

## Structural Budget Variances - December 31, 2024 Operating Financial Update

(\$000's)

Attachment 3

The following attachment provides a description of all structural budget variances over \$1,500 based on year-end results. Action plans are provided for each structural budget variance with timing to address. Amounts may vary from the structural budget variances discussed in the Fall 2024 Supplemental Operating Budget Adjustment (SOBA) report as those variances were based on June 2024 estimates. A full complete list of all structural budget variances will be discussed as a part of the fall supplemental budget adjustment process.

Department - Branch	Item Name (Attachment 1 reference)	Description of structural budget variance	Action Plan - update as necessary Outlines the work and analysis that is being done to find the solution to the structural budget variance	2024 Year End Variance \$000's	Timing	Status
City Operations - Edmonton Transit Service	Transit Fare Revenue	<p>A fare revenue gap is occurring due to changing industry and economic conditions in Edmonton. Transit ridership has recovered to pre-pandemic levels for conventional bus service; however, ridership gains are still needed for paratransit and LRT service in order to achieve full ridership recovery. Transit revenue recovery takes a bit longer than ridership recovery due to shifts in fare purchasing behaviour and related changes in travel patterns including increased demand for discounted/subsidized fare products, hybrid work, and safety and security.</p> <p>This unfavorable trend is expected to continue throughout the remainder of the 2024-2026 budget cycle.</p> <p>Current Service Level: Current Service Level: In 2024, ETS operated over 2.2M annual service hours on conventional bus and LRT, and it was the first full year of Valley Line Southeast operations. As noted in CO02481, by the end of 2025 there is an annual gap of 247,000 bus service hours to meet the minimum transit service standards.</p>	<p>1. The City has continued to advocate for ongoing provincial funding support for the low income transit pass program, Ride Transit.</p> <p>2. Actions to improve fare payment compliance:                      - TPOs have increased random fare inspections to ensure compliance.                      - Audio and visual reminders in LRT encourage fare payment, including use of Arc cards.</p> <p>3. Actions to increase fare revenue:                      - ETS has increased rider outreach and education to grow ridership and fare revenue.                      - More options for faring are being introduced in 2025 to make more convenient options for riders, including Open Payment and a multi-day Arc pass. This includes a multi-day Arc pass is being implemented in February 2025, to attract hybrid workers and visitors. This was approved as part of the user fee schedule changes during the fall 2024 SOBA.                      - Enhanced safety measures, including joint deployment teams, are in place across the network for fall and winter.                      - Actions to boost ridership contributed to a 15% increase in overall ridership in 2024 compared to 2023.</p> <p>The structural budget variance was managed on a multi-year one-time basis with funding from the LRT reserve of \$13.0 million a year for 2025 and 2026. The structural budget variance will need to be addressed on an ongoing basis in the 2027-2020 operating budget.</p>	(12,700)	2027-2030 Budget	To be addressed
City Operations - Edmonton Transit Service	Transit Operator Overtime (Personnel Costs)	<p>A projected deficit for transit operator overtime exists due to increased absenteeism from higher sick time, WCB claims, and long-term disabilities, leading to more overtime to cover shortages.</p> <p>Current Service Level:                      Current Service Level: In 2024, ETS directly operated over 2.2M annual service hours on conventional bus and LRT. As noted in CO02481, by the end of 2025 there is an annual gap of 247,000 bus service hours to meet the minimum transit service standards.</p>	<p>An action plan is being implemented with business partners and Employee Services aimed at reducing sick absences and workplace injuries. ETS initiatives include safety education, mental health awareness, wellness fairs, supervisor training in OHS, attendance management, mental health support during critical incidents, matching Operator hiring to attrition levels, and offering modified duties for gradual returns.</p>	(6,300)	Fall 2025 SOBA	To be addressed
City Operations - Fleet and Facility Services	Vandalism Costs (Vandalism)	<p>City assets have seen a significant increase in vandalism related costs, increased social disorder in public places. Facility Management Services (FMS) recovers all vandalism related costs from other branches but graffiti &amp; vandalism services related to City owned facilities are unbudgeted across the City.</p> <p>Current Service Level:                      Vandalised property requires extensive repairs (broken glass, infrastructure damage, custodial work, graffiti removal). FMS manages ≈35,000 annual work orders at a cost that reflects unplanned vandalism related increases. Vandalism is tracked separately under its own maintenance code.</p> <p>This situation impacts FMS with increased contract work, unexpected service calls, and heightened demands for additional cleaning.</p>	<p>1. Review of service levels                      2. Review Community Standards Bylaw 14600 which applies to City departments when responding to Vandalism.</p>	(3,060)	Fall 2025 SOBA	To be addressed

