

Fall 2024 Supplemental Budget Adjustment

November 13, 2024 City Council

Financial and Corporate Services

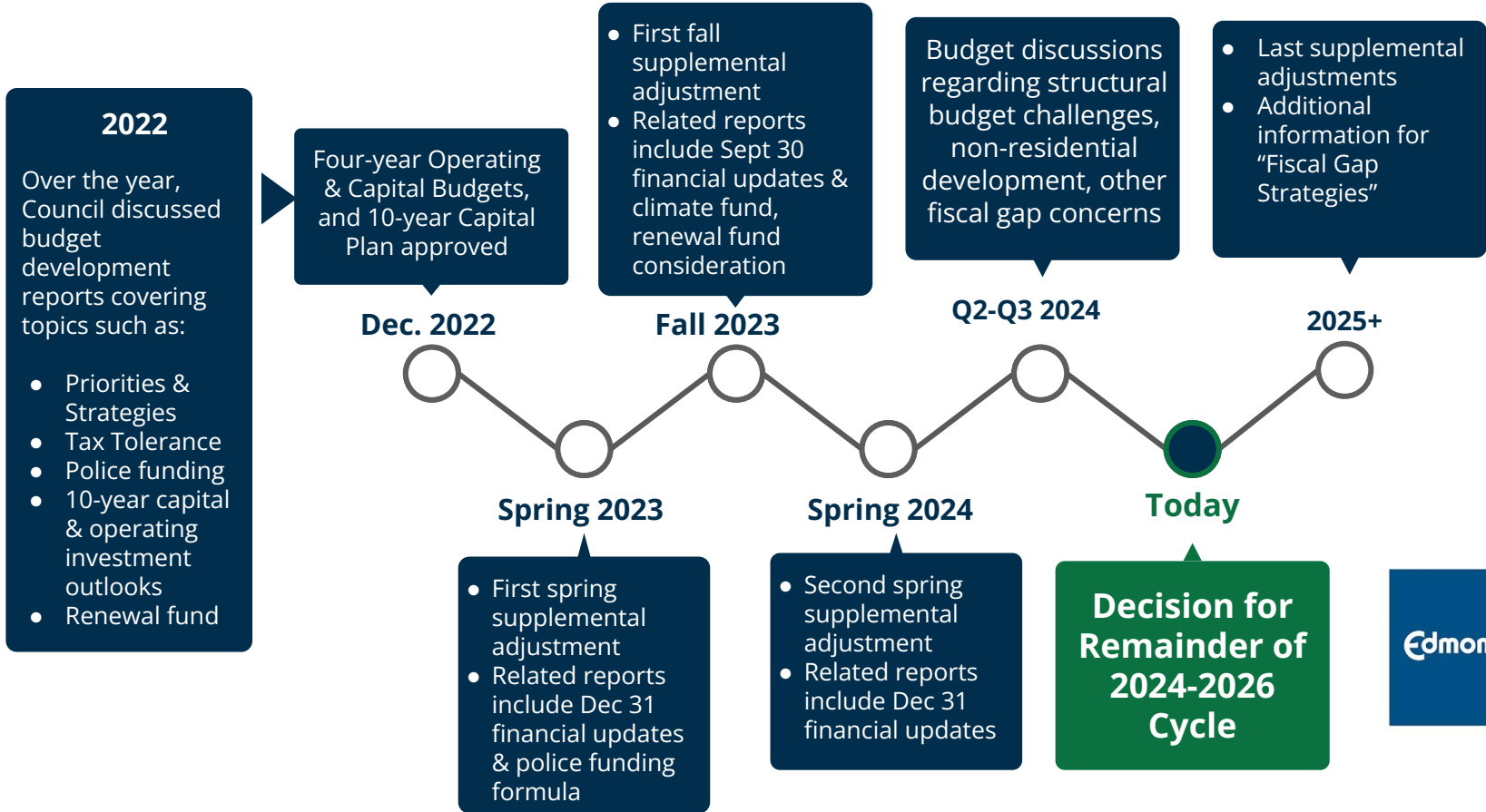
FCS02529 - Fall 2024 Supplemental Operating Budget Adjustment

