

CAPITAL FINANCIAL UPDATE - DECEMBER 31, 2024

Recommendation

That the March 18, 2025, Financial and Corporate Services report FCS02842, be received for information.

Requested Action	Information only		
ConnectEdmonton's Guiding Principle	ConnectEdmonton Strategic Goals		
CONNECTED This unifies our work to achieve our strategic goals.	N/A		
City Plan Values	N/A		
City Plan Big City Move(s)	N/A	Relationship to Council's Strategic Priorities	Conditions for service success
Corporate Business Plan	Managing the corporation		
Council Policy, Program or Project Relationships	<ul style="list-style-type: none"> 2023-2026 Capital Budget C203D Debt Management Fiscal Policy 		
Related Council Discussions	<ul style="list-style-type: none"> FCS02486 Capital Financial Update - June 30, 2024, September 10, 2024, City Council FCS02725 Capital Financial Update - September 30, 2024, December 10, 2024, City Council 		

Executive Summary

- Administration provides capital financial updates three times a year. Consistent, transparent and timely financial reporting to City Council is part of how Administration manages the corporation responsibly for the community.

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- This report provides the December 31, 2024, capital financial update, including updates on significant capital projects, results and projections against the approved 2023-2026 Capital Budget, and the City's forecasted debt and debt servicing.
- As of December 31, 2024, of the 85 profiles reported, 82 are within the acceptable tolerance for budget and 76 are within the acceptable tolerance for schedule. When weighted by approved budget, the majority of capital profiles are within an acceptable tolerance for budget (99.6 per cent) and schedule (97.5 per cent).

REPORT

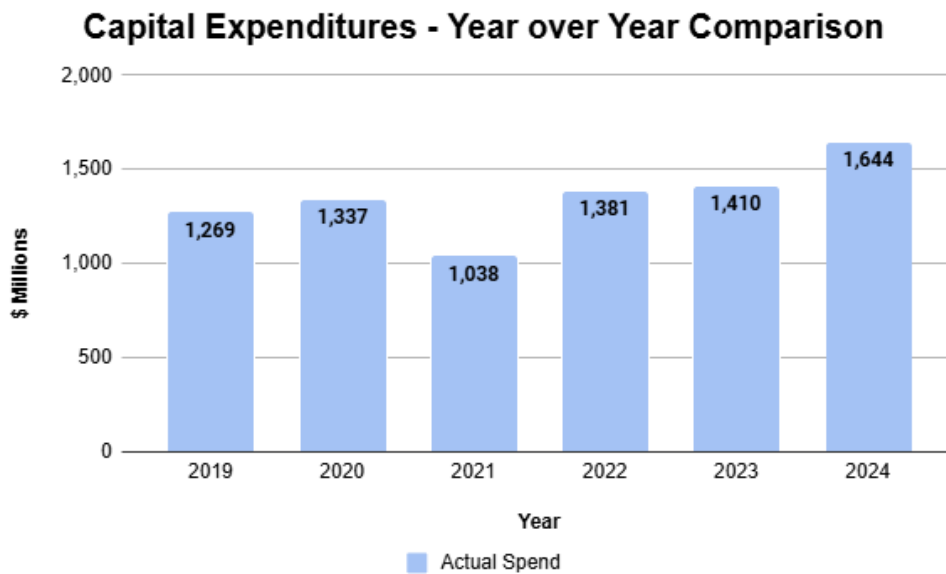
The Capital Financial Update focuses on reporting financial performance of significant capital profiles against the approved 2023-2026 Capital Budget and the status of projects against scheduled completion dates. Significant projects are defined as capital profiles that have expenditures of at least \$20 million within the 2023-2026 Capital Budget cycle or profiles that are highly strategic, complex, include many stakeholders, have major constraints and/or include a high level of risk.

2023-2026 Capital Budget Performance Compared to Budget

The total approved 2023-2026 Capital Budget is \$11.04 billion, which includes \$2.05 billion carry forward from the 2019-2022 Capital Budget and \$1.60 billion in approved capital expenditures for projects with completion dates beyond 2026. Budgeted expenditures for 2023-2026 total \$9.44 billion.

The 2023-2026 Capital Budget has 237 active profiles (129 standalone profiles and 108 composite profiles). Composite profiles include funding for multiple projects that are similar. For example, Neighbourhood Renewal Program (NRP) funding is held in a single composite profile. At the completion of preliminary design and where project estimates reach \$10 million for growth and renewal projects - project budgets are removed from the composite profile and standalone profiles are established.

Annual Expenditure Comparison



The total 2024 expenditures are \$1.64 billion, which is higher than previous years as major city-building projects progress further into construction, such as: Lewis Farms Community Recreation Centre and Library; Valley Line West LRT: Downtown to Lewis Farms; Capital Line South LRT: Century Park to Ellerslie Road; and Yellowhead Trail Freeway Conversion.

