

BUDGET PROCESS RECOMMENDATIONS FOR 2027-2030

Approach to Zero-Based Budgeting

Recommendation

That the approach related to the Council motion on a zero-based (line-by-line) budget process for the development of the 2027-2030 Budget, be approved, as outlined in the March 18, 2025, Financial and Corporate Services report FCS02819, including:

1. Using Executive Committee in place of establishing a temporary Budget and Finance Committee;
2. Administration delivering detailed branch presentations throughout 2026 for Civic Departments and Corporate Programs;
3. Agencies, Boards and Commissions will complete annual reporting on outcomes achieved with City funding through implementation of the Municipal Funding Arrangements Policy A1476A, and will present to Council through that process; and
4. Transitioning towards a results-based budget over the course of the 2027-2030 budget cycle.

Requested Action	Council decision required		
ConnectEdmonton’s Guiding Principle	ConnectEdmonton Strategic Goals		
CONNECTED This unifies our work to achieve our strategic goals.	Healthy City		
City Plan Values	BELONG. LIVE. THRIVE. ACCESS. PRESERVE. CREATE.		
City Plan Big City Move(s)	A community of communities Inclusive and compassionate Catalyze and converge	Relationship to Council’s Strategic Priorities	Conditions for service success
Corporate Business Plan	Serving Edmontonians		
Council Policy, Program	<ul style="list-style-type: none"> • The City Plan 		

BUDGET PROCESS RECOMMENDATIONS FOR 2027-2030 - Approach to Zero-Based Budgeting

or Project Relationships	<ul style="list-style-type: none">● C578A - Multi-year Budgeting Policy● C624 - Fiscal Policy for Revenue Generation● C203C - Debt Management Fiscal Policy● C591 - Capital Governance Policy
Related Council Discussions	<ul style="list-style-type: none">● December 2, 2024, Financial and Corporate Services report FCS02529rev, Fall 2024 Supplemental Operating Budget Adjustment● February 25/26, 2025, Office of the City Clerk report OCC02814, Creation of an Infrastructure Standing Committee

Previous Council/Committee Action

At the December 2, 2024, City Council meeting, the following motion was passed:

That Administration initiate a zero-based (line-by-line) budget process for the development of the 2027-2030 Budget, including:

1. establishment of a temporary Council Budget and Finance Committee, including the Mayor as a member of the Committee, that reports directly to Council;
2. regular check-ins by the Committee with Council;
3. branch by branch presentations on the proposed budget to the Committee, including all Agencies, Boards, and Commissions, starting in early 2026, which include:
 - a. benchmark comparisons with other municipalities for costs and performance levels while considering total size of inventory (ex: laneway kms or roads, hectares of green space, number of civic buildings, etc.).
 - b. any available audit information and/or progress for each branch.

Executive Summary

- Administration's approach for responding to the Council motion is focused on improving governance, transparency and effectiveness of the budgeting process.
- Governance will be enhanced by leveraging the existing Executive Committee instead of creating a new temporary committee, ensuring efficient oversight and alignment with the existing mandate.
- Transparency will be enhanced through detailed branch presentations in 2026, providing line-by-line budget details and performance information, and allowing for deeper analysis in specific areas using zero-based budgeting principles as needed. The process will be modelled after the Government of Alberta's Committee of Supply and Public Accounts Committee, which offers a framework that could be adapted to enhance the transparency and accountability of the City's municipal budgeting process.
- The motion references zero-based budgeting and line-by-line budgeting, which are distinct approaches with different methodologies and applications.

BUDGET PROCESS RECOMMENDATIONS FOR 2027-2030 - Approach to Zero-Based Budgeting

- Effectiveness will be improved by shifting to results-based budgeting throughout 2027-2030, connecting budget decisions to strategic outcomes and performance measures.
- This approach provides Council with supplemental details for informed decision-making, enhances financial accountability and transparency, and enables effective resource allocation in alignment with strategic priorities.
- By 2030, Administration will conduct a review of the results achieved and develop a budget methodology that ensures Council remains informed at the level they deem appropriate for effective decision-making.