FCS02530 - Fall 2024 Supplemental Capital Budget Adjustment

FCS02532 - Fall Carbon Budget Update

FCS02716 - Review of the Multi-year Budgeting Policy - C578

Introduction



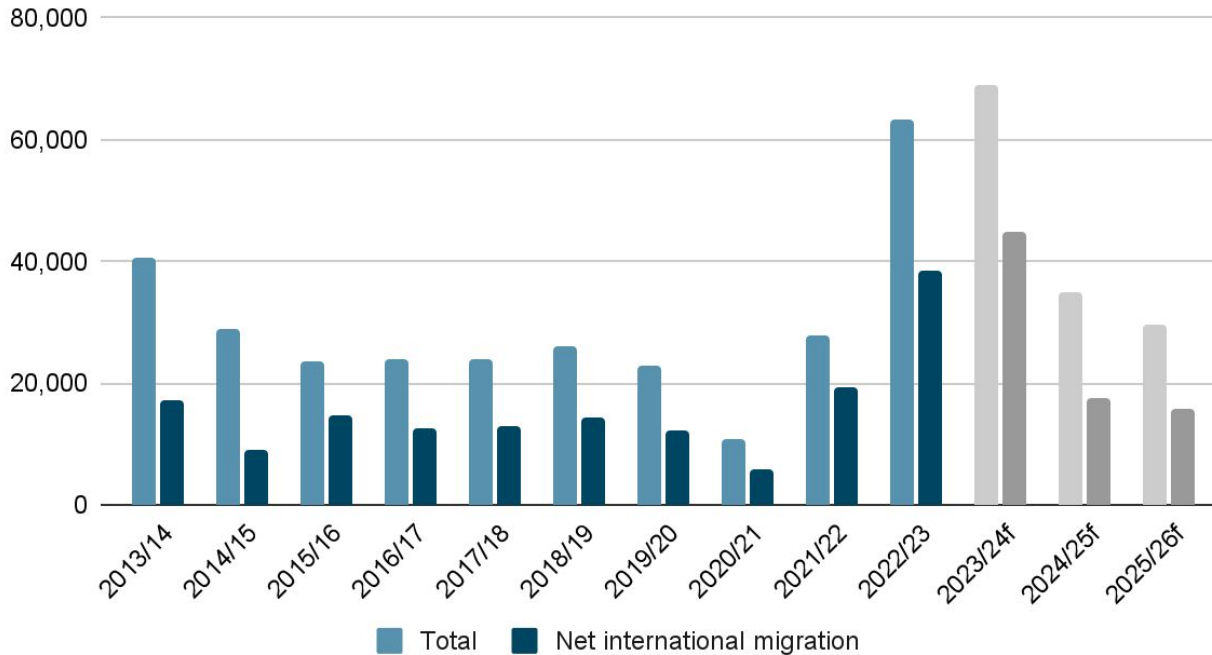


Fall 2024 Economic Update

Edmonton

Economic Update

Population change - Edmonton CMA

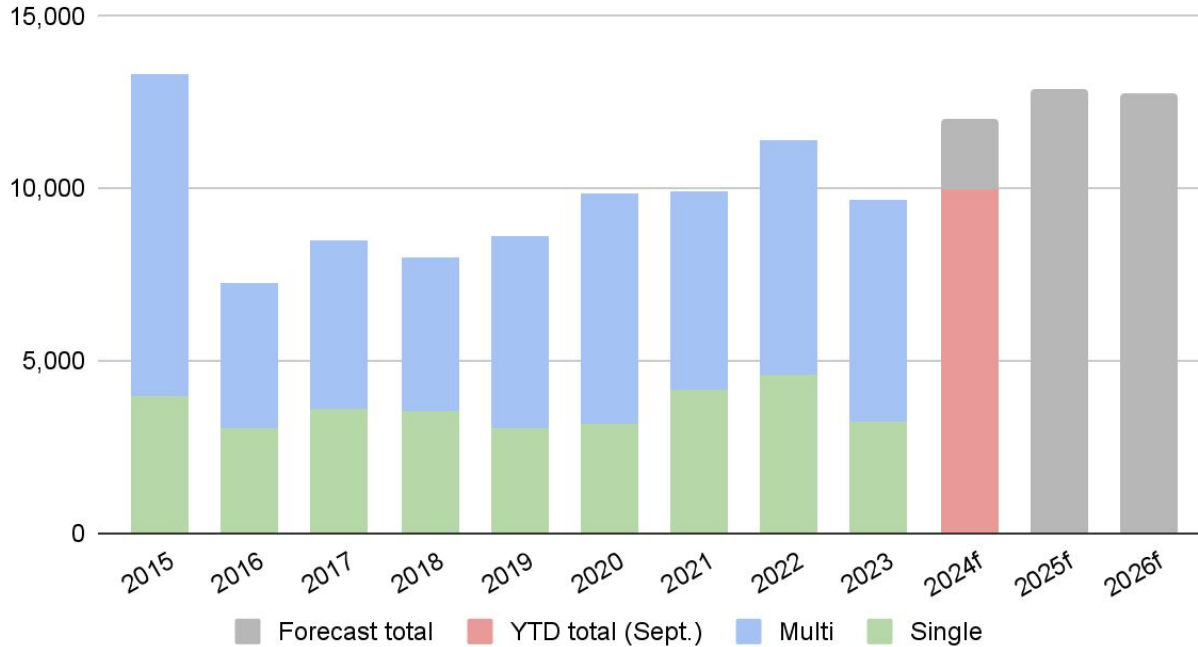


Sources: Statistics Canada, City of Edmonton, and Stokes Economics

Notes: "f"=forecast; light grey columns represent forecast for total population change and dark grey columns represent forecast for net international migration.

Economic Update

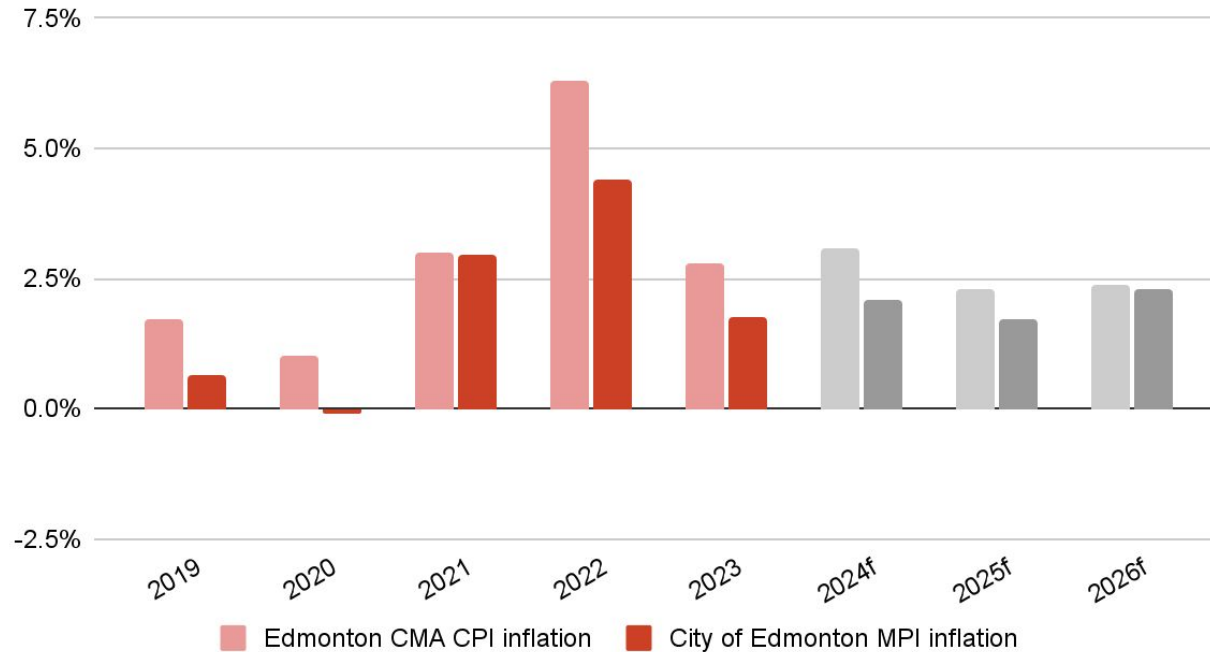
Housing starts - Edmonton



Sources: Canada Mortgage and Housing Corporation, City of Edmonton, and Stokes Economics
Notes: "f"=forecast; multi includes semi-detached, row, apartment and other dwelling types.

Economic Update

Price inflation - select indicators



Sources: Statistics Canada, City of Edmonton, and Stokes Economics

Notes: "f"=forecast; light grey represents Edmonton CMA CPI inflation and dark grey represents City of Edmonton MPI inflation; historical MPI inflation values represent estimates that are subject to revision.



Listening to Edmontonians

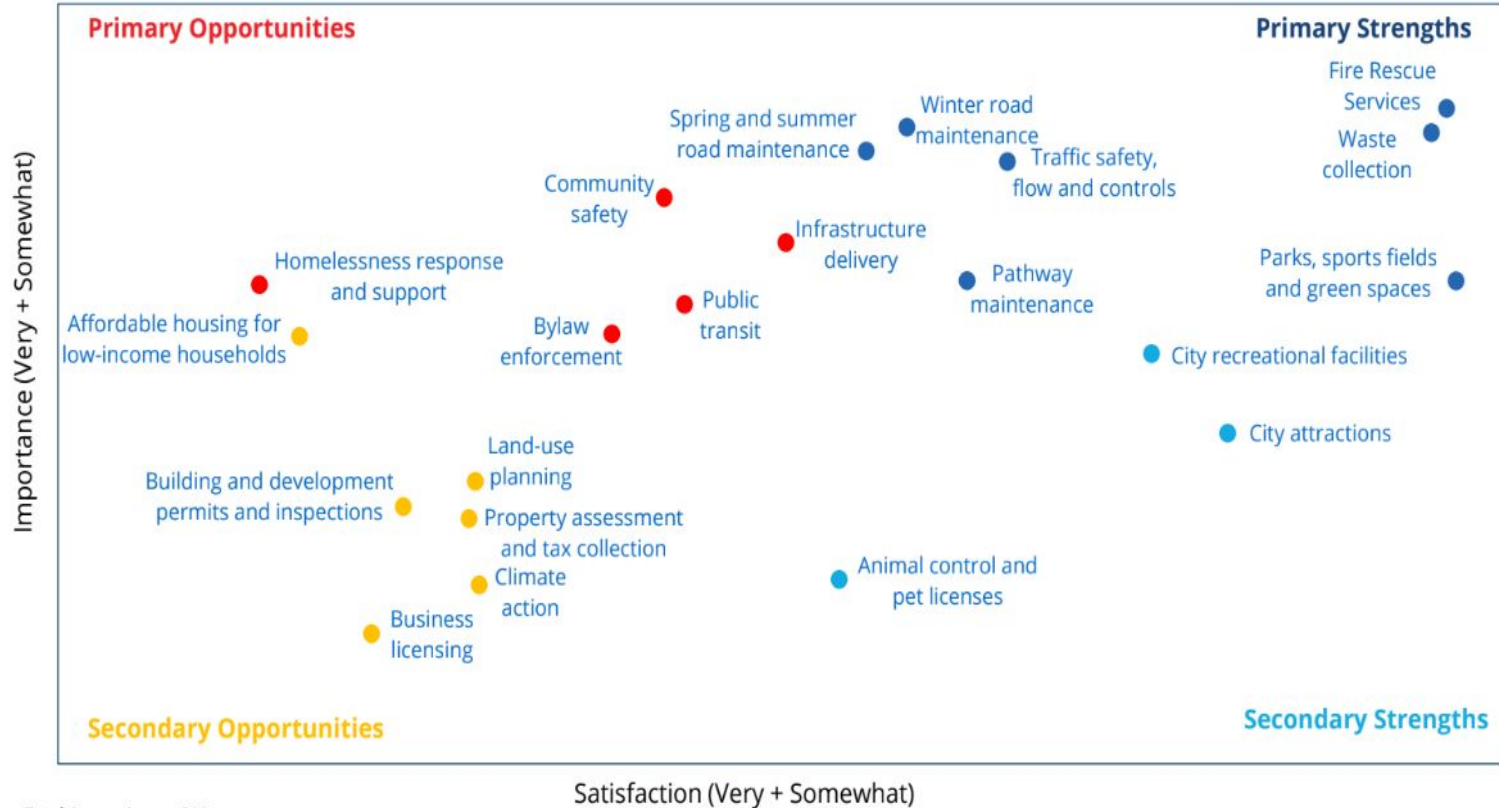
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2023-2026 budget engagement

