COUNCIL REPORT

Edmonton

FISCAL GAP STRATEGIES WORK PLAN

Recommendation

That the March 5, 2025, Financial and Corporate Services report FCS02746, 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.		**Regional Prosperity**	
City Plan Values	LIVE. THRIVE. PRESERVE.		
City Plan Big City Move	A community of communities A rebuildable city Catalyze and converge	**Relationship to Council's Strategic Priorities**	Economic Growth Conditions for service success
Corporate Business Plan	Managing the corporation		
Council Policy, Program or Project Relationships	• Fiscal Policy for Revenue Generation (C624) • Debt Management Fiscal Policy (C203C) • Financial Stabilization Reserve (C629) • The City Plan		
Related Council Discussions	• September 20, 2023 Executive Committee, Financial and Corporate Services report FCS01246, Revenue Source for Transit • June 19, 2024 Executive Committee, Financial and Corporate Services report FCS02483 Non-Residential Tax Base Growth Challenges • June 19, 2024 Executive Committee, Urban Planning and Economy report UPE01548 Industrial Investment Action Plan - 2024 Update • August 28, 2024 Executive Committee, City Operations report CO02505 Ride Transit Program Funding Gap • October 22/23, 2024 City Council, Financial and Corporate Services report FCS02218 Capital and Operation Funding Shortfall Analysis		

Previous Council/Committee Action

At the October 22/23, 2024, City Council meeting, the following motion was passed:

That Administration provide a report outlining a work plan to complete the 11 strategies to narrow the fiscal gap outlined in section 35 of Attachment 1 of the October 9, 2024, Financial and Corporate Services report FCS02218, including:

- timelines for reporting findings,
- challenges,
- key opportunities,
- developing recommendations,
- measures and indicators of success, and
- a parallel engagement plan that includes, but is not limited to, the business community, Edmonton Federation of Community Leagues, Civic Unions, Edmonton Chamber of Voluntary Organizations and the Social Planning Council.

Executive Summary

- The City's revenue-raising capacity has persistently fallen short of its expenditure needs on both an operating and capital basis. This difference, or shortfall, between revenue capacity and expenditure needs is the City of Edmonton's fiscal gap.
- This gap is driven by numerous factors related to City revenues, spending, the City's strategic goals, its infrastructure assets and its tax base. While many contributing factors to the fiscal gap were not caused by the City, and it is not within the City's capacity or legislative ability to solve entirely on its own, the City must take meaningful measures towards narrowing its fiscal gap.
- Left unaddressed, the fiscal gap will result in service level reductions, deterioration of infrastructure, inability to advance the City's strategic objectives and outsized tax increases.
- Eleven strategic bodies of work are underway to narrow the City's fiscal gap in areas within its control.
- Initial challenges and opportunities are provided where available. These will be further scoped out, along with accompanying recommendations and measures of success following the analysis of each strategy.

REPORT

The City of Edmonton is in stable financial condition. The City has a robust set of financial policies, well-defined budget practices and a financial reporting process that ensures transparent disclosure of financial information, and manages debt in a prudent and responsible manner. On July 11, 2024, the City's AA credit rating was reaffirmed by S&P Global. Consolidated financial statements are audited annually. The City also continuously seeks ways to improve the efficiency of service delivery to meet the evolving needs of Edmontonians.

Notwithstanding having robust financial processes and being in stable financial condition, the City's fiscal pressures are immense. 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 as 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. As identified in FCS02218 Capital and Operating Shortfall Analysis, 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 over which it has control.

Left unaddressed, the City's fiscal gap will materialize as reduced service levels, deteriorating infrastructure, above-average tax increases and the inability to advance strategic goals. At a very high level, there are two broad fiscal shifts the City must make to narrow or close the gap: grow revenues where possible and reduce expenditure needs.

The following eleven strategies and associated outlined workplans will help to address the City's fiscal gap. Reports with further recommendations on the strategies will be brought forward, along with measures of success.

Strategies to Address the Fiscal Gap

1. Grow the 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.

   Challenges

   - The abundance of developable land at lower development cost in surrounding municipalities, made proximate by the Anthony Henday Ring Road, leads to increased competition for non-residential development. The real growth of taxable non-residential properties has disproportionately occurred in surrounding communities in recent years, 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.[1]
   - The potential for real growth to occur in surrounding municipalities may be further exacerbated by the loss of the Edmonton Metropolitan Region Board (EMRB) and the Regional Growth Plan, which could lead to unconstrained residential and non-residential growth in the region.
   - As retail e-commerce continues to increase, it presents challenges for brick and mortar retail growth and real growth of the non-residential tax base, which may place additional

[1] Real growth is defined as new construction that adds value to a property. This can take the form of a new building, or an improvement to a pre-existing property. Real assessment growth measures how much new construction value is incrementally added to the tax base each year. Real assessment growth generates real tax growth, as newly constructed properties are added to the tax base and taxed like most other properties. Typically, real growth is the City's single largest revenue growth item in the operating budget.

burden on all other taxable properties. Retail is the second largest property type within the City's non-residential tax base, comprising 29 per cent of taxable non-residential assessment.

