

FALL 2024 SUPPLEMENTAL CAPITAL BUDGET ADJUSTMENT

2023-2026 Capital Budget

Recommendation

1. That the adjustments to the 2023-2026 Capital Budget, as outlined in Attachment 4 of the December 2, 2024, Financial and Corporate Services report FCS02530rev, be approved.
2. That sales proceeds and operational savings resulting from the disposition of Century Place and Chancery Hall, as outlined in Attachment 6 of the December 2, 2024, Financial and Corporate Services report FCS02530rev, be redirected to the Interim Financing Reserve until the \$22.7 million of capital costs financed on an interim basis have been recovered.
3. That the adjustment to the 2023-2026 Capital Budget, as outlined in Attachment 7 of the December 2, 2024, Financial and Corporate Services report FCS02530rev, be approved.
4. That Attachment 6 of the December 2, 2024, Financial and Corporate Services report FCS02530rev remain private pursuant to section 25 (disclosure harmful to economic and other interests of a public body) of the *Freedom of Information and Protection of Privacy Act*.

Requested Action		Council decision required	
ConnectEdmonton's Guiding Principle		ConnectEdmonton Strategic Goals	
CONNECTED This unifies our work to achieve our strategic goals.		Urban Places	
City Plan Values	LIVE. THRIVE. ACCESS. PRESERVE.		
City Plan Big City Move(s)	A community of communities A rebuildable city Greener as we grow	Relationship to Council's Strategic Priorities	Mobility Network 15-minute districts Economic Growth Climate adaptation and energy transition

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		Conditions for service success
Corporate Business Plan	Transforming for the future	
Council Policy, Program or Project Relationships	<ul style="list-style-type: none"> • The City Plan • C578 - Multi-year Budgeting Policy • C595A - Neighbourhood Renewal Program Policy • C203D - Debt Management Fiscal Policy • C591 - Capital Governance Policy 	
Related Council Discussions	<ul style="list-style-type: none"> • November 30, 2022, Financial and Corporate Services report FCS01393, Proposed 2023-2026 Capital Budget • June 13, 2023, Financial and Corporate Services report FCS01658, Spring 2023 Supplemental Capital Budget Adjustment - 2023-2026 Capital Budget • November 7, 2023, Financial and Corporate Services report FCS02053, Fall 2023 Supplemental Capital Budget Adjustment - 2023-2026 Capital Budget • April 23, 2024, Financial and Corporate Services report FCS02361, Spring 2024 Supplemental Operating Budget Adjustment - 2023-2026 Operating Budget • June 11, 2024, Financial and Corporate Services report FCS02362, Spring 2024 Supplemental Capital Budget Adjustment - 2023-2026 Capital Budget 	

Executive Summary

- The supplemental capital budget adjustment (SCBA) is an integral component of the City Council approved multi-year approach for the 2023-2026 Capital Budget.
- The SCBA allows Council to adjust the capital budget twice a year, in the spring and fall, to accommodate changes required as a result of the Capital Governance Policy C591 - Project Development and Delivery Model (PDDM), and in response to changing project needs, new funding opportunities and challenges, emerging issues and changing priorities.
- The SCBA supports The City Plan through financial management, ensuring a resilient financial position and enabling both current and long-term service delivery and growth.
- Administration has recommended a number of adjustments as part of the fall SCBA resulting in a net increase to the 2023-2026 Capital Budget for tax-supported operations of \$151.8 million. Including \$87.4 million in new 2027 and beyond Neighbourhood Renewal Reserve funding, \$41 million in increased funding for profile 19-22-9006 Terwillegar Drive Expressway Upgrades - Alternate Staging from provincial grants and \$22.7 million in interim financing for the Downtown Workspace Optimization Project.
- For the fall SCBA, Administration has increased the threshold for growth and renewal projects that require their own capital profile from \$2 million and \$5 million, respectively, to greater than \$10 million for both categories.
- City Council approves adjustments to the Waste Services and Blatchford Renewable Energy utility budgets in separate reports routed through Utility Committee on November 8, 2024, and City Council on November 13, 2024.