2023-2026 Budget Engagement Key Themes

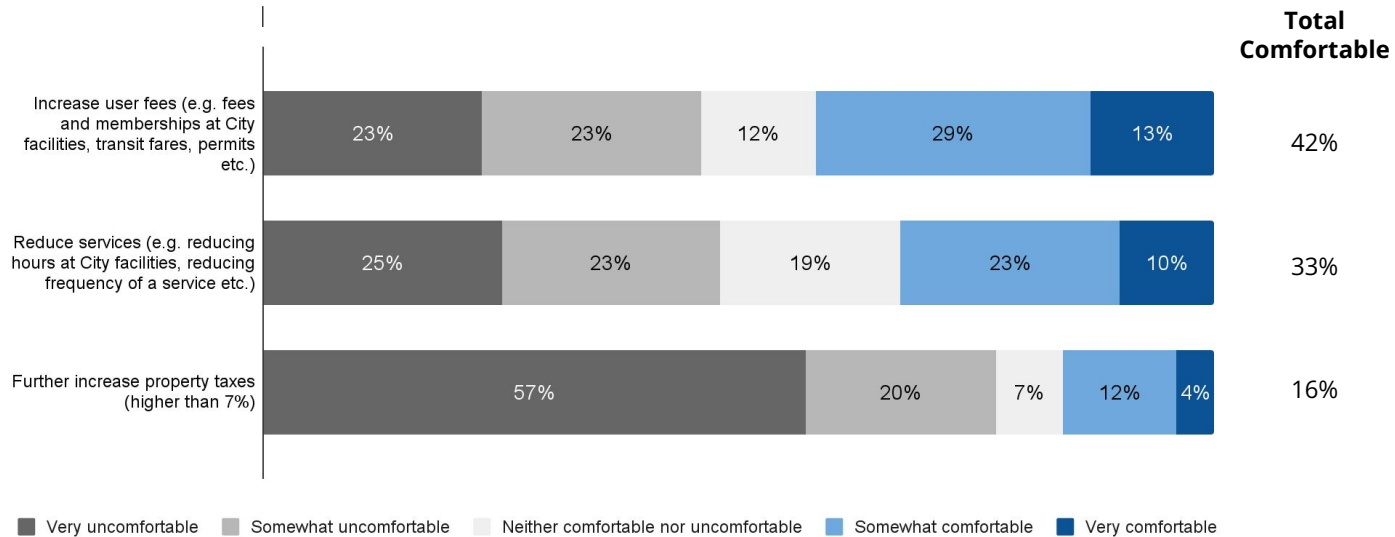
- 1 Improve community safety
- 2 Edmontonians face financial pressures due to rising living costs
- 3 Transit safety and connectivity are key
- 4 Edmontonians want to connect and celebrate their city
- 5 Long-term climate solutions are needed
- 6 Participants are concerned about overlapping government responsibilities
- 7 Participants empathize with those disproportionately affected by service reductions or fee increases

Service Satisfaction 2024 - Strengths and Opportunities



Fall 2024 Public Opinion Research

- Most comfortable with increases in user fees (42%), followed by service reductions (33%).
- Least comfortable with a further increase in taxes above what was already approved (16%).