REPORT

This report outlines Administration’s approach to providing Council the information desired based on the motion. A summary of what Administration heard during the discussion is included in Attachment 1. To move forward effectively, it is essential to have an approach that ensures Council has supplemental information for decision-making.

This report provides recommendations on three key focus areas: governance, transparency and effectiveness. Administration is committed to fulfilling the requirements of the motion by addressing these areas.

Governance

The motion calls for augmented governance of the budgeting process through the creation of a new committee that has regular check-ins with Council. The table below outlines the proposed mandates of a new Budget and Finance Committee and Executive Committee:

Proposed Budget and Finance Committee	Executive Committee
<p>The direct mandate of this committee would include the following:</p> <ul style="list-style-type: none"> • Financial governance • Budget related communications and public engagement • Budget, financial and economic management of the City 	<p>Executive Committee’s mandate includes oversight of financial and corporate issues; its scope encompasses:</p> <ul style="list-style-type: none"> • Governance • Communications and public engagement • City budgets • City business, financial and economic management • City personnel matters • Assessment and taxation • Information Technology • Intergovernmental Affairs • Financial and economic issues related to real estate and housing • Implementation of City infrastructure projects
<p>The indirect touch points of this committee could include the following:</p> <ul style="list-style-type: none"> • City personnel matters • Assessment and taxation 	

BUDGET PROCESS RECOMMENDATIONS FOR 2027-2030 - Approach to Zero-Based Budgeting

There is potential for significant overlap between the mandate of a new Budget and Finance Committee and Executive Committee. Additionally, at the February 25, 2025, City Council meeting, Council directed preparation of bylaw amendments to Bylaw 18156 Council Committees Bylaw to establish a standing Infrastructure Committee, as outlined in Office of the City Clerk report OCC02814. The bylaw amendment will be presented to City Council in March/April, 2025 and, if it is approved and comes into force immediately, certain reports currently scheduled for Executive Committee could be re-routed to the new Infrastructure Committee. This would result in additional capacity on upcoming Executive Committee agendas that could be used for this work, rather than creating an additional temporary Council Budget and Finance Committee. This would align with Executive Committee's existing mandate, promote efficiency for both Council and Administration, and ensure the desired oversight of the budget process.

Transparency

The motion calls for providing the Committee a greater level of budgetary and operational information through branch by branch presentations and line-by-line details. To accomplish this, Administration will deliver budget presentations from each branch that include the line-by-line budget by section, an overview of the branch, funding model, key cost drivers, structural budget variances, staffing composition, outputs and deliverables, services and service levels, benchmark comparisons with other municipalities where possible and any audit information.

The process will be modelled after the Government of Alberta's Committee of Supply and Public Accounts Committee, which offers a framework that could be adapted to enhance the transparency and accountability of the City's municipal budgeting process. The Committee of Supply examines department budgets, while the Public Accounts Committee evaluates spending outcomes against objectives. Integrating the functions of these committees into Executive Committee through branch financial presentations will create a robust oversight system, improving budget transparency, understanding and alignment with community priorities.

2025: Establish Foundation

To implement this effectively for all branches in 2026, Administration will test the process with a select number of branches presenting to Executive Committee in 2025. This will allow Administration to gather feedback and validate whether the level of information provided meets Council expectations. Administration will also select specific areas for deeper analysis to supplement these presentations, including at least one area with a structural budget variance. Again, this will be reviewed with Executive Committee for confirmation. Information gathered through this process will be incorporated into the Fall 2025 Supplemental Operating Budget Adjustment where required.

Structural budget variances are ongoing deficits or surpluses that may have been caused by an event or circumstance that fundamentally changed business, and they require set plans to address. They have identifiable root causes, are systemic in nature and do not include variances that are one-off or timing issues that balance out through the year.