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City Operations - Fleet and Facility Services	Fuel price inflation (Fleet Fuel Costs)	Fuel is a highly volatile commodity and short-term forecasts for 2024 show significant price increases around 25% above current budgeted costs. The inflationary pressure cannot be avoided without service level reductions.  Current Service Level: Service level to the organization on the tax-levy side is 33 million litres of fuel servicing 24/7 operations.	Budget was adjusted during Fall 2024 SOBA to cover recurring unfavorability due to price inflation and ensure existing services levels across core City services can be maintained without financial strain. Total fuel, materials, and contractor cost inflationary impacts of approximately \$20 million were adjusted for in the Fall 2024 SOBA through reallocations of savings within existing budgets across the corporation. The structural budget variances at that time were based on June 2024 estimates. Based on year-end results the total structural budget variances for fuel, materials, and contract is closer to \$25 million. The strategy to address the additional structural budget challenge of approximately \$5 million will be discussed during the Fall 2025 SOBA.  Without adequate funding, existing fuel service levels cannot be sustained and fuel volumes would decline by over 5 million litres, leading to an imminent grounding of some fleet. Without additional budget, decisions are required regarding the prioritization of services and will have a significant impact to service reliability across the City, including but not limited to Emergency Services, Transit, Snow & Ice and Spring Sweep.	(8,420)	Fall 2025 SOBA	Partially funded in Fall 2024 SOBA.  To be addressed
City Operations - Fleet and Facility Services	Transit Fleet Maintenance - Parts Inflation (Material Costs)	Higher than budgeted cost escalations have resulted in significant inflationary pressure on parts and materials in Transit Fleet Services (average inflation 22%). These inflationary pressures are unavoidable without reducing Transit service levels.  Current Service Level: Transit Fleet Maintenance is responsible for legislated and scheduled preventative maintenance, mid-life refurbishment and repairs of Edmonton Transit Service (ETS) 900+ buses. The maintenance is required to meet service level obligations set out by Council and delivered by ETS.  Total material cost structural budget variance is \$12.0 million (\$5.0 million Transit fleet, \$2.1 million facility maintenance, and \$4.9 million municipal fleet).	Budget was adjusted during Fall 2024 SOBA to cover recurring unfavorability due to price inflation and ensure existing services levels across core City services can be maintained without financial strain. Total fuel, materials, and contractor cost inflationary impacts of approximately \$20 million were adjusted for in the Fall 2024 SOBA through reallocations of savings within existing budgets across the corporation. The structural budget variances at that time were based on June 2024 estimates. Based on year-end results the total structural budget variances for fuel, materials, and contract is closer to \$25 million. The strategy to address the additional structural budget challenge of approximately \$5 million will be discussed during the Fall 2025 SOBA.  Without adequate funding, existing maintenance levels cannot be sustained leading to an imminent, significant impact to service reliability due to parked buses, with a direct impact to riders and on-time performance goals.	(5,042)	Fall 2025 SOBA	Partially funded in Fall 2024 SOBA.  To be addressed
City Operations - Fleet and Facility Services	Facility Maintenance Services - Materials Inflation & Volume (Material Costs)	Inflationary pressures on material costs as well as volume increases for aging infrastructure assets and higher sanitary requirements. In addition, aging infrastructure (without capital renewal spend) requires in-house customized parts to be produced for repairs. Inflationary pressures on materials and parts for facilities (e.g. lumber, copper, steel) have increased costs from \$5.6M to \$7.6M per year.  Current Service Level: Depending on the infrastructure asset there will be a service level impact to the client partners, e.g. HVAC system and pool parts have a direct impact to Community Recreation and Culture (CRC) services and to the general public.  Total material cost structural budget variance is \$12.0 million (\$5.0 million Transit fleet, \$2.1 million facility maintenance, and \$4.9 million municipal fleet).	Budget was adjusted during Fall 2024 SOBA to cover recurring unfavorability due to price inflation and ensure existing services levels across core City services can be maintained without financial strain. Total fuel, materials, and contractor cost inflationary impacts of approximately \$20 million were adjusted for in the Fall 2024 SOBA through reallocations of savings within existing budgets across the corporation. The structural budget variances at that time were based on June 2024 estimates. Based on year-end results the total structural budget variances for fuel, materials, and contract is closer to \$25 million. The strategy to address the additional structural budget challenge of approximately \$5 million will be discussed during the Fall 2025 SOBA.	(2,087)	Fall 2025 SOBA	Partially funded in Fall 2024 SOBA.  To be addressed