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- The only change in this December 2, 2024 Financial and Corporate Services report, FCS02530rev Fall 2024 Supplemental Capital Budget Adjustment - 2023-2026 Capital Budget compared to the version of FCS02530 on the November 13, 2024, City Council agenda is that Attachment 7, Capital Project Budget Request, is no longer private.

REPORT

On December 16, 2022, City Council approved the 2023-2026 Capital Budget in accordance with City Policy C578 - Multi-year Budgeting and City Policy C591 - Capital Project Governance, which requires all capital projects (infrastructure, fleet and equipment, information technology and land) follow the Project Development and Delivery Model (PDDM).

After approval of the multi-year budget, the majority of recommended changes within the spring and fall supplemental capital budget adjustment (SCBA) process are PDDM adjustments to transfer approved funding between composite and standalone capital profiles without increasing the overall capital budget. In addition, the SCBA allows Administration to bring forward other recommended adjustments to the capital budget for reasons such as:

- new funding opportunities and challenges,
- emerging issues, and
- changing priorities.

2023-2026 Capital Budget Approved to Date

Council approved \$10.82 billion in capital spending as part of the 2023-2026 capital budget cycle prior to adjustments proposed in the Fall 2024 SCBA. The total includes \$9.47 billion of approved capital spending over 2023-2026, and \$1.35 billion in 2027 and beyond. The approved capital budget is distributed across the City as follows:

- Tax-Supported Operations (\$9,975 million);
- Enterprises (\$551 million);
- Waste Services Utility (\$163 million);
- Blatchford District Energy Utility (\$99 million); and
- Downtown District Energy Utility (\$30 million).

Attachment 1 provides the currently approved 2023-2026 Capital Budget and the impacts of the recommended Fall 2024 SCBA Adjustments.

Recommended Fall 2024 SCBA Adjustments by Category

Adjustments recommended in the Fall 2024 SCBA are within the following categories:

- **New Profiles Recommended for Funding:** Adjustments where a new capital profile is being brought forward for Council approval. Most new profiles are related to PDDM for projects previously approved within composite capital profiles that have now reached Checkpoint 3 and require approval as a standalone capital profile. All growth and renewal projects greater than \$10 million require Council approval within a standalone capital profile. A PDDM overview is provided in Attachment 2.

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- Scope Change:** Adjustments where a new element or component is being recommended for addition to the originally approved capital profile. Scope changes can be funded with transfers from existing approved composite capital profiles or require a new funding source to proceed.
- Recosting:** Adjustments required when an approved capital project is projected to be over or under budget, which can occur when prices from service providers for capital projects differ from the originally approved budget. When new capital profiles are created at Checkpoint 3 of the PDDM, they are based on a cost estimate accuracy of -20/+30 per cent. Recosting adjustments reflect the variances in this range of estimate, and are mostly funds transferring between composite and standalone capital profiles.

The recommendations in the Fall 2024 SCBA would result in an overall \$151.8 million increase to the approved capital budget. The following table summarizes the total budget requests in the Fall 2024 SCBA by category:

Category (\$ millions)	Total Budget Requests	Less: Funded with Transfers (from) / to Existing Profiles	Net Impact to Capital Budget
New Profiles Recommended for Funding	\$263.8	(\$153.7)	\$110.1
Scope Change - Increases	\$2.9	(\$1.6)	\$1.3
Recosting - Increases	\$44.2	(\$2.5)	\$41.7
Recosting - Decreases	(\$1.3)	-	(\$1.3)
Total Fall 2024 SCBA Adjustments	\$308.0	(\$156.2)	\$151.8

Individual adjustments to the SCBA identified by category in the table above are summarized in Attachment 3. The most significant adjustments within the overall \$151.8 million net impact to the capital budget are:

Adjustment Category	Description	Funding Source	Impact to Capital Budget - \$ millions
New Profile	Overlanders and Homesteader Neighbourhoods Reconstruction	Neighborhood Renewal Reserve	\$48.0
	Hillview Neighbourhood and Alley Reconstruction	Neighborhood Renewal Reserve	\$25.3
	Downtown Workspace Optimization	Interim Financing	\$22.7
	Glenwood (163 Street West) Neighbourhood and Alley Reconstruction	Neighborhood Renewal Reserve	\$14.1

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Recosting - Increase	Increase funding to profile 19-22-9006 Terwillegar Drive Expressway Upgrades - Alternate Staging	Provincial Grant	\$41.0
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In total \$87.4 million in new 2027 and beyond Neighbourhood Renewal Reserve funding would be committed. Neighbourhood renewal expenditures approved for 2027 and beyond should be funded with committed Neighbourhood Renewal Reserve funding from the next budget cycle. This is in line with how the program has previously been managed, and results in a more effective use and cash flow of the reserve.