- The impact of hybrid work has reduced demand for office space, causing reductions in the value of this non-residential property classification.
- Edmonton's social challenges have been cited as reasons for businesses to limit their investment in Edmonton.
- Tax revenue from downtown has declined from a high of 10 per cent and a long-term average of approximately eight per cent to a three-year average of approximately six per cent of the tax base. This decline is mainly the result of a decrease in downtown office and hotel assessments that occurred during the pandemic, meaning that the downtown paid a smaller proportion of the overall property tax base than they used to, and downtown assessments have not fully recovered to the point where they make up the same amount of the tax base.

Opportunities

- There is an opportunity to shift priorities within existing economic strategies such as Edmonton's Economic Action Plan, towards actions with a more direct impact on Edmonton's non-residential tax base.
- Edmonton's strong economic development agencies, partners and ecosystem are valuable for informing and taking action towards further growth in Edmonton's non-residential tax base.
- Continue to ensure Edmonton remains a desirable location for businesses to start, scale, grow and locate while amplifying the record setting population growth to leverage a young customer base and a skilled available labour supply.
- Encourage further use and promotion of Edmonton's best in class programs and strategies as the foundation to build even stronger and more effective mechanisms for growing-the non-residential tax base. Focus our support on industries and business types that have the highest growth potential in both the domestic market and in export markets.
- Collaborative Economic Development (CED) is an opportunity with regional partners to unlock underdeveloped areas by cost-sharing on necessary upgrades and then sharing future revenue. This is subject to there being willing partners in the region who would partner with the City.
- Promote growth, investment, and vibrancy in Edmonton's downtown through the Downtown Action Plan.
- The City of Edmonton is an active participant in directly delivering non-residential land development activities and creates fully serviced, shovel ready industrial lots on City owned land for sale.

FISCAL GAP STRATEGIES WORK PLAN

Workplan to grow the non-residential tax base	**Current Status and Anticipated Timeline**	**Lead/ Responsibility**
Interim update on the Industrial Investment Action Plan	*Q2 2025*	*Urban Planning and Economy*
Development of the Downtown Action Plan to promote growth, investment, and vibrancy in Edmonton's downtown	*In development Q2 2025*	*Urban Planning and Economy with support from all City departments*
Revise the Economic Action Plan to include strategies for growing the non-residential tax base	*Initial stages Q1 2026*	*Urban Planning and Economy with support from Financial and Corporate Services*
Evaluate tax rate ratio targets/strategies and their potential for shifting non-residential tax rates closer to the regional average. This includes conducting a jurisdictional scan on Canadian cities that have implemented tax rate ratio policies. The tax rate ratio refers to the ratio of non-residential tax rate to residential tax rate.	*Not yet started Q2 2026*	*Financial and Corporate Services*
Advance land development projects that create shovel ready industrial lots on City owned land that can be used to attract, retain and grow non-residential businesses.	*Ongoing*	*Financial and Corporate Services*

Expected Decision Points and Recommendations

- A decision on the non-residential tax rate ratio will be required.

Measures and Indicators of Success

- Actions within the Industrial Investment Action Plan require the City to monitor progress and the results of the action plan. This will include the following:
  - Defining key metrics and establishing targets;
  - Establishing periodic data collection and curated market trends to inform decisions, programs and policies; and
  - Communicating outcomes and progress.
- The Economic Action Plan measures of success reflect job growth, economic strength and ecosystem capacity. As strategies to address the non-residential tax base are included in the Economic Action Plan, additional measures of success will be explored.

2. <u>Evaluate City-controlled revenue streams</u>: Evaluate all City-controlled revenue streams for opportunities to grow non-tax revenues, including opportunities to increase or introduce fees for services where insufficient or no cost is recovered from service consumers or directly benefiting parties. Revenue streams to be evaluated include, but are not limited to user fees; permits, licences and allowances; off-site levies and franchise fees.

FISCAL GAP STRATEGIES WORK PLAN

Challenges

- User fee pricing for many categories has not kept pace with inflation, cost of service delivery, the growth in household incomes, or other economic benchmarks. Examples include:
  - Recreation Adult Continuous Monthly Membership prices for Value Memberships in 2024 were 16 per cent below 2021 prices, when adjusting for inflation.
  - Transit Adult Cash Fares in 2024 were 16 per cent below their 2013 peak price, when adjusting for inflation.
  - Analysis shows similar trends for other ETS fare products and recreation admission/membership fees as evaluated in FCS02218 Capital and Operating Funding Shortfall Analysis Attachment 1 (October 2024).
- The growth of transit revenues, which consists largely of fare revenues, has not kept pace with the costs of delivering transit, with cost recovery rates declining sharply from 42 per cent in 2013 to 23 per cent in 2023. When transit revenues do not grow adequately and keep pace with the cost of service delivery, it places additional burden on the tax levy. The tax levy is already undergoing significant strain, and maintaining transit service levels through tax-support alone will be very challenging for the foreseeable future; to sustainably maintain transit service into the future and delivery on City Plan goals, transit revenues need to keep pace.
- Recreation and leisure centre user fee revenues have also not kept pace with the cost of service delivery, with cost recovery rates declining from 69 per cent in 2015 to 52 per cent in 2023. This has placed more burden on the tax levy. To ensure recreation services are sustainable, revenues from user fees need to keep pace.