BUDGET PROCESS RECOMMENDATIONS FOR 2027-2030 - Approach to Zero-Based Budgeting

2026: Branch by Branch Presentations

In early 2026, branch presentations will be delivered to Executive Committee based on what was established in 2025. At least one day may be required per department, with some requiring multiple days to accommodate over 30 branches, estimating at least one hour per branch. Administration will collaborate with Executive Committee to identify focus areas for the 2026 fiscal year and incorporate these into the development of the 2027-2030 Budget.

Agencies, Boards and Commissions will complete annual reporting on outcomes achieved with City funding through implementation of the Municipal Funding Arrangements Policy A1476A, and will present to Council through that process.

2027-2030 Budget Development

Administration's primary focus in 2026 will be on developing the 2027-2030 budget. Budget deliberations will include departmental presentations to clearly show what has been incorporated to the budget for 2027-2030 and provide the necessary information for decision-making, effectively bookending the year with presentations.

The motion references zero-based budgeting and line-by-line budgeting, which are distinct approaches with different methodologies and applications. The discussion during the debate on this motion also included elements of results-based budgeting and indicated the desire for no outsourcing or reduction of staff complement, which does not align with implementing a true zero-based budget. Zero-based budgeting is a more time-intensive process than the City's current budget methodology and practice. This is because zero-based budgeting requires a complete evaluation of all programs, expenditures and service levels, whereas the City's current approach starts with the current base budget and existing service levels and adjusts for known changes. Zero-based budgeting involves a detailed review of every budget item, requiring staff to collect data, perform cost-benefit analyses and justify funding needs from zero. Service levels must be confirmed through Council, adding further complexity. This rigorous process can slow decision-making, especially in large organizations with complex budgets and multiple departments. The time and effort to complete zero-based budgeting exceeds the current resource capacity and additional software tools may be required.

Before requesting additional resources, Administration's proposed approach focuses on providing Council with the essential information for decision-making, while avoiding unnecessary delays in areas that are not up for debate (e.g. legally mandated service standards). A targeted approach to zero-based budgeting will provide detailed financial and performance information and use key elements of zero-based budgeting to allow for in-depth analysis as needed. This will ensure efficient resource allocation, fulfill Council's requirements for informed decision-making, strengthen financial accountability and transparency, and enable Administration to deliver the 2027-2030 Budget within existing resources. After taking a targeted approach, a decision can be made to extend the approach to the entire organization in future years.

Effectiveness

The motion calls for increased information on performance levels and benchmarking information. The discussion around the motion also included questions about providing a budget

BUDGET PROCESS RECOMMENDATIONS FOR 2027-2030 - Approach to Zero-Based Budgeting

based on desired service levels, and conducting a review to determine if programs are achieving their projected outcomes. In order to improve effectiveness, Administration anticipates a shift to results-based budgeting over the course of the 2027-2030 budget cycle.

Results-Based Budgeting

Results-Based Budgeting (RBB) uses performance information to guide budget decisions, in alignment with City Policy Enterprise Performance Management - C600. RBB goes beyond financial efficiency by considering the community impact of budget allocations. It allows Council and Administration to assess not only the cost (inputs/investments into services and programs) and resulting services (program and service outputs) but also the overall effect on Edmontonians in relation to the City's strategic goals (outcomes).

RBB is not simply a replacement for traditional line-item budgeting, but rather a comprehensive approach that integrates performance data with financial information to enhance resource allocation. It combines line-item budgeting, program/service budgeting, performance measurement and performance management. Challenges to introducing this approach include connecting performance reporting systems with budget reporting systems and getting information at program and outcome levels while still having section, branch and department data available, as well as building evaluation capacity across Administration. Additionally, RBB must include the active consideration of program outcomes (more immediate and tangible performance measures within the City's control) with slower, longer-term progress on community outcomes (where the City only has influence). Implementation will evolve over the 2027-2030 budget cycle with the goal of achieving a results-based budget by 2030.