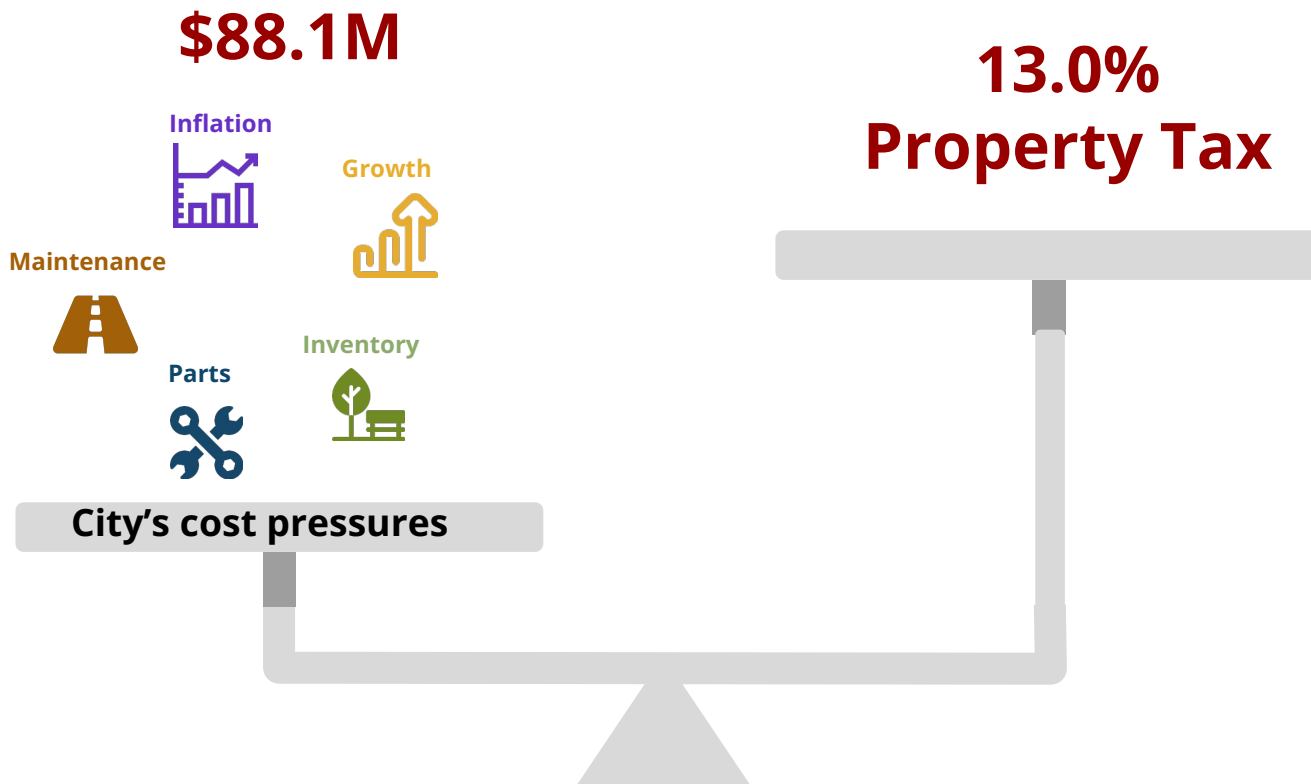




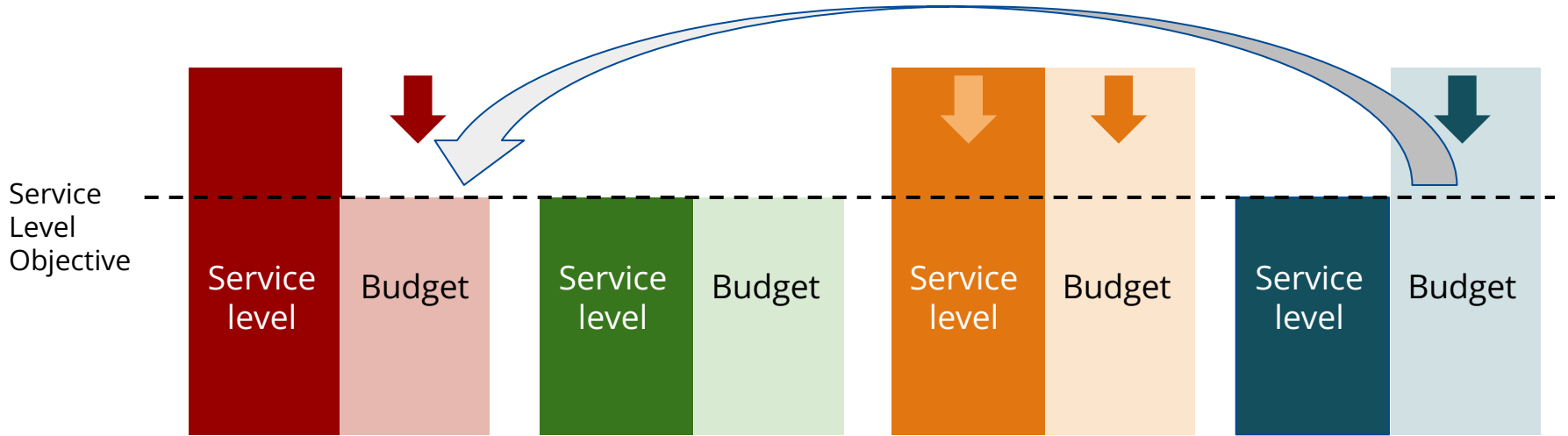
Responding to Financial Challenges

Edmonton

Balancing the Budget - Rising Costs



Service Levels and Budget



Misalignment between service level and budget creates budget pressure

Service levels and budget are aligned and no changes required

Service levels and budget are aligned but there are opportunities to lower service standard and budget

Service levels are being met below budget; opportunity to reallocate budget to other services

Structural Budget Variances

<i>Annual net budget variance \$000s favourable/(unfavourable)</i>	Total Identified	Tax levy impact	Addressed through Fall 2024 SOBA	Left to Address	Tax levy impact
Inflationary	(23,931)	1.1%	23,816	(115)	0.0%
Revenue Shortfalls	(19,174)	0.9%	0	(19,174)	0.9%
External Factors	(21,368)	1.0%	1,820	(19,548)	0.9%
Administration or Council directed	(23,637)	1.1%	3,310	(20,327)	0.9%
Total	(88,110)	4.1%	28,946	(59,164)	2.8%

Financial Risks

Address structural budget challenges and safeguard essential services for Edmontonians

Structural Budget Variances

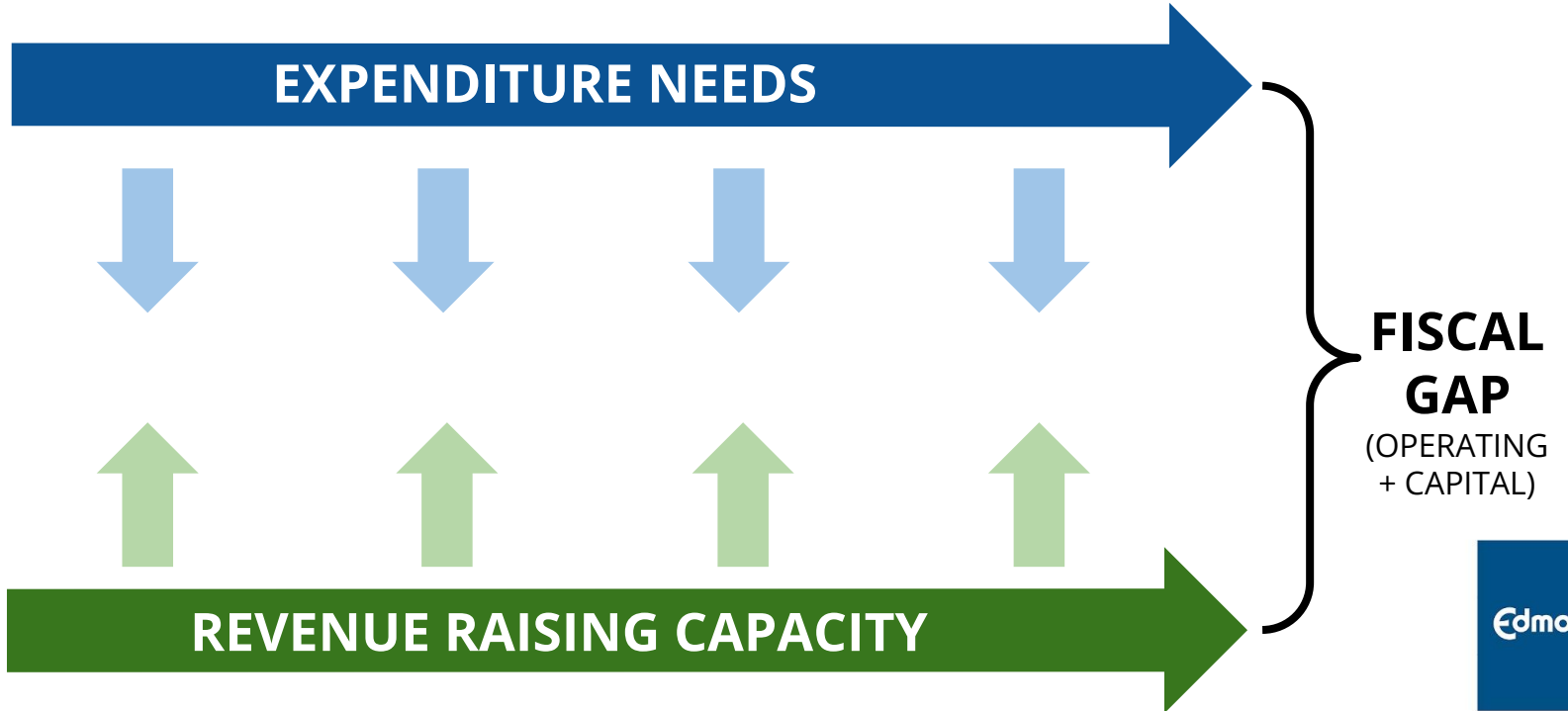


Tax Levy Reductions

Opt for short-term tax relief at the expense of long-term financial stability and the risk of even deeper service cuts in the future

