fiscal frameworks or funding arrangements that consider the responsibilities and pressures of big cities today.
- 9. Negotiate intergovernmental service delivery:** Explore negotiated compensation agreements where the City delivers services for areas that are the responsibility of higher-order governments, where the City delivers services on their behalf, or where the City's responsibilities have expanded into domains that are traditionally that of higher-order governments.
- 10. Prioritize strategic goals:** The City's strategic goals are expansive, pulling the City into non-traditional service areas which puts upward pressures on City expenditures beyond its revenue-raising capacity. The City does not have the financial means to advance all aspects of its strategic planning framework. It will need to focus resources on areas it has the most control over, and identify aspects that are higher priority.
- 11. Review policy requirements:** Opportunity exists for a review of the City's policies and bylaws that drive operating and capital requirements, to assess the financial impact against the outcomes achieved. Work has commenced on a number of policies including an assessment of the financial impact of capital policies. This work will return in the fall of 2024.

## Community Insight

As this is a technical review of systemic factors contributing to the City of Edmonton's operating and capital budget shortfalls, community insight was not collected for this report.

## **CAPITAL AND OPERATING FUNDING SHORTFALL ANALYSIS**

### **GBA+**

As this is a technical review and assessment of factors contributing to the City of Edmonton's fiscal gap, GBA+ was not undertaken for this report. GBA+ decisions will be part of future decisions and actions undertaken to address fiscal gaps related to specific City projects, policies and programs.

### **Environment and Climate Review**

The City's two Council approved climate strategies: the Energy Transition Strategy and the Climate Adaptation Strategy aim to reduce greenhouse gas emissions and help the city adapt to climate change risks and impacts. These strategies support the ConnectEdmonton strategic goal of Climate Resilience, activation of the City's declaration of a climate emergency and requirements under the City of Edmonton Charter, 2018 Regulation. Council Policy C627 Climate Resilience, which is referenced in Attachment 1, aligns with the City's climate strategies. As directed by Council motion, a cost benefit analysis and cost drivers that influence comparative capital projects including Codes, Policies, Bylaws, Program or other factors, with a focus on Facilities and Renewal Projects is being undertaken. Council Policy C627 is included in the scope of this analysis and information will be included in the report planned for Q4 2024.

### **Attachment**

1. Fiscal Gap: An Assessment of Factors Contributing to the City of Edmonton's Operating and Capital Funding Shortfalls