The detailed adjustments for Council approval are outlined in Attachment 4. The complete list of new profiles and the related capital profile reports recommended for approval are included in Attachment 5. Private Attachment 6 includes details on the new profile Downtown Workspace Optimization.

Status of Available Capital Funding and Recommendations for Use

The City's corporate funding pool consists of the following capital funding sources:

- Municipal Sustainability Initiative (MSI) and Local Government Fiscal Framework (LGFF) provincial grant funding
- Canada Community-Building Fund (CCBF) grant funding
- Pay-As-You-Go (PAYG)

Available Capital Funding Prior to Fall 2024 SCBA Recommendation

The following table outlines changes in available funding prior to the recommendations included in the Fall 2024 SCBA:

	Corporate Funding Pool Balance/(Deficit) (\$ million)
Funding Available Prior to Spring 2024 SCBA	\$112.7
Spring 2024 SCBA	
Allocated Funding	(\$112.7)
Funding Release Through Approved Budget Adjustments	\$2.7
Funding Remaining after Spring 2024 SCBA	\$2.7
Adjustments to Funding Since Spring 2024 Deliberations	
2024 CCBF Allocation Update	(\$1.6)
Reduce Public Engagement for Infrastructure Projects	(\$0.2)
Funding Available Prior to Consideration of Fall 2024 SCBA	\$0.9

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The Spring 2024 SCBA allocated all available corporate funding to unfunded critical renewal projects and approved the release of \$2.7 million in PAYG, leaving the corporate funding pool balance at \$2.7 million. Adjustments since the Spring 2024 SCBA include Reduce Public Engagement for Infrastructure Projects' (OP12 item P-11 from March 12, 2024 Financial and Corporate Services report FCS2350 Budget Process Update) resulting in a PAYG reduction of \$0.2 million and the City's 2024 CCBF allocation being released at \$1.6 million less than expected. The 2025 and 2026 CCBF allocations have not been announced; in the interim PAYG will be internally reallocated to cover the CCBF shortfall. These adjustments left the corporate funding pool at a balance of \$0.9 million prior to the Fall 2024 SCBA.

The only item being recommended for funding from the corporate funding pool is the purchase of three maintenance vehicles to support the Citadel Theatre Lease agreement at \$0.4 million from PAYG. The request to purchase these vehicles was outlined in the May 3, 2024, Financial and Corporate Services report FCS02006, Citadel Theatre - Lease Approval. Council approved a motion to prepare a funded service package for consideration during the fall 2024 supplemental operating budget adjustment. This would leave the corporate funding pool at a balance of \$0.5 million.

Corporate funding pool balance overview:

(\$ millions)	MSI / LGFF	PAYG ²	CCBF	Total
Funding Balance After Spring 2024 SCBA	\$ -	\$ 2.7	\$ -	\$ 2.7
<u>Funding Adjustments Since Deliberations</u>				
2024 CCBF Allocation Update	-	-	(1.6)	(1.6)
Reduce Public Engagement for Infrastructure Projects (OP12 item P-11)	-	(0.2)	-	(0.2)
Funding Balance Prior to Fall 2024 SCBA	\$ -	\$ 2.5	(\$1.6)	\$0.9
<u>Fall 2024 SCBA Recommended Adjustments</u>				
Citadel Theatre Maintenance Vehicles	-	(0.4)	-	(0.4)
Funding Balance	\$ -	\$2.1	(\$1.6)	\$ 0.5

Downtown Workplace Optimization

This project will prepare building assets for disposition by optimizing downtown workspaces through consolidation of space. The plan is to relocate staff from Chancery Hall and Century Place to existing City-leased/owned spaces. This project will entail design and construction of reconfiguration/renovations to City-owned and leased spaces; purchase of necessary furnishings; move costs for staff; and move costs for relocating critical City technology infrastructure housed at Century Place. The total project cost is \$22.7 million, with the funding source listed as the Interim Financing Reserve, to be repaid with sales proceeds and operating budget savings from the disposition of Chancery Hall and Century Place.