Narrowing the Fiscal Gap

The City must take measures towards narrowing its fiscal gap

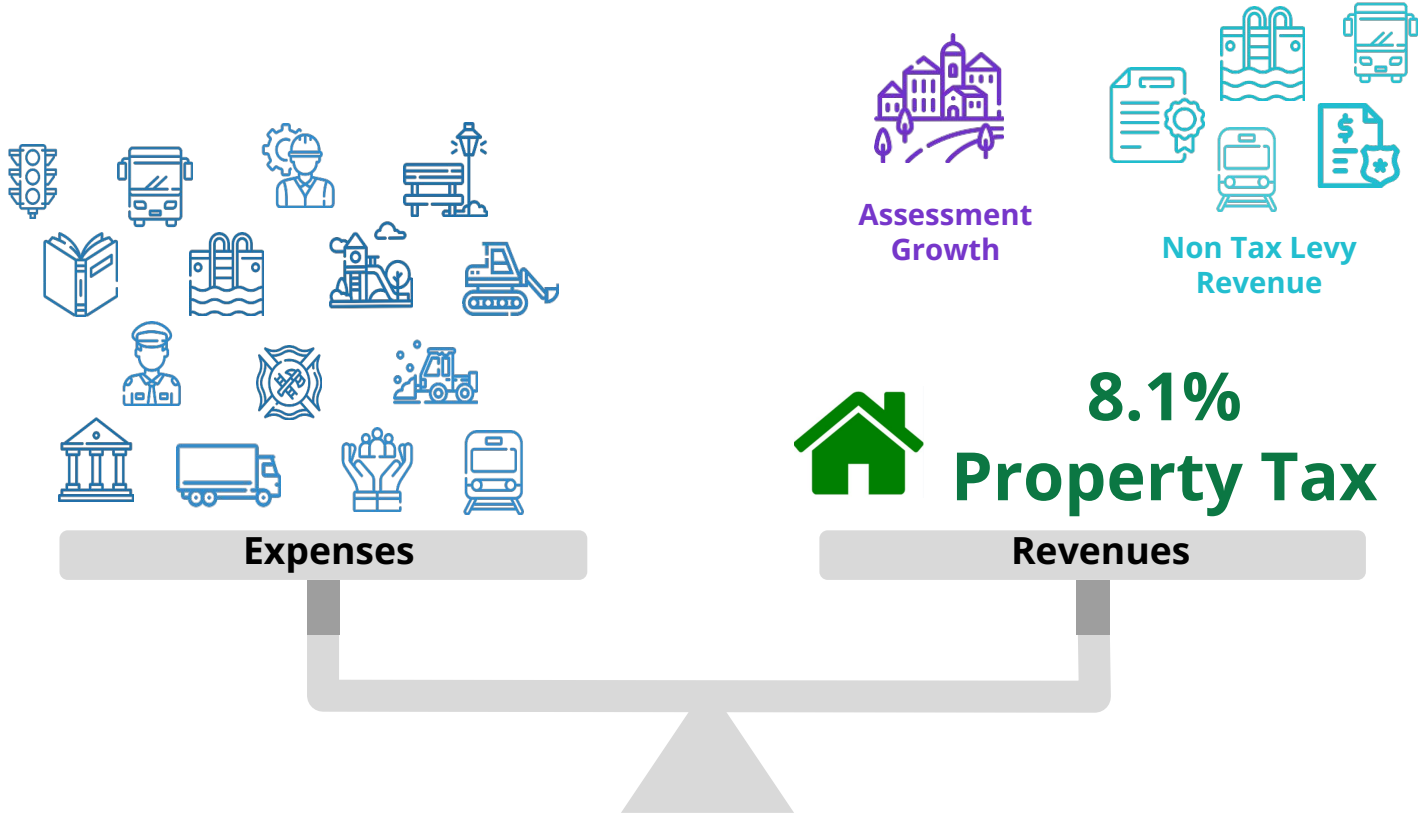




Adjusting the Budget: 2025-2026 Operating Budget Adjustments

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Balancing the Budget - Proposed Balance



2025-2026 Proposed Adjustments

Incremental Net Tax Levy Impact	2025		2026	
Approved Tax Increase (Spring 2024 SOBA)		7.0%		6.3%
	<i>\$ millions</i>	<i>Tax change (%)</i>	<i>\$ millions</i>	<i>Tax change (%)</i>
Changes to economic forecasts	(8.8)	(0.4)	(3.5)	(0.2)
External Factors/Changes to Legislation	10.3	0.5	0.0	0.0
Impacts Managed Internally	(4.3)	(0.2)	4.0	0.2
FSR Repayment plan	21.5	1.0	23.3	1.0
Adjustments to Financial Strategies	5.8	0.3	0.5	0.0
Recommendations in Fall SOBA	24.6	1.1%	24.3	1.0%
Proposed Tax Levy Increase Fall 2024 SOBA		8.1%		7.3%

2025-2026 Proposed Adjustments Changes to Economic Forecasts

Incremental Net Tax Levy Impact	2025		2026	
	<i>\$ millions</i>	<i>Tax change (%)</i>	<i>\$ millions</i>	<i>Tax change (%)</i>
Increased Taxation Revenues	(12.1)	(0.56)	(1.9)	(0.08)
Increased Taxation Penalties	(6.2)	(0.29)	(1.7)	(0.07)
Increased Taxation Appeals	2.0	0.09	0.3	0.01
Increased EPCOR Dividend	(8.0)	(0.37)	0.0	0.00
Increased Franchise Fees	(8.0)	(0.37)	0.0	0.00
Decreased Utilities	(2.5)	(0.12)	(0.3)	(0.01)
Increased Community Recreation Facilities revenues	(1.8)	(0.08)	0.0	0.00
Inflationary increases on parts, fuel, materials, tires and contract work	19.7	0.92	0.0	0.00
Changes to economic forecasts	(16.8)	(0.78)	(3.5)	(0.15)

2025-2026 Proposed Adjustments

Incremental Net Tax Levy Impact	2025		2026	
	<i>\$ millions</i>	<i>Tax change (%)</i>	<i>\$ millions</i>	<i>Tax change (%)</i>
Employee Benefit Plans Rate Changes	5.2	0.24	0.0	0.00
Bill 20 Update and 2025 Edmonton Election Budget Adjustment	3.1	0.14	0.0	0.00
Changes to WCB Premiums	1.5	0.07	0.0	0.00
EPS Funding Formula	0.0	0.00	0.0	0.00
Illegal Dumping	0.6	0.03	0.0	0.00
External Factors/Changes to Legislation	10.3	0.48	0.0	0.00

2025-2026 Proposed Adjustments

Incremental Net Tax Levy Impact	2025		2026	
	<i>\$ millions</i>	<i>Tax change (%)</i>	<i>\$ millions</i>	<i>Tax change (%)</i>
Utility Cut Program - Stranded Fixed Costs	2.0	0.10	0.0	0.00
Bird Nest Sweeps	0.5	0.02	0.0	0.00
CRC Facility Maintenance	0.9	0.04	0.0	0.00
Orange Hub Operating Expenses	0.3	0.01	0.0	0.00
Parking Enforcement Contract Costs	0.5	0.02	0.0	0.00
Software Licensing and Maintenance Costs	0.0	0.00	2.7	0.12
Rent Revenue Operating Costs	0.0	0.00	1.3	0.05
Impacts Managed Internally - Additions	4.2	0.19	4.0	0.17