Budget Cycle Spend

Budgeted expenditures for 2023-2026 total \$9.44 billion. As of December 31, 2024, two years into the four-year budget cycle, the City spent \$3.05 billion, or 32.3 per cent, of the budgeted capital expenditures in the four-year period. For comparison, planned expenditures for the previous four-year budget cycle from 2019-2022 totalled \$7.27 billion, of which \$2.61 billion, or 35.9 per cent, was spent at December 31, 2020.

Attachment 1 provides the budgeted capital expenditures within and beyond the 2023-2026 period for tax-supported, enterprise and utility operations, as well as the allocation of the capital budget by department.

Capital Project Reporting

Of the 237 active profiles within the 2023-2026 Capital Budget, 85 are considered significant for reporting within the December 31, 2024, Capital Financial Update (49 standalone and 36 composite). These 85 profiles represent 88.8 per cent of the dollar value of the approved capital budget. The previous capital reporting (September 10, 2024, Financial and Corporate Services report FCS02725, Capital Financial Update - September 30, 2024) included 86 profiles considered significant for reporting, which represented 88.2 per cent of the dollar value of the approved capital budget.

Since that update, the following seven profiles were removed:

- Pleasantview Neighbourhood Reconstruction: Substantially complete
- Kennedale Snow Storage Site Upgrades: Substantially complete
- Yellowhead Trail - 156 Street to St Albert Trail: Substantially complete
- Yellowhead Trail - Fort Road Widening: Substantially complete

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- Edmonton Convention Centre Rehabilitation: Substantially complete
- The following two profiles were removed because budget was reallocated to individual standalone profiles after reaching Checkpoint 3 of the Project Development and Delivery Model, resulting in less than \$20 million (significant capital project reporting threshold) remaining in the composite profile:
 - Yellowhead Trail Freeway Conversion: Project Delivery Transportation
 - Neighbourhood Alley Renewal Program

The following six profiles were added, as they have completed Checkpoint 3 of the Project Development and Delivery Model and were approved by Council for delivery within a new standalone profile:

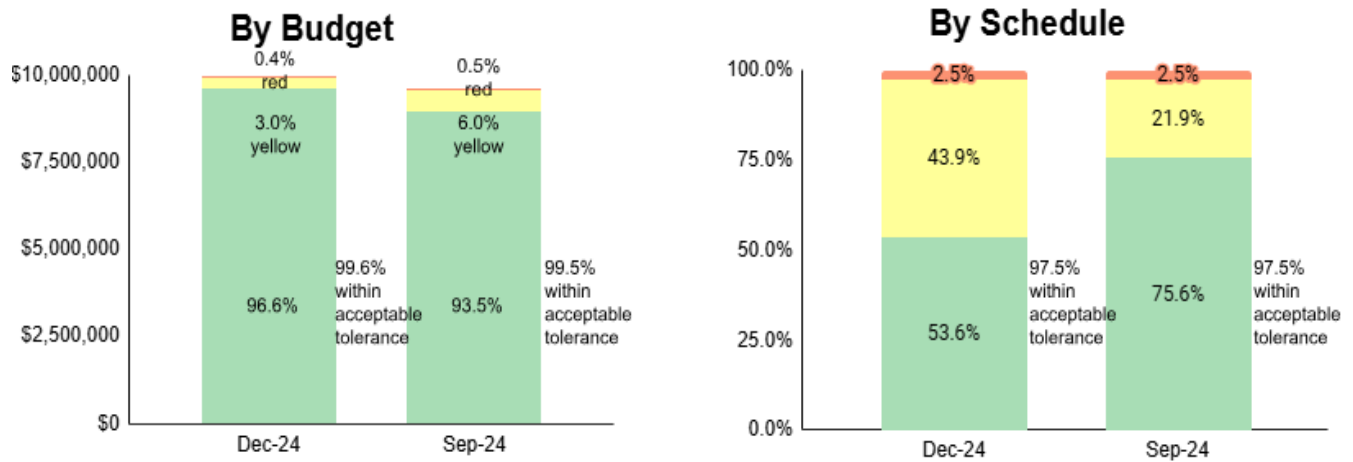
- Poundmaker Snow Storage Site Upgrades
- Yellowhead Trail - St Albert Trail to 97 Street
- Wellington Bridge Replacement
- Hillview Neighbourhood and Alley Reconstruction
- Glenwood (163 Street West) Neighbourhood and Alley Reconstruction
- Overlanders and Homesteader Neighbourhoods Reconstruction

Capital Profile Performance

Green status indicates the capital profile is currently projected to be on time or on budget. Yellow status reflects between zero per cent and 20 per cent projected variance from budget or schedule (30 per cent for profiles in the develop stage), while red status for a significant capital profile is defined as a project with a greater than 20 per cent variance from budget or schedule (30 per cent for profiles in the develop stage). Attachment 2 provides additional details on these definitions.

The majority of capital profiles, weighted by approved budget, are within an acceptable tolerance for budget (99.6 per cent) and schedule (97.5 per cent). Projects within the green or yellow status are considered to be within an acceptable tolerance. As of December 31, 2024, of the 85 profiles reported, 82 are within the acceptable tolerance for budget, and 76 are within the acceptable tolerance for schedule. The following charts present the budget and schedule status of significant capital profiles weighted by the approved budget of the profile. Budget includes total budget by profile regardless of the year of expenditure.