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Private Attachment 6 provides details of the Downtown Workplace Optimization project, including project timelines, and further discussion of the financing strategy, including risks and mitigation strategies.

Emerging Items

'Emerging Items' outlined in each SCBA includes projects Council has previously approved and funded, but may require additional funding within the 2023-2026 cycle and new projects requiring funding in the future to address an urgent need. Amounts represent Administration's best estimate at the time of the SCBA.

Currently, three emerging items are being presented for Council's information: school sites base level development, Windermere District Park construction and the Government of Alberta School Accelerator Program. These items have not been funded and will require funding in the future. The current funding requirement estimates for these emerging items in 2025 to 2026 would be \$15.9 million and \$24.2 million in 2027 and beyond. Attachment 8 contains details about these emerging items.

Unfunded Capital Profiles or Projects

New or Council-directed unfunded capital profiles or projects can be found in Attachment 9. There is one profile for consideration in the attachment: Aligning Turf and Horticulture Resources and Service Levels at \$1.93 million.

Growth and Renewal Projects New Profile Threshold Increase

For the Fall 2024 SCBA, Administration has increased the threshold for growth and renewal projects that require their own capital profile from \$2 million and \$5 million respectively to greater than \$10 million for both categories.

Rationale for increasing the thresholds:

- Economic Uncertainty - Raising capital budget thresholds helps Administration manage unexpected price changes, ensuring project continuity.
- Supply Chain Disruptions - A higher capital budget threshold enables project managers to secure alternative sources and expedite procurement, reducing the negative impact on project timelines should there be supply chain disruptions that lead to shortages and delays.
- Approval of New Capital Profiles Timelines - As new profiles require Council approval raising thresholds will allow more projects to proceed without interruption and improve ability for projects to meet key milestones on schedule. This is due to the gap between project continuity and the timing of SCBA reports.
- Internal Resource Allocation - Budget adjustments due to fluctuating material prices strain resources and impede core project activities. Administration streamlines procurement by raising capital budget thresholds, minimizing administrative overhead and optimizing internal resource allocation.
- Uncertain Future - Budget management requires a forward-thinking approach. Increasing budget thresholds addresses current issues and prepares the City for future uncertainties, enhancing project sustainability.

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Risks and mitigation strategies for increasing the thresholds:

- Perception of decreased transparency - Reduced project visibility, could affect transparency. Administration will continue public engagement and Council/public reporting to inform and engage stakeholders.
- Scope Changes - Higher budget thresholds may lead to expanded project scopes, resulting in cost overruns and delays. This will be mitigated with continued strong project management practices, including clear scope definitions and regular reviews.
- Cost Escalation - Without checks and reporting in place, costs could escalate, however Administration would continue with existing procurement practices, including competitive bidding, to control costs.

Community Insight

Administration conducted extensive public engagement in summer 2022 to support the implementation of the 2023-2026 budget, as well as subsequent budget adjustment recommendations. Those insights were also shared with City Council to support their decision-making through the October 31, 2022, Communications and Engagement report CE01489, Budget 2023-2026 Community Insights.

The City engaged with the general public, organizations and community groups, and harder-to-reach communities, tailoring the engagement approach to each group. Themes that emerged, and continue to apply to the 2023-2026 budget include:

- A need to focus on improving community safety.
- Increased cost of living and Edmontonians facing financial pressures.
- Transit safety and connectivity are important.
- Participants want to connect with each other and celebrate Edmonton.
- Long-term solutions to climate challenges are needed.
- Participants are concerned about the overlapping nature of federal, provincial and municipal responsibilities.
- An overall sentiment of empathy among participants, who expressed an understanding that some individuals may be impacted by service reductions or fee increases more than others, including vulnerable populations and those on low and fixed incomes.

The complexity of these results illustrates that there is no single combination of priorities that will satisfy all Edmontonians.

