COUNCIL REPORT

Edmonton

2025 MUNICIPAL TAX LEVY CONFIRMATION

2023-2026 Operating Budget

Recommendation

That adjustments to the 2025-2026 Operating Budget, as outlined in Attachment 1 of the April 22, 2025, Financial and Corporate Services report FCS02845, be approved.

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. CREATE.		
City Plan Big City Move(s)	A community of communities Inclusive and compassionate Catalyze and converge	**Relationship to Council's Strategic Priorities**	Community safety and well-being Arts and culture Economic Growth Conditions for service success
Corporate Business Plan	Serving Edmontonians		
Council Policy, Program or Project Relationships	• Multi-year Budgeting Policy (C578A) • Fiscal Policy for Revenue Generation (C624) • Debt Management Fiscal Policy (C203D) • Financial Stabilization Reserve (C629A) • The City Plan		
Related Council Discussions	• November 13, 2024, Financial and Corporate Services report FCS02716 Review of Multi-year Budgeting Policy C578 • December 2, 2024, Financial and Corporate Services report FCS02529rev, Fall 2024 Supplemental Operating Budget Adjustment - 2023-2026 Operating Budget		

Executive Summary

- The Municipal Tax Levy Confirmation finalizes the 2025 tax levy budget approved by Council in December 2024, prior to finalizing 2025 tax rates.
- Adjustments to the 2025-2026 approved budget are included in Attachment 1 and are related to changes in economic forecasts, external factors/legislative changes, and other operating adjustments proposed by Administration.
- The proposed tax increase is 5.7 per cent in 2025 and 6.4 per cent in 2026.
- The 0.4 per cent decrease in the tax levy change from fall 2024 is the result of the restoration of provincial grants in place of taxes program to 100 per cent over a two year period.
- Factoring in changes to the provincial tax requisition, the combined tax increase is 6.0 per cent for residential properties and 5.7 per cent for non-residential properties.
- The 2025 property tax bylaws will be brought forward to City Council on April 30, 2025.
- Administration continues to monitor and analyze the risk associated with tariffs, as well as develop mitigating strategies; no adjustments to the budget are included at this time.

REPORT

The Municipal Tax Levy Confirmation is part of the City Council approved multi-year budgeting approach to setting the 2023-2026 Operating Budget.

Guided by the City’s Multi-year Budgeting Policy C578A, the supplemental budget adjustment process allows for adjustments arising from factors such as:

- Changes to economic forecasts;
- Provincial or federal government budgets;
- Changes imposed by legislation;
- Operating impacts of capital;
- Administrative adjustments requiring Council approval; and
- Council-directed changes to priorities, policies and programs.

In November 2024, Council approved changes to the Policy C578A, formalizing the reduction in the scope of the Spring Supplemental Operating Budget Adjustment (SOBA) from a budget adjustment to a municipal tax levy finalization, effectively requiring all tax levy decisions to be made at the fall SOBA.

As per the policy, the spring adjustment is not intended to modify the tax change approved in fall unless the change is required for unforeseen circumstances. It is to finalize the municipal tax levy prior to completion of the taxation bylaw. Revisions to the policy limit budget adjustments to changes in budgetary assumptions and legislation.

Council approved amended tax increases as part of the Fall 2024 SOBA on December 2, 2024, as follows: 6.1 per cent in 2025 and 6.8 per cent in 2026.

The recommendations in this report decrease the tax change by:

- 0.4 percentage points in 2025 for a total of 5.7 per cent, and
- 0.4 percentage points in 2026 for a total of 6.4 per cent.

2025 MUNICIPAL TAX LEVY CONFIRMATION - 2023-2026 Operating Budget

The 2025 Municipal Tax Levy Confirmation includes adjustments for the 2025 operating budget required to finalize the tax increase and establish property tax rates in advance of the property tax bylaws. Administration will return with the 2025 property tax bylaws on April 30, 2025, which establishes the tax rates for 2025 based on the final municipal tax levy.

Recommended 2025-2026 Operating Budget Adjustments

Budget adjustments are itemized in Attachment 1 on an incremental basis and discussed below.