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City Operations - Fleet and Facility Services	Municipal Fleet Maintenance - Parts Inflation (Material Costs)	<p>Municipal Fleet Services (MFS) face significant 16% inflation in parts, materials, and tires, threatening service levels for various clients.</p> <p>Current Service Level: Municipal Fleet Maintenance (MFM) manages maintenance for a fleet exceeding 5,000 vehicles, supporting critical operations like Snow &amp; Ice Control, Spring Sweep and Emergency Services.</p> <p>Rising parts costs have increased maintenance expenses, challenging fleet availability and service targets. These operations are crucial to meeting Council-mandated service obligations, impacting Parks and Roads Services, Fire Services, and other departments, including increased costs for Fire Services due to unbudgeted retained units and higher equipment expenses.</p> <p>Total material cost structural budget variance is \$12.0 million (\$5.0 million Transit fleet, \$2.1 million facility maintenance, and \$4.9 million municipal fleet).</p>	<p>Budget was adjusted during Fall 2024 SOBA to cover recurring unfavorability due to price inflation and ensure existing services levels across core City services can be maintained without financial strain. Total fuel, materials, and contractor cost inflationary impacts of approximately \$20 million were adjusted for in the Fall 2024 SOBA through reallocations of savings within existing budgets across the corporation. The structural budget variances at that time were based on June 2024 estimates. Based on year-end results the total structural budget variances for fuel, materials, and contract is closer to \$25 million. The strategy to address the additional structural budget challenge of approximately \$5 million will be discussed during the Fall 2025 SOBA.</p> <p>Without adequate funding, legislated and preventative maintenance levels cannot be sustained, impacting reliability of Snow and Ice Control (SNIC), Spring Sweep, and Emergency Services (Fire Rescue Services, Edmonton Police Service, Alberta Health Services).</p> <p>Impacts on Client Groups: SNIC: Reduced service levels + increased downtime will affect winter road safety and accessibility. Spring Sweep: Delays and reduced frequency in street cleaning. Emergency Services: Increased maintenance costs and fleet downtime will impact response times and reliability. Fire Services: Higher maintenance costs due to unbudgeted units and higher equipment costs.</p>	(4,891)	Fall 2025 SOBA	Partially funded in Fall 2024 SOBA.  To be addressed
City Operations - Fleet and Facility Services	Facility Maintenance Services - Contract Work Inflation (Contract Costs)	<p>Facility Maintenance Services (FMS) is facing cost escalations due to inflation (15% avg), potentially leading to service level reductions.</p> <p>Current Service Level: FMS maintains 900 facilities and 700 infrastructure assets valued &gt;\$6.1B. Custodial services are provided for City Hall, recreation centers, police stations, libraries, office towers and transit shelters (over 10M sq ft). FMS adheres to CSA and Alberta regulatory standards.</p> <p>Services include Preventative, Reactive, and Emergency Maintenance best practices for City assets; however, priority is given to emergency and breakdown maintenance over long-term preventative plans.</p>	<p>Budget was adjusted during Fall 2024 SOBA to cover recurring unfavorability due to price inflation and ensure existing services levels across core City services can be maintained without financial strain. Total fuel, materials, and contractor cost inflationary impacts of approximately \$20 million were adjusted for in the Fall 2024 SOBA through reallocations of savings within existing budgets across the corporation. The structural budget variances at that time were based on June 2024 estimates. Based on year-end results the total structural budget variances for fuel, materials, and contract is closer to \$25 million. The strategy to address the additional structural budget challenge of approximately \$5 million will be discussed during the Fall 2025 SOBA.</p> <p>Tracking additional costs and collaborating with IIS lifecycle management to analyze data for opportunities and alternative options to reduce costs.</p> <p>Without adequate funding, existing contract work services in FMS cannot be sustained affecting compliance with critical regulatory standards, compromising safety and operational integrity of &gt;900 facilities and 700 infrastructure assets. There will be significant impacts to preventative maintenance programs prioritizing emergency repairs over long-term asset prevention.</p>	(4,711)	Fall 2024 SOBA	Partially funded in Fall 2024 SOBA.  To be addressed