2025-2026 Proposed Adjustments

Incremental Net Tax Levy Impact	2025		2026	
	<i>\$ millions</i>	<i>Tax change (%)</i>	<i>\$ millions</i>	<i>Tax change (%)</i>
Reduction of Community Energy Transition Strategy Program	(1.8)	(0.08)	0.0	0.00
Reduction of Heritage Program Management by 25%	(0.4)	(0.02)	0.0	0.00
Shifting funding source of select compliance and enforcement activities to PDBM	(1.2)	(0.05)	0.0	0.00
Reduction of Management Initiative Fund	(1.0)	(0.05)	0.0	0.00
Other ongoing reductions managed internally	(0.7)	(0.03)	0.0	0.00
In private	(3.5)	(0.16)	0.0	0.00
Impacts Managed Internally - Ongoing Reductions	(8.5)	(0.39)	0.0	0.00

2025-2026 Proposed Adjustments

FSR Repayment Plan

Option	Payback term	2025 Tax Levy Increase	2026 Tax Levy Increase	Cumulative Tax-Levy Revenues Generated (\$ millions)	Total FSR Repayment Required (\$millions)
1	3 years (2027)	1.6%		\$103.1 (by 2027)	\$102.7
2 (Proposed)	3 years (2027)	1.0%	1.0%	\$111.1 (by 2027)	\$102.7
3	5 years (2029)	1.1%		\$118.2 (by 2029)	\$114.8
4	5 years (2029)	0.6%	0.6%	\$120.5 (by 2029)	\$114.8

2025-2026 Proposed Adjustments

<i>\$ millions</i>	2025			
	<i>Rev</i>	<i>Exp</i>	<i>Net</i>	<i>Tax change (%)</i>
Administrative Adjustments				
SSSF adjustments	(8.8)	(8.8)	0.0	0.00
Hydrogen Pilot Project - ERA Grant Funding	2.0	2.0	0.0	0.00
One-Time Servicing Study (requires exemption to Policy C610)	1.3	1.3	0.0	0.00
Shift \$515k of membership fees for FCM and Alberta Municipalities	0.0	0.0	0.0	0.00
Other Adjustments - for information				
EPS - ECOMB	2.2	2.2	0.0	0.00
EPS - ALERT	0.3	0.3	0.0	0.00
Total	(3.0)	(3.0)	0.0	0.0

Impact on a Typical Homeowner

Where Your Municipal Tax Dollars Go

\$9.72 PER DAY



Unfunded Service Packages (For Council Consideration)

Incremental Net Tax Levy Impact	2025		2026	
	<i>\$ millions</i>	<i>Tax change (%)</i>	<i>\$ millions</i>	<i>Tax change (%)</i>
Council Directed	23.3	1.08	(0.1)	(0.01)
Growth on Existing Services	0.9	0.04	0.0	0.00
Agencies, Boards and Commissions	6.5	0.30	2.1	0.09
Unfunded Service Packages	30.6	1.43	2.0	0.08
Council Directed - Addendums	20.9	0.97	10.0	0.43
Total Unfunded Service Packages	51.5	2.40	11.9	0.51

Options to address the Transit Fare Revenue Gap

Annual \$13.0 million Transit fare revenue gap could be addressed by a combination of the following:

**One-time use
of LRT
Reserve**

**Defer planned
improvements**

**Revisit fare
prices**

Tax levy

New Announcements Since Budget Release



Dividend

- Fall 2024 SOBA released
- EPCOR announced and increase to the dividend of \$8M
- Provides additional funding options during Council deliberations

Franchise Fees

- Utility Committee passed a motion to increase the electricity franchise fee rate to 17.65%
- If approved by Council the 17.65% will generate
 - \$9.7 million in 2025
 - \$3.5 million in 2026

Ongoing operating funding options and implications

01	Increase Property Taxes	<ul style="list-style-type: none">• Risk of impacting Edmontonians ability to afford property taxes
02	Increase User Fees	<ul style="list-style-type: none">• Subjected to price elasticity of demand• Must be reasonably related to the cost of the service• Should be used to resolve structural budget variances
03	Unfund a Funded Service Package	<ul style="list-style-type: none">• Limits the ability to react to service demands.
04	Reduce or Eliminate Existing Services	<ul style="list-style-type: none">• May impact quality of services currently being delivered to Edmontonians, and/or create subsequent unintended impacts
05	CSWB Funds remaining in 2025 and 2026	<ul style="list-style-type: none">• Depletes the remainder of CSWB funding available for emerging initiatives in the future
06	EPCOR Dividend	<ul style="list-style-type: none">• New ongoing funding starting 2025 included in financial strategies• Resolving structural budget variances without increasing taxes• Reduce taxes
07	OP-12 Funds	<ul style="list-style-type: none">• Available for reallocation, reduction of tax levy, resolving structural budget variances
08	Increased Franchise Fees (Pending Council approval)	<ul style="list-style-type: none">• Pending Council approval, new ongoing funding in 2025 would be available for reallocation or reduction of tax levy



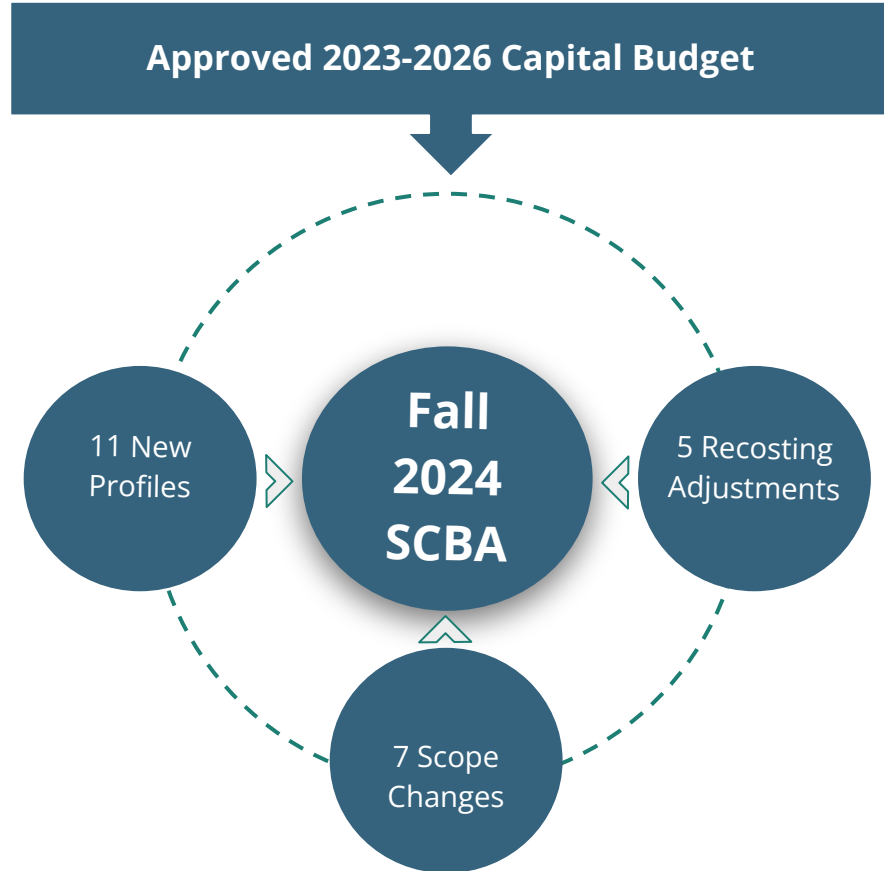
Fall 2024 Supplemental Capital Budget Adjustment