Changes to Economic Forecasts

The following adjustments have been incorporated into the proposed budget adjustment and reflect changes to corporate estimates or economic forecasts:

- On February 27, 2025, the Government of Alberta announced it would restore grants in place of taxes from 50 per cent up to 75 per cent in 2025, and up to 100 per cent in 2026. This results in an increase in revenue for the City on an ongoing basis by $8.6 million in 2025 and another $8.2 million in 2026. As directed by Council motion on October 4, 2024, this amount will be used to reduce the tax levy requirement for these years, thereby reducing the tax levy increase that was approved in the Fall 2024 SOBA.
- Assessment growth for 2025 resulted in ongoing tax revenue of $7.4 million higher than the budget approved by Council in December 2024. Each year, new construction, property up-zoning, subdivisions and exemption changes affect the value of properties. These changes in value are termed “real growth” or “assessment growth” and are distinct from market value changes. Market value change between properties results from market forces (supply and demand). Assessment growth occurs when property changes physically (e.g., new construction, dividing one parcel into two parcels) or legally (e.g., tax exemption status, effective zoning). Assessment growth increases City tax revenues.
- The Planning and Development Business Model related revenue budget is being adjusted to reflect current forecasts for development activity, resulting in an ongoing increase of $9.1 million in 2025 and decrease by $2.1 million in 2026. The difference between increased revenues and costs to support service delivery is adjusted through the Transfer to/from the Planning and Development Reserve, so there is no impact on the tax levy for this adjustment.

External Factors/Changes to Legislation

The following adjustment is a result of external factors or changes in legislation. It is reflected under Corporate Expenditures and Revenues:

- In December 2024, the Government of Alberta announced changes to the Automated Traffic Enforcement Guideline that significantly reduce the City’s ability to support road safety through mobile automated enforcement and intersection safety devices. While the City is most concerned with the safety impacts, these changes are forecasted to result in a $12.8 million reduction in revenue in 2025 based on current information available. These revenue reductions result in a lower transfer to the Traffic Safety and Automated Enforcement Reserve (TSAER). Program operating budget reductions are planned for the 2025 Fall Supplemental Operating Budget Adjustment (SOBA), with an estimated reduction of approximately $12 million over 2025-2026. With these adjustments, the TSAER balance is expected to remain positive and above the minimum required threshold for 2025 and 2026.

- A change in the Affordable Housing Tax Grant Program as a result of the new ministerial order (Bill 20) will automatically exempt eligible housing providers' properties from both the provincial and municipal property taxes. Most of the properties that were approved through the Affordable Housing Tax Grant Program will be part of the exemption list from the Province. As a result, less grant funding is required, resulting in $4.5 million in savings from the existing grant program in 2025, and another $1.0 million decrease 2026. By the end of 2026, $1.0 million in ongoing funding will remain in the Affordable Housing Tax Grant Program.

<u>Operating Impacts of Capital</u>

Adjustments to the operating budget are necessary due to changes in capital projects, primarily timing shifts. Savings from these schedule changes are one-time and are transferred to Pay-As-You-Go to be reinvested into capital projects through future supplemental capital budget adjustments.

- Net tax-supported debt servicing costs are decreasing on a multi-year basis by $12.1 million in 2025 and an additional $5.2 million in 2026 due to revised project cash flows. These amounts do not represent a decrease in debt servicing required, but a shift in the timing of the debt servicing. As debt servicing reflects funding approved to support capital, the variance in tax-supported debt servicing costs that results from the delay in borrowing will be transferred to Pay-As-You-Go from 2025 to 2026, resulting in a one-time increased transfer to Pay-As-You-Go of $29.4 million over 2025-2026.
- Originally approved for Cumberland and since relocated, the Wellington/Athlone Fire Station and the Walker Fire Station have both experienced delays in design, shifting the anticipated opening to 2027, resulting in one-time operating cost savings in 2026 of $5.0 million for Wellington/Athlone Fire Station and $2.4 million for Walker Fire Station. The savings generated by shifts in project schedules are one-time savings due to changes in timing, and not ongoing decreases in expenses. As such, operating savings resulting from capital project timing are recommended to be transferred to capital through one-time increases to Pay-As-You-Go.
- Coronation Sports Park finished construction early, in 2025 instead of 2026, resulting in the requirement of $1.5 million in one-time costs for the operating expenses in 2025. These costs will be funded by the savings in debt servicing as discussed above. Updated revenue and expense forecasts result in $0.2 million less in tax levy funding than originally budgeted. This amount will be transferred to Financial Strategies to address emerging risks.