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City Operations - Parks and Roads Services	OSCAM Revenues & Recoveries  (Permit Fee Revenue)	OSCAM permit revenue budget has been unfavorable since fees were introduced on February 24, 2019.  Key reasons: 1. Daily OSCAM fees triggered positive behavior changes leading to ~\$1.8M budget unfavorability. 2. Delayed implementation of Lane Occupant Fee permits due to pandemic and industry feedback caused a ~\$1M unfavorability. 3. Approximately \$2M in unearned revenue due to free OSCAM permits for Temporary Crossing and Tree Protection work, following industry pushback.  Current Service Level: Average processing time is 6 days. Annual number of permits issued: 9,944 in 2023, and 10,046 in 2024; average duration of permits is 31.4 days in 2023 and 32 days in 2024.	Review of the complete OSCAM process (including permitting, fees structure, and education/enforcement) which could inform any additional revenues/increase in revenues that could potentially be generated along with the need for additional tax levy).	(4,400)	Fall 2025 SOBA	To be addressed
City Operations - Parks and Roads Services	Security costs for parkades <i>(Newly identified structural budget variance)</i>  (Parkade Operating Costs)	Commissionaires security guards are deployed across various City locations. ECCW and Canada Place include security as part of their lease agreements, and there are no security costs in other parkades.  Downtown locations (Chancery Hall, Century Place, Edmonton Tower, and Stanley Milner Parkade) and Edmonton Fire sites (primarily for fire watch by EFRS) require security. Other sites include City facilities such as yards, Fort Edmonton Park, the Muttart, Orange Hub, and some recreation centres. Among recreation centres, only Millwoods Rec Centre occasionally uses Commissionaires, managed when Commonwealth Security is unavailable. River valley areas are monitored exclusively by Parkland Peace Officers.	The PARS Branch to collaborate with Corporate Security to see if other measures can be taken to decrease security costs. For example, locking parkade doors after midnight or earlier to prevent individuals that are houseless to seek shelter in the parkades. A security costing review is being completed by the DSS team in Community Services that will be looking at the costing and need for security. This project will include security costs for the Library and City Hall parkades.	(1,500)	Fall 2025 SOBA	To be addressed
City Operations - Parks and Roads Services	Spring Sweep - leased equipment  (Spring Sweep Program)	Infrastructure Operations has a projected budget deficit of ~\$900K, based on actual lease costs.  Contract work budget needs \$700K for higher contractor expenses due to inflation. Average contract work costs in the last 5 years have been \$4.7M vs budgeted \$4.0M.  Current Service Level: The service level agreement (SLA) requires completing spring sweeping by June 1 each year.	1: Reduce Inventory Being Swept for Spring Sweep - Further investigate areas where spring sweep operations could cease (e.g. industrial areas, BIAs, etc.); keep arterials/collectors required due to safety.  2: Decrease/Recover from BIA Street Sweeping Program (Year-Round) and transfer budget to Spring Sweep (remove/recover BIA sweeps but continue reactive safety sweeps using tax levy).  3: One Crew to Clean Year-Round (instead of seasonal sweeping) - About 12 sweeper operators to sweep and then backfill them in their home areas. - Exploring implications of this option.	(1,600)	Fall 2025 SOBA	To be addressed