Edmonton

Capital Budget

Council Decision required for:

- 23 recommended adjustments in Attachment 4
- Attachment 6 recommendation
- In-private discussion outlined in Attachment 7



2023-2026 Capital Budget

(\$millions)

Approved 2023 - 2026 Capital Budget	2023 to 2026	2027 & Beyond	Total
Tax Supported Operations	9,235	1,291	10,526
Waste Utility	163	-	163
Blatchford and Downtown District Energy Utilities	72	57	129
Total Approved Capital Budget	\$9,470	\$1,348	\$10,818

Fall 2024 - High-Level Impact Summary

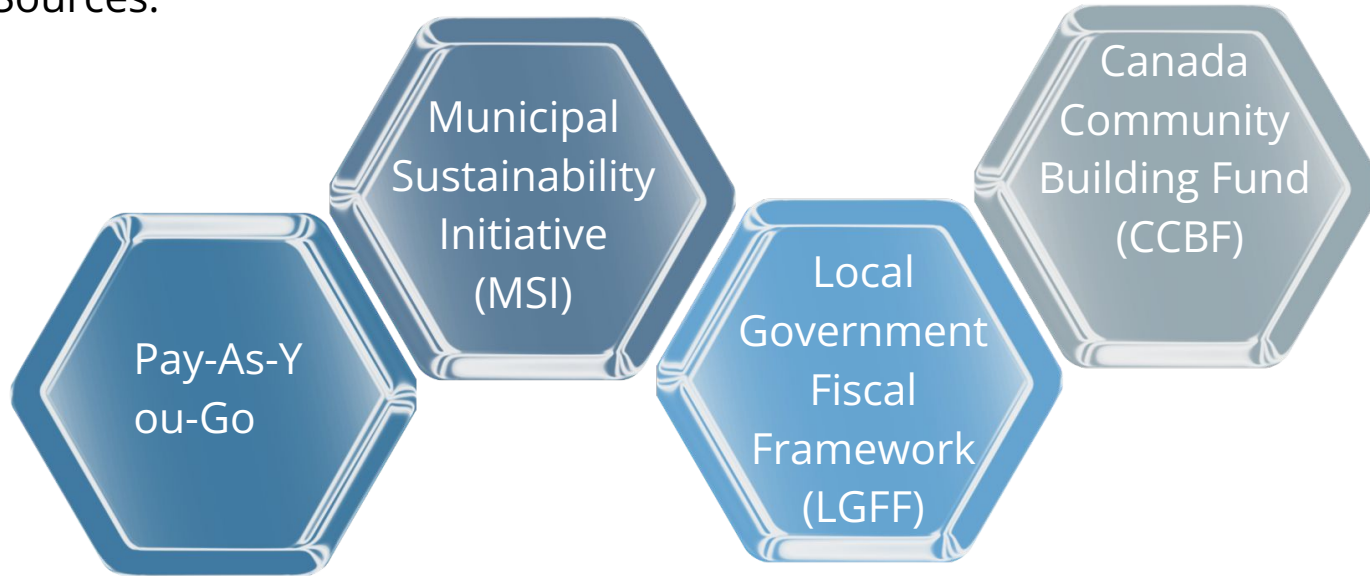
(\$millions)

Category	Total Budget Requests	Less: Funded with Transfers to/(from) Existing Budgets	Net Impact to Approved Capital Budget	Projects
New Profiles Recommended for Funding	\$263.8	(\$153.7)	\$110.1	<i>Overlanders and Homesteader Neighbourhoods Reconstruction, Hillview Neighbourhood and Alley Reconstruction, Glenwood (163 Street West) Neighbourhood and Alley Reconstruction, Downtown Workspace Optimization, others</i>
Scope Change - Increases	2.9	(1.6)	1.3	<i>Fire Station 7 (Highlands) Building Rehabilitation, others</i>
Recosting - Increases	44.2	(2.5)	41.7	<i>Terwillegar Drive Expressway Upgrades, others</i>
Recosting - Decreases	(1.3)	-	(1.3)	<i>Various</i>
Grand Total	\$308.0	(\$156.2)	\$151.8	



Corporate Funding Pool

The Corporate Funding Pool is comprised of the following Funding Sources:



Funds are held to address future budget needs and manage emerging items

Status of Available Capital Funding (\$millions)

	Total
Funding after Spring 2024 SCBA	\$ 2.7
<i>Adjustments since Spring 2024 SCBA:</i>	
2024 CCBF Allocation Update	(\$1.6)
Reduce Public Engagement for Infrastructure Projects (OP12 item P-11)	(\$0.2)
Funding Prior to Fall 2024 SCBA	\$ 0.9
<i>Recommendations in the Fall 2024 SCBA:</i>	
Citadel Theatre Maintenance Vehicles	(\$0.4)
Funding Subsequent to Fall 2024 SCBA	\$ 0.5



Renewal Program Funding Levels

Original Approved 2023 - 2026 Capital Budget

- Ideal renewal investment - \$3.58 billion
- Approved renewal budget - \$1.95 billion

Additional renewal funding through SCBAs - \$110 million

- Fall 2023 SCBA - \$15 million
- Spring 2024 SCBA - \$95 million

2023-2026 Capital Budget Renewal Funding Gap: \$1.52 billion

Updated Renewal Program Funding Level (Total)	57.5%
Updated Renewal Program Funding Level (Unconstrained less Bridges)	35.4%