Opportunities

- User fees are not intended to generate a government profit, but to recover all or part of the cost of delivering the public service. User fees must also be discretionary, where the consumer can choose whether to use the service and pay the fee, or not. These principles support the cost recovery for services.
- In the fall 2024 public opinion research about the budget[2], respondents were more comfortable with increased user fees (42 per cent) as a way to keep property taxes low.
- To explore potential untapped revenue areas, for example facility name sales and sponsorships.

Workplan to evaluate City-controlled revenue streams	**Current Status and Anticipated Timeline**	**Lead/ Responsibility**
Facility Name Sales (CO02751 - Concept Approval of Name Sale scheduled for May 12, 2025 Community and Public Services Committee)	*In progress* *Q2 2025*	*Community Services*

[2] FCS02529 Fall 2024 Supplemental Operating Budget Adjustment - 2023-2026 Operating Budget, Attachment 9, City Council, November 13, 2024

FISCAL GAP STRATEGIES WORK PLAN

Corporate user fee policy	*In progress Q2 2025*	*Financial and Corporate Services*
Review user fee pricing and cost recovery ratios, including associated subsidies	*In progress*	*Financial and Corporate Services, City Operations, Community Services*
• Transit (Edmonton Transit Service Fare Policy C451H review is scheduled for Q2 2025)	*In progress Q2 2025*	*City Operations with support from Financial and Corporate Services*
• Community Recreation and Culture review of Recreation User Fee policy C167B	*2026*	*Community Services with support from Financial and Corporate Services*
• Parking (on street, off street)	*2026*	*City Operations, Urban Planning and Economy, Financial and Corporate Services*
Review all other City user fees beyond transit, recreation and parking fees.	*Q2 2026*	*Financial and Corporate Services*
Review permit/licence/approval/allowance fees	*Not yet started Q1 2026*	*Urban Planning and Economy, City Operations, Community Services, Financial and Corporate Services*
Review franchise fees. • *EPCOR Power Franchise Fee (currently 17.65% as approved by City Council - November 13, 2024; agreement allows up to 20%)* • *EPCOR Water & Wastewater Franchise Fee (currently 8% of qualified revenues)* • *ATCO Gas Franchise Fee (currently 35%; agreement allows up to 35% of delivery revenue)*	*Q1/Q2 2026*	*Financial and Corporate Services*
Review of dividend income sources	*Q3 2026*	*Financial and Corporate Services*
Cost of growth analysis and growth funding tools and options (i.e. off-site levies)	*Not yet started Q4 2026*	*Urban Planning and Economy, Financial and Corporate Services*

Expected Decision Points and Recommendations

- City of Edmonton's policy approach to user fees.

- The use of cost recovery ratios in determining user fees and the applicability of cost recovery ratios across service lines.
- Potential revisions to franchise fees and franchise agreements.
- Revised user fee schedules.
- Potential introduction of new user fees based on the analysis.

Measures and Indicators of Success

- Compliance and monitoring of the use of user fees in alignment with policy direction.
- Development and monitoring of performance measures including but not limited to the ability to meet cost recovery targets.
- Analysis of actual results against budget revenue to ensure financial performance of user fees is aligned with expectations.

3. Assess capital requirements and determine the appropriate allocation between renewal and growth: With limited financial resources, the City continues to assess the allocation of funding for growth and renewal, balancing the need to address an expanding 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, with the next outlook scheduled for Q2 2026.

   Challenges

   - The City continues to grow and expand its asset inventory which has a compounding effect on renewal requirements.
   - Assets are aging and the City's renewal program is not adequately funded. If left unaddressed, this will result in deteriorating City assets, including the City's information technology infrastructure. The more City assets age and deteriorate in condition, the greater the annual investment required for their renewal.
   - There is limited unconstrained transfer funding for asset renewal.
   - The inability to appropriately balance renewal and growth capital creates compounding financial pressures. A continued focus on growth diverts funds away from renewal when there is already a substantial gap, and it expands the City's infrastructure inventory, increasing future renewal requirements that are already in a deficit due to overfunding growth.