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City Operations - Parks and Roads Services	SNIC Sand Removal	<p>The 2016 Winter Street Sand Recycling and Mixing Program Audit recommended proper program management procedures. In response, a contract was awarded with an annual estimated cost of \$2.1M, but no operational budget was allocated. Annual cost was \$2.1M, \$1.6M, and \$2.2M in 2022-24. The lack of funds required for sand removal and recycling will lead to a continuous negative variance.</p> <p>Current Service Level: Legislative requirement to dispose of sweepings at a Class 2 landfill.</p> <p>KPI: From 2022 to 2024, an average of 112,000 tonnes of new and old stockpile sand was collected and disposed of annually.</p>	<p>Investigate In-house Sand Processing and Draft Proposal:</p> <ul style="list-style-type: none"> <li>- Explore purchasing technology for in-house sand decontamination and processing, which could pay for itself within four years and reduce annual costs. Implementation could be achieved within 6 to 12 months.</li> <li>- Develop a detailed proposal for the new sand processing, which is currently in progress.</li> <li>- Pursuing technology located in a nearby municipality and complete a cost benefit analysis.</li> <li>- The capacity of the Sand Processing Facility exceeds the COE's needs so we could potentially offer this service to nearby municipalities to generate more revenue.</li> <li>- If this technology is a viable option, an SCBA will also need to be put forward (would seek grant funding if possible).</li> </ul>	(2,200)	Fall 2025 SOBA	To be addressed
Office of the City Manager - Fire Rescue Services	Overtime (OT) (Personnel Costs)	<p>In 2024, FRS incurred nearly \$6M in OT costs, representing a 335% unfavourable variance to budget. The drivers of this variance are higher than expected sick, WCB and long term disability leaves which require overtime costs to cover minimum staffing levels.</p> <p>Current Service Level: Minimum staffing levels of 227 FTEs per shift.</p>	<p>Sick Time Impact Review: Fire Rescue Services and Disability Management are reviewing staff on leave causes and planning a workforce exercise to determine leave patterns, staffing needs and overtime. A support program may be proposed, similar to EPS model. As a result of this review, 15 positions that were being held for staff on WCB/LTD claims have been released and will be backfilled in May 2025.</p> <p>Training Adjunct Model Review: Train-the-trainer model for firefighter training requires trainers to leave frontline shifts, leading to overtime. A review may propose relief positions, similar to ETS, to reduce overtime impact.</p> <p>Temporary Position Reduction: FRS is reducing temporary positions traditionally offered to EFFU members for special projects or development. This aligns with 'slow down' initiatives like outreach, recruitment and accreditation efforts.</p> <p>Centralization of Hazmat Service: As projected demand for hazmat service has not materialized on the southside of the City and technology improvements have reduced response times, EFRS has centralized this service. This change has reduced the minimum staffing per day from 227 to 223 and increased the minimum staffing factor from 1.25 to 1.30.</p>	(5,817)	Fall 2025 SOBA	To be addressed
Employee and Legal Services (Corporate Programs) - Legal Services	Cost of Insured Claims and Settlements (Claims Liability)	<p>Insured claims continue to increase in frequency and severity. The top exposures are:</p> <ol style="list-style-type: none"> <li>1. Damages and repairs to City's assets (First Party claims), driven by asset base growth, inflation, aging infrastructure, climate change and vandalism.</li> <li>2. Legal settlements for third-party claims against the City, driven by asset growth, inflation, higher injury settlements from recent court decisions, increased litigation and recent auto reform (Bill 41) increasing no-fault claim compensation.</li> </ol> <p>Current Service Level: In-house litigators and adjusters manage third-party claims effectively, pursuing settlements or legal proceedings as appropriate.</p>	<p>Continued efforts to manage claims and settlement increases through robust claims handling practices. Further work/action plan in collaboration with operations:</p> <ol style="list-style-type: none"> <li>a) complete the Claims Analytics Dashboard and initiate claims reporting to the business areas and leadership;</li> <li>b) bolster property damage claims processes corporately;</li> <li>c) improve recoveries;</li> <li>d) stop insuring third party entities when proven effective;</li> <li>e) investment in maintenance and rehabilitation of city's facilities and housing portfolio;</li> <li>f) bolstering security measures to minimize vandalism; and</li> <li>g) proactive investment in facilities' climate adaptation measures.</li> </ol>	(4,900)	Fall 2025 SOBA	To be addressed