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*Project status in the charts above are presented with green status on the bottom, yellow in the middle, and red at the top. The status charts are weighted by the profile's approved budget.

The red status for budget is primarily made up of Heritage Valley Land Development. The red status for schedule is primarily made up of Iron Works Building Rehabilitation, Imagine Jasper Avenue (114 Street to 124 Street), Transit Smart Fare System (Arc) and the Enterprise Commons project.

Details on significant capital projects, including those noted above, are in Attachment 2¹.

Economic Risks

Developments in the economy are considered risks to the financial performance of capital projects when they have an implication on costs. As reported by Statistics Canada, Canadian builders continued to face cost pressures in Q4 2024 from skilled labour shortages and related labour rate increases, building code changes and the availability of land for development. According to Statistics Canada's composite Building Construction Price Index (BCPI) for the Edmonton CMA, annualized BCPI inflation for residential buildings accelerated from 4.1 per cent in Q3 2024 to 5.5 per cent in Q4.² Annualized BCPI inflation for non-residential structures remained elevated in Q4 at 4.7 per cent despite a slight quarter-over-quarter deceleration from 5.0 per cent in Q3.

Exchange rate volatility is another factor that could induce cost variance, though to varying degrees and depending on the project. Projects that rely on imports, such as plumbing, mechanical and electrical components, are at greater risk of unexpected cost pressures coming from exchange rate volatility. Fleet and information technology projects face moderate to higher risks due to a higher likelihood of procurement originating from the United States, which increases the City's risk exposure to volatility in the United States Dollar (USD) to Canadian Dollar (CAD) exchange rate. According to the Bank of Canada, the USD-CAD exchange rate averaged 1.4 in Q4 2024, an increase from an average of 1.36 both in Q3 2024 and Q4 2023.³ In the Conference Board of Canada's December 2024 national outlook, the USD-CAD exchange rate is

¹ Additional project information is available at building.edmonton.ca/projects

² Statistics Canada. Table 18-10-0289-01 Building construction price indexes, by type of building and division.

³ Bank of Canada. Monthly exchange rates.

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forecast to average 1.44 over the first half of 2025, and 1.43 over the second half. There is potential for more volatility in the USD-CAD exchange rate from the threat of US tariffs on Canadian imports, and Canadian countermeasures. Administration is monitoring the situation closely, and will be exploring all available options to work towards mitigating supply chain risks and exposure to exchange rate volatility.

See Attachment 4 of the March 18, 2025, Financial and Corporate Services report FCS02841 - Operating Financial Update - December 31, 2024 for further information on demographic trends between 2023 and 2024, developments in the Edmonton CMA labour market and price inflation and Edmonton housing and residential building construction.

Debt Update

Council Policy C203D Debt Management Fiscal Policy was approved by Council on November 14, 2022. Under the policy, tax-supported debt servicing is limited to 18 per cent of tax-supported net operating expenditures. Tax-supported debt servicing can exceed the 18 per cent limit for the following reasons:

- to provide matching City funding required to leverage external funds, where the external amounts fund at minimum one-third of total project costs,
- where the debt is self-supporting tax guaranteed debt, or
- where the tax-supported debt is required for emergency purposes.

Total debt servicing is allowed up to 21 per cent of City revenues. Debt servicing is permitted up to 26 per cent of City revenues, but only for emergency purposes as defined in Policy C203D.

The City is projected to finish the 2024 fiscal year with \$4.4 billion of outstanding debt. This includes total borrowings of \$414 million of tax supported debt and \$28 million of self-liquidated debt through the Government of Alberta's Treasury Board and Finance throughout the year. With respect to debt servicing limits, the City is anticipated to use 68.5 per cent of its tax-supported debt servicing limit and 54.5 per cent of its total debt servicing limit by the end of 2024.

Attachment 3 provides outstanding debt and debt servicing projections based on currently approved capital projects in comparison to the City's debt servicing limits set in Policy C203D.

Community Insight

The City of Edmonton's budgets are the instruments that allow Council to achieve the goals of ConnectEdmonton and the Big City Moves of The City Plan, and were informed by extensive public engagement. Through various channels (including formal public engagement, community conversations/tables, 311, social media and speakers at Committees of Council), the City of Edmonton listens to the needs, desires and financial realities of Edmontonians as it delivers capital projects on behalf of the community. Administration is committed to providing financial reporting back to Council and residents that demonstrates how the City has delivered on the goals and objectives set out in the budget.

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GBA+

As the financial updates provide the quantitative progress of projects and services that each have individual implications for GBA+, additional GBA+ is not completed specifically for financial update reports.

Environment and Climate Review

This report was reviewed for environment and climate risks. Based on the review completed no significant interactions with the City's environmental and climate goals were identified within the scope of this report.

Attachments

1. Capital Results as of December 31, 2024
2. Significant Capital Project Update as of December 31, 2024
3. Debt Update - December 31, 2024