   Opportunities

   - There is an opportunity to rebalance prioritization of renewal and growth. The first step is to examine the relative prioritization of renewal and growth for the 2027-2030 Capital Budget while working to address the long-term approach to asset management including acquisition, renewal and divestiture.
   - Opportunities to align the asset inventory to the City's strategic goals can help inform approaches to rationalize and divest of assets.

FISCAL GAP STRATEGIES WORK PLAN

Workplan to assess requirements and determine the appropriate allocation between renewal and growth	**Current Status and Anticipated Timeline**	**Lead/ Responsibility**
Financial and Corporate Services report FCS02696 Prioritization of Renewal in 2027-2030 Capital Budget outlines the impact of increasing funding for renewal vs. growth funding projects before commencing development of the 2027-2030 Capital Budget.	*In progress Q1 2025*	*Financial and Corporate Services with support from Integrated Infrastructure Services*
Develop an asset investment policy that establishes criteria to ensure renewal is advanced before growth, while still maintaining flexibility for: ● Growth projects where higher-order governments provide project-specific constrained funding; ● Complementary growth components on renewal projects; and ● Growth capital required to maintain public safety. This policy will also establish that assets that do not align with service objectives are not renewed, but are disposed of.	*Not yet started Q1 2026*	*Financial and Corporate Services, Integrated Infrastructure Services, Community Services*
Explore long-term strategies to create stable and predictable capital funding and reduce capital revenue volatility from the City's renewal program. In an ideal state, the City pushes all revenue volatility toward its capital growth program. The City's operating budget requires the most revenue stability, followed by the capital renewal program, whereas the capital growth program can adequately operate under variable year-to-year revenues.	*Not yet started Q1 2026*	*Financial and Corporate Services*
Analyse City capital asset inventory relative to the City's revenue-generation capacity and service requirements to inform the size of the City's capital asset inventory and divestiture strategy. Results of this work will inform capital planning related to growth and renewal.	*Not yet started Q2 2026*	*Financial and Corporate Services, Integrated Infrastructure Services*

Expected Decision Points and Recommendations

- Decisions on criteria for advancing renewal and growth projects.
- Decisions related to asset rationalization, including what level of assets the City can afford to own and sustainably maintain.
- Potential changes to internal funding frameworks that guide capital investment decisions, including establishing funding allocations across renewal and growth.

Measures and Indicators of Success

- Enhance asset condition monitoring and reporting.
- Reporting and tracking of excess or surplus asset inventory.

4. Evaluate funding mechanisms to address the renewal deficit: Evaluate funding options to address the City's growing renewal deficit, including exploring the potential to dedicate tax levy for renewal.

   During the fall budget discussions, City Council approved a one-time exemption to the Financial Stabilization Reserve (FSR) policy to change the repayment period from three years to five years, as well as successive tax increases of 0.5 per cent in 2025 and 0.6 per cent in 2026 to address the shortfall. These increases are expected to generate $24.7 million in annual tax revenue by 2026.

   The funds raised will initially be used to repay the FSR shortfall until 2029. Subsequently, these funds will be redirected towards establishing a dedicated universal renewal fund.

   The FSR repayment plan assumes balanced budgets for the next five years. Better-than-expected results will accelerate the renewal fund's creation. Worse results may require larger future tax increases to ensure the FSR's minimum balance is met by 2029. Council also approved a $15 million annual reduction to Pay-As-You-Go (PAYG) capital transfers starting in 2025, totaling $90 million by 2030. Annual tax increases of 0.5 per cent are planned for 2027-2030, with the resulting approximately $39.3 million annually going to the dedicated renewal fund in 2031, after PAYG is replenished.

   Challenges

   - The implementation of a dedicated universal renewal fund will help to address a portion of the renewal gap, however, it will not be enough to eliminate the gap. The gap will continue to grow as renewal remains underfunded.

   Opportunities

   - The Canada Public Transit Fund, slated to begin in 2026-27, may provide funding that enables the City to address part of its transit fleet renewal backlog.

Workplan to evaluate funding mechanisms to address the renewal deficit	**Current Status and Anticipated Timeline**	**Lead/ Responsibility**
FCS02818 Pay-As-You-Go Replenishment and Dedicated Universal Renewal Fund - Draft Strategy (scheduled for March 18, 2025 City Council) - To address the City's renewal deficit, Council approved a financial reserve policy exemption, successive tax increases, and a reduction in operating transfers to capital, ultimately aiming to establish a dedicated renewal fund by 2031.	*In progress* *Q1 2025*	*Financial and Corporate Services*
FCS02696 Prioritization of Renewal in the 2027-2030 Capital Budget (scheduled for June 10, 2025 City Council).	*In progress* *Q2 2025*	*Financial and Corporate Services*
Explore a long-term dedication of tax levy for renewal similar to what was done with neighbourhood renewal. Tax increases identified within FCS02818 (above) will contribute to a dedicated renewal fund, but the level of investment in	*Not yet started* *Q2 2026*	*Financial and Corporate Services*

renewal will require adjustment pending the completion of items within this work plan, changes in population growth and additional work that may be necessary to address the existing backlog and prevent a deeper infrastructure deficit.		