The City's current incremental approach to budgeting focuses on inputs, with reporting on *activities* that were undertaken using those inputs. RBB provides more insight by reporting on the results of those investments (*outputs*) and the *outcomes* of that work, to understand whether budget decisions are having the desired *impacts* in the community.

This concept is illustrated using a hypothetical bus rapid transit example in the following table:

----- *Focus of incremental budgeting* ----- ----- *Focus of results-based budgeting* -----

Inputs	Activities	Outputs	Outcomes	Impacts
<ul style="list-style-type: none"> Number of new buses Dedicated bus lane Additional Operators to deliver the service Additional hours of annual bus service for the route schedule 	<ul style="list-style-type: none"> Travel patterns and peak time assessments Developing new route stops Procuring new buses Training Operators Creating bus schedule Developing Operator shift schedules 	<ul style="list-style-type: none"> A rapid bus service with 30 minute frequency Modern buses A new inter-route connecting bus terminal 	<ul style="list-style-type: none"> Improved ridership Reduced traffic collisions Reduced traffic emissions 	<ul style="list-style-type: none"> Neighbourhood density Economic growth Mode shift

BUDGET PROCESS RECOMMENDATIONS FOR 2027-2030 - Approach to Zero-Based Budgeting

After 2026, departmental presentations to Council will continue annually. Each year will see a further refinement of reporting and a stronger connection to results and outcomes. The progression will shift focus from determining funding allocations and outputs to a system deeply aligned with the strategic planning framework and principles of RBB. By 2030, Administration will conduct a review of the results achieved and develop a budget methodology that ensures Council remains informed at the level they deem appropriate for effective decision-making.

Shifting to results-based budgeting will enable the City to connect program and service investments with their achieved outcomes and outputs, leverage performance information for resource allocation and ensure public funds are directed towards initiatives that deliver the greatest value and impact for Edmontonians. This will support collaboration between Administration and Council, to deliver a foundational budget with full understanding of where all dollars are going and how they are being spent.

Community Insight

Administration gathers insights from multiple sources to inform the budget, including public engagement on the four-year budget, the annual satisfaction survey and public opinion research.

- Administration did extensive public engagement in summer 2022 to support the development of the 2023-2026 budget, and the learnings are also considered with all subsequent budget adjustment recommendations. Those insights were also shared with Council to support their decision-making through the October 31, 2022, Communications and Engagement report CE01489, Budget 2023-2026 Community Insights.
- Administration conducted its third annual Service Satisfaction Survey in summer 2024. The survey gathers Edmontonians' perceptions of overall service quality and the satisfaction and importance of highly visible City of Edmonton services.
- Administration also undertook public opinion research in fall 2024 about the budget. An online survey was conducted to understand Edmontonians' current financial situation and their opinions on potential adjustments to City services, user fees and property tax increases. Survey respondents are reflective of Edmontonians in terms of age, gender, income and regional distribution across the city (by quadrant).

The insights from combining the results of this research illustrate the challenges in building and adjusting municipal budgets. There is no single combination of priorities that will satisfy all Edmontonians, particularly given the financial challenges many residents are facing.

Administration will continue to gather insights from the community throughout the remainder of the 2023-2026 budget cycle. The development of the 2027-2030 four-year budget will be supported by comprehensive community engagement.

GBA+

The four-year budget incorporated input from the public engagement and research activities described above. This engagement applied a GBA+ to do targeted outreach and ensure the City captured input from residents experiencing unique barriers and challenges and those whose

BUDGET PROCESS RECOMMENDATIONS FOR 2027-2030 - Approach to Zero-Based Budgeting

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.

GBA+ is applied on the project, service or profile that make up each of the budget adjustments. As part of the development of the 2023-2026 Proposed Operating Plans and Budget, departments and GBA+ Centres of Excellence participated in a partial GBA+ process, and identified differential impacts that new initiatives proposed for the next four years might have on Edmontonians

Administration will apply GBA+ for the 2027-2030 budget development.

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.

Attachment

1. Summary of What Administration Heard: Subsequent Motion 4