GBA+

The 2023-2026 Capital Budget incorporated input from the public engagement activities described above. This engagement applied a GBA+ approach to do targeted outreach and ensure the City captured input from Edmontonians experiencing unique barriers and challenges and those whose voices are heard less often. Administration conducted targeted outreach and engagement with 2SLGBTQ+ community members, non-English speakers, youth, seniors, racialized community members, women, people with disabilities, Edmontonians experiencing or at risk of homelessness, and people experiencing mental health and addiction challenges.

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In the context of capital infrastructure planning, design and delivery, the following provides some examples of GBA+ application:

- In planning and design, Administration and consultants endeavor to research and address three fundamental GBA+ questions within their designs: Who is excluded or differentially impacted? What contributes to this exclusion or impact? What will be done about possible exclusion?
- Designs are reviewed from multiple perspectives including but not limited to race, colour, place of origin, ethnicity, immigration status, language, religious beliefs, gender, gender identity, and gender expression, appearance, physical and mental disability, political viewpoint, marital and family status, occupation, source of income, employment status, sexual orientation, age, poverty and homelessness.

For renewal work, a detailed GBA+ report is commonly initiated during the planning and design phases of a project. GBA+ work is conducted to identify stakeholders through the development of public engagement plans and identify meaningful ways of connecting with those stakeholders to gather input that will help shape the plans. The process supports Administration in identifying any stakeholders who may be interested or impacted by the project and those who may be less likely to participate in traditional engagement methods.

Environment and Climate Review

Edmonton is committed to climate action through the implementation of the City's two climate strategies: the Energy Transition Strategy and the Climate Adaptation Strategy. To support Edmonton's transition to a low carbon future, a carbon budget has been completed and delivered to Council in conjunction with the operating, capital and utility budgets since the 2023-2026 Budget.

Use of the Carbon Budgeting and Accounting Framework helps guide the organization and Council in understanding how the City's financial investment decisions impact the achievement of emissions reductions targets or reduce Edmonton's carbon deficit. Specific information on how the details of this fall 2024 SCBA will affect the City's carbon budget is detailed in the December 2, 2024 Financial and Corporate Services report FCS02532 - Fall Carbon Budget Update - 2023-2026 Carbon Budget.

In addition to the climate considerations, the proposed budget adjustments and associated projects outlined in Attachment 4 may have the following environmental impacts:

- **Air quality:** Infrastructure improvement projects designed to promote active transportation such as walking or cycling or enhance urban landscaping can reduce pollution and improve local air quality through reduced single-occupancy vehicle travel and facilitating particulate matter filtration through vegetation.
- **Stormwater management:** Neighborhood renewal projects that improve grading, and/or increase surface permeability through added greenspace, permeable asphalt, or paving stones can reduce surface water runoff, prevent erosion, and mitigate flooding potential. These improvements contribute to healthier aquatic ecosystems and alleviate pressure on municipal

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drainage systems, aligning with Direction 5.4.1.1 of The City Plan, which emphasizes managing stormwater runoff and improving water quality through built environment design.

- **Environmental stewardship:** Improvements to park trail systems, along with added signage, can increase environmental stewardship through design considerations that reduce impacts to wildlife and wildlife habitat, improve designated trail etiquette and compliance, and increase the safe accessibility for all users in alignment with City Building Outcome 5.1 of The City Plan – to protect, expand and improve access to natural systems and open spaces. Park infrastructure upgrades may disrupt local ecosystems during construction due to increased traffic, dust, surface water runoff, and vegetation removal, necessitating appropriate mitigation strategies.
- **Natural areas management:** Proposed scope changes to the Natural Areas Acquisition & Conservation capital profile to include management and restoration activities will enhance biodiversity, improve water quality, and promote ecological functioning through the monitoring and rehabilitation of degraded ecosystems. This initiative supports Direction 1.4.2.1 of The City Plan, which advocates for the protection, restoration, maintenance, and enhancement of a network of natural areas for ecological function and connectivity.

Attachments

1. Capital Budget Summary
2. Project Development and Delivery Model Overview
3. Summary of Fall 2024 SCBA Recommendations
4. Fall 2024 SCBA Budget Adjustments: Council
5. New and Amended Profiles Recommended for Funding
6. PRIVATE - Downtown Workspace Optimization
7. Capital Project Budget Request
8. Emerging Items - Spring 2024 (Unfunded)
9. Unfunded Capital Profiles or Projects