Expected Decision Points and Recommendations

- Funding decisions on the replenishment of the projected Pay-As-You-Go deficit.
- Creation of a Dedicated Universal Renewal Fund.
- Decisions on the short-term prioritization of critical renewal needs to guide the development of the 2027-2030 budget.
- Potential changes to internal funding frameworks that guide capital investment decisions, including establishing funding allocations across renewal and growth.

Measures and Indicators of Success

- Establishing long-term goals around sustainable funding of renewal through the City's own source revenue.
- Establishing performance indicators that connect funding to renewal outcomes that help inform whether funding is sufficient and aligned with the objectives of the capital plan.

5. <u>Continued focus on divestiture and diligence in acquisition</u>: Continue to explore divestiture opportunities for City capital assets. Maintaining the City's capital asset inventory requires more financial resources than the City has revenue capacity to fulfil. Diligence in asset acquisition will be necessary to ensure excess capital growth does not compound the City's financial pressures beyond a manageable level.

   Challenges

   - The City does not have a supply of assets that are vacant or unused. Most City assets are either leased to other organizations, or used to deliver City services. The divestiture of assets may require changes to the way services are delivered, or service level reductions.
   - Many community and not for profit groups rely on the current supply of surplus assets through lease arrangements and any proposed divestiture may create a gap (perceived or real) for residents.

   Opportunities

   - The divestiture strategy is within the City's control and, if executed appropriately, should help to narrow the fiscal gap.
   - Reviewing the acquisition strategy (including the construction of new facilities and full cost of ownership) in accordance with The City Plan and the City's strategic planning framework will ensure that acquired or constructed assets maximize public benefit.
   - Asset rationalization planning provides an opportunity to review whether owning City assets, both used by the City and leased to external organizations, aligns with strategic

and service delivery goals.

Workplan to continue focus on divestiture and diligence in acquisition	**Current Status and Anticipated Timeline**	**Lead/ Responsibility**
Guided by the Land Management Guidelines, Land Development Policy and the Asset Rationalization Framework, the Real Estate branch reviews land and property the City owns on an ongoing basis to see what may be able to be divested.	*In progress Ongoing*	*Financial and Corporate Services*
Guided by the Asset Rationalization Framework, Integrated Infrastructure Services is reviewing the City's facility portfolio to determine what may be able to be divested.	*In progress Ongoing*	*Integrated Infrastructure Services*
Integrated Infrastructure Services Report IIS02821 Downtown Workspace Optimization, Executive Committee March 5, 2025.	*Q1 2025*	*Integrated Infrastructure Services*
In fall 2024, Real Estate led a right-sizing review of 43 leased City assets. Administration is currently implementing the approved recommendations.	*In progress Q4 2025*	*Financial and Corporate Services*
A review of non-profit leasing guidelines.	*In progress Q4 2025*	*Financial and Corporate Services*

Expected Decision Points and Recommendations

- Divestiture decisions including the proposed approach to sell City-owned assets.
- Decisions on right-sizing the City's portfolio of leased assets.
- Policy decisions related to non-profit leasing.

Measures and Indicators of Success

- Targets and measures that align the capital asset holdings with the City's strategic plans.
- Establishing performance indicators that connect non-profit leasing outcomes with the objectives of the City's strategic planning framework.

6. Comprehensive project prioritization within the growth and renewal programs: With an overall reduced capital funding envelope, the City must identify the highest-priority growth and renewal capital projects. The alignment of these priorities will enable the City to focus limited available funding towards projects that simultaneously advance The City Plan while enhancing the City's fiscal sustainability. Prioritization of capital projects ultimately determines what is built or renewed, and where. This work will commence in Q2 2025 and be addressed in the 2027-2036 Capital Investment Outlook.

   Challenges

- The cost of infrastructure is significant and growing, and municipalities deliver a significant portion of the infrastructure that impacts the lives of residents.
- The City is reliant on transfers from other orders of government to fund growth and renewal. Transfer funding levels fluctuate over time, subject to the budget priorities and fiscal constraints of higher-order governments.
- Limited available debt servicing room under current policy limits will constrain debt use in the 2027-30 Capital Budget cycle.
- Total capital funding to Edmonton has remained at historical highs in recent years, due largely to high levels of project-specific funding from the provincial and federal governments (e.g., Light Rail Transit), and a greater federal involvement in municipal funding. However, the province's unconstrained capital transfer funding has undergone significant reductions since 2019. This impacts the City's ability to fund renewal projects.