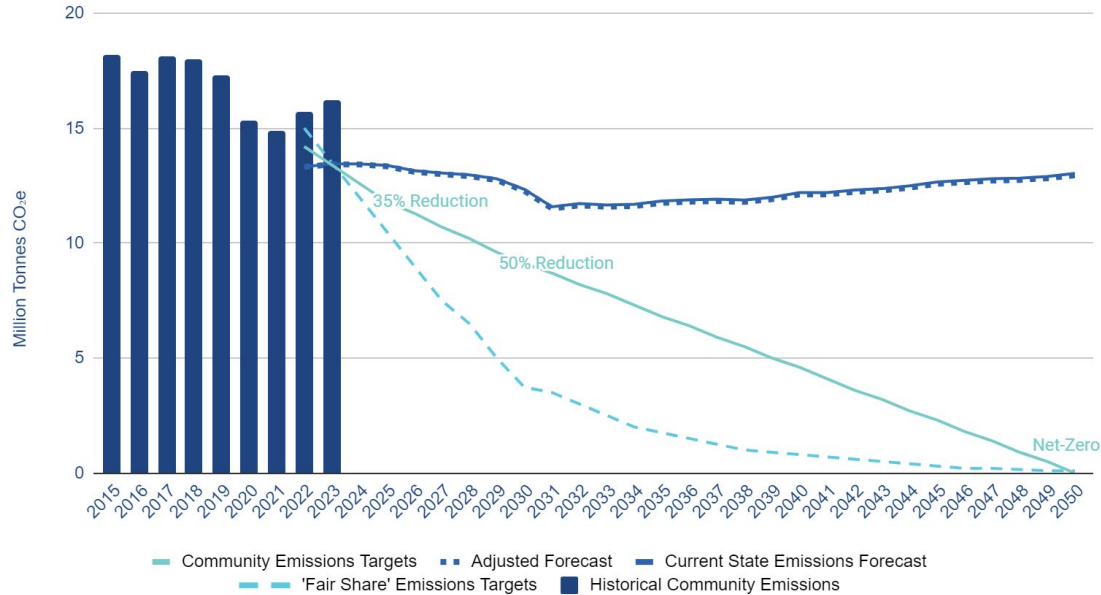


Fall 2024 Carbon Budget - Update

Edmonton

Community Carbon Budgeting

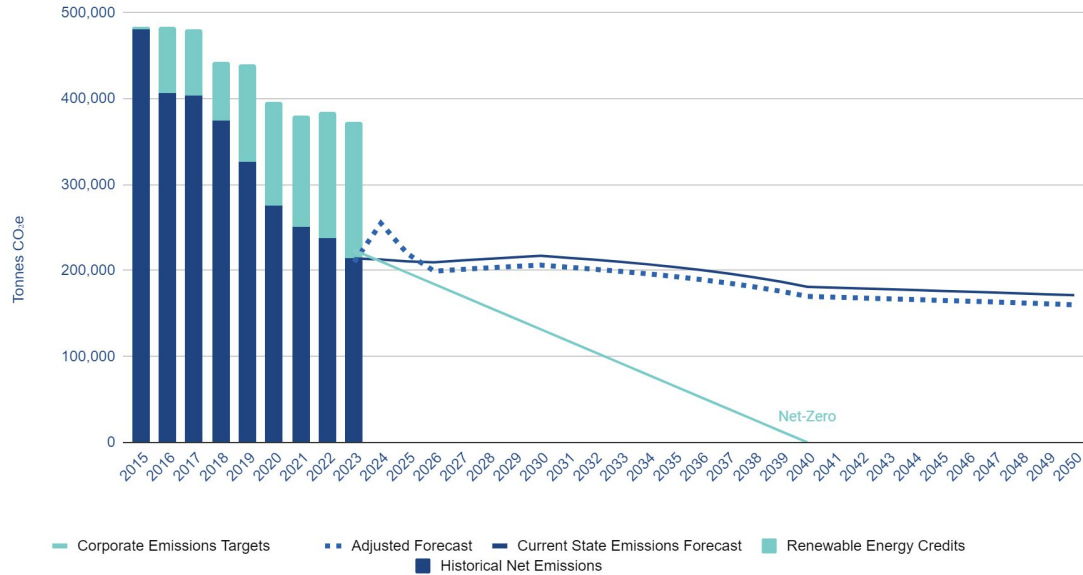
Community Carbon Budgeting - 2024 Budget Updates



	Carbon Budget 2024-2050 (Available GHG Emissions)	Year Carbon Budget is Depleted (Based on Adjusted Forecasts)
Community Carbon Budget <i>(targets that align with the Paris Agreement)</i>	144 million tonnes CO ₂ e	2036*

Corporate Carbon Budgeting

Corporate Carbon Budgeting - 2024 Budget Updates



	Carbon Budget 2024-2040 (Available GHG Emissions)	Year Carbon Budget is Depleted (Based on Adjusted Forecasts)
Corporate Carbon Budget	1.54 million tonnes CO ₂ e	2032*



Approved Spring Budget Requests with Quantifiable GHG Emissions Impacts

Name of Budget Request (Capital profile or Operating service package)	2026 Quantified Emissions Impact (tonnes) <i>Brackets indicates GHG Reductions</i>	Community /Corporate /Both	Approved 2023 Spring Budget Request (\$000s)
Kathleen Andrews Transit Garage Solar PV & Battery Projects	(74)	Corporate	5,879
Fire Station 7 (Highlands) Building Rehabilitation	(41)	Corporate	11,499
Canora Supportive Housing	266	Community	27,699
Garneau Supportive Housing	148	Community	15,740

Proposed Fall Budget Requests with Quantifiable GHG Emissions Impacts

Name of Budget Request (Capital profile or Operating service package)	2026 Quantified Emissions Impact (tonnes) <i>Brackets indicates GHG Reductions</i>	Community /Corporate /Both	Proposed 2024 Fall Budget Request (\$000s)
Vehicle and Equipment Replacement	15	Corporate	375
Turf and Horticulture Enhanced Service Levels	392	Corporate	5,232 (Operating and Capital)

Financial pressures

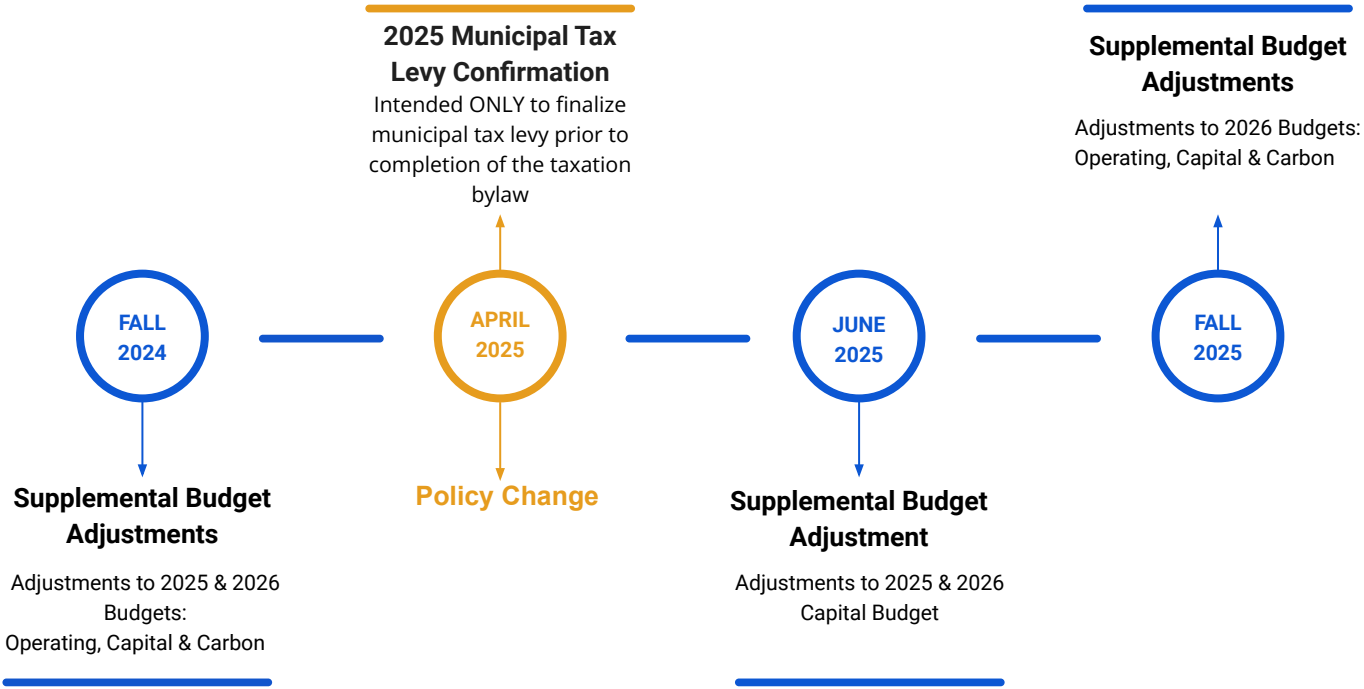
Impacts Managed Internally (included in Proposed Fall SOBA)	2026 Quantified Emissions Impact (tonnes) <i>Brackets indicates GHG Reductions</i>	Community /Corporate /Both	Description of GHG Impacts
Cancellation of Home Upgrades Program (Energy poverty)	Not Quantified	Community	Approx 2-3 tonnes per home annually
Deferral of transit service improvements	Not Quantified	Community	Transit service levels would not be maintained to keep up with growth



Review of Multi-Year Budgeting Policy C578

Edmonton

Timeline: Multi-Year Budgeting



Thank you
Questions?

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