Overall, there are no tax levy implications for operating impacts of capital, as one-time savings are transferred back to capital. The total increase to Pay-As-You-Go for 2025-2026 resulting from the adjustments above is $35.5 million.

Administrative Adjustments Requiring Council Approval

The following administrative budget adjustments require Council approval. Although administrative adjustments impact the overall revenue and expenditure budgets, they do not change the net amount required from tax revenue or the annual tax rate increase.

- The federal government's Housing Accelerator Fund (HAF) aims to address the severe shortage of homes reducing availability and affordability of Housing in Canada. HAF is administered through the Canada Mortgage and Housing Corporation. The City of Edmonton was originally awarded $175.2 million in funding through HAF. This will be used for operating and capital costs of 11 HAF Action Plan initiatives to implement transformational changes that will incentivize 5,236 new units of housing over and above what would typically be expected between fall 2023 and fall 2026. An additional $17.5 million has been awarded to the City over 2025-2027, or $5.8 million each year, to fund expenses for a target of 501 additional housing units. This additional funding increases the total HAF funding to $192.7 million.
- A one-time correction for CRL baseline adjustments results in $3.6 million ongoing revenues added to the municipal tax revenues. This amount will be transferred to Financial Strategies to address risk. The system corrections were completed in 2024, and this adjustment is to align the budget.

Other Adjustments (for information)

These adjustments are presented for Council’s information; however, approval is not required as the Police Commission approves adjustments that have no impact to tax levy, per the Police Act.

- Edmonton Police Service (EPS) has received an increase of $0.6 million for the Municipal Policing Assistance Grant portion of the Police Support Grant. The funding increase is a result of Edmonton's population increase in 2023. The increase in grant revenue is fully offset by a corresponding $0.6 million increase in expenditures, resulting in no impact on the net requirement.
- EPS received a grant for $0.9 million over August 2024 through June 2027 to fund the Artificial Intelligence to Analyze Siloed and Diverse Record Formats in Real Time to Improve Public Safety Outcomes project. Annual grant payments are $0.1 million in 2024, $0.3 million in 2025, $0.3 million in 2026 and $0.2 million in 2027. Expenditures associated with approved initiatives include equipment and contracted resources; these will be offset by grant revenue with no impact on the net tax levy requirement over the grant term.
- Revenue adjustments are required to align with actual results, decreasing revenue for Traffic Safety Act Fines by $1.4 million and increasing revenue for Police Information Check by $0.8 million for an overall $0.6 million ongoing decrease to revenue. These adjustments are fully offset by corresponding expenditure reductions of $0.6 million, resulting in no impact on the net requirement.

Adjustments to Financial Strategies

The financial strategies budget provides flexibility for unknown amounts over the four-year budget cycle. Multi-year budgeting requires the City to make estimates for fuel, utilities, contractual agreements, inflationary pressures and interest rates in advance of amounts being known. The amount of funding for the financial strategies budget is based on a risk assessment of potential impacts to the City's operating budget and management estimates using the best available information at the timing of budgeting. The financial strategies budget provides a mechanism to manage fluctuation within the operating budget over the four-year cycle. Financial strategies funding is held within the Corporate Expenditure budget until the amounts are known, at which time funding is released to the appropriate program budget. Increases in financial strategies are the result of changes in estimates required to address inflationary pressures. The net impact is an increase of $16.4 million in 2025 and $1.4 million in 2026.

Community Revitalization Levy Adjustments

Community Revitalization Levy budgets have been adjusted based on updated assessment figures and revised forecasts, including changes to debt servicing. The details of the adjustments are included in Attachment 1.