Opportunities

- Capital project prioritization can identify which projects have the largest impact towards advancing The City Plan, while enhancing the City's fiscal sustainability.
- Criteria to guide the prioritization of growth and renewal capital can be developed to ensure that the right infrastructure is being built and renewed, at the right level, in the right growth time frame to ensure alignment to The City Plan.
- Align and integrate the prioritization of growth, renewal and associated operating budget impacts from implementing District Plans, the Fiscal Impacts of Growth project, Capital Infrastructure Plan Program and the City Plan's growth phasing and activation policies.

Workplan for comprehensive prioritization of capital growth and renewal	**Current Status and Anticipated Timeline**	**Lead/ Responsibility**
Develop the 2027-2036 Capital Investment Outlook (CIO). The CIO will include information on the City's asset management principles and processes to determine renewal needs, and will provide a high-level overview of the prioritization criteria for both growth and renewal projects.	*In progress Q2 2026*	*Financial and Corporate Services*
Develop a long-term Capital Infrastructure Plan Program to determine where, what and when to renew and build at City-wide and District levels in alignment with The City Plan and asset management best practices, within available budgets.	*Not yet started, Preliminary work in Q2 2026*	*Integrated Infrastructure Services, Urban Planning and Economy*

Expected Decision Points and Recommendations

- Policy decisions that determine what gets built, where, when and to what service level including what gets built at a City-wide and District level within The City Plan.
- Endorsement of capital planning criteria used to develop the 2027-2030 capital budget.
- Guidance on approach for the 2027-2030 Capital Budget.

Measures and Indicators of Success

- Development of measures and indicators that inform the future build and renewal decisions.

7. Comprehensive service prioritization: Given the City's numerous fiscal challenges and constraints, discussed in FCS02218 Capital and Operating Shortfall Analysis, and the limited suite of fiscal tools available, the City does not have the financial resources necessary to meet the increasing demands of residents. The City needs to prioritize services with a focus on core municipal responsibilities (those that are legislatively required or practically necessary) that are most necessary to maintain Edmontonians' quality of life. Administration continues to build on the work of previous budget initiatives and reduction exercises, including priority-based budgeting and Operating Budget Amendment 12 (OP12 from the 2023-2026 budget deliberations).

Challenges

- Prioritizing services over others will require some service levels to be reduced or services being eliminated.
- Tax tolerance thresholds and considerations.
- Varying public opinion on service satisfaction.
- Growing public expectations for a greater variety of services and higher service levels.
- Population growth pressures.

Opportunities

- Improve the City's ability to respond to the needs of a growing City.
- Align service prioritization with the 2027-2030 business and budget planning cycle.
- Explore opportunities for more financially-efficient service delivery models, including exploring lower-cost alternatives, digital solutions, expanding/consolidating contracted services, etc.

Workplan for service prioritization	**Current Status and Anticipated Timeline**	**Lead/ Responsibility**
Subsequent motion that Administration initiate a zero-based (line-by-line) budget process for the development of the 2027-2030 (Report - FCS02819 Budget Process Recommendations for 2027-2030)	*In progress Initial report Q1, 2025 ongoing reporting to follow*	*Financial and Corporate Services*
Annual Outcomes Reporting for Municipal Funding Arrangements. This reporting is being introduced in connection with an updated Administrative Policy on Municipal Funding Arrangements and will ensure alignment of funding provided to external groups with the City's strategic goals.	*Not yet started Q3 2025*	*Financial and Corporate Services with contribution from all departments*
Develop the 2027-2036 Operating Investment Outlook - a 10-year forecast of the incremental changes to the City's operating revenues and expenditures.	*In progress Q2 2026*	*Financial and Corporate Services*

Through the 2027-2030 budget and business planning process Administration will review: ● Services that have expanded in recent years but are not well aligned to municipal responsibilities, the City Plan or the City's strategic planning framework ● Corporate Service List ● Service Levels	*Not yet started* *Q4 2026*	*Financial and Corporate Services with contribution from all departments*
Improve the measurement of service performance through: ● Development of a Service Level Framework ● Maturing of service levels and service outputs ● Maturing of Enterprise Performance Management	*In progress* *Q4 2026*	*Financial and Corporate Services with contribution from all departments*

Expected Decision Points and Recommendations

- Guidance on continuing municipal funding arrangements for external entities that are not achieving the desired outputs, outcomes or whose activities are not sufficiently aligned with the City's strategic planning documents.
- Tax tolerance decisions and guidance around tax increases for the 2027-2030 Operating Budget.
- Service level decisions to inform the 2027-2030 operating budget.
- Guidance on approach for the 2027-2030 budget cycle, including the approval of the Zero-based Budgeting approach, including the identification of the areas where detailed information is being requested.

Measures and Indicators of Success

- Development of performance measures to monitor and report services levels in alignment with a service level framework.

8. <u>Advocacy and engagement</u>: Continued advocacy and engagement efforts with higher orders of government on modernized fiscal frameworks or funding arrangements that consider the responsibilities and pressures of big cities today.

   The City will continue to engage with the provincial and federal governments to advocate for bringing current funding arrangements up to date with Edmonton's growing needs and greater responsibilities as a modern city. In doing so, it is important to use both political-level and administrative-level advocacy channels, leverage existing intermunicipal partnerships and seek new alliances that can amplify the City's voice.

   Challenges

- Recent and ongoing advocacy efforts to increase provincial funding for Alberta's big cities have yielded little success.
- The implementation of Bill 18: *Provincial Priorities Act* may place additional constraints on the City's ability to access federal funding, if federal programs are misaligned with provincial priorities.

- Political change at the federal level may impact the Government of Canada's approach to municipal funding.
- The dissolution of the Edmonton Metropolitan Region Board removes an important shared advocacy channel.

Opportunities

- While the results of the 2025 federal election may bring changes to federal policy priorities and municipal funding programs, it also presents an opportunity to spread awareness to candidates running in the Edmonton area about the City's funding needs.
- There is potential for continued alignment with the City of Calgary and/or other municipalities with which Edmonton shares important advocacy priorities.
- The 2027 provincial election may provide new opportunities for advocacy and alliance-building.

Workplan for advocacy and engagement	**Current Status and Anticipated Timeline**	**Lead/ Responsibility**
Communicate with Council, the public and various community stakeholders about the City's large and growing renewal deficit, where all/most available funds for the foreseeable future are best applied to the renewal program.	*In progress Ongoing*	*Office of the City Manager (Intergovernmental Affairs), Communications, and Financial and Corporate Services*
Advocate for the development of new grant programs that are dedicated for municipal infrastructure maintenance/renewal.	*In progress Ongoing*	*Office of the City Manager (Intergovernmental Affairs), Financial and Corporate Services*
Advocate for more unconstrained funding from federal and provincial governments (i.e. Canada Community-Building Fund, Local Government Fiscal Framework) in lieu of only constrained growth funding (i.e. LRT funding).	*In progress Ongoing*	*Office of the City Manager (Intergovernmental Affairs), Financial and Corporate Services*
Advocate for provincial commitment to complementary provincial grant funding for current or future federal programs that permit cost-sharing between the three orders of government and the stacking of federal and provincial funding.	*In progress Ongoing*	*Office of the City Manager (Intergovernmental Affairs), Financial and Corporate Services*
Advocate to the province for additional municipal revenue tools (requires Council support) with partners such as Alberta Municipalities, the Rural Municipalities of Alberta, the Edmonton Chamber of Commerce and others to build broad support.	*In progress Ongoing*	*Office of the City Manager (Intergovernmental Affairs), Financial and Corporate*

		Services
Coordinate advocacy with the Federation of Canadian Municipalities for implementation of the new Municipal Growth Framework[3].	*In progress Ongoing*	*Office of the City Manager (Intergovernmental Affairs), Financial and Corporate Services*
Continue to advocate for restoring Grants in lieu of Property Taxes.	*In progress Ongoing*	*Office of the City Manager (Intergovernmental Affairs), Financial and Corporate Services*

Expected Decision Points and Recommendations

- Review and guidance on advocacy strategy, including the City's future federal and provincial budget submissions.

Measures and Indicators of Success

- Development of targets, indicators and other data relevant to support the advocacy position of the City of Edmonton.

9. Negotiate intergovernmental service delivery: Explore negotiated service level agreements and compensation for City delivered services for areas that are the responsibility of other orders of governments.

Challenges

- Exploring compensation agreements with other orders of government requires a shared understanding of service areas that fall under each order of government, which may be difficult to achieve considering the blurring of jurisdictional lines in recent years.
- Other orders of government may not be receptive to the idea of legally binding compensation agreements due to fiscal constraints, budgetary considerations and/or unwillingness to create a precedent.

Opportunities

- Continue to encourage and support the federal and provincial governments to adequately fund service delivery necessary to meet the needs of Edmontonians by providing accurate and timely information about the needs of Edmontonians, as occurred through the recent provincially-funded expansion of emergency shelter services in Edmonton.

[3] https://fcm.ca/en/focus-areas/municipal-growth-framework

- Continue to track and leverage emerging funding opportunities from other orders of government that can help offset or defray required municipal investments

Workplan for negotiating intergovernmental service delivery	**Current Status and Anticipated Timeline**	**Lead/ Responsibility**
Continue to advocate to the province for reimbursement for providing emergency medical services.	*In progress Ongoing*	*Office of the City Manager (Intergovernmental Affairs), Community Services*
Explore funding for increased City service levels for encampment response and cleanup as a result of unmet demand for affordable housing, mental health and addiction services and supports.	*Internal discussion ongoing*	*Office of the City Manager (Intergovernmental Affairs), City Operations, Community Services*

Expected Decision Points and Recommendations

- Service level decisions that align with the City's roles and responsibilities and with the City's strategic direction.