2025 Tax Requirement and Education Tax Impact

The City collects the Education Property Tax on behalf of the Province, included in the bill that taxpayers receive. Municipal taxes and provincial taxes are listed separately, but there is one overall total to be paid. Municipal taxes reflect a 5.7 per cent increase for 2025 if the recommendations in this report are approved. The Government of Alberta's Education Property Tax requisition will result in an increase in provincial education taxes of 6.9 per cent for residential and 5.4 per cent for non-residential properties. The municipal and provincial education taxes will result in a combined tax increase of 6.0 per cent for residential properties and 5.7 per cent for non-residential properties, as shown in the table below:

	Municipal Tax Levy Increase (%)	**Education Property Tax Increase** (Decrease) (%)**	**Combined Tax Increase (%)**
Residential*	5.7%	6.9%	6.0%
Non-residential	5.7%	5.4%	5.7%

*Reflects a combined residential tax rate for Residential, Other Residential and Derelict properties.

**Includes the requisition allowance levy

The municipal contribution from the non-residential and residential sectors is 55.3 per cent and 44.7 per cent, respectively.

In years where the municipal tax increase is higher than the provincial tax increase Council could choose to raise municipal taxes such that the combined tax provincial and municipal tax increase equals the planned municipal increase, a process known as 'moving into the education tax room'.

There is currently no 'education tax room' available because the provincial education property tax increase is higher than the municipal tax levy increase.

Structural Budget Variances

Structural budget variances are recurring deficits or surpluses that can be attributed to an event or circumstance that fundamentally changes business operations. These include items such as inflation related to parts, materials and contractor work, lower than budgeted transit fare revenue and on-street construction and maintenance (OSCAM) permit fee revenues and increased overtime costs. Left unaddressed, recurring unfavourable budget variances can erode the financial sustainability of an organization, and reduce financial flexibility as seen with the diminishing balance of the Financial Stabilization Reserve.

Administration continues to monitor and implement action plans to address structural budget variances. The length of time to implement action plans and align actuals with budget will vary, with some implementation taking up to three years. Structural budget variances exceeding $1.5 million will be presented to Council as part of quarterly financial updates. A formal update of all structural budget variances will be provided as part of the Fall 2025 Supplemental Operating Budget Adjustment.

Tariffs

The discussion on tariffs between the Canadian and U.S. governments continues to evolve and is subject to change. At present, Administration has not modified operating or capital budgets to account for tariff impacts. Administration will continue to monitor tariff discussions between the United States and Canada, evaluate the tariff exposure on City contracts, and apply mitigation strategies to minimize the impacts as much as possible for contracts with significant exposures.

Throughout the remainder of 2025, Administration will monitor tariff impacts on the City’s budget. A more thorough update on capital construction contracts and the related tariff strategy will be presented through the Spring 2025 Supplementary Capital Budget Adjustment in June 2025. Increased costs will be managed as much as possible within current budgetary allocations and through available funds within Financial Strategies. If necessary, Administration will return to Council later in the year to discuss a budget strategy addressing tariff impacts on the City’s capital and operating budgets.

Community Insight

The October 31, 2022 Communications and Engagement report CE01489 Budget 2023-2026 Community Insights provided details on the extensive engagement Administration conducted on the 2023-26 Capital and Operating Budgets during the summer of 2022. The City engaged with the general public, organizations and community groups, and harder-to-reach communities, tailoring the engagement approach to each group. Themes that emerged included:

- Coming out of the pandemic, there is a need to focus on improving community safety.
- The cost of living is going up and Edmontonians are facing increased financial pressures.
- Transit safety and connectivity are important.
- Participants want to connect with each other and celebrate Edmonton.
- Long-term solutions to climate challenges are needed.
- Participants are concerned about the overlapping nature of federal, provincial and municipal responsibilities.

- An overall sentiment of empathy among participants, who expressed an understanding that some individuals may be impacted by service reductions or fee increases more than others, including vulnerable populations and those on low and fixed incomes.

GBA+

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

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. For example, would a proposed program impact single parents one way and seniors another way.

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. 2025-2026 Operating Budget Changes