Measures and Indicators of Success

- Development of targets, indicators and other data relevant to support the service level decisions made and the case for compensation or additional funding.

10. Prioritize strategic goals: The City's strategic goals are expansive and pull the City into non-traditional service areas which puts upward pressures on expenditures beyond the City's revenue-raising capacity.

    Challenges

    - 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.

    Opportunities

    - Examine how strategies are developed and delivered
    - Explore if options exist to partner with industry and community organizations to achieve goals outlined in ConnectEdmonton and The City Plan.

Workplan to prioritize strategic goals	**Current Status and Anticipated Timeline**	**Lead/ Responsibility**

Review all Council and Administrative strategies to ensure all strategic documents advance the strategic goals, reducing redundancy and eliminating strategies which do not advance strategic goals.	*Q1-Q3 2025*	*Financial and Corporate Services with contribution from all departments*
Identify and align priorities through the business planning and budget process to ensure the greatest impact in advancing The City Plan. Priorities will be advanced through department and branch plans and related actions will be scoped with resources and outputs defined. This will include identifying work that will be stopped or paused to enable the priority work. The goal is to ensure the City's scarce funds are directed towards initiatives that deliver the greatest value and impacts.	*Ongoing*	*Financial and Corporate Services with contribution from all departments*
Service Packages and budget adjustments will identify the financial impacts of increased or decreased service levels which may be required to meet strategic goals. Rationale will be given as to which service level choices have potential impacts on strategic goal achievement.	*Starting with the 2027-2030 budget cycle*	*Financial and Corporate Services with contribution from all departments*
Explore options for partnerships to advance goals with: ● Significant costs for the City ● Where partnership will bring a larger benefit for the community ● Where the City does not have sole jurisdiction over the goal's impact	*Ongoing*	*All departments*

Expected Decision Points and Recommendations

- Prioritization of strategic documents with the greatest impact on The City Plan and recommendations to rescind or remove outdated strategies.
- Understanding of the financial and service impact of the strategy implementation on other business areas before the strategy is approved.

Measures and Indicators of Success

- The City of Edmonton has identified indicators that are monitored through the City of Edmonton's Open Performance dashboard. These indicators show how the City's efforts are achieving the strategic goals. Indicators reflect observable changes from the collaboration of many, rather than the results of any single organization.

11. <u>Review policy requirements</u>: Review the City's policies and bylaws that drive operating and capital requirements to assess the financial impact against the outcomes achieved.

    Opportunities:

    - Council can amend policies to calibrate the speed at which strategic priorities are advanced, or to lessen the financial costs they impose.
    - Opportunity exists to make decisions on how fast and how far to advance components of The City Plan under current fiscal constraints.

- Administration can leverage existing work undertaken as part of OP12.

Challenges:

- Certain Council policies have cost implications for civic operating and capital costs.
- There are tradeoffs involved between advancing many policy objectives and widening the City's fiscal gap. To narrow the fiscal gap, decisions may be required to amend, relax or repeal City policies which impose significant financial cost.
- All policy objectives may not be simultaneously afforded under current fiscal conditions. Prioritization will be required.

Workplan to review policy requirements	**Current Status and Anticipated Timeline**	**Lead/ Responsibility**
Review all Council and Administrative policies that drive City costs, increase operating/capital spending or reduce revenue opportunities. This review can leverage existing analysis that was commenced as part of OP12. Next steps involve detailed costing of high-financial-impact policies.	*In progress* *Q3 2026*	*Financial and Corporate Services*

Expected Decision Points and Recommendations

- Policy decisions including strengthening or relaxing policy requirements to advance elements of The City Plan.

Measures and Indicators of Success

- Use of indicators currently monitored as part of the City of Edmonton's Open Performance dashboard to aid in calibrating policy to achieve the desired outcomes within the desired timeline.

Budget and Financial Implications

Advancing the workplan is necessary to identify and resolve issues that can narrow the City's fiscal gap, a necessary undertaking to ensure the City of Edmonton's long-term financial sustainability.

Community Insight

As guided by the Public Engagement Policy, a parallel engagement plan is outlined in Attachment 1. The engagement approach will support the various work plans, and Administration will tailor engagement activities specific to these needs. This may include workshops, one-on-one interviews and surveys to stakeholders on the impacts and opportunities proposed to address the fiscal gap. These sessions will include representatives from the business community, Edmonton Federation of Community Leagues, Civic Unions, Edmonton Chamber of Voluntary Organization and the Social Planning Council. Other groups may also be engaged as determined by the work plans.

GBA+

GBA+ decisions will be part of workplans developed to address fiscal gaps related to specific City projects, policies and programs.

Environment and Climate Review

As the workplans progress, potential impacts on the City's environment and climate resilience goals could be considered. If analysis reveals potential implications, engagement may be used to gather additional perspectives related to environment and climate, which could then be incorporated as needed.

Attachments

1. Fiscal Gap Public